



**MESA DEL SOL TAX INCREMENT
DEVELOPMENT DISTRICT 1**

FINANCIAL STATEMENTS

JUNE 30, 2009

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1

**Official Roster
As of June 30, 2009**

Board of Directors

Isaac Benton	Chairman
Sally Mayer	Vice Chairman
Jon K. Zaman	Treasurer
Ed Adams	Member
Michael Daly	Ex-Officio Member

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities and the major fund of Mesa del Sol Tax Increment Development District 1 (District) as of and for the year ended June 30, 2009 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of June 30, 2009 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2010, 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.

The management's discussion and analysis on pages 4 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mess Adams LLP

Albuquerque, New Mexico
December 29, 2010

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year Ended June 30, 2009**

As management of the Mesa del Sol Tax Increment Development District 1 (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 ended June 30, 2009.

The District is a political subdivision of State of New Mexico duly created and existing pursuant to Tax Increment for Development Act (Act), Sections 5-15-1 through 5-15-28, NMSA 1978 and City of Albuquerque Council Ordinance Enactment No. O-2006-036, Council Bill No. F/S O-06-44.

The purpose of the District, pursuant to the resolution of the City of Albuquerque that formed the District, is to provide financing of the infrastructure improvements set forth in the Tax Increment 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 of Albuquerque and the developer, Mesa del Sol, LLC.

Financial Highlights

The financial statements, which follow the Management's Discussion and Analysis, provide those significant key financial highlights for fiscal year ended June 30, 2009 as follows:

- In the Statement of Net Assets, the District's total net assets amounted to \$3,819,008.
- In the Statement of Activities, the District earned gross receipt tax increment of \$3,988,770, and incurred administration expenses of \$184,887.

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 comprise: 1) government-wide financial statement, 2) fund financial statements, and 3) notes to the financial statements.

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

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

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Year Ended June 30, 2009**

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported at the time 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 impact 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 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 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 immediately following the basic financial statements.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Year Ended June 30, 2009**

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a district’s financial position. The District’s assets exceeded liabilities by \$3,819,008.

The District may reimburse the Developer for trunk infrastructure (consisting of Phase I University Boulevard from the northern property line to the community center and Phase I Mesa del Sol Boulevard from the community center to central park and neighborhood connector roads) and portions of other trunk infrastructure (water supply facilities, elevated storage, underground storage, water pump station, sanitary sewer pump station, reservoir, storm detention ponds, parks, proportional City off-sites, and infrastructure improvements related to the foregoing), police, fire and public safety facilities, school facilities, community centers, libraries, and other public facilities.

The following table presents the condensed net assets for the fiscal year ended June 30, 2009:

Current assets	<u>\$ 3,862,096</u>
Current liabilities	<u>43,088</u>
Net Assets - unrestricted	<u><u>\$ 3,819,008</u></u>

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

- The District expended \$184,887 for administration expenses.
- Gross receipt tax increment earned of \$3,988,770.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Year Ended June 30, 2009**

Changes in net assets. The following table presents a summary of the changes in net assets for fiscal year ended June 30, 2009:

Expenses	
General Government	\$ (184,887)
Total expenses	<u>(184,887)</u>
General Revenues	
Gross receipt tax increment	3,988,770
Interest income	6,021
Dividend income	9,104
	<u>4,003,895</u>
Change in net assets	<u>\$ 3,819,008</u>

Financial Analysis of the Government's Funds

The District's revenues in the governmental funds amounted to \$3,842,873, while expenditures amounted to \$184,887. The District's main source of revenue for the fiscal year ended June 30, 2009 has been gross receipt tax increment. Various public entities have pledged gross receipts tax increment to the District. The City of Albuquerque dedicated 67% of its gross receipts tax increment. Bernalillo County dedicated all of the third one-eighth and all of the one-sixteenth county gross receipts tax increment. The New Mexico State Board of Finance, on behalf of the state of New Mexico, dedicated 75% of the state's portion of gross receipts tax increment. Given that prior to the formation of the District there was no significant commercial activity within the District, most all commercial activities currently attributable to the District have generated gross receipts tax increment. In addition to gross receipts tax increment, the city and county jurisdictions dedicated property tax increment. During the fiscal year ended June 30, 2009, the District received no property tax increment revenues. Property tax increment for that period has not yet been paid to the District and the District is in the process of working with the relevant parties, including the Bernalillo County Treasurer and Assessor to quantify the amount payable in relation to property tax increment.

Preliminary and Final Budgets

The District did not prepare either a preliminary budget or a final budget for the fiscal year ending June 30, 2009.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Year Ended June 30, 2009**

Capital Assets and Debt Administration

The District owns no significant capital assets at June 30, 2009. 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 TIDD are all to be dedicated to the City of Albuquerque. It is anticipated that most dedications will be done by the developer directly to the City of Albuquerque, on behalf of the District, provided, however, that it is possible for the developer to first dedicate the infrastructure to the District and the District would dedicate the infrastructure to the city, in which case the District would only momentarily hold title to the infrastructure.

At June 30, 2009, no bonds had been issued by the District. See page 20 for a description of the District's subsequent issuance of a bond.

Request for Information

This narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2009 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 Tax Increment Development District 1, Brent Dupes, One Civic Plaza NW, PO Box 1293, Albuquerque, NM 87103.

MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities
ASSETS	
Cash in bank	\$ 1,612,741
Interest in State Treasurer Local Government Investment Pool	2,088,333
Gross receipt tax increment receivable	<u>161,022</u>
Total assets	<u><u>3,862,096</u></u>
LIABILITIES	
Accrued expenses - professional services	<u>43,088</u>
Total liabilities	<u><u>43,088</u></u>
NET ASSETS	
Unrestricted	<u><u>\$ 3,819,008</u></u>

See Notes to Financial Statements.

MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

	Expenses	Governmental Activities
Expenses		
General government	184,887	(184,887)
Total expenses	<u>\$ 184,887</u>	<u>(184,887)</u>
General Revenues		
Gross receipt tax increment		\$ 3,988,770
Interest income		6,021
Dividend income		9,104
		<u>4,003,895</u>
Change in net assets		3,819,008
Net assets, beginning		<u>-</u>
Net assets, ending		<u>\$ 3,819,008</u>

See Notes to Financial Statements.

MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2009

	General Fund
ASSETS	
Cash in bank	\$ 1,612,741
Interest in State Treasurer Local Government Investment Pool	2,088,333
Gross receipt tax increment receivable	<u>161,022</u>
Total assets	<u><u>\$ 3,862,096</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accrued expenses	\$ 43,088
Deferred income	<u>161,022</u>
Total liabilities	<u>204,110</u>
Fund Balance	
Reserved for debt service	-
Unreserved fund balance	<u>3,657,986</u>
Total fund balance	<u>3,657,986</u>
Total liabilities and fund balance	<u><u>\$ 3,862,096</u></u>

See Notes to Financial Statements.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUND TO THE
STATEMENT OF NET ASSETS
June 30, 2009**

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

Fund balance - total governmental fund \$ 3,657,986

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

Receivables reported in the Statement of
Net Assets that are not currently
available in the fund financial statements 161,022

Net assets of governmental activities \$ 3,819,008

See Notes to Financial Statements.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended June 30, 2009**

	General Fund
Revenues	
Gross receipt tax increment	\$ 3,827,748
Interest income	6,021
Dividend income	9,104
Total revenues	<u>3,842,873</u>
Expenditures	
General government	<u>184,887</u>
Total expenditures	<u>184,887</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,657,986</u>
Other financing sources (uses)	
Transfer in	-
Transfer out	-
Total	<u>-</u>
Net change in fund balance	3,657,986
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u><u>\$ 3,657,986</u></u>

See Notes to Financial Statements.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009**

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

Net change in fund balance - total governmental fund	\$ 3,657,986
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p style="padding-left: 40px;">Gross receipt tax increment that is not recognized in the fund financial statements</p>	<u>161,022</u>
Change in net assets of governmental activities	<u><u>\$ 3,819,008</u></u>

See Notes to Financial Statements.

MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1. REPORTING ENTITY

Mesa del Sol Tax Increment Development District 1 (District) is political subdivision of State of New Mexico duly created and existing pursuant to Tax Increment for Development Act (Act), Sections 5-15-1 through 5-15-28, NMSA 1978 and City of Albuquerque (City) Council Ordinance Enactment No. O-2006-036, Council Bill No. F/S O-06-44.

The purpose of the District, pursuant to the resolution of the City of Albuquerque that formed the District, is to provide financing of the infrastructure improvements set forth in the Tax Increment 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 of Albuquerque and Mesa del Sol, LLC (Developer).

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 a tax increment development district serve four-year terms, two of the other directors of a tax increment development district serve 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.

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

District-Wide Statements

The Statement of Net Assets and Statement of Activities present financial information about reporting government as a whole. These statements include the financial activities of the overall District in its entirety. Eliminations have been made to minimize the double counting of internal transactions. District activities generally are financed through gross receipt tax increment and real property tax increment. In order for the District to issue property tax increment bonds, the District must submit the proposed issuance to a vote of the registered qualified electors, as provided in the Act.

MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Basis of Presentation (Continued)

District-Wide Statements (Continued)

The Statement of Activities presents 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 gross receipt tax increment, real property tax increment covered by the District, interest income and dividend income from the investment of funds.

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 2009. 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 that were created during the year.

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 gross receipt tax increment is recognized in the fiscal year for which the taxes are earned.

MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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. 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.

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, 2009, an allowance for uncollectible accounts was not considered necessary as all accounts are considered collectible.

Capital Assets

The District does not construct any capital assets. The District will reimburse the Developer for public infrastructure that has been dedicated to the City. Under the agreement with Developer, reimbursement is conditional upon the issuance of bond. The bond was issued subsequent to fiscal year 2009 as discussed in Note 6. As such, no liability is recorded at June 30, 2009.

Transfers

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

Fund Equity Reservations

In the fund financial statements, there are no funds that are available for appropriation or are legally restricted.

MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 District adopted a budget starting in fiscal year 2010. There was no budget passed for fiscal year 2009.

NOTE 3. CASH IN BANK

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.

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.

MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 3. CASH IN BANK (CONTINUED)

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, 2009, the District's deposits were exposed to custodial risk as follows:

Total deposits	\$ 1,612,741
FDIC insurance	<u>(250,000)</u>
Uninsured and uncollateralized	<u>\$ 1,362,741</u>

NOTE 4. INTEREST IN STATE TREASURER LOCAL GOVERNMENT INVESTMENT POOL

The investments of the District consist of an interest in the New Mexico Grow LGIP (LGIP Pool) 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. The weighted average maturity for LGIP at June 30, 2009 is 43 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 for the fiscal year ended June 30, 2009.

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.

MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 6. SUBSEQUENT EVENT

In October 2009, the District issued a Taxable Short-Term Revenue Bond, Series 2009A, with a face amount of \$3,600,000, bearing an interest rate of 5%. The bond was issued to reimburse the Developer for a portion of the cost of certain public infrastructure improvements. The bond was redeemed in October 2009. The bond was issued in an amount that corresponded to existing increment monies held by the District, so that upon completion of the issuance and redemption, the proceeds of the financing had partially reimbursed the Developer and the District had expended currently held increment that had been accumulated for the purposes of that reimbursement. This method of financing is in furtherance of the District's power to "borrow money within the limits of the Tax Increment for Development Act to fund the construction, operation and maintenance of public improvements until dedicated to the governing body" under NMSA 1978, §5-15-12(A)(14).

**Report 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 Tax Increment Development District 1
and
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities and each major fund of the Mesa del Sol Tax Increment Development District 1 (District), as of and for the year ended June 30, 2009 which collectively comprise the District's basic financial statements and have issued our report thereon dated December 29, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

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

financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiency in internal control over financial report as item 09-02. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 09-01, 09-03 and 09-04.

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

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

Mess Adams LLP

Albuquerque, New Mexico
December 29, 2010

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009**

09-01: Late Audit Report

CONDITION

The audit report for the year ending June 30, 2009 was not submitted by the deadline of December 1, 2009. These reports were submitted to the State Auditor's Office on January 6, 2011.

CRITERIA

2.2.2 NMAC, Audit Rule 2009, specifies the deadline for submission of audit reports. Section 2.2.2.9 A (1)(d) stipulates that District reports are due no later than December 1. Further, Section 2.2.2.9 A (2) requires that submission of a late audit report shall be reported as current year audit finding in the audit report.

CAUSE

As this fiscal year was the first in which the District was required to submit audit report and given that tax increment development districts are a new entity in New Mexico, the District was not aware that it is required to submit audit report with the State Auditor's Office.

EFFECT

The District is not in compliance with Section 2.2.2.9 A (1)(d) of the NMAC, Audit Rule 2009.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE

The District was unaware of the audit requirement and will ensure in the future that the audits are submitted to the State Auditor's Office by the due date, provided, however, that the District notes that the audit for the fiscal year 2010 is currently in process and is expected to be done in the upcoming months.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2009**

09-02: No General Ledger Maintained

CONDITION

The District did not maintain a general ledger for fiscal year June 30, 2009.

CRITERIA

Good internal controls include the completion of a general ledger to account for all transactions of the District.

CAUSE

The District used the monthly bank statements to track transactions, and given the limited sources and uses of District funds and the lack of employees, the District has not created accounting processes that include a general ledger.

EFFECT

There is an increased risk of improper expenditures being made and also that budget overages could occur.

RECOMMENDATION

We recommend that the District create a general ledger that will generate reports on a monthly basis in order to review the financial activity of the District including budget to actual statements.

MANAGEMENT'S RESPONSE

The District will evaluate creating a general ledger in the future.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2009**

09-03 Budget

CONDITION

The District did not prepare a budget for the year ended June 30, 2009.

CRITERIA

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

CAUSE

Budgets for administrative expenditures were not established as the District was not familiar with statutory budget requirements.

EFFECT

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

RECOMMENDATION

Overspending of the budget should be prevented and therefore the District needs to develop an annual operating budget each year. We recommend that all budget adjustments be approved prior to spending and budget to actual reviews be made on a timely basis.

MANAGEMENT'S RESPONSE

The District will implement procedures to ensure that expenditures are made within budgeted amounts. The District timely adopted a budget for fiscal years 2010 and 2011.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2009**

09-04: Uncollateralized Bank Deposits

CONDITION

The District's cash balances on deposit at Bank of America exceeded the FDIC limit by \$1,362,741 and were not collateralized by the bank.

CRITERIA

The Public Money statutes, 6-10-16 and 6-10-17 NMSA 1978 require the District's bank account be collateralized in an amount equal to one half of the public monies in excess of the FDIC insured amount. The Public Money statutes do not differentiate between "collected" and "uncollected" funds.

CAUSE

The District was unaware that it is required to collateralize its bank balances.

EFFECT

The District has cash on deposit at the bank that is at risk of loss in case of bank failure.

RECOMMENDATION

We recommend that the District coordinate with its bank to collateralize the District's accounts pursuant to the Public Money Statutes. If the bank fails to comply with the Public Money Statutes within the ten days provided by 6-10-17.1 NMSA 1978, the District should withdraw its fund from the bank within the next ten days.

MANAGEMENT'S RESPONSE

The District has initiated the process of causing the account to comply with any collateralization requirements.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
EXIT CONFERENCE
Year Ended June 30, 2009**

An exit conference was held on December 17, 2010. Attending were the following:

Representing Mesa del Sol Tax Increment Development District 1:

Brent Dupes
Matt Kim-Miller

Representing Moss Adams LLP:

Brandon Valentini, CPA, Partner
Jaime Rumbaoa, CPA, Manager

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