



**VOLTERRA PUBLIC
IMPROVEMENT DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2016

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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VOLTERRA PUBLIC IMPROVEMENT DISTRICT

**Official Roster
As of June 30, 2016**

Board of Directors

Michael Riordan	Chairman
Pamela Fanelli	Vice Chairman
Scott Grady	Clerk
Heather Foote	Treasurer
Jon Zaman	Member

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Volterra 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 Volterra Public Improvement District (the "District") as of and for the year ended June 30, 2016, 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, 2016, 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 entity'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
Volterra Public Improvement District
and Mr. Tim Keller
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, each major fund, and the respective budgetary comparison for the general fund of Volterra Public Improvement District as of June 30, 2016, 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 financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons for capital project fund and major debt service funds for the year then ended June 30, 2016 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 discussion and analysis on pages 5 through 8 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2016 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
October 19, 2016

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2016**

As management of the Volterra Public Improvement District (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, 2016. 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-2009-121 adopted on August 28, 2009 (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 2016 as follows:

- In the Statement of Position, the District's total net position as of June 30, 2016 amounted to a deficit of \$7,266,717.
- In the Statement of Activities, the special levy revenue and general government expenses amounted to \$856,666 and \$74,463, respectively.
- In the Statements of Activities, the District incurred \$601,586 in interest expense.

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.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2016**

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 construct certain infrastructure improvements.

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 12 and 14, 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 16 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 by \$7,266,717 as of June 30, 2016.

The purpose of the District is to provide for improvements such as on-site street improvement, construction and improvements to the Juan Tabo Bridge, including associated storm drain improvement and major trunk storm sewer lines. It should be noted that the resources needed to repay this debt must be provided from other sources such as the special levy revenue collected from property owners within the District to liquidate liabilities.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2016**

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

	<u>2016</u>		<u>2015</u>
Current assets	\$ 1,380,865	\$	1,318,375
Total assets	<u>1,380,865</u>		<u>1,318,375</u>
Current liabilities	287,914		172,793
Long-term obligations outstanding	8,359,668		8,594,022
Total liabilities	<u>8,647,582</u>		<u>8,766,815</u>
Net position - unrestricted (deficit)	\$ (7,266,717)	\$	<u>(7,448,440)</u>

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

- The District assessed Special Levy in fiscal year 2016 of \$856,666.
- The District incurred general government expenditures in fiscal year 2016 of \$74,463.

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

	<u>2016</u>		<u>2015</u>
Expenses			
Interest expense	\$ (601,586)	\$	(606,760)
General government	(74,463)		(99,271)
Total expenses	<u>(676,049)</u>		<u>(706,031)</u>
General Revenues			
Special levy	856,666		889,190
Interest income	1,106		107
Total revenues	<u>857,772</u>		<u>889,297</u>
Changes in net position	\$ 181,723	\$	<u>183,266</u>

Financial Analysis of the Governmental Fund

The District's revenues in the governmental funds amounted to \$858,904 while expenditures amounted to \$792,451. The major expenditures of the District are debt service payments and administrative expenses. The general fund has unassigned fund balance of \$637,513, representing 856% of the total expenditures of the general fund during the fiscal year.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2016**

General Fund Budgetary Highlights

The District adopts an annual budget, which projects the expected expenditures (based on debt service requirement, administrative expenses and estimated delinquency) and interest income from funds, to determine the amount of special levy for each year. There were no changes in the original budget for the fiscal year 2016.

Capital Assets and Debt Administration

The District owns no significant capital assets as the constructed assets were dedicated to the City of Albuquerque.

Pursuant to Resolution No. 2013-03 adopted on January 17, 2014, the District issued its \$8,745,000 Special Levy Revenue Bonds, Series 2014 (Bonds) on March 13, 2014. Under the Indenture dated March 1, 2014, 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 for the District in Resolution No. 2009-121 adopted on August 28, 2009.

The outstanding debt at June 30, 2016 is \$8,625,000. The next principal payment of \$125,000 was made on October 1, 2016.

Requests for Information

This narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2016 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 Chairman of the Volterra Public Improvement District, c/o Michael Riordan, Department of Municipal Development, City of Albuquerque, P. O. Box 1293, Albuquerque, New Mexico 87103.

VOLTERRA PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,373,248
Special levy receivable	7,617
Total assets	<u>1,380,865</u>
LIABILITIES	
Accrued expenses - professional services	19,603
Interest payable	148,634
Revenue bonds payable, net	
Due within one year	119,677
Due in more than one year	8,359,668
Total liabilities	<u>8,647,582</u>
NET POSITION	
Unrestricted (deficit)	(7,266,717)
Total net position	<u>\$ (7,266,717)</u>

See Notes to Financial Statements.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Interest expense	\$ 601,586	\$ (601,586)
General government	74,463	(74,463)
Total expenses	<u>\$ 676,049</u>	<u>(676,049)</u>
General Revenues		
Special levy		856,666
Interest income		1,106
		<u>857,772</u>
Change in net position		181,723
Net position, beginning		<u>(7,448,440)</u>
Net position, ending		<u>\$ (7,266,717)</u>

See Notes to Financial Statements.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	<u>General Fund</u>	<u>Project Fund</u>	<u>Bond Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 651,042	56	30	722,120	1,373,248
Special levy receivable	7,617	-	-	-	7,617
	<u>\$ 658,659</u>	<u>56</u>	<u>30</u>	<u>722,120</u>	<u>1,380,865</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accrued expenses	\$ 19,603	-	-	-	19,603
Total liabilities	<u>19,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,603</u>
Deferred inflows of resources					
Special levy receivable not yet available	1,543	-	-	-	1,543
Total deferred inflows of resources	<u>1,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,543</u>
Fund balances					
Restricted	-	56	30	722,120	722,206
Unassigned	637,513	-	-	-	637,513
Total fund balances	<u>637,513</u>	<u>56</u>	<u>30</u>	<u>722,120</u>	<u>1,359,719</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 658,659</u>	<u>56</u>	<u>30</u>	<u>722,120</u>	<u>1,380,865</u>

See Notes to Financial Statements.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
Year Ended June 30, 2016**

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

Fund balance - total governmental funds	\$ 1,359,719
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p style="padding-left: 40px;">Long-term obligations for revenue bonds are not due and payable in the current period, and therefore, not reported in the governmental funds</p>	(8,479,345)
<p style="padding-left: 40px;">Interest payable on long-term debt is not accrued in the governmental funds, but rather is recognized as expenditure when due</p>	(148,634)
<p style="padding-left: 40px;">A portion of receivables reported in the Statement of Net Position is not currently available in the funds</p>	<u>1,543</u>
Net position of governmental activities	<u><u>\$ (7,266,717)</u></u>

See Notes to Financial Statements.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2016**

	General Fund	Project Fund	Bond Fund	Reserve Fund	Total
Revenues					
Special levy	\$ 857,798	-	-	-	857,798
Interest income	357	-	33	716	1,106
Total revenues	<u>858,155</u>	<u>-</u>	<u>33</u>	<u>716</u>	<u>858,904</u>
Expenditures					
General government	74,463	-	-	-	74,463
Debt service:					
Principal	-	-	120,000	-	120,000
Interest expense	-	-	597,988	-	597,988
Total expenditures	<u>74,463</u>	<u>-</u>	<u>717,988</u>	<u>-</u>	<u>792,451</u>
Excess (deficiency) of revenues over (under) expenditures	<u>783,692</u>	<u>-</u>	<u>(717,955)</u>	<u>716</u>	<u>66,453</u>
Other financing sources (uses)					
Transfer in	-	-	717,984	-	717,984
Transfer out	(717,884)	-	-	(100)	(717,984)
Total	<u>(717,884)</u>	<u>-</u>	<u>717,984</u>	<u>(100)</u>	<u>-</u>
Net change in fund balance	65,808	-	29	616	66,453
Fund balance, beginning	571,705	56	1	721,504	1,293,266
Fund balance, ending	<u>\$ 637,513</u>	<u>56</u>	<u>30</u>	<u>722,120</u>	<u>1,359,719</u>

See Notes to Financial Statements.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Net changes in fund balances - total governmental funds	\$	66,453
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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</p>		120,000
<p>Government funds report the effect of the discount and the related current year amortization, whereas the amount is deferred and amortized in the Statement of Net Position</p>		(5,323)
<p>Governmental funds report interest expense when the amount is paid, whereas the Statement of Activities reports interest on accrual basis</p>		1,725
<p>Special levy taxes that are not recognized in the fund balance</p>		<u>(1,132)</u>
Change in net position of governmental activities	\$	<u><u>181,723</u></u>

See Notes to Financial Statements.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)
 Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Special levy	\$ 856,666	856,666	857,798	1,132
Interest income	-	-	357	357
Total revenues	<u>856,666</u>	<u>856,666</u>	<u>858,155</u>	<u>1,489</u>
Expenditures				
Current:				
General government	137,128	137,128	74,463	62,665
Total expenditures	<u>137,128</u>	<u>137,128</u>	<u>74,463</u>	<u>62,665</u>
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	(717,884)	(717,884)
Total	<u>-</u>	<u>-</u>	<u>(717,884)</u>	<u>(717,884)</u>
Net change in fund balance	719,538	719,538	65,808	(653,730)
Fund balance, beginning	<u>571,705</u>	<u>571,705</u>	<u>571,705</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,291,243</u>	<u>1,291,243</u>	<u>637,513</u>	<u>(653,730)</u>

See Notes to Financial Statements.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1. REPORTING ENTITY

Volterra Public Improvement District (the "District") is a political subdivision of the 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 (the "City") Enactment No. 0-2003-12 and City Resolution Enactment No. R 2009-121 adopted on August 28, 2009.

The District was created to fund public infrastructure improvements (the "Volterra Project"), which encompasses approximately 340 acres of land located wholly within the corporate boundaries of the City. The Volterra Project includes improvement of the Juan Tabo Bridge, including associated storm drain improvement and major trunk storm sewer lines.

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 three directors. The District Board has control over and management supervision of all affairs of the District. Directors serve six-year terms.

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 a 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 a Special Levy on real property covered by the District and interest income from the investment of funds.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 Funds

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:

- a. Bond Fund – used to account for the payment of principal and interest related to the bonds obligation.
- b. 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 the Special Levy on property is recognized in the fiscal year during which the assessments are levied.

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 policy to use restricted first, then unrestricted resources as they are needed.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016, 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 Government-wide financial statements. Payments of principal and interest are reported as expenditures in the fund financial statements.

Bond discount is deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond discount.

In the governmental fund financial statements, bond discounts 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.

Special Levy

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

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.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The New Mexico State Legislature, pursuant to Section 7-37-5.4, NMSA 1978, enacted a law providing an exemption from the imposition of special levies in Public Improvement Districts for the principal place of residence for a disabled veteran, as defined in the legislation. The law extends the exemption to surviving spouses provided (1) the spouse and the disabled veteran were married at the time of the disabled veteran's death, (2) the surviving spouse continues to occupy the property continuously after the disabled veteran's death as the spouse's principal place of residence and (3) the surviving spouse has remained unmarried since the time of the disabled veteran's death.

The District determined that a total of 25 lots were subject to this exemption for fiscal year 2016 and the District did not seek to collect the Special Levy on those properties. This resulted in a \$32,524 reduction in the Special Levy that could be collected from property within the District. The District took such reduction into account in determining its fiscal year 2016 Special Levy requirement. The fiscal year 2016 Special Levy due on the regular property tax bills, together with the available account balances, was sufficient to cover the scheduled debt service payments due on the Bonds and the District administrative expenses. The District has no definitive information on the number of residences in the District that could in the future become subject to such exemption.

Transfers

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

Fund Balance

As of June 30, 2016, the fund balances of the governmental funds are classified as follows:

Restricted – amounts than 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 government. The restricted fund balances at June 30, 2016 relate to debt service as imposed by creditors.

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.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

NOTE 3. DEPOSITS AND INVESTMENTS

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 Authority 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 and investments held by the District include cash on deposit with financial institutions. 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, 2016 consist of the following:

Held in trust by Bank of Albuquerque in U.S. Treasury Fund	<u>\$ 1,373,248</u>
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NOTE 4. REVENUE BONDS

On March 13, 2014, the District issued Revenue Bonds with a par value of \$8,745,000 for \$8,587,590 or a discount of \$157,410. The proceeds from issuance were primarily used in the construction of the Volterra 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 from District Special Levy.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4. REVENUE BONDS (CONTINUED)

The Indenture of Trust and Security Agreement (Bond Indenture) dated March 1, 2014 with Bank of Albuquerque (as Trustee) contains special mandatory and optional redemption. The special mandatory redemption, triggers when: (a) on or after the completion of the project, moneys 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 for principal maturing after October 1, 2024. 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, 2016.

The Revenue Bonds bear annual interest ranging from 5.75% to 7.25%, with final maturity on October 1, 2043.

The following are the changes for Revenue Bonds during the year:

	July 1	Increases	Decreases	June 30
Special Levy Revenue Bonds	\$ 8,745,000	-	(120,000)	8,625,000
Unamortized bond discount	(150,978)	-	5,323	(145,655)
	<u>\$ 8,594,022</u>	<u>-</u>	<u>(114,677)</u>	<u>8,479,345</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>
2017	\$ 125,000	590,944	715,944
2018	130,000	583,613	713,613
2019	140,000	575,850	715,850
2020	145,000	567,656	712,656
2021	155,000	559,031	714,031
2022 – 2026	900,000	2,645,400	3,545,400
2027 – 2031	1,220,000	2,298,875	3,518,875
2032 – 2036	1,660,000	1,813,662	3,473,662
2037 – 2041	2,320,000	1,106,713	3,426,713
2042 – 2044	1,830,000	204,812	2,034,812
	<u>\$ 8,625,000</u>	<u>10,946,556</u>	<u>19,571,556</u>

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

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5. DEFICIT NET POSITION

The total net position balance is a deficit of \$7,266,717 at June 30, 2016. 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 assessments.

NOTE 6. INTERFUND TRANSFERS

The following transfers were made for the year ended June 30, 2016 to fund the debt service requirements:

	<u>Transfer In</u> Bond Fund
<u>Transfer Out</u>	
General Fund	\$ 717,884
Reserve Fund	100
	<u>\$ 717,984</u>

NOTE 7. 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.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (PROJECT FUND)
 Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special levy	\$ -	-	-	-
Interest income	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Current:				
Public works - construction		-	-	-
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfer in				-
Transfer out	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	<u>56</u>	<u>56</u>	<u>56</u>	-
Fund balance, ending	<u>\$ 56</u>	<u>56</u>	<u>56</u>	<u>-</u>

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
BUDGET TO ACTUAL SCHEDULE (BOND FUND)
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special Levy	\$ -	-	-	-
Interest income	-	-	33	33
Total revenues	<u>-</u>	<u>-</u>	<u>33</u>	<u>33</u>
Expenditures				
Debt Service:				
Principal	120,000	120,000	120,000	-
Interest expense	597,988	597,988	597,988	-
Total expenditures	<u>717,988</u>	<u>717,988</u>	<u>717,988</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfer in	-	-	717,984	717,984
Transfer out	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>717,984</u>	<u>717,984</u>
Net change in fund balance	(717,988)	(717,988)	29	718,017
Fund balance, beginning	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
Fund balance, ending	<u>\$ (717,987)</u>	<u>(717,987)</u>	<u>30</u>	<u>718,017</u>

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (RESERVE FUND)
 Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest income	\$ -	-	716	716
Total revenues	<u>-</u>	<u>-</u>	<u>716</u>	<u>716</u>
Other Financing Sources (Uses)				
Transfer in	-	-		-
Transfer out	-	-	(100)	(100)
Total	<u>-</u>	<u>-</u>	<u>(100)</u>	<u>(100)</u>
Net change in fund balance	-	-	616	616
Fund balance, beginning	721,504	721,504	721,504	-
Fund balance, ending	<u>\$ 721,504</u>	<u>721,504</u>	<u>722,120</u>	<u>616</u>

**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
Volterra 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 Volterra Public Improvement District (the "District") as of and for the year ended June 30, 2016, 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 October 19, 2016.

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
Volterra 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 weakness 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 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 19, 2016

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF PRIOR YEAR'S AUDIT FINDING
JUNE 30, 2016**

No prior year findings.

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

No matters were reported.

Volterra Public Improvement District
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 2016
 Prepared by Agency Staff Name: Dee Brescia, Accountant Date: June 30, 2016

<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								

**VOLTERRA PUBLIC IMPROVEMENT DISTRICT
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2016**

An exit conference was held on October 19, 2016. Attending were the following:

Representing Volterra Public Improvement District:

Michael Riordan, Chairman
Luis Carrasco, Legal Counsel
Dee Brescia, Accountant

Representing Moss Adams LLP:

Jaime Rumbaoa, CPA, Senior Manager

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