

**CABEZON PUBLIC
IMPROVEMENT
DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2008, 2007, 2006 and 2005

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CABEZON PUBLIC IMPROVEMENT DISTRICT

Official Roster As of June 30, 2008

Board of Directors

Stan Strickman	Chairman
Richard Kristof	Secretary
Bo Johnson	Member
James Payne	Member
Rob Anderson	Member

Independent Auditors' Report

To the Board of Directors
Cabezon Public Improvement District
and
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities and each major fund of Cabezon Public Improvement District (District) as of and for the years ended June 30, 2008, 2007, 2006 and 2005 which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons for the years ended June 30, 2008, 2007, and 2006 as listed as supplementary information. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2008, 2007, 2006 and 2005 and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparisons referred to above present fairly, in all material respects, the budgetary comparisons for then years then ended June 30, 2008, 2007, and 2006 in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Cabezon Public Improvement District
and
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2009, 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 audits.

The management's discussion and analysis on pages 4 through 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Moss Adams LLP

Albuquerque, New Mexico
February 27, 2009

**CABEZON PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEARS ENDED JUNE 30, 2008, 2007, 2006 AND 2005**

As management of the Cabezon Public Improvement District (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 years ended June 30, 2008, 2007, 2006 and 2005

Cabezon Public Improvement District (the "District"), is a political subdivision of the State of New Mexico (the "State") created by the City of Rio Rancho pursuant to the Public Improvement District Act, Sections 5-11-1 through 5-11-27, New Mexico Statutes Annotated, as amended (the "Act") and Chapter 2, Article 10 of the Administrative Procedures of the City (the "PID Policy").

The Formation Resolution also authorized the imposition and collection of (i) a special levy ("Special Levy A") against real property in the District, all of which will benefit from Special Levy A, to be used for the purpose, among others, of paying the principal of and interest on such bonds, as more particularly described herein and (ii) a special levy ("Special Levy B" and together with Special Levy A, the "Special Levy") against the real property in the District, all of which will benefit from Special Levy B to be used for the purpose of funding on an annual basis enhanced services within the District including the maintenance of landscaping for the linear park, trails and parkway to be constructed adjacent to the east branch of the Black Arroyo Channel and in a portion of the City's rights-of-way. Special Levy B is not pledged to the payment of the Bonds.

Financial Highlights

The financial statements, which follow the Management's Discussion and Analysis, provide those significant key financial highlights for fiscal year 2008 as follows:

- In the Statement of Net Assets, the District's total net assets decreased from a negative \$3.4 million in fiscal 2005 to a negative \$8.4 million in fiscal 2008. The decrease relates to the fact that the District transfers all capital assets to the City of Rio Rancho upon their completion.
- In the Statement of Activities the total district revenue amounted to:
 - Fiscal 2008 - \$1.1 million.
 - Fiscal 2007 - \$1.2 million.
 - Fiscal 2006 - \$.80 million.
 - Fiscal 2005 - \$.08 million.
- In the Statement of Activities the District expenditures have fluctuated between \$1.6 million and \$3.4 million between fiscal 2005 and fiscal 2008. The primary expenses of the District are interest and capital outlay.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
YEARS ENDED JUNE 30, 2008, 2007, 2006 AND 2005**

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise: 1) government-wide financial statement, 2) fund financial statements, and 3) notes to the financial statements.

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

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

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported 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 (e.g., special levy revenues).

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 and on an annual basis funding for enhanced services providing maintenance of landscaping for the linear park, trails and parkways.

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.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
YEARS ENDED JUNE 30, 2008, 2007, 2006 AND 2005**

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 19 and 24, respectively.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund is considered to be a major fund. Data from the other governmental Functions/Programs are combined into a single, aggregated presentation.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a district's financial position. In the case of the District, liabilities exceeded assets as follows:

- by \$8,263,279 as of June 30, 2008
- by \$6,351,086 as of June 30, 2007
- by \$5,866,573 as of June 30, 2006
- by \$3,417,755 as of June 30, 2005

The purpose of the Cabezón Public Improvement District is to construct a linear park along the Black Arroyo and storm drains in a portion of the City of Rio Rancho's rights of way. Thus the district does not account for the asset created by the construction. It should be noted that the resources needed to repay this debt must be provided from other sources, such as special levy revenue collected from property owners within the Cabezón Public Improvement District to liquidate liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the issuance of District bonds, construction of improvements and payment of debt. The capital assets constructed from the bond proceeds are transferred to the City of Rio Rancho and are not recorded on the District's books.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
YEARS ENDED JUNE 30, 2008, 2007, 2006 AND 2005**

The following table presents the condensed net assets for the fiscal years ended June 30:

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current Assets	\$ 2,522,589	\$ 4,537,648	\$ 5,094,993	\$ 8,534,313
Other Assets	156,553	162,574	168,595	174,616
	<u>2,679,119</u>	<u>4,700,222</u>	<u>5,263,588</u>	<u>8,708,929</u>
Current liabilities	578,424	517,222	427,649	1,267,320
Long-term Obligations				
Outstanding	10,360,660	10,534,086	10,702,512	10,859,364
Total Liabilities	<u>10,939,084</u>	<u>11,051,308</u>	<u>11,130,161</u>	<u>12,126,684</u>
Net Assets - Unrestricted	<u>\$(8,259,965)</u>	<u>\$(6,351,086)</u>	<u>\$(5,866,573)</u>	<u>\$(3,417,755)</u>

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

- The District expended \$2,161,399 for landscaping along Westside Boulevard and linear park improvements to the Black Arroyo.
- Payment of bond interest totaling ranging from approximately \$287,000 to \$667,000 during fiscal years 2005 through 2008.
- Maintenance expense of approximately \$129,000 in fiscal year 2008 and \$87,000 in fiscal year 2007 to maintain improvements per the Public Improvement District agreement.

Changes in net assets. The following table presents a summary of the changes in net assets for fiscal years ended June 30, 2008, 2007, 2006 and 2005.

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenses				
Public Works - Construction	\$(2,161,399)	\$ (906,300)	\$(2,566,179)	\$(3,039,781)
Public Works - Maintenance	(129,041)	(87,156)	-	-
General Government	(68,154)	(43,082)	(61,997)	(171,064)
Interest expense	(655,859)	(662,347)	(667,447)	(287,198)
Total expenses	<u>(3,014,453)</u>	<u>(1,698,885)</u>	<u>(3,285,623)</u>	<u>(3,498,043)</u>
General Revenues				
Special Levy	992,773	985,571	604,241	-
Dividends income	112,801	228,801	232,564	80,288
	<u>1,105,574</u>	<u>1,214,372</u>	<u>836,805</u>	<u>80,288</u>
Change in net assets	<u>\$(1,908,879)</u>	<u>\$ (484,513)</u>	<u>\$(2,448,818)</u>	<u>\$(3,417,755)</u>

**CABEZON PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
YEARS ENDED JUNE 30, 2008, 2007, 2006 AND 2005**

Financial Analysis of the Government's Funds

The District's revenues in the governmental funds have ranged from approximately \$80,000 to \$1.2 million between fiscal years 2005 and 2008. Expenditures have ranged from approximately \$1.8 million to \$3.4 million during that same period. The major expenditures of the District are capital outlay and debt service payments.

General Fund Budgetary Highlights

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

The actual total expenditure for general government is lower by \$26,310, \$49,734 and \$37,606 compared to the final budget amounts for the years ended June 30, 2008, 2007 and 2006, respectively. The reason for the variance is that the budget amounts include 5 percent delinquency contingency on the special levy amount. For each fiscal year, the special levy were all substantially collected, and hence no write offs of receivable have been made.

For the fiscal year June 30, 2008, the actual special levy amount is lower than the budget by \$27,505, due to the amount levied that was not collected within 60 days from the close of the fiscal year.

Capital Assets and Debt Administration

Upon the completion of capital assets, they are transferred to the City of Rio Rancho and are not recorded on the District's financial statements.

Pursuant to resolutions adopted on December 6, 2004 and January 6, 2005 The District issued its \$11,050,000 Cabezon Public Improvement District (City of Rio Rancho, New Mexico) Special Levy Revenue Bonds, Series 2005 on January 26, 2005. Under the Indenture dated as of January 1, 2005, the Bonds are payable from revenues received by the District in each Fiscal Year from the payment of Special Levy A installments ("Special Levy A Revenues"), authorized pursuant to the Act to be levied against parcels of land within the District in accordance with the Rate and Method of Apportionment of Special Levy for the District approved by the Governing Body in the Formation Resolution (the "Rate and Method"), with a priority co-equal to and independent of the lien of general ad valorem property taxes for the purpose of paying debt service on the Bonds. Under the Indenture, the District has agreed to repay the Bonds from (i) all Special Levy A Revenues including any revenues collected as prepayment in whole or in part of Special Levy A (but net of the annual Administrative Expense requirement), (ii)

**CABEZON PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
YEARS ENDED JUNE 30, 2008, 2007, 2006 AND 2005**

all money and investments in the Pledged Revenue Fund, the Bond Fund and the Reserve Fund, but not including any funds held in the Issuance and Expenses Fund or any rebate fund established in accordance with the terms of the Indenture, and (iii) all proceeds of foreclosures for delinquent Special Levy A installments (collectively, the "Pledged Revenues").

The outstanding debt at the end of fiscal year June 30 is as follows:

- 2008 - \$10,705,000
- 2007 - \$10,880,000
- 2006 - \$11,050,000
- 2005 - \$11,050,000

CONTACTING THE DISTRICTS FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Financial Services Department, City of Rio Rancho, 3200 Civic Center Circle NE Rio Rancho, New Mexico 87144.

CABEZON PUBLIC IMPROVEMENT DISTRICT
 STATEMENTS OF NET ASSETS
 June 30, 2008, 2007, 2006 and 2005

	Governmental Activities			
	2008	2007	2006	2005
ASSETS				
Cash and cash equivalents	\$ 2,484,589	4,487,678	5,093,414	8,534,313
Receivables (net)	37,977	49,970	1,579	-
Bond issuance costs	156,553	162,574	168,595	174,616
Total assets	\$ 2,679,119	4,700,222	5,263,588	8,708,929
LIABILITIES				
Accrued expenses	\$ 190,942	132,552	45,939	985,370
Interest payable	214,056	216,244	218,284	281,950
Revenue bonds payable				
Due within one year	173,426	168,426	163,426	-
Due in more than one year	10,360,660	10,534,086	10,702,512	10,859,364
Total liabilities	10,939,084	11,051,308	11,130,161	12,126,684
NET ASSETS				
Unrestricted	\$ (8,259,965)	(6,351,086)	(5,866,573)	(3,417,755)

See Notes to Financial Statements.

CABEZON PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Public Works - Construction	\$ 2,161,399	(2,161,399)
Public Works - Maintenance	129,041	(129,041)
General Government	68,154	(68,154)
Interest expense	655,859	(655,859)
Total expenses	<u>\$ 3,014,453</u>	<u>(3,014,453)</u>
General Revenues		
Special levy		\$ 992,773
Dividends income		112,801
		<u>1,105,574</u>
Change in net assets		(1,908,879)
Net assets July 1		<u>(6,351,086)</u>
Net assets, June 30		<u>\$ (8,259,965)</u>

See Notes to Financial Statements.

CABEZON PUBLIC IMPROVEMENT DISTRICT
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2007

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Public Works - Construction	\$ 906,300	(906,300)
Public Works - Maintenance	87,156	(87,156)
General Government	43,082	(43,082)
Interest expense	662,347	(662,347)
Total expenses	<u>\$ 1,698,885</u>	<u>(1,698,885)</u>
General Revenues		
Special levy		\$ 985,571
Dividends income		228,801
		<u>1,214,372</u>
Change in net assets		(484,513)
Net assets July 1		<u>(5,866,573)</u>
Net assets, June 30		<u>\$ (6,351,086)</u>

See Notes to Financial Statements.

CABEZON PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Public Works - Construction	\$ 2,566,179	(2,566,179)
General Government	51,997	(51,997)
Interest expense	667,447	(667,447)
Total expenses	<u>\$ 3,285,623</u>	<u>(3,285,623)</u>
General Revenues		
Special levy		\$ 604,241
Dividends income		232,564
		<u>836,805</u>
Change in net assets		(2,448,818)
Net assets July 1		<u>(3,417,755)</u>
Net assets, June 30		<u>\$ (5,866,573)</u>

See Notes to Financial Statements.

CABEZON PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Public Works - Construction	\$ 3,039,781	(3,039,781)
General Government	171,064	(171,064)
Interest expense	287,198	(287,198)
Total expenses	<u>\$ 3,498,043</u>	<u>(3,498,043)</u>
General Revenues		
Dividends income		<u>80,288</u>
Change in net assets		(3,417,755)
Net assets July 1		<u>-</u>
Net assets, June 30		<u>\$ (3,417,755)</u>

See Notes to Financial Statements.

CABEZON PUBLIC IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Construction Fund	Bond Fund	Reserve Fund	Enhanced Services Fund	Total
ASSETS						
Cash and cash equivalents	\$ 624,713	775,369	666	843,718	240,123	2,484,589
Receivables (net)	32,857	-	-	-	5,120	37,977
Total assets	\$ 657,570	775,369	666	843,718	245,243	2,522,566
LIABILITIES AND FUND BALANCES						
Liabilities						
Accrued expenses	\$ 52,552	126,297	-	-	12,093	190,942
Deferred revenue	22,422	-	-	-	2,603	25,025
Total liabilities	74,974	126,297	-	-	14,696	215,967
Fund Balances						
Reserved for Debt Service	-	-	-	843,718	-	843,718
Unreserved fund balances	582,596	649,072	666	-	230,547	1,462,881
Total fund balances	582,596	649,072	666	843,718	230,547	2,306,599
Total liabilities and fund balances	\$ 657,570	775,369	666	843,718	245,243	2,522,566

See Notes to Financial Statements.

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2007

	General Fund	Construction Fund	Bond Fund	Reserve Fund	Enhanced Services Fund	Total
ASSETS						
Cash and cash equivalents	\$ 616,157	2,831,562	43,276	824,970	171,713	4,487,678
Receivables	43,179	-	-	-	6,791	49,970
Total assets	\$ 659,336	2,831,562	43,276	824,970	178,504	4,537,648
LIABILITIES AND FUND BALANCES						
Liabilities						
Accrued expenses	\$ 34,778	92,179	-	-	5,595	132,552
Deferred revenue	2,533	-	-	-	386	2,919
Total liabilities	37,311	92,179	-	-	5,981	135,471
Fund Balances						
Reserved for Debt Service	-	-	-	824,970	-	824,970
Unreserved fund balances	622,025	2,739,383	43,276	-	172,523	3,577,207
Total fund balances	622,025	2,739,383	43,276	824,970	172,523	4,402,177
Total liabilities and fund balances	\$ 659,336	2,831,562	43,276	824,970	178,504	4,537,648

See Notes to Financial Statements.

CABEZON PUBLIC IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General Fund	Construction Fund	Bond Fund	Reserve Fund	Enhanced Services Fund	Total
ASSETS						
Cash and cash equivalents	\$ 486,417	3,491,405	122,688	863,434	129,470	5,093,414
Receivables	1,301	-	-	-	278	1,579
Total assets	\$ 487,718	3,491,405	122,688	863,434	129,748	5,094,993
LIABILITIES AND FUND BALANCES						
Liabilities						
Accrued expenses	\$ 31,266	14,673	-	-	-	45,939
Total liabilities	31,266	14,673	-	-	-	45,939
Fund Balances						
Reserve for Debt Service	-	-	-	863,434	-	863,434
Unreserved fund balances	456,452	3,476,732	122,688	-	129,748	4,185,620
Total fund balances	456,452	3,476,732	122,688	863,434	129,748	5,049,054
Total liabilities and fund balances	\$ 487,718	3,491,405	122,688	863,434	129,748	5,094,993

See Notes to Financial Statements.

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2005

	General Fund	Construction Fund	Bond Fund	Reserve Fund	Total
ASSETS					
Cash and cash equivalents	\$ 40,991	6,836,054	825,405	831,863	8,534,313
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued expenses	\$ 15,053	970,317	-	-	985,370
Total liabilities	15,053	970,317	-	-	985,370
Unreserved fund balances	25,938	5,865,737	825,405	831,863	7,548,943
Total liabilities and fund balances	\$ 40,991	6,836,054	825,405	831,863	8,534,313

See Notes to Financial Statements.

CABEZON PUBLIC IMPROVEMENT DISTRICT
 RECONCILIATION OF THE BALANCE SHEET -
 GOVERNMENTAL FUNDS TO THE
 STATEMENT OF NET ASSETS
 Years Ended June 30, 2008, 2007, 2006 and 2005

	2008	2007	2006	2005
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets:				
Fund balance - total governmental funds	\$ 2,306,599	4,402,177	5,049,054	7,548,943
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Bond issuance costs in the governmental activities are not financial resources and therefore, not reported in the funds	156,553	162,574	168,595	174,616
Long-term liabilities for the revenue bonds, are not due and payable in the current period, and therefore are not reported in the funds	(10,534,086)	(10,702,512)	(10,865,938)	(10,859,364)
Accrued interest payable	(214,056)	(216,244)	(218,284)	(281,950)
Receivables reported in the Statement of Net Assets that are not currently available in the funds	25,025	2,919	-	-
Net assets of governmental activities	<u>\$ (8,259,965)</u>	<u>(6,351,086)</u>	<u>(5,866,573)</u>	<u>(3,417,755)</u>

See Notes to Financial Statements.

CABEZON PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General Fund	Construction Fund	Bond Fund	Reserve Fund	Enhanced Services Fund	Total
Revenues						
Special levy taxes	\$ 777,434	-	-	-	190,314	967,748
Interest income	11,138	71,088	1,844	28,731	-	112,801
Total revenues	788,572	71,088	1,844	28,731	190,314	1,080,549
Expenditures						
General government	61,986	-	-	-	-	61,986
Public works	-	-	-	-	132,290	132,290
Capital Outlay	-	2,161,399	-	-	-	2,161,399
Debt service						
Interest expense	-	-	645,452	-	-	645,452
Principal	-	-	175,000	-	-	175,000
Total expenditures	61,986	2,161,399	820,452	-	132,290	3,176,127
Excess (Deficiency) of revenues over (under) expenditures	726,586	(2,090,311)	(818,608)	28,731	58,024	(2,095,578)
Other financing Sources (Uses)						
Transfer in	-	-	775,998	-	-	775,998
Transfer out	(766,015)	-	-	(9,983)	-	(775,998)
Total	(766,015)	-	775,998	(9,983)	-	-
Net change in fund balance	(39,429)	(2,090,311)	(42,610)	18,748	58,024	(2,095,578)
Fund balances, July 1	622,025	2,739,383	43,276	824,970	172,523	4,402,177
Fund balances, June 30	\$ 582,596	649,072	666	843,718	230,547	2,306,599

See Notes to Financial Statements.

CABEZON PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	General Fund	Construction Fund	Bond Fund	Reserve Fund	Enhanced Services Fund	Total
Revenues						
Special levy taxes	\$ 852,721	-	-	-	129,931	982,652
Interest income	14,393	168,951	3,206	42,251	-	228,801
Total revenues	867,114	168,951	3,206	42,251	129,931	1,211,453
Expenditures						
General government	43,082	-	-	-	-	43,082
Public works	-	-	-	-	87,156	87,156
Capital Outlay	-	906,300	-	-	-	906,300
Debt service						
Interest expense	-	-	651,792	-	-	651,792
Principal	-	-	170,000	-	-	170,000
Total expenditures	43,082	906,300	821,792	-	87,156	1,858,330
Excess (Deficiency) of revenues over (under) expenditures	824,032	(737,349)	(818,586)	42,251	42,775	(646,877)
Other financing Sources (Uses)						
Transfer in	-	-	739,174	-	-	739,174
Transfer out	(658,459)	-	-	(80,715)	-	(739,174)
Total	(658,459)	-	739,174	(80,715)	-	-
Net change in fund balance	165,573	(737,349)	(79,412)	(38,464)	42,775	(646,877)
Fund balances, July 1	456,452	3,476,732	122,688	863,434	129,748	5,049,054
Fund balances, June 30	\$ 622,025	2,739,383	43,276	824,970	172,523	4,402,177

See Notes to Financial Statements.

CABEZON PUBLIC IMPROVEMENT DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 Year Ended June 30, 2006

	General Fund	Construction Fund	Bond Fund	Reserve Fund	Enhanced Services Fund	Total
Revenues						
Special levy taxes	\$ 473,186	-	-	-	131,055	604,241
Interest income	8,676	176,516	15,801	31,571	-	232,564
Total revenues	481,862	176,516	15,801	31,571	131,055	836,805
Expenditures						
General government	50,690	-	-	-	-	50,690
Public works	-	-	-	-	1,307	1,307
Capital Outlay	-	2,566,179	-	-	-	2,566,179
Debt service						
Interest expense	-	-	718,518	-	-	718,518
Total expenditures	50,690	2,566,179	718,518	-	1,307	3,336,694
Excess (Deficiency) of revenues over (under) expenditures	431,172	(2,389,663)	(702,717)	31,571	129,748	(2,499,889)
Other financing Sources (Uses)						
Transfer in	-	658	-	-	-	658
Transfer out	(658)	-	-	-	-	(658)
Total	(658)	658	-	-	-	-
Net change in fund balance	430,514	(2,389,005)	(702,717)	31,571	129,748	(2,499,889)
Fund balances, July 1	25,938	5,865,737	825,405	831,863	-	7,548,943
Fund balances, June 30	\$ 456,452	3,476,732	122,688	863,434	129,748	5,049,054

See Notes to Financial Statements.

CABEZON PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General Fund	Construction Fund	Bond Fund	Reserve Fund	Total
Revenues					
Interest income	\$ 634	65,921	6,840	6,893	80,288
Expenditures					
General government	171,064	-	-	-	171,064
Bond issue costs	177,125	-	-	-	177,125
Capital Outlay	-	3,039,781	-	-	3,039,781
Total expenditures	348,189	3,039,781	-	-	3,387,970
Excess (Deficiency) of revenues over (under) expenditures	(347,555)	(2,973,860)	6,840	6,893	(3,307,682)
Other financing Sources (Uses)					
Sale of bond proceeds	-	-	10,856,625	-	10,856,625
Transfer in	373,493	8,839,597	-	824,970	10,038,060
Transfer out	-	-	(10,038,060)	-	(10,038,060)
Total	373,493	8,839,597	818,565	824,970	10,856,625
Net change in fund balance	25,938	5,865,737	825,405	831,863	7,548,943
Fund balances, July 1	-	-	-	-	-
Fund balances, June 30	\$ 25,938	5,865,737	825,405	831,863	7,548,943

See Notes to Financial Statements.

CABEZON PUBLIC IMPROVEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Years Ended June 30, 2008, 2007, 2006 and 2005

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Net Assets:				
Net change in fund balances - total governmental funds	\$ (2,095,578)	(646,877)	(2,499,889)	7,548,943
Amounts reported for governmental activities in the Statement of Activities are different because:				
Governmental fund report the effect of issuance costs and discounts, whereas these amounts are deferred and amortized in the Statement of Activities	(12,595)	(12,595)	(12,595)	171,877
Proceeds from bond issuance that is not reported as income in the Statement of Activities	-	-	-	(10,856,625)
Special levy that is not recognized in the fund balances	22,106	2,919	-	-
The repayment of long-term debt consumes the current financial resources of the governmental funds. This has no effect on net assets.	177,188	172,040	63,666	(281,950)
Change in net assets of governmental activities	<u>\$ (1,908,879)</u>	<u>(484,513)</u>	<u>(2,448,818)</u>	<u>(3,417,755)</u>

See Notes to Financial Statements.

CABEZON PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008, 2007, 2006 and 2005

NOTE 1. REPORTING ENTITY

Cabazon Public Improvement District (the "District") is a political subdivision of the state of New Mexico duly created and existing pursuant to Sections 5-11-1 through 5-11-127 NMSA 1978, as amended, Chapter 2, Article 10 of the City of Rio Rancho (the "City") Administrative Policies and Procedures entitled "Public Improvement District Guidelines and Application Procedures, and City Resolution No. 105, Enactment No 04-103 adopted on November 10, 2004.

The District was created to fund public infrastructure improvements (the "Cabazon Project) and enhanced services for Cabazon Communities, which consists of approximately 721 gross acres of property located in the City of Rio Rancho. Of the 721 acres, approximately 588 acres are subject to a Special Levy.

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 that 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. Directors serve six-year terms.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Governmental Accounting Standard (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's policies are described below.

Basis of Presentation

District-Wide Statements

The Statement of Net Assets and Statement of Activities present financial information about reporting government as a whole. These statements include the financial activities of the overall District in its entirety. Eliminations have been made to minimize the double counting of internal transactions. District activities generally are financed through special levy.

**CABEZON PUBLIX IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008, 2007, 2006 and 2005**

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

Basis of Presentation (Continued)

District-Wide Statements (Continued)

The Statement of Activities presents comparison between direct expenses and direct revenues for each function of the District governmental activities. Direct expenses are those that specifically associated with and clearly identifiable to a particular function. Direct revenues include special levy on real property covered by the District, and dividends income from the investment of funds.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category
- b. Total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

Governmental Funds

The District reports the following major governmental funds:

- a. General Fund – is the District’s primary operating fund. It accounts for all the financial resources of the general government except those required to be accounted for in another fund.
- b. Construction Fund - used to account for financial resources to be used for the construction of the improvement project.
- c. Bond Fund - used to account for the payment of principal and interest related to the bonds obligation.
- d. Reserve Fund – used to account for funds to be used in accordance with the bond indenture in situations whereby the bond fund does not have sufficient funds to pay for debt service payments.
- e. Enhanced Serviced Fund – used to account for special Levy B proceeds to be used for repairs and maintenance.

**CABEZON PUBLIX IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008, 2007, 2006 and 2005**

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

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 special levy on property is recognized in the fiscal year for which the taxes are levied.

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

Cash Equivalents

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

Receivables

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

Capital Assets

As capital assets are constructed the ownership is transferred to the City of Rio Rancho. As a result, the District does not capitalize any capital assets on their 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 District-wide financial statements. Payments of principal and interest are reported as expenditures in the fund financial statements.

Bond discount, as well as issuance costs, are deferred and amortized over the life of the bonds using straight-line method. Bonds payable are reported net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the bonds.

**CABEZON PUBLIX IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008, 2007, 2006 and 2005**

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

Long-Term Obligations (Continued)

In the governmental fund financial statements, bond discounts and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Special Levy

The District imposes Special Levy A (which secures the payment of the debt service on the District's Special Levy Revenue Bonds) and Special Levy B (which provides annual funding for the costs of maintaining park improvements and landscaping). The maximum annual amount of Special Levy A shall not exceed \$1,102,970, and \$189,534 for Special Levy B. The Special Levy B is subject to a maximum annual increase of ten percent in accordance with the Rate and Method of Apportionment of the Special Levy. The District started to impose the Special Levies effective fiscal year 2005 – 2006.

The Annual Special Levy A shall cease to be levied following the payment of all schedule interest, principal, and premium, if any, for the Bonds. There is no termination date for the Annual Special Levy B.

The Special Levy is billed and collected by the Sandoval County in the same manner and at the same time as general ad valorem property taxes. Assessments are made as of January 1 of each, with one-half of the taxes on that assessment due the following November 10 and one-half due April 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. Special Levy A and B shall be subject to foreclosure by the District at any time after six months following written notice of delinquency to the owner of the real property to which the delinquency applies. The lien shall include delinquencies, penalties and interest thereon at a rate not to exceed the maximum legal rate of interest per year and penalties otherwise applicable.

Transfers

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

Fund Equity Reservations

In the fund financial statements, governmental funds report reservations for amounts that are not available for appropriation or are legally restricted.

**CABEZON PUBLIX IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008, 2007, 2006 and 2005**

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

Use of Estimates

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

Budgets

The District has adopted budgets for each year except fiscal 2005. The budget is adopted on a modified accrual basis of accounting. The legal level of compliance is total expenditures.

NOTE 3. DEPOSITS AND INVESTMENTS

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

All money not immediately necessary for the public uses of the District may be invested in bonds or negotiable securities of the United States, the state or any county, municipality or town, securities that are issued by the United States government or by its agencies or instrumentalities or in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities. If the District is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance from financial institutions within the geographic boundaries of the governmental unit, the Authority may invest its money as provided under Section 6-10-10.1 NMSA 1978 with the New Mexico State Treasurer's investment pool for a period greater than 181 days. The State Treasurer's investment pool shall be invested as provided for State funds under Section 60-10-10 NMSA 1978.

Cash and investments held by the District include cash on deposit with financial institutions. Deposits are secured by Federal depository insurance. 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.

CABEZON PUBLIX IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008, 2007, 2006 and 2005

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of June 30, the District's deposits were exposed to custodial risk as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total deposits	\$ 239,357	163,318	129,470
FDIC insurance	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Unsecured and uncollateralized	<u>\$ 139,357</u>	<u>63,318</u>	<u>29,470</u>

Cash and cash equivalents at June 30 consists of the following:

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash in Bank of Albuquerque	\$ 240,123	171,713	129,470	-
Held in trust by Bank of Albuquerque in U.S. Treasury Fund	<u>2,244,466</u>	<u>4,315,965</u>	<u>4,963,944</u>	<u>8,534,313</u>
	<u>\$ 2,484,589</u>	<u>4,487,678</u>	<u>5,093,414</u>	<u>8,534,313</u>

Cash equivalents represent investments in mutual funds, consisting of treasury bonds with maturities of less than 30 days.

NOTE 4. SPECIAL LEVY RECEIVABLES

Special levy receivables at June 30 consist of:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Special levy receivables	\$ 50,636	49,970	1,579
Allowance for bad debts	<u>(12,659)</u>	<u>-</u>	<u>-</u>
	<u>\$ 37,977</u>	<u>49,970</u>	<u>1,579</u>

CABEZON PUBLIX IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008, 2007, 2006 and 2005

NOTE 5. REVENUE BONDS

On January 26, 2005, the District issued Special Levy Revenue Bonds, Series 2005 with total par value of \$11,050,000 for \$10,856,625, or a discount of \$193,375. The proceeds from issuance were primarily used in the construction of the Cabezon Project. The bonds are generally callable with interest payable semi-annually, every March 1 and September 1. The obligations are secured by the pledge of net revenues from District Special Levy A.

The Indenture contains special mandatory and optional redemption, ranging from 100% to 102% of the principal amount. The special mandatory redemption, which started on September 1, 2006, triggers when: (a) on or after the completion of the project, moneys are transferred from the Construction Fund to the Prepayment Account of the Bond Fund, and (b) the prepayment in whole or in part of any Special Levy by the owner of the Property and the deposit of such prepayment amounts to the Prepayment Account of the Bond Fund. The optional redemption is available starting September 1, 2015. No events occurred that triggered special mandatory redemption.

The proceeds from bond issuance were allocated to the following funds as follows:

Construction	\$ 8,839,597
Reserve	824,970
Bond	818,566
Issuance and expense	333,492
Administration	40,000
	<u>\$10,856,625</u>

The details of activity of the revenue bonds from the date of issuance to June 30, 2008 are as follows:

	Special Levy Revenue Bonds, Series 2005						Total
	3.6%	3.75%	4.00%	5.2%	6.00%	6.3%	
Interest rate	3.6%	3.75%	4.00%	5.2%	6.00%	6.3%	
Maturity date	9/1/2006	9/1/2007	9/1/2009	9/1/2015	9/1/2024	9/1/2034	
Original Amount	\$ 170,000	175,000	370,000	1,330,000	3,035,000	5,970,000	11,050,000
Payments	-	-	-	-	-	-	-
Balance, 6/30/05	170,000	175,000	370,000	1,330,000	3,035,000	5,970,000	11,050,000
Payments	-	-	-	-	-	-	-
Balance, 6/30/06	170,000	175,000	370,000	1,330,000	3,035,000	5,970,000	11,050,000
Payments	(170,000)	-	-	-	-	-	(170,000)
Balance, 6/30/07	-	175,000	370,000	1,330,000	3,035,000	5,970,000	10,880,000
Payments	-	(175,000)	-	-	-	-	(175,000)
Balance, 6/30/08	\$ -	-	370,000	1,330,000	3,035,000	5,970,000	10,705,000

**CABEZON PUBLIX IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008, 2007, 2006 and 2005**

NOTE 5. REVENUE BONDS (CONTINUED)

Annual debt service requirements to maturity for the revenue bonds are as follows:

Year Ending June 30	Principal	Interest	Total Debt Service
2009	\$ 180,000	638,570	818,570
2010	190,000	631,170	821,170
2011	195,000	622,300	817,300
2012	205,000	611,900	816,900
2013	215,000	600,980	815,980
2014-2018	1,260,000	2,815,870	4,075,870
2019-2023	1,675,000	2,388,300	4,063,300
2024-2028	2,240,000	1,799,318	4,039,318
2029-2033	3,040,000	976,500	4,016,500
2034-2035	1,505,000	96,232	1,601,232
	<u>\$ 10,705,000</u>	<u>11,181,140</u>	<u>21,886,140</u>

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

NOTE 6. DEFICIT NET ASSETS

The total net assets balance is in a deficit position. This is due to the fact that the capital assets acquired with bond proceeds were transferred to another governmental agency. This resulted in the recognition of long-term debt with no related asset on the District's financial statement. The long-term debt will be repaid with future special levy taxes. The resulting deficit net assets as of June 30, are as follows:

2008	\$ 8,259,965
2007	6,351,086
2006	5,866,573
2005	3,417,755

**CABEZON PUBLIX IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008, 2007, 2006 and 2005**

NOTE 7. INTERFUND TRANSFERS

For the years ended June 30, 2008, 2007, and 2006 the District transfers were made to fund debt service payments. For the year ended June 30, 2005, transfers were made to fund construction costs. The following transfers were made for the years ended June 30:

2008:

	<u>Transfer In</u>
	Bond Fund
<u>Transfer Out</u>	
General Fund	\$ 766,015
Reserve Fund	<u>9,983</u>
	<u>\$ 775,998</u>

2007:

	<u>Transfer In</u>
	Bond Fund
<u>Transfer Out</u>	
General Fund	\$ 658,459
Reserve Fund	<u>80,715</u>
	<u>\$ 739,174</u>

2006:

	<u>Transfer In</u>
	Construction Fund
<u>Transfer Out</u>	
General Fund	<u>\$ 658</u>

2005:

	<u>Transfer In</u>			
	General Fund	Construction	Reserve	Total
<u>Transfer Out</u>				
Bond Fund	<u>\$ 373,493</u>	<u>8,839,597</u>	<u>824,970</u>	<u>10,038,060</u>

NOTE 8. 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, 2008 does not expect to incur a liability.

**CABEZON PUBLIX IMPROVEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008, 2007, 2006 and 2005**

NOTE 9. BUDGET VIOLATIONS

In violation of New Mexico state statutes, the District overspent the budget for the following funds:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Fiscal 2008			
Construction Fund	\$ -	2,161,399	(2,161,399)
Reserve Fund	-	9,983	(9,983)
Fiscal 2007			
Construction Fund	-	906,300	(906,300)
Reserve Fund	-	80,715	(80,715)
Fiscal 2006			
Construction Fund	-	2,566,179	(2,566,179)

NOTE 10. 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 insured through private carriers for liability, casualty and director and office liability insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)
 Year End June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Special levy taxes	\$ 804,939	804,939	777,434	(27,505)
Interest income	62,251	62,251	11,138	(51,113)
Total revenues	867,190	867,190	788,572	(78,618)
Expenditures				
General government	88,296	88,296	61,986	26,310
Total expenditures	88,296	88,296	61,986	26,310
Other Financing Sources (Uses)				
Transfer out	-	-	(766,015)	(766,015)
Total	-	-	(766,015)	(766,015)
Net change in fund balance	778,894	778,894	(39,429)	(818,323)
Fund balances, beginning of year	622,025	622,025	622,025	-
Fund balances, end of year	\$ 1,400,919	1,400,919	582,596	(818,323)

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (CONSTRUCTION FUND)
 Year End June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Interest income	\$ -	-	71,088	71,088
Total revenues	-	-	71,088	71,088
Expenditures				
Capital Outlay	-	-	2,161,399	(2,161,399)
Total expenditures	-	-	2,161,399	(2,161,399)
Net change in fund balance	-	-	(2,090,311)	(2,090,311)
Fund balances, beginning of year	2,739,383	2,739,383	2,739,383	-
Fund balances, end of year	<u>\$ 2,739,383</u>	<u>2,739,383</u>	<u>649,072</u>	<u>(2,090,311)</u>

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (BOND FUND)
 Year End June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Interest income	\$ 43,276	43,276	1,844	(41,432)
Total revenues	<u>43,276</u>	<u>43,276</u>	<u>1,844</u>	<u>(41,432)</u>
Expenditures				
Debt service				
Interest expense	642,170	642,170	645,452	(3,282)
Principal	180,000	180,000	175,000	5,000
Total expenditures	<u>822,170</u>	<u>822,170</u>	<u>820,452</u>	<u>1,718</u>
Other Financing Sources (Uses)				
Transfer in	-	-	775,998	775,998
Total	<u>-</u>	<u>-</u>	<u>775,998</u>	<u>775,998</u>
Net change in fund balance	(778,894)	(778,894)	(42,610)	736,284
Fund balances, beginning of year	43,276	43,276	43,276	-
Fund balances, end of year	<u>\$ (735,618)</u>	<u>(735,618)</u>	<u>666</u>	<u>736,284</u>

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (RESERVE FUND)
 Year End June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Interest income	\$ -	-	28,731	28,731
Total revenues	-	-	28,731	28,731
Other Financing Sources (Uses)				
Transfer out	-	-	(9,983)	(9,983)
Total	-	-	(9,983)	(9,983)
Net change in fund balance	-	-	18,748	18,748
Fund balances, beginning of year	824,970	824,970	824,970	-
Fund balances, end of year	\$ 824,970	824,970	843,718	18,748

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (ENHANCED SERVICES)
 Year End June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Special levy taxes	\$ 194,149	194,149	190,314	(3,835)
Total revenues	<u>194,149</u>	<u>194,149</u>	<u>190,314</u>	<u>(3,835)</u>
Expenditures				
General government	184,441	184,441	132,290	52,151
Total expenditures	<u>184,441</u>	<u>184,441</u>	<u>132,290</u>	<u>52,151</u>
Net change in fund balance	9,708	9,708	58,024	48,316
Fund balances, beginning of year	<u>172,523</u>	<u>172,523</u>	<u>172,523</u>	-
Fund balances, end of year	<u>\$ 182,231</u>	<u>182,231</u>	<u>230,547</u>	<u>48,316</u>

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)
 Year End June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Special levy taxes	\$ 855,254	855,254	852,721	(2,533)
Interest income	22,830	22,830	14,393	(8,437)
Total revenues	<u>878,084</u>	<u>878,084</u>	<u>867,114</u>	<u>(10,970)</u>
Expenditures				
General government	92,516	92,516	43,082	49,734
Total expenditures	<u>92,516</u>	<u>92,516</u>	<u>43,082</u>	<u>49,734</u>
Other Financing Sources (Uses)				
Transfer out	-	-	(658,459)	(658,459)
Total	<u>-</u>	<u>-</u>	<u>(658,459)</u>	<u>(658,459)</u>
Net change in fund balance	785,568	785,568	165,573	(619,995)
Fund balances, beginning of year	456,452	456,452	456,452	-
Fund balances, end of year	<u>\$ 1,242,020</u>	<u>1,242,020</u>	<u>622,025</u>	<u>(619,995)</u>

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (CONSTRUCTION FUND)
 Year End June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Interest income	-	-	168,951	168,951
Total revenues	-	-	168,951	168,951
Expenditures				
Capital Outlay	-	-	906,300	(906,300)
Total expenditures	-	-	906,300	(906,300)
Net change in fund balance	-	-	(737,349)	(737,349)
Fund balances, beginning of year	3,476,732	3,476,732	3,476,732	-
Fund balances, end of year	\$ 3,476,732	3,476,732	2,739,383	(737,349)

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (BOND FUND)
 Year End June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	-	3,206	3,206
Total revenues	-	-	3,206	3,206
Expenditures				
Debt service				-
Interest expense	648,733	648,733	651,792	(3,059)
Principal	175,000	175,000	170,000	5,000
Total expenditures	823,733	823,733	821,792	3,981
Other Financing Sources (Uses)				
Transfer in	-	-	739,174	739,174
Total	-	-	739,174	739,174
Net change in fund balance	(823,733)	(823,733)	(79,412)	746,361
Fund balances, beginning of year	122,688	122,688	122,688	-
Fund balances, end of year	\$ (701,045)	(701,045)	43,276	746,361

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (RESERVE FUND)
 Year End June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Interest income	\$ 38,465	38,465	42,251	3,786
Total revenues	<u>38,465</u>	<u>38,465</u>	<u>42,251</u>	<u>3,786</u>
Other Financing Sources (Uses)				
Transfer out	-	-	(80,715)	(80,715)
Total	<u>-</u>	<u>-</u>	<u>(80,715)</u>	<u>(80,715)</u>
Net change in fund balance	38,465	38,465	(38,464)	(76,929)
Fund balances, beginning of year	<u>863,434</u>	<u>863,434</u>	<u>863,434</u>	-
Fund balances, end of year	<u>\$ 901,899</u>	<u>901,899</u>	<u>824,970</u>	<u>(76,929)</u>

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (ENHANCED SERVICES)
 Year End June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Special levy taxes	\$ 130,317	130,317	129,931	(386)
Total revenues	<u>130,317</u>	<u>130,317</u>	<u>129,931</u>	<u>(386)</u>
Expenditures				
Public works	130,317	130,317	87,156	43,161
Total expenditures	<u>130,317</u>	<u>130,317</u>	<u>87,156</u>	<u>43,161</u>
Net change in fund balance	-	-	42,775	42,775
Fund balances, beginning of year	129,748	129,748	129,748	-
Fund balances, end of year	<u>\$ 129,748</u>	<u>129,748</u>	<u>172,523</u>	<u>42,775</u>

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)
 Year End June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Special levy taxes	\$ 473,187	473,187	473,186	1
Interest income	-	-	8,676	8,676
Total revenues	<u>473,187</u>	<u>473,187</u>	<u>481,862</u>	<u>8,677</u>
Expenditures				
General government	88,296	88,296	50,690	37,606
Total expenditures	<u>88,296</u>	<u>88,296</u>	<u>50,690</u>	<u>37,606</u>
Other Financing Sources (Uses)				
Transfer out	(429,142)	(429,142)	(658)	428,484
Total	<u>(429,142)</u>	<u>(429,142)</u>	<u>(658)</u>	<u>428,484</u>
Net change in fund balance	(44,251)	(44,251)	430,514	474,765
Fund balances, beginning of year	25,938	25,938	25,938	-
Fund balances, end of year	<u>\$ (18,313)</u>	<u>(18,313)</u>	<u>456,452</u>	<u>474,765</u>

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (CONSTRUCTION FUND)
 Year End June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Interest income	\$ -	-	176,516	176,516
Total revenues	-	-	176,516	176,516
Expenditures				
Capital Outlay	-	-	2,566,179	(2,566,179)
Total expenditures	-	-	2,566,179	(2,566,179)
Other Financing Sources (Uses)				
Transfer in	-	-	658	658
Total	-	-	658	658
Net change in fund balance	-	-	(2,389,005)	(2,389,005)
Fund balances, beginning of year	5,865,737	5,865,737	5,865,737	-
Fund balances, end of year	\$ 5,865,737	5,865,737	3,476,732	(2,389,005)

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (BOND FUND)
 Year End June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Special levy taxes	\$ -	-	-	-
Interest income	43,276	43,276	15,801	(27,475)
Total revenues	43,276	43,276	15,801	(27,475)
Expenditures				
Debt service				
Interest expense	654,853	654,853	718,518	(63,666)
Principal	170,000	170,000	-	170,000
Total expenditures	824,853	824,853	718,518	106,335
Net change in fund balance	(781,577)	(781,577)	(702,717)	78,860
Fund balances, beginning of year	825,405	825,405	825,405	-
Fund balances, end of year	\$ 43,829	43,829	122,688	78,860

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (RESERVE FUND)
 Year End June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	-	31,571	31,571
Total revenues	<u>-</u>	<u>-</u>	<u>31,571</u>	<u>31,571</u>
Net change in fund balance	-	-	31,571	31,571
Fund balances, beginning of year	<u>831,863</u>	<u>831,863</u>	<u>831,863</u>	<u>-</u>
Fund balances, end of year	<u>\$ 831,863</u>	<u>831,863</u>	<u>863,434</u>	<u>31,571</u>

CABEZON PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (ENHANCED SERVICES)
 Year End June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Special levy taxes	\$ 131,053	131,053	131,055	2
Total revenues	<u>131,053</u>	<u>131,053</u>	<u>131,055</u>	<u>2</u>
Expenditures				
Public works	131,053	131,053	1,307	129,746
Total expenditures	<u>131,053</u>	<u>131,053</u>	<u>1,307</u>	<u>129,746</u>
Net change in fund balance	-	-	129,748	129,748
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>-</u>	<u>129,748</u>	<u>129,748</u>

**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
Cabezon Public Improvement District
and
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities and each major fund of the Cabezon Public Improvement District (District), as of and for the years ended June 30, 2008, 2007, 2006 and 2005 which collectively comprise the District's basic financial statements and have issued our report thereon dated February 27, 2009. We have also audited the budgetary comparisons for the years ended June 30, 2008, 2007, and 2006 as listed as supplementary information in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies

To the Board of Directors
Cabezon Public Improvement District
and
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting, 08-01, 08-02, and 08-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 08-04, 08-05, and 08-06.

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

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

Moss Adams LLP

Albuquerque, New Mexico
February 27, 2009

**CABEZON PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008**

08-01: Segregate Preparation and Mailing of Checks

CONDITION

During our testing of disbursements from the Enhanced Services Account, we noted that once the Board Chairman signed the checks, they are returned to the preparer for mailing.

CRITERIA

Good internal controls include the segregation of the preparation of checks and the related mailing out of the checks.

EFFECT

There is an increased risk of improper payments being made without timely detection.

CAUSE

The District's current procedures were developed without adequate segregation of duties.

RECOMMENDATION

We recommend that the District should segregate the duties of check preparation and mailing to ensure the integrity of the cash disbursement process.

MANAGEMENT'S RESPONSE

The District concurs with this finding and will implement new procedures to ensure proper segregation of duties.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2008**

08-02: Review and Cancellation of Paid Invoices

CONDITION

During our disbursement testing over the Enhanced Services Account, we noted 5 out of 10 invoices that were not approved or reviewed by the District. In addition, invoices are not marked as "paid" or otherwise effectively cancelled at the time the disbursement checks are written.

CRITERIA

The District's procedures require that all invoices be approved prior to disbursements being made. Additionally, good internal controls include the cancellation of invoices to ensure that they won't be paid twice.

CAUSE

There is a lack of monitoring to ensure compliance with the District's policies.

EFFECT

The current practice increases the risk of payment for unapproved/unauthorized invoices. The non-cancellation of invoices could increase the risk of invoices being paid twice.

RECOMMENDATION

We recommend that the District should consistently review or sign off invoices before payment is initiated. The District Treasurer should designate someone to review for compliance with District internal control policies. Also, paid invoices should be stamped as "paid" to preclude the possibility of paying them the second time.

MANAGEMENT'S RESPONSE

The District will ensure that the approval of all invoices occurs prior to disbursements. Additionally, the District will begin cancelling invoices.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2008**

08-03: No General Ledger Maintained

CONDITION

The District did not maintain a general ledger for fiscal years 2008, 2007, 2006, and 2005.

CRITERIA

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

CAUSE

The District used the monthly bank statements to track transactions.

EFFECT

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE

The District will create a general ledger in the future.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2008**

08-04: Budget Overspending

CONDITION

The District did not prepare a budget for fiscal 2005. Additionally, during fiscal years 2008, 2007 and 2006 the budget for the Construction Fund was overspent by \$2,161,399, \$906,300 and \$2,566,179, respectively, and for fiscal year 2008 the reserve fund was overspent by \$9,983.

CRITERIA

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

CAUSE

Budgets for capital outlay expenditures in the Construction Fund were not established as the District was not familiar with statutory budget requirements.

EFFECT

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

RECOMMENDATION

Overspending of the budget should not occur. We recommend that all budget adjustments be approved prior to spending and budget to actual reviews be made on a timely basis.

MANAGEMENT'S RESPONSE

The District will implement procedures to ensure that expenditures are made within budgeted amounts.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2008**

08-05: Uncollateralized Bank Deposits

CONDITION

The District's cash balances on deposit at Bank of Albuquerque exceeded the FDIC limit of \$100,000 and were not collateralized by the Bank for the amount of \$69,679.

CRITERIA

The Public Money statues, 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 statues 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 the cash of bank failure.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE

The District will ensure that the bank collateralize its deposits in accordance with State Statutes.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2008**

08-06: Late Audit Report

CONDITION

The audit reports for the years ending June 30, 2008, 2007, 2006 and 2005 were not submitted by the deadline of November 15 for each fiscal year. These reports were submitted to the State Auditor's Office on February 27, 2009.

CRITERIA

2.2.2 NMAC, Audit Rule 2008, specifies the deadline for submission of audit reports. Section 2.2.2.9 A (1)(c) stipulates that District reports are due no later than November 15. Further, Section 2.2.2.9 A (3) requires that submission of a late audit report shall be reported as current year audit finding in the audit report.

CAUSE

The District is not aware that it was required to submit audit report with the State Auditor's Office.

EFFECT

The District is not in compliance with Section 2.2.2.9 A (1)(c) of the NMAC, Audit Rule 2008 which may impact future funding.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE

The District was unaware of the audit requirement and will ensure in the future that the audits are submitted to the State Auditor's Office by the due date.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
EXIT CONFERENCE
Year Ended June 30, 2008**

An exit conference was held on February 26, 2009. Attending were the following:

Representing Cabezon Public Improvement District:

Richard Kristof, Secretary/Treasurer

Representing Moss Adams LLP:

Tony Royle, CPA, Partner

Chris Garner, CPA, Senior Manager

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