



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

FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014**

Board of Directors

Rey Garduño	Chairman
Gilbert Montaña	Member
Rebecca Jackson	Member
Ken Sanchez	Member
Dan Lewis	Member
Amy Brown	<i>Ex-officio</i> Member and Treasurer

REPORT OF INDEPENDENT AUDITORS

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

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 Tax Increment Development District 1 (the "District") as of and for the year ended June 30, 2014, 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the budgetary comparison for the general fund of the District as of June 30, 2014, 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 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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
November 7, 2014

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2014**

As management of the Mesa del Sol Tax Increment Development 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, 2014. 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 political subdivision of State of New Mexico duly created and existing pursuant to Tax Increment for Development Act (the "Act"), Sections 5-15-1 through 5-15-28 NMSA 1978, as amended, City of Albuquerque Council Ordinance Enactment No. O-2006-036, and City Ordinance Bill No. F/S O-06-44.

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 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 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 2014 as follows:

- In the Statement of Net Position, the District's total net position as of June 30, 2014 amounted to \$915,807.
- Issuance of Revenue Bond of \$800,000 in December 2013.
- In the Statement of Activities, the Gross receipts tax increment and property tax increment amounted to \$636,041 and \$182,544, respectively.
- In the Statement of Activities, the District expenses were \$865,729. The primary expenses of the District are reimbursement of construction expenditures to the Developer and administrative expenses.

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 TAX INCREMENT DEVELOPMENT DISTRICT 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2014**

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 11 and 13, respectively.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 15 of these financial statements.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a district's financial position. The District's assets exceeded liabilities by \$915,807 as of June 30, 2014.

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 (consisting 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 public safety facilities, community centers, libraries and other public facilities serving the District.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2014**

The following table presents the condensed net position as of June 30:

	<u>2014</u>		<u>2013</u>
Current Assets	\$ 1,010,114	\$	973,436
Current Liabilities	94,307		11,235
Net Position	\$ 915,807	\$	962,201

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

	<u>2014</u>		<u>2013</u>
Expenses			
Public works – construction	\$ (800,000)	\$	(1,800,000)
General government	(65,619)		(58,096)
Interest expense	(110)		(247)
Total expenses	<u>\$ (865,729)</u>		<u>(1,858,343)</u>
General Revenues			
Gross receipts tax increment	636,041		1,148,875
Property tax increment	182,544		
Interest income	71		321
Dividend income	679		1,422
	<u>819,335</u>		<u>1,150,618</u>
Changes in net position	<u>\$ (46,394)</u>	<u>\$</u>	<u>(707,725)</u>

Financial Analysis of the Government's Funds

The District's revenues in the governmental fund amounted to \$819,335, while expenditures amounted to \$1,665,729. The major expenditures of the District are construction expenditures, debt service payments, and administrative expenses. In fiscal year 2014, the District issued a revenue bond of \$800,000 to reimburse the Developer for the infrastructure projects.

The District's main source of revenue for the fiscal year ended June 30, 2014 was gross receipts 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 of 67% and 10%, respectively.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2014**

General Fund Budgetary Highlights

The District adopts an annual budget, which projects the expected expenditures (based on administrative expenses, debt service payments, and construction expenditure reimbursement) and the estimated gross receipts tax increment and property taxes for each year. There were no changes in the original budget for the fiscal year 2014.

Capital Assets and Debt Administration

The District owns no significant capital assets at June 30, 2014. 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.

In December 2013, the District issued a Taxable Short-Term Revenue Bond, Series 2013, with a face amount of \$800,000, bearing interest at a 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 December 2013.

Requests for Information

This narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2014 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, P.O. Box 1293, Albuquerque, NM 87103.

MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 279,234
Interest in State Treasurer Local Government Investment Pool	568,351
Property tax increment receivable	3,563
Gross receipts tax increment receivable	158,966
Total assets	<u>1,010,114</u>
LIABILITIES	
Accrued expenses	<u>94,307</u>
Total liabilities	<u>94,307</u>
NET POSITION	
Restricted	129
Unrestricted	915,678
Total net position	<u>\$ 915,807</u>

See Notes to Financial Statements.

MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
STATEMENT OF ACTIVITIES
Year ended June 30, 2014

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Public works - construction	\$ 800,000	\$ (800,000)
General government	65,619	(65,619)
Interest expense	110	(110)
Total expenses	<u>\$ 865,729</u>	<u>(865,729)</u>
General Revenues		
Gross receipts tax increment		636,041
Property tax increment		182,544
Interest income		71
Dividend income		679
		<u>819,335</u>
Change in net position		(46,394)
Net position, beginning		<u>962,201</u>
Net position, ending		<u>\$ 915,807</u>

See Notes to Financial Statements.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2014**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 279,234
Interest in State Treasurer Local Government Investment Pool	568,351
Property tax increment receivable	3,563
Gross receipts tax increment receivable	158,966
	<u>\$ 1,010,114</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accrued expenses	\$ 94,307
Total liabilities	<u>94,307</u>
Fund balance	
Restricted	129
Unassigned	915,678
	<u>915,807</u>
Total fund balance	<u>915,807</u>
Total liabilities and fund balance	<u>\$ 1,010,114</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 POSITION
Year ended June 30, 2014**

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

Fund balance - total governmental fund \$ 915,807

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.

-

Net position of governmental activities \$ 915,807

See Notes to Financial Statements.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE - GOVERNMENTAL FUND
Year ended June 30, 2014**

	<u>General Fund</u>
Revenues	
Gross receipts tax increment	\$ 636,041
Property tax increment	182,544
Interest income	71
Dividend income	679
Total revenues	<u>819,335</u>
Expenditures	
Current:	
Public works - construction	800,000
General government	65,619
Debt service:	
Interest expense	110
Principal	800,000
Total expenditures	<u>1,665,729</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(846,394)</u>
Other financing sources (uses)	
Proceeds from bond issuance	800,000
Transfer in	-
Transfer out	-
Total	<u>800,000</u>
Net change in fund balance	(46,394)
Fund balance, beginning	<u>962,201</u>
Fund balance, ending	<u><u>\$ 915,807</u></u>

See Notes to Financial Statements.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT 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, 2014**

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

Net change in fund balance - total governmental fund	\$ (46,394)
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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	(800,000)
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The repayment of short-term debt consumes the current financial resources of the governmental funds. This has no effect on the net position.	800,000
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Gross receipt taxes that are not recognized in the fund balance	-
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Change in net position of governmental activities	<u>\$ (46,394)</u>
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See Notes to Financial Statements.

MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues				
Gross receipts tax increment	\$ 1,250,000	1,250,000	636,041	(613,959)
Property tax increment	175,000	175,000	182,544	7,544
Interest income	-	-	71	71
Dividend income	-	-	679	679
Total revenues	1,425,000	1,425,000	819,335	(605,665)
Expenditures				
Current:				
Public works - construction	800,000	800,000	800,000	-
General government	95,000	95,000	65,619	29,381
Debt Service:				
Interest expense	-	-	110	(110)
Principal	800,000	800,000	800,000	-
Total expenditures	1,695,000	1,695,000	1,665,729	29,271
Other Financing Sources (Uses)				
Proceeds from bond issuance	800,000	800,000	800,000	-
Total	800,000	800,000	800,000	-
Net change in fund balance	530,000	530,000	(46,394)	(576,394)
Fund balance, beginning	962,201	962,201	962,201	-
Fund balance, ending	\$ 1,492,201	1,492,201	915,807	(576,394)

See Notes to Financial Statements.

MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. REPORTING ENTITY

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

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 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 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 voting member and one ex officio, a nonvoting member. The District Board has control over and management supervision of all affairs of the District. The five voting members composed of the City Councilor from District 6, President and Vice President of the City Council, City's Deputy Chief Administrative Officer, Secretary of Finance and Administration or his designee and a representative from the developer.

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 gross receipts and property taxes increment.

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 gross receipts and property taxes increment, as well as interest and dividend income from the investment of funds.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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 2014. 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 2014.

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, revenues from gross receipt and property taxes increment are 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 inflow 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 as they are needed.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014, 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.

Gross Receipts Tax Increment

The District's main source of revenue for the fiscal year ended June 30, 2014 has been gross receipts tax increment. Various public entities have pledged gross receipts tax increment to the District. The City dedicated 67% of its gross receipts tax increment. Bernalillo County ("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. The gross receipts tax increment is assessed on a monthly basis and distributed to the District in the same manner as distributions are made under the provisions of the State Tax Administration Act.

Property Tax Increment

In addition to gross receipts tax increment, the city and county jurisdictions dedicated property tax increment of 67% (of the operating mills) and 10%, respectively. Assessments of property taxes are made by Bernalillo County 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 District is in the process of working with the City and County in determining the property tax increment for the fiscal years prior to 2014. Since the amount can't be reliably determined and that collection is based on the appropriation by the City and County no amount was recognized for the property tax increment related to fiscal years prior to 2014.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014, the fund balance of the governmental funds is classified as follows:

Restricted – amounts to be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Unassigned – all other spendable amounts.

The District has no fund balances that are classified as nonspendable, committed or assigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgets

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

NOTE 3. DEPOSITS

The District is authorized under the provision of Chapter 6, Article 10, paragraph 10, NMSA 1978, annotated, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

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

MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. DEPOSITS (CONTINUED)

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 includes 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, 2014, the District deposits were exposed to custodial risk as follows:

Total deposits	\$ 279,234
FDIC insurance	<u>(250,000)</u>
Uninsured and uncollateralized	<u>\$ 29,234</u>

NOTE 4. INTEREST IN STATE TREASURER LOCAL GOVERNMENT INVESTMENT POOL

The investments of \$568,351 at June 30, 2014 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, 2014, 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 STO as of and for the year ended June 30, 2014.

MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5. REVENUE BOND

In December 2013, the District issued a Taxable Short-Term Revenue Bond, Series 2013, with a face amount of \$800,000, 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 December 2013.

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).

NOTE 6. 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 Tax Increment Development 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 Tax Increment Development District 1 (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Mesa del Sol Tax Increment Development District 1's basic financial statements, and have issued our report thereon dated November 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 Tax Increment Development 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 2014-001.

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
November 7, 2014

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
SCHEDULE OF FINDING AND RESPONSE
JUNE 30, 2014**

2014-001: Uncollateralized Bank Deposits, Compliance and Other Matters

CONDITION

The District's cash balances on deposit at Bank of America exceeded the FDIC limit by \$29,234 and were not collateralized by the bank.

CRITERIA

The Public Money statutes, 6-10-16 and 6-10-17 NMSA 1978 require the bank to collateralize the District's bank account 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
SCHEDULE OF PRIOR YEAR'S AUDIT FINDING
JUNE 30, 2014**

13-01	Late Submission of IPA Recommendation Form and Audit Contract, Compliance and Other Matters	Resolved
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**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2014**

An exit conference was held on November 5, 2014. Attending were the following:

Representing Mesa Del Sol Tax Increment Development 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.