

**WINROCK TOWN CENTER
TAX INCREMENT DEVELOPMENT
DISTRICT 2**

FINANCIAL STATEMENTS

JUNE 30, 2017



WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2

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WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2

Official Roster

As of June 30, 2017

Board of Directors

Name	Title
Diane Gibson	Chairman
Debbie Bonsignore	Treasurer
Mayling Armijo	Member
Rick Lopez	Member
Gilbert Montaña	Member

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Winrock Town Center Tax Increment Development District 2
and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the budgetary comparisons for the general fund and special revenue fund of Winrock Town Center Tax Increment Development District 2 (the "District") as of and for the year ended June 30, 2017, 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 each major fund of the District as of June 30, 2017, and the respective changes in financial position and the budgetary comparisons for general fund and special revenue 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 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017 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, 2017

**WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2017**

As management of the Winrock Town Center Tax Increment Development District 2 (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, 2017. 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 the 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, as amended, City of Albuquerque ("City") Council Ordinance Bill No. F/S O-06-44, and City Council Resolution Enactment No. R-2008-120 adopted on October 6, 2008 (the "Formation Resolution").

The purpose of the District, pursuant to the Formation Resolution, is to provide financing of the public improvements set forth in the Tax Increment Development Plan that was approved by the City and as required pursuant to the Act and Master Development Agreement among the District, the City and the developer, Winrock Partners LLC.

Financial Highlights

The financial statements, which follow the Management's Discussion and Analysis, provide those significant key financial highlights for fiscal year 2017 as follows:

- In the Statement of Position, the District's total net position decreased from \$307,026 in fiscal year 2016 to \$253,168 in fiscal year 2017.
- In the Statement of Activities, the gross receipts tax increment revenue and general government expenses amounted to \$740,960 and \$34,656, respectively.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of: 1) government wide financial statements, 2) fund financial statements, 3) the budgetary comparisons for the general fund and special revenue fund and 4) 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.

**WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2017**

In the government-wide financial statements, the District’s activities are presented in the following category:

Governmental activities – Governmental activities include the District’s basic activities such as receipt of gross receipts tax increment and payment of administrative expenses. The District reimburses the developer for the construction of certain public 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.

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.

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 \$253,168 as of June 30, 2017.

The District was formed, and reimburses the Developer, for the design and construction of public improvements related to the development of approximately 83 acres of property known as Winrock Town Center. The public improvements include the construction of roadways, water infrastructure, sanitary sewer infrastructure, storm drainage and retention infrastructure, public plazas, green energy heating sources, bus platform and four public parking structures.

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

	<u>2017</u>	<u>2016</u>
Current Assets	\$ 263,755	307,026
Current Liabilities	<u>10,587</u>	-
Net Position- Restricted	<u>\$ 253,168</u>	<u>307,026</u>

**WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2017**

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

	<u>2017</u>	<u>2016</u>
Expenses		
General government	\$ <u>(34,656)</u>	<u>(18,672)</u>
General Revenues		
Gross receipts tax increment	740,960	303,026
Interest income	27	37
Dividend income	<u>18,723</u>	<u>12,149</u>
	759,710	315,212
Other Financing Sources		
Transfers out	<u>(778,912)</u>	<u>(1,494,168)</u>
Change in net position	\$ <u><u>(53,858)</u></u>	<u><u>(1,197,628)</u></u>

Financial Analysis of the Governmental Activities

The District's revenues in the governmental funds for the year ended June 30, 2017 amounted to \$759,710 while expenditures amounted to \$34,656. The District's main source of revenue is the gross receipt tax increment collected within the District. The major expenditures of the District are for administrative expenses. The general fund has a deficit unassigned fund balance of \$10,587.

General Fund Budgetary Highlights

The District adopts an annual budget, which projects the expected expenditures (based on administrative expenses, debt service payments, and construction expenditures) and the estimated gross receipts tax increment and property taxes for each year. There were no changes between original and final budgets for the fiscal year ending June 30, 2017.

Capital Assets and Debt Administration

The District owns no significant capital assets at June 30, 2017. It is anticipated that the District will not, in the future, own any capital assets. The capital improvements that are to be financed by the District are all to be dedicated to the City. It is anticipated that all dedications will be done by the developer directly to the City, on behalf of the District.

Requests for Information

This narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2017 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 Winrock Town Center Tax Increment Development District 2, Debbie Bonsignore, 100 Sun Avenue NE, Suite 210, Albuquerque, NM 87109.

WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 177,178
Gross receipts tax increment receivable	<u>86,577</u>
Total assets	<u>263,755</u>
LIABILITIES	
Accrued expenses	<u>10,587</u>
Total liabilities	<u>10,587</u>
NET POSITION	
Restricted	263,755
Unrestricted	<u>(10,587)</u>
Total net position	<u>\$ 253,168</u>

See notes to financial statements.

**WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

EXPENSES	<u>Expenses</u>	<u>Governmental Activities</u>
General government	\$ <u>34,656</u>	\$ <u>(34,656)</u>
Total expenses	\$ <u><u>34,656</u></u>	<u>(34,656)</u>
 GENERAL REVENUES		
Gross receipt tax increment		740,960
Interest income		27
Dividend income		<u>18,723</u>
Total revenues		<u><u>759,710</u></u>
 OTHER FINANCING SOURCES		
Transfers out to TIDD 1		<u>(778,912)</u>
Total other financing sources		<u><u>(778,912)</u></u>
Change in net position		(53,858)
Net position, beginning		<u>307,026</u>
Net position, ending		\$ <u><u>253,168</u></u>

See notes to financial statements.

**WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General Fund</u>	<u>Revenue Fund</u>	<u>Restricted Lease Reserve</u>
ASSETS			
Cash and cash equivalents	\$ -	150,167	2,669
Gross receipts tax increment receivable	-	86,577	-
Total assets	<u>\$ -</u>	<u>236,744</u>	<u>2,669</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	-	-	-
Accrued liabilities	\$ 10,587	-	-
Total liabilities	<u>10,587</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted	-	236,744	2,669
Unassigned	(10,587)	-	-
Total fund balances	<u>(10,587)</u>	<u>236,744</u>	<u>2,669</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>236,744</u>	<u>2,669</u>

See notes to financial statements.

Unrestricted Fund	Debt Service Reserve	Bond Fund	Surplus Fund	Total
9,818	10,695	236	3,593	177,178
-	-	-	-	86,577
<u>9,818</u>	<u>10,695</u>	<u>236</u>	<u>3,593</u>	<u>263,755</u>
-	-	-	-	-
-	-	-	-	10,587
-	-	-	-	10,587
9,818	10,695	236	3,593	263,755
-	-	-	-	(10,587)
<u>9,818</u>	<u>10,695</u>	<u>236</u>	<u>3,593</u>	<u>253,168</u>
<u>9,818</u>	<u>10,695</u>	<u>236</u>	<u>3,593</u>	<u>263,755</u>

**WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

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

Fund Balance - Total Government Funds	\$ <u>253,168</u>
No reconciling items exist	-
Net Position of Governmental Activities	\$ <u><u>253,168</u></u>

See notes to financial statements.

**WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Revenue Fund	Restricted Lease Reserve
Revenues			
Gross receipt tax increment	\$ -	740,960	-
Interest income	26	-	-
Dividend income	744	1,477	-
Total revenues	<u>770</u>	<u>742,437</u>	<u>-</u>
Expenditures			
General government	31,604	3,052	-
Total expenditures	<u>31,604</u>	<u>3,052</u>	<u>-</u>
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	<u>(30,834)</u>	<u>739,385</u>	<u>-</u>
Other Financing Sources (Uses)			
Transfer in	20,247	-	-
Transfer out	-	(799,030)	-
Total other financing sources (Uses)	<u>20,247</u>	<u>(799,030)</u>	<u>-</u>
Net change in fund balance	(10,587)	(59,645)	-
Fund balance, beginning of year	-	296,389	2,669
Fund balances, end of year	<u>\$ (10,587)</u>	<u>236,744</u>	<u>2,669</u>

See notes to financial statements.

Unrestricted Fund	Debt Service Reserve	Bond Fund	Surplus Fund	Total
-	-	-	-	740,960
-	-	-	-	26
4,479	8,402	119	3,503	18,724
4,479	8,402	119	3,503	759,710
-	-	-	-	34,656
-	-	-	-	34,656
4,479	8,402	119	3,503	725,054
-	-	-	-	20,247
-	-	(129)	-	(799,159)
-	-	(129)	-	(778,912)
4,479	8,402	(10)	3,503	(53,858)
5,339	2,293	246	90	307,026
9,818	10,695	236	3,593	253,168

**WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

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

Net Change in fund balances - Total Government Funds	\$	(53,858)
No reconciling items exist		<u>-</u>
Changes in Net Position of Governmental Activities	\$	<u>(53,858)</u>

See notes to financial statements.

**WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
 BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)
 FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Gross receipt tax increment	\$ -	-	-	-
Interest income	-	-	26	26
Dividend income	-	-	744	744
Total revenues	<u>-</u>	<u>-</u>	<u>770</u>	<u>770</u>
Expenditures				
Current:				
General government	33,982	33,982	31,604	2,378
Total expenditures	<u>33,982</u>	<u>33,982</u>	<u>31,604</u>	<u>2,378</u>
Other Financing Sources (Uses)				
Transfer in	-	-	20,247	20,247
Transfer out	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>20,247</u>	<u>20,247</u>
Net change in fund balance	(33,982)	(33,982)	(10,587)	23,395
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ (33,982)</u>	<u>(33,982)</u>	<u>(10,587)</u>	<u>23,395</u>

See Notes to Financial Statements.

**WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
BUDGET TO ACTUAL SCHEDULE (REVENUE FUND)
FOR THEY YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Gross receipt tax increment	\$ 826,500	826,500	740,960	(85,540)
Interest income	-	-	-	-
Dividend income	-	-	1,477	1,477
Total revenues	<u>826,500</u>	<u>826,500</u>	<u>742,437</u>	<u>(84,063)</u>
Expenditures				
Current				
General government	3,428	3,428	3,052	376
Total expenditures	<u>3,428</u>	<u>3,428</u>	<u>3,052</u>	<u>376</u>
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	(832,445)	(832,445)	(799,030)	33,415
Total	<u>(832,445)</u>	<u>(832,445)</u>	<u>(799,030)</u>	<u>33,415</u>
Net change in fund balance	(9,373)	(9,373)	(59,645)	(50,272)
Fund balance, beginning	296,389	296,389	296,389	-
Fund balance, ending	<u>\$ 287,016</u>	<u>287,016</u>	<u>236,744</u>	<u>(50,272)</u>

See Notes to Financial Statements.

WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. REPORTING ENTITY

Winrock Town Center Tax Increment Development District 2 (the "District") is a political subdivision of the State of New Mexico duly created and existing pursuant to Tax Increment for Development Act ("TIDD Act"), Sections 5-15-1 through 5-15-28 NMSA 1978, as amended, City of Albuquerque ("City") Council Ordinance Bill No. F/S O-06-44, and City Council Resolution Enactment No. R-2008-120 adopted on October 6, 2008 (the "Formation Resolution").

The purpose of the District, pursuant to the Formation Resolution, is to provide financing of the public improvements set forth in the Tax Increment Development Plan that was approved by the City and as required pursuant to the Act and Master Development Agreement among the District, the City and the developer, Winrock Partners LLC.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The District is not a component of any other governmental entity and the District has no subordinate component units.

The District is governed by the District Board, consisting of five directors. The District Board has control over and management supervision of all affairs of the District. Two of the initially appointed directors of the District serve four-year terms, and the other three directors serve six-year terms. Upon the expiration of the initial terms of these directors, the District either shall hold an election of new directors by majority vote of owners and qualified resident electors in accordance with the TIDD Act or governance of the District shall revert to the City Council. Officers not appointed pursuant to the Formation Resolution may be elected by the Directors.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting 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 the 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 taxes.

The Statement of Activities presents a comparison between direct expenses and direct revenues for each function of the District governmental activities. Direct expenses are those that are specifically associated with and clearly identifiable to a particular function. Direct revenues include gross receipts tax increment, as well as interest and dividend income from the investment of funds.

**WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 reports the following major governmental funds:

- a. General Fund - is the District's primary operating fund. It accounts for all the financial resources of the general government except those required to be accounted for in another fund.
- b. Revenue Fund - was established as a temporary holding fund. Monthly the Gross Receipts Tax distribution for the District get deposited into this account. The funds from this account are applied to pay off obligated debt. Any additional fund in the account after paying obligations are then transferred to the surplus fund.
- c. Restricted Lease Reserve - is used to deposit funds at closing from leasers which are then moved to the unrestricted fund.
- d. Unrestricted Fund, - is used to pay any requisitions that are submitted for projects within District 1 and District 2.
- e. Debt Service Reserve Fund - was established from bond proceeds in which funds are placed to be applied to pay debt if pledged revenues are insufficient to satisfy the debt service requirements. The money that meets that requirement is invested. Semiannually a reserve evaluation is completed and any excess fund are then transferred into the revenue fund.
- f. Bond Fund - is used to service the principal and interest payments for the bonds.
- g. Surplus Fund - is used to deposit funds remaining after operation and maintenance expenses and other mandated distributions to redeem all or a portion of the bonds.

Measurement Focus and Basis of Accounting

The Government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of when the related cash transaction takes place. On an accrual basis, revenue from the gross receipts tax increment is recognized in the fiscal year during which the taxes are earned.

**WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (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. Amount collected after the sixty-day period is recognized as deferred inflows of resources. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on the bond obligations, which are recognized as expenditures when paid. Proceeds from the issuance of bond obligations are reported as other financing sources.

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

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.

Gross Receipts Tax Increment

The District's main source of revenue for the fiscal year ended June 30, 2017 has been gross receipts tax increment. Various public entities have pledged gross receipts tax increment to the District. The City of Albuquerque dedicated 70% of its gross receipts tax increment. Bernalillo County dedicated 67% of its gross receipts tax increment. The New Mexico State Board of Finance, on behalf of the State of New Mexico, dedicated 57% of the state's portion of 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. The District relies on the New Mexico Taxation and Revenue Department for the calculations of the gross receipt tax increment. Due to confidentiality, the District has no access to the tenants' and vendors' filing of gross receipts tax within the District.

In addition to the gross receipts tax increment, the city has dedicated property tax increment. During the fiscal year ended June 30, 2017, 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.

Transfers

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

**WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

As of June 30, 2017, the fund balances of governmental funds are 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 non-spendable, 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 formally adopted a deposit and investment policy that limits the government's allowable deposits or investments and addresses the specific types of risk to which the government is exposed.

Cash held by the District include cash on deposit with a financial institution. Deposits are secured by Federal depository insurance and U.S. Treasuries. Under New Mexico law, all deposits with financial institutions must be collateralized in an amount not less than 50% (102% for overnight deposits) of the uninsured balance. Market values of all cash and deposits approximate the cost of those assets.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of June 30, 2017, the District has no deposits with any banking institutions.

**WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 3. DEPOSITS (CONTINUED)

Cash and cash equivalents totaling \$177,178 consist of treasury bonds with maturities of less than 30 days. Cash and cash equivalents at June 30, 2017 are held in trust by Bank of Albuquerque in U.S. Treasury Fund.

NOTE 4. 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 5. DEBT

On July 8, 2015, the District together with District 1 issued Senior Lien Gross Receipt Tax Increment Bonds, Series 2015 with total par value of \$43,325,000 for \$41,915,242, or a discount of \$1,409,758. The Revenue Bonds bear annual interest rates ranging from 5.25% to 6%, with final maturity date of May 1, 2040. The proceeds from issuance and debt liability is held on District 1's financial statements. The proceeds will be primarily used to finance infrastructure projects. The bonds are generally callable with interest payable semi-annually, every May 1 and November 1. The obligations are secured by the pledge of net revenues from the District's gross receipts tax increment.

NOTE 6. ARBITRAGE

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the District performed calculations of excess investment earnings on the revenue bonds and at June 30, 2017 does not expect to incur a liability.

NOTE 7. DEFICIT FUND BALANCE

The general fund has a deficit fund balance of \$10,587. The District will ensure that this fund has positive fund balance in the future.

NOTE 8. INTERFUND ACTIVITY

Operating Transfers for the year ended June 30, 2017:

Fund	Transfers In	Transfers Out
General Fund	\$ 20,247	-
Revenue Fund	-	(799,030)
Bond Fund	-	(129)
	\$ 20,247	(799,159)

The transfer out in Revenue Fund includes \$778,912 of amount transferred to District 1 for bonds' debt service.

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
Winrock Town Center Tax Increment Development District 2
and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the budgetary comparisons for the general fund and special revenue fund of the Winrock Town Center Tax Increment Development District 2 (the “District”) as of and for the year ended June 30, 2017, 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, 2017.

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 weaknesses 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, 2017

**WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENT FINDINGS

No matters were reported.

PRIOR YEAR FINDINGS

No matters were reported.

**WINROCK TOWN CENTER TAX INCREMENT DEVELOPMENT DISTRICT 2
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2017**

Exit Conference

An exit conference was held on December 13, 2017. In attendance were the following:

Winrock Town Center Tax Increment Development District 2:

Debbie Bonsignore, Treasurer

Karla Candelaria, Accountant

Axiom Certified Public Accountants and Business Advisors LLC

Jaime Rumbaoa, Partner

Financial Statement Presentation

The financial statements were prepared with the assistance of Axiom Certified Public Accountants and Business Advisors LLC but remain the responsibility of management at Winrock Town Center Tax Increment Development District 2.