

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

**Financial Statements**

**June 30, 2019**



**AXIOM**

*Certified Public Accountants  
and Business Advisors LLC*

# MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1

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

**Official Roster**

**As of June 30, 2019**

**Board of Directors**

Pat Davis	Chairman
Cynthia Borrego	Member
Ashley Leach	Member
Klarissa Pena	Member
Lawrence Rael	Member
Brent Dupes	Treasurer

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Mesa del Sol Tax Increment Development District 1  
and  
Mr. Brian S. Colón, Esq.  
New Mexico State Auditor  
Santa Fe, New Mexico

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2019, 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 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.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Mesa del Sol Tax Increment Development District 1 as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended 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 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 December 13, 2019 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.



Albuquerque, New Mexico  
December 13, 2019

# MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1

## Management's Discussion and Analysis

June 30, 2019

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, 2019. 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 Tax Increment for Development Act (the "Act"), Section 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 amount 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 2019 as follows:

- In the Statement of Position, the District's total net position amounted to \$1,989,271.
- In the Statement of Activities, gross receipts tax increment and property tax increment amounted to \$578,507 and \$211,066, respectively.
- In the Statements of Activities, the District incurred \$129,691 in general government expenses and \$3,000,000 in public works due to reimbursement of infrastructure costs to the Developer.

### 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.

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.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1**  
**Management's Discussion and Analysis**  
**June 30, 2019**

**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 \$1,989,271 as of June 30, 2019.

The District was formed, and may reimburse the Developer, for the design and constructions 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 residential, water and wastewater improvements, and drainage), portions of other trunk infrastructure (water supply facilities, elevated storage, underground storage, water pump station, sanitary sewer pump station, reservoir, storm detention ponds, parks, and infrastructure improvements related to the foregoing), police, fire and safety facilities, community centers, and other public facilities serving the District.

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

	<u>2019</u>	<u>2018</u>
Current assets	\$ 2,079,279	4,294,365
Current liabilities	<u>90,008</u>	<u>59,335</u>
Net position	<u>\$ 1,989,271</u>	<u>4,235,030</u>

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1**  
**Management's Discussion and Analysis**  
**June 30, 2019**

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

- Gross receipts tax increment decreased from \$740,196 in fiscal year 2018 to \$578,507 in fiscal year 2019.
- Property tax increment is consistent from prior year, from \$218,509 in fiscal year 2018 to \$211,066 in fiscal year 2019.
- General government expenses increased from \$54,181 in fiscal year 2018 to \$129,691 mainly due to bond issuance and cost associated with the ownership change.
- In fiscal year 2019, the District issued revenue bonds of \$3,000,000 to reimburse the Developer for the infrastructure project.

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

	<u>2019</u>	<u>2018</u>
<b>Expenses</b>		
Public works - construction	\$ (3,000,000)	\$ -
General government	(129,691)	(54,181)
Interest expense	(411)	-
<b>Total expenses</b>	<u>(3,130,102)</u>	<u>(54,181)</u>
<b>General Revenues</b>		
Gross receipts tax increment	\$ 578,507	\$ 740,196
Property tax increment	211,066	218,509
Interest income	89	83
Dividend income	94,681	40,602
<b>Total revenues</b>	<u>884,343</u>	<u>999,390</u>
Change in net position	<u>\$ (2,245,759)</u>	<u>945,209</u>

**Financial Analysis of the Governmental Fund**

The District's revenues in the governmental funds amounted to \$884,343 while expenditures amounted to \$3,130,102. The major expenditures of the District are for administrative expenses and public works. The general fund has unassigned fund balance of \$1,989,271, representing 64% of the total expenditures of the general fund during the fiscal year.

The District's main sources of revenues for the fiscal year ended June 30, 2019 were gross receipts tax increment and property 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 the gross receipts tax increment, the City and County jurisdictions dedicated property tax increment of 67% of City Operating Mills and 10%, respectively.



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

## **Management's Discussion and Analysis**

**June 30, 2019**

### **General Fund Budgetary Highlights**

The District adopts an annual budget, which projects the expected expenditures (based on debt service requirement, administrative expenses and construction expenditure reimbursement) and the estimated gross receipts tax increment and property taxes for each year. The District requested budget adjustments during the fiscal year to account for the issuance of the bond and additional cost associated with the ownership change.

### **Capital Assets and Debt Administration**

The District owns no significant capital assets at June 30, 2019. 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 June 2019, the District issued a Taxable Short-Term Revenue Bond, Series 2019, with a face amount of \$3,000,000, bearing an interest rate of 5%. The bond was issued to reimburse the Developer for a portion of the cost of certain infrastructure improvements. The bond was redeemed in June 2019.

### **Requests for Information**

This narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2019 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 District, Brent Dupes, 5700 University West Blvd SE #310, Albuquerque, NM 87106.

## **FINANCIAL STATEMENTS**

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1**  
**Statement of Net Position**  
**June 30, 2019**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 138,689
Interest in State Treasurer Local Government Investment Pool	1,857,400
Property tax increment receivable	1,061
Gross receipts tax increment tax receivable	<u>82,129</u>
<b>Total assets</b>	<u>2,079,279</u>
<b>LIABILITIES</b>	
Accrued expenses - professional services	43,007
Payable to other governmental entities	<u>47,001</u>
<b>Total liabilities</b>	<u>90,008</u>
<b>NET POSITION</b>	
Unrestricted	<u>1,989,271</u>
<b>Total net position</b>	<u>\$ 1,989,271</u>

*See notes to the financial statements.*

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

**Statement of Activities**

**Year Ended June 30, 2019**

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Public works - construction	\$ 3,000,000	\$ (3,000,000)
General government	129,691	(129,691)
Interest expense	411	(411)
<b>Total expenses</b>	<b>\$ 3,130,102</b>	<b>(3,130,102)</b>
 General Revenues		
Gross receipts tax increment		578,507
Property tax increment		211,066
Interest income		89
Dividend income		94,681
		<u>884,343</u>
 Change in net position		 (2,245,759)
 Net position, beginning		 <u>4,235,030</u>
 <b>Net position, ending</b>		 <b>\$ <u>1,989,271</u></b>

*See notes to the financial statements.*

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1**  
**Balance Sheet – Governmental Fund**  
**June 30, 2019**

	<b>General Fund</b>
	<hr/>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 138,689
Interest in State Treasurer Local Government Investment Pool	1,857,400
Property tax increment receivable	1,061
Gross receipts tax increment tax receivable	82,129
	<hr/>
	\$ 2,079,279
	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Accrued expenses - professional services	\$ 43,007
Payable to other governmental entities	47,001
	<hr/>
<b>Total liabilities</b>	<b>90,008</b>
	<hr/>
Fund balances	
Restricted	-
Unassigned	1,989,271
	<hr/>
<b>Total fund balances</b>	<b>1,989,271</b>
	<hr/>
<b>Total liabilities and fund balances</b>	<b>\$ 2,079,279</b>
	<hr/> <hr/>

*See notes to the 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, 2019**

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

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Fund balance - total governmental fund	\$	1,989,271
<p>Amounts reported for governmental activities in  the Statement of Net Position are different  because:</p>		
<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>-</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u><u>1,989,271</u></u></b>

*See notes to the 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, 2019**

	<b>General Fund</b>
	<u>                    </u>
<b>Revenues</b>	
Gross receipts tax increment	\$ 578,507
Property tax increment	211,066
Interest income	89
Dividend income	94,681
	<u>                    </u>
<b>Total revenues</b>	<u>884,343</u>
 <b>Expenditures</b>	
Public works - construction	3,000,000
General government	129,691
Debt service:	
Principal	3,000,000
Interest	411
	<u>                    </u>
<b>Total expenditures</b>	<u>6,130,102</u>
 <b>Excess (deficiency) of revenues over (under) expenditures</b>	 <u>(5,245,759)</u>
 <b>Other financing sources (uses)</b>	
Proceeds from bond issuance	3,000,000
Transfer in	-
Transfer out	-
	<u>                    </u>
<b>Total</b>	<u>3,000,000</u>
 <b>Net change in fund balance</b>	 (2,245,759)
 Fund balance, beginning	 <u>4,235,030</u>
 <b>Fund balance, ending</b>	 \$ <u><u>1,989,271</u></u>

*See notes to the 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, 2019**

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

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Net change in fund balance - total governmental fund	\$ (2,245,759)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Proceeds from bond issuance are not reported as income in the Statement of Activities	(3,000,000)
The repayment of debt consumes the current resources of governmental fund. This has no effect on the net position	3,000,000
Property tax increment that are not recognized in the fund balance	<u>-</u>
Change in net position of governmental activities	<u>\$ (2,245,759)</u>

*See notes to the financial statements.*



**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1**  
**Budget to Actual Schedule (General Fund)**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Gross receipts tax increment	684,455	615,000	578,507	(36,493)
Property tax increment	190,753	218,575	211,066	(7,509)
Interest income	83	75	89	14
Dividend income	40,602	24,000	94,681	70,681
<b>Total revenues</b>	<b>915,893</b>	<b>857,650</b>	<b>884,343</b>	<b>26,693</b>
<b>Expenditures</b>				
Public works - construction	-	3,000,000	3,000,000	-
General government	45,116	139,876	129,691	10,185
Debt service:				
Principal	-	3,000,000	3,000,000	-
Interest	-	-	411	(411)
<b>Total expenditures</b>	<b>45,116</b>	<b>6,139,876</b>	<b>6,130,102</b>	<b>9,774</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from bond issuance	-	3,000,000	3,000,000	-
Transfer in	-	-	-	-
Transfer out	-	-	-	-
<b>Total</b>	<b>-</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>870,777</b>	<b>(2,282,226)</b>	<b>(2,245,759)</b>	<b>36,467</b>
Fund balance, beginning	4,235,030	4,235,030	4,235,030	-
<b>Fund balance, ending</b>	<b>\$ 5,105,807</b>	<b>1,952,804</b>	<b>1,989,271</b>	<b>36,467</b>

See notes to the financial statements.

# MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1

## Notes to the Financial Statements

June 30, 2019

### NOTE 1. REPORTING ENTITY

Mesa del Sol Tax Increment Development District 1 (the "District") is a political subdivision of the 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 (the "City") Enactment No. 0-2006-036 and City Ordinance Bill No. F/S O-06-44.

The purpose of the District, pursuant to the resolution of the City that formed the District, is to provide financing of infrastructure improvement set forth in the 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 Mesa del Sol, LLC (the "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 voting member and one ex officio, a nonvoting member. The District has control over and management supervision of all affairs of the District. The five voting members are 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 (non-voting).

### 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 gross receipts tax increment and property tax 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 tax increment, property tax increment 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.

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

## **Notes to the Financial Statements**

**June 30, 2019**

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

- 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 2019. The General Fund is the District's primary operating fund. It accounts all the financial resources of the general government except those required to be accounted in another fund.

There were no other funds created during fiscal year 2019.

#### **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 are recognized as revenue in the month during the taxes are earned.

The governmental fund statements are reported using the current resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when they are both measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Amount collected after the sixty-day period is recognized as deferred inflows of resources. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on the bond obligations, which are recognized as expenditures when paid. Proceeds from the issuance of bond obligations are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the District policy to use restricted first, then unrestricted resources as they are needed.

#### **Cash Equivalents**

The District considers all highly liquid debt instruments with original maturity of three months or less when purchased to be cash equivalents.

#### **Receivables**

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At June 30, 2019, 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.

In the governmental fund financial statements, the face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses.

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

## **Notes to the Financial Statements**

**June 30, 2019**

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

#### **Gross Receipts Tax Increment**

The District's main source of revenue for the fiscal year ended June 30, 2019 has been 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 (the "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. The gross receipts tax increment is collected on a monthly basis by the State of New Mexico and is 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 the gross receipts tax increment, the city and county jurisdictions dedicated property tax increment of 67% and 10% (of the operating mills), respectively. Assessments of property taxes are made by the 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 property tax installment due November 10 becomes delinquent on December 11, while the April 10 installment becomes delinquent on May 11.

During fiscal year 2017, GASB Statement No. 77, *Tax Abatement Disclosures*, became effective. The District does not have any agreements that require disclosures under the standards.

#### **Transfers**

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

#### **Fund Balance**

As of June 30, 2019, the fund balances of the governmental funds are classified as follows:

Unassigned – all other spendable amounts

The District has no fund balances that are classified as nonspendable, restricted, 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, 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.

# MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1

## Notes to the Financial Statements

June 30, 2019

### 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 District may invest its money as provided under Section 6-10-10.1 NMSA 1978 with the New Mexico State Treasurer's investment pool for a period greater than 181 days. The State Treasurer's investment pool shall be invested as provided for State funds under Section 60-10-10 NMSA 1978. The District has not formally adopted a deposit and investment policy that limits the government's allowable deposits or investments and addresses the specific types of risk to which the government is exposed.

Cash 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.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. As of June 30, 2019, the District deposits of \$138,689 are fully covered by FDIC insurance limit of \$250,000.

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

The investments of \$1,857,400 at June 30, 2019 consist of an interest in the New Mexico 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 of NMSA 1978.

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

*Interest Rate Risk.* LGIP does not have any investment that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2019, the LGIP WAM (R) is 35 days and WAM (F) was 112 days.

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

For additional GASB Statement No. 40 disclosure information regarding funds held by the STO, the reader should refer to the separate audit report for STO as of and for the year ended June 30, 2019.

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1**  
**Notes to the Financial Statements**  
**June 30, 2019**

**NOTE 5. REVENUE BONDS**

In June 2019, the District issued a Taxable Short-Term Revenue Bond, Series 2019, with a face amount of \$3,000,000, bearing an interest rate of 5%. The bond was issued to reimburse the Developer for a portion of the cost of certain infrastructure improvements. The bond was redeemed in June 2019.

The bonds are issued in the 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. The Act prohibits the District from using increment monies to directly reimburse the Developer. Therefore, this mechanism of financing is used in furtherance of the District's power to "borrow money within the limits of the Act to fund the construction, operation and maintenance of public improvements until dedicated to the governing body" under NMSA 1978 Section 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.

**NOTE 7. OTHER MATTER**

On September 27, 2015, a default judgment was entered against the Developer and in favor of the lienholder (PNC Bank) on approximately 2,792 acres of land, known as Mesa del Sol, which includes approximately 160 acres which are included within the District. The property was held by a court appointed receiver, Land Advisors Organization, which was responsible for the management until the property was sold. The Court approved a purchase agreement (Agreement) for the acreage within the District's boundaries. The sale closed May 25, 2018. The purchaser of the receivership estate, MDS Investments, LLC, subsequently assumed the rights and obligations of Mesa del Sol, LLC. The TIDD Master Development Agreement was assigned to the Purchaser in December 2018.

## **OTHER INFORMATION**

**INDEPENDENT AUDITOR’S 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. Brian S. Colón, Esq.  
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, 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, 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 13, 2019.

**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.

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.



Albuquerque, New Mexico  
December 13, 2019

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

**Summary of Auditor's Results**

**Year Ended June 30, 2019**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weakness(es)?  Yes  None Reported

Non-compliance material to financial statements noted?

Yes  No

**MESA DEL SOL TAX INCREMENT DEVELOPMENT DISTRICT 1**  
**Schedule of Prior Year Findings**  
**Year Ended June 30, 2019**

There were no prior year findings.

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

**Exit Conference**

**Year Ended June 30, 2019**

An exit conference was held on December 12, 2019 which was attended by the following:

**Mesa del Sol Tax Increment Development District 1**

Brent Dupes, Treasurer

**Axiom Certified Public Accountants and Business Advisors LLC**

Jaime Rumbaoa, CPA, CITP, CFE, CISA, Partner

**Financial Statement Presentation**

The financial statements were prepared with the assistance of Axiom CPAs and Business Advisors LLC.