



**MESA DEL SOL PUBLIC  
IMPROVEMENT DISTRICT 1**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

**TABLE OF CONTENTS**

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1**

<b>OFFICIAL ROSTER .....</b>	<b>1</b>
<b>REPORT OF INDEPENDENT AUDITORS.....</b>	<b>2</b>
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS.....</b>	<b>4</b>
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position .....	7
Statement of Activities .....	8
Balance Sheet - Governmental Fund .....	9
Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position .....	10
Statement of Revenues, Expenditures, and Change in Fund Balance - Governmental Fund .....	11
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Fund to the Statement of Activities .....	12
Budget to Actual Schedule (General Fund) .....	13
Notes to Financial Statements .....	14
<b>OTHER INFORMATION</b>	
Report on 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 <i>Government Auditing Standards</i> .....	19
Schedule of Finding and Response.....	21
Exit Conference .....	22

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1**

**Official Roster  
As of June 30, 2013**

**Board of Directors**

Rey Garduño	Chairman
Brent Dupes	Treasurer
Cilia Aglialoro	Member
Jacques Blair	Member
Jon Zaman	Member

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Mesa del Sol Public Improvement District 1  
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 the major fund and the budgetary comparison for the general fund of Mesa del Sol Public Improvement District 1 (the "District") as of and for the year ended June 30, 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.

### ***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.

To the Board of Directors  
Mesa del Sol Tax Increment Development District 1  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of June 30, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matters***

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 4 through 6 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 October 25, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 25, 2013

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2013**

As management of the Mesa del Sol Public Improvement District 1 (the "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, 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-2008-045 adopted on March 3, 2008 (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 2013 as follows:

- In the Statement of Position, the District's total net position as of June 30, 2013 amounted to \$365,014.
- In the Statement of Activities, the Special Levy revenue and general government expenses amounted to \$382,327 and \$17,313, 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.

The statement of activities presents information showing how the District's net position changed during the fiscal year 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.

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2013**

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 such as assessment of special levy and payment of administrative expenses. In the future, the District will 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 Master 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 10 and 12, 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 14 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 assets exceeded liabilities by \$365,014 as of June 30, 2013.

The District was formed, and may reimburse the developer, for the design and construction of infrastructure (consisting of streets, drainage, landscaping, water and wastewater improvements and related improvements), portions of trunk infrastructure (consistent of Phases I and II of University Boulevard and Phases I and II of Mesa del Sol Boulevard, water and wastewater improvements and drainage), portions of other trunk infrastructure (water supply facilities, elevated storage, underground storage, water pump station, sanitary sewer pump station, reservoir, storm detention ponds, parks, and infrastructure improvements related to the foregoing), police, fire and safety facilities, community centers and other public facilities serving the District.

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2013**

The following table presents the condensed net position at June 30, 2013:

Current Assets	\$ 374,644
Current Liabilities	<u>9,630</u>
Net Position - Unrestricted	<u>\$ 365,014</u>

**Change in net position.** The following table presents a summary of the change in net position for fiscal year ended June 30, 2013:

<b>Expenses</b>	
General government	\$ (17,313)
<b>Total expenses</b>	<u>(17,313)</u>
 <b>General Revenues</b>	
Special Levy	<u>382,327</u>
	<u>382,327</u>
 Change in net position	 <u>\$ 365,014</u>

**Financial Analysis of the Governmental Fund**

The District's revenues in the governmental funds amounted to \$377,932, while expenditures amounted to \$17,225. The major expenditures of the District are administrative expenses.

**General Fund Budgetary Highlights**

The District adopts an annual budget, which projects the expected expenditures (based on administrative expenses, debt service payments, and construction reimbursement estimated) and the estimated special levy for each year. There were no changes in the original budget for the fiscal year 2013.

**Capital Assets and Debt Administration**

The District owns no significant capital assets at June 30, 2013. It is anticipated that the District will not, in the future, own any capital assets. The capital improvements that are to be financed by the District are all to be dedicated to the City. It is anticipated that all dedications will be done by the developer directly to the City, on behalf of the District.

**Requests for Information**

This narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 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 Mesa del Sol Public Improvement District 1, Brent Dupes, One Civic Plaza NW, P.O. Box 1293, Albuquerque, NM 87103.



**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 165,310
Interest in State Treasurer Local Government Investment Pool	200,000
Special levy receivable	<u>9,334</u>
<b>Total assets</b>	<u>374,644</u>
<b>LIABILITIES</b>	
Accrued expenses - professional services	<u>9,630</u>
<b>Total liabilities</b>	<u>9,630</u>
<b>NET POSITION</b>	
Unrestricted	<u>\$ 365,014</u>

*See Notes to Financial Statements.*

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1**  
**STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2013**

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
General government	17,313	(17,313)
<b>Total expenses</b>	<u>\$ 17,313</u>	<u>(17,313)</u>
General Revenues		
Special levy		382,327
Interest income		-
		<u>382,327</u>
Change in net position		365,014
Net position, beginning		<u>-</u>
<b>Net position, ending</b>		<u>\$ 365,014</u>

*See Notes to Financial Statements.*

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1  
BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2013**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 165,310
Interest in State Treasurer Local Government Investment Pool	200,000
Special levy receivable	9,334
	<u>\$ 374,644</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
Liabilities	
Accrued expenses	\$ 9,630
<b>Total liabilities</b>	<u>9,630</u>
Deferred inflows of resources	
Special levy receivable not yet available	4,307
<b>Total deferred inflows of resources</b>	<u>4,307</u>
Fund balance	
Restricted	-
Unassigned	360,707
<b>Total fund balance</b>	<u>360,707</u>
<b>Total liabilities, deferred inflows of resources and         fund balance</b>	<u>\$ 374,644</u>

*See Notes to Financial Statements.*

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL**  
**FUND TO THE STATEMENT OF NET POSITION**  
**Year ended June 30, 2013**

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

---

Fund balance - total governmental fund	\$	360,707
--	----	---------

Amounts reported for governmental activities in  
 the Statement of Net Position are different  
 because:

A portion of receivables reported in the  
 Statement of Net Position is not currently  
 available in the fund

<u>4,307</u>
--------------

<b>Net position of governmental activities</b>	<b>\$</b>	<b><u><u>365,014</u></u></b>
--	-----------	------------------------------

*See Notes to Financial Statements.*

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE**  
**IN FUND BALANCE - GOVERNMENTAL FUND**  
Year ended June 30, 2013

	<u>General Fund</u>
<b>Revenues</b>	
Special levy	\$ 377,932
	<u>377,932</u>
<b>Expenditures</b>	
General government	17,225
<b>Total expenditures</b>	<u>17,225</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>360,707</u>
<b>Other financing sources (uses)</b>	
Transfer in	-
Transfer out	-
<b>Total</b>	<u>-</u>
<b>Net change in fund balance</b>	360,707
Fund balance, beginning	<u>-</u>
<b>Fund balance, ending</b>	<u><u>\$ 360,707</u></u>

*See Notes to Financial Statements.*

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1  
RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGE IN FUND BALANCE  
OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2013**

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

---

Net change in fund balance - total governmental fund	\$	360,707
--	----	---------

Amounts reported for governmental activities in the Statement  
of Activities are different because:

Proceeds from bond issuance are not reported as income in the Statements of Activities	-
---	---

The repayment of short-term debt consumes the current financial resources of the governmental funds. This has no effect on the net position.	-
--	---

Special levy taxes that are not recognized in the fund balance	<u>4,307</u>
---	--------------

Change in net position of governmental activities	<u>\$</u>	<u>365,014</u>
---	-----------	----------------

*See Notes to Financial Statements.*

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1**  
**BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)**  
**Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<b>Revenues</b>				
Special levy	\$ 382,327	382,327	377,932	(4,395)
<b>Total revenues</b>	<u>382,327</u>	<u>382,327</u>	<u>377,932</u>	<u>(4,395)</u>
<b>Expenditures</b>				
General government	50,000	50,000	17,225	32,775
<b>Total expenditures</b>	<u>50,000</u>	<u>50,000</u>	<u>17,225</u>	<u>32,775</u>
<b>Other Financing Sources (Uses)</b>				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	332,327	332,327	360,707	28,380
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<u>\$ 332,327</u>	<u>332,327</u>	<u>360,707</u>	<u>28,380</u>

See Notes to Financial Statements.

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1. REPORTING ENTITY**

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-2008-045 adopted on March 3, 2008 (the "Formation Resolution").

The purpose of the District, pursuant to the resolution of the City of Albuquerque (the "City") that formed the District, is to provide financing of the infrastructure improvements set forth in the Master Development Plan that was approved by the City and as required pursuant to the Act and the Master Development Agreement among the District, the City and the developer, Mesa del Sol, LLC.

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 five 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, three of the other directors served six-year terms. Upon the expiration of the initial terms of these directors, these five directors serve six-year terms. 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 Standard 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 taxes.

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 taxes assessed.



**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 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's General Fund is the only major fund for the fiscal year 2013. The 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.

There were no other funds created during fiscal year 2013.

**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 the special levy tax 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. 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's policy to use restricted first, then unrestricted as they are needed.

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**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, 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.

**Special Levy**

The District imposes a Special Levy, which will secure the payment of Revenue Bonds to be issued by the District. No Revenue Bonds have been issued as of June 30, 2013.

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**

As there is only one governmental fund during the fiscal year, there were no transfers in from (out to) other governmental funds. If in the future, there are transfers between governmental funds, they will be recorded as other financing sources (uses).

**Fund Balance**

As of June 30, 2013, the fund balance of governmental fund is classified as unassigned (all other spendable amounts). The District has no fund balances that are classified as restricted, nonspendable, committed or assigned.

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**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.

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.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of June 30, 2013, the District's bank deposits of \$165,310 is fully covered by the FDIC insurance limit of \$250,000.

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4. INTEREST IN STATE TREASURER LOCAL GOVERNMENT INVESTMENT POOL**

The investments of the District consist of an interest in the New MexiGROW Local Government Investment Pool ("LGIP") managed by the New Mexico State Treasurer's Office ("STO"). The STO is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(O) and Sections 6-10-10(1)A and E NMSA 1978.

In general, state statutes require that all deposits held by STO be collateralized at a minimum level of 50 percent. Collateral pledged to secure these investments is monitored by the STO, and the STO issues separate financial statements that disclose the collateral pledged securities.

*Interest Rate Risk.* The State Investment Pool does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2013, the LGIP weighted average maturity was 59 days.

*Credit Risk.* The LGIP Pool is rated AAAM by Standard & Poor's.

For the additional GASB 40 disclosure information regarding funds held by the State Treasurer, the reader should refer to the separate audit report for the State Treasurer's Office as of and for the year ended June 30, 2013.

**NOTE 5. INSURANCE COVERAGE**

The District is exposed to various risk of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omission and natural disasters. The District is not insured through private carriers for liability, casualty and director and office liability.

**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  
Mesa del Sol Public Improvement District 1  
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 and the major fund, and budgetary comparison of the general fund of Mesa del Sol Public Improvement District 1 (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Mesa del Sol Public Improvement District's basic financial statements, and have issued our report thereon dated October 25, 2013.

**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 District's internal control.

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

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

To the Board of Directors  
Mesa del Sol Public Improvement District 1  
and  
Mr. Hector Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

### **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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of finding and response as item 13-01.

### **District's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of finding and response. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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  
October 25, 2013

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1  
SCHEDULE OF FINDING AND RESPONSE  
YEAR ENDED JUNE 30, 2013**

**13-01: Late Submission of IPA Recommendation Form and Audit Contract, Compliance and Other Matters**

CONDITION

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

CRITERIA

2.2.2.8(G)(6)(c) NMAC Audit Rule 2013 requires that signed IPA Recommendation Form for Audits and the completed audit contract be submitted to the State Auditor's Office by May 15, 2013.

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 2013.

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

This is the initial year the District underwent an audit and as such management was not aware of the requirement to submit the IPA Recommendation Form and Audit Contract on a certain date. In the future, we will ensure that these forms be submitted to the State Auditor's Office before the deadline. We submitted our annual financial report as of and for the year ended June 30, 2013 to the State Auditor's Office in October 2013, prior to the deadline of December 1, 2013.

**MESA DEL SOL PUBLIC IMPROVEMENT DISTRICT 1  
EXIT CONFERENCE  
YEAR ENDED JUNE 30, 2013**

An exit conference was held on October 22, 2013. Attending were the following:

Representing Mesa Del Sol Public Improvement District 1:

Brent Dupes, Treasurer

Representing Moss Adams LLP:

Jaime Rumbaoa, CPA, Senior Manager

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