

Cabazon Public
Improvement District

Financial Statements

June 30, 2015



CABEZON PUBLIC IMPROVEMENT DISTRICT

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**CABEZON PUBLIC IMPROVEMENT DISTRICT
OFFICIAL ROSTER
Year ended June 30, 2015**

BOARD OF DIRECTORS

Greggory D. Hull	Chairman
Shelby Smith	Member
Chuck Wilkins	Member
Cheryl Everett	Member
Mark Scott	Member
Lonnie Clayton	Member
Dawnn Robinson	Member

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cabezon Public Improvement District
Rio Rancho, New Mexico
and Mr. Timothy Keller
New Mexico State Auditor

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 major special revenue fund of Cabezon Public Improvement District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, 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 major debt service funds presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2015, 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, 2015, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons for the major debt service funds 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's discussion and analysis on pages 6-10, 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 Information

The Schedule of Vendors has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015 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 the 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 the District's internal control over financial reporting and compliance.



Albuquerque, New Mexico
December 15, 2015

CABEZON PUBLIC IMPROVEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

Management of the Cabezon Public Improvement District (the District) offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015.

Cabezon Public Improvement 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, to be used for the purpose of paying the principal of and interest on the District's special levy revenue bonds, and (ii) a special levy (Special Levy B) against the real property in the District, to be used for the purpose of funding certain enhanced services within the District including the maintenance of landscaping for the Linear Park and trails constructed adjacent to the east branch of the Black Arroyo Channel and parkways and medians in a portion of the City of Rio Rancho's rights-of-way. Special Levy B is not pledged to the payment of the bonds.

Both Special Levy A and Special Levy B are included on the property tax assessment notices sent to property owners each year by the Sandoval County Treasurer's Office. The special levies are paid to the county at the same time as property taxes, and the county remits the special levy collections to the District on a monthly basis.

FINANCIAL HIGHLIGHTS

Following are highlights from the financial statements for the fiscal year ended June 30, 2015:

- The District's total deficit net position decreased from a negative \$7.6 million to a negative \$7.9 million as a result of using certain restricted assets to accomplish a debt refunding.
- The District refunded its outstanding Series 2005 bonds to achieve a cash-flow savings of \$2.3 million or \$150,000 per year through the year 2034.
- The District's revenues and expenditures were essentially unchanged from the prior year except for certain costs and transfers associated with the bond refunding transaction.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

**CABEZON PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

The Statement of Net Position presents information on all of the District's assets and liabilities, with the residual 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 most recent fiscal year. 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 (e.g., Special Levy revenues that have been assessed but not yet collected).

In the government-wide financial statements, the District's activities are presented as *governmental activities*. Governmental activities include the District's basic activities to finance the construction of certain infrastructure improvements and, on an annual basis, provide 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 and outflows 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 condition.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental funds and governmental activities. The reconciliations are on pages 13 and 15 of this report.

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, the Bond Fund, the Reserve Fund, and the Enhanced Services Fund, all of which are considered to be major funds.

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.

Supplementary Information. As required by the New Mexico State Auditor, this report includes budgetary comparison schedules for each of the District's funds that have a legally adopted budget.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. At June 30, 2015, the District's liabilities exceeded assets by \$7,863,762.

As stated earlier, the District was originally formed to construct certain improvements to the East Branch of the Black Arroyo Channel and appurtenances, including detention/sediment basins, and water quality facilities. The majority of the improvements were financed from bond proceeds, and once completed, the assets were transferred to the Southern Sandoval County Arroyo Flood Control Authority (SSCAFCA) and are not recorded on the District's general ledger. However, the District remains liable for debt service on the outstanding bonds. The bonds will be repaid over time as the District assesses and collects Special Levy A on property owners within the District.

The following table presents the District's condensed net position for the fiscal years ended June 30:

	2015	2014
Current assets	\$ 1,453,479	\$ 1,864,620
Other assets	130,347	117,851
Total assets	<u>1,583,826</u>	<u>1,982,471</u>
Current liabilities	499,749	426,501
Long-term liabilities	8,947,839	9,130,101
Total liabilities	<u>9,447,588</u>	<u>9,556,602</u>
Net position – restricted	7,243	824,828
Net position – unrestricted (deficit)	(7,871,005)	(8,398,959)
Total net position (deficit)	<u>\$ (7,863,762)</u>	<u>\$ (7,574,131)</u>

Changes in Net Position. The District's net position decreased \$289,631 mostly as a result of using certain restricted assets to refund its outstanding bonds, as explained further below. Revenue from special levies was relatively flat; however, expenses increased \$491,695, most of which was related to costs of the bond refunding.

The following table presents a summary of the changes in the District's net position for the fiscal years ended June 30:

	2015	2014
Revenues:		
Special levy	\$ 1,136,342	\$ 1,116,142
Miscellaneous	1,364	29
Total revenues	<u>1,137,706</u>	<u>1,116,171</u>
Expenses:		
General government	51,496	58,744
Public works –maintenance	199,627	286,234
Bond issuance cost	388,187	-
Interest expense	788,027	590,664
Total expenditures	<u>1,427,337</u>	<u>935,642</u>
Change in net position	(289,631)	180,529
Beginning net position	(7,574,131)	(7,754,660)
Ending net position	<u>\$ (7,863,762)</u>	<u>\$ (7,574,131)</u>

**CABEZON PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

CAPITAL ASSETS AND DEBT ADMINISTRATION

As stated earlier, the District does not own any capital assets but remains responsible for paying debt service on bonds that were issued to construct certain assets that were subsequently transferred to SSCAFCA.

In September 2014, the District issued \$9,340,000 in Series 2014 special levy revenue bonds to refund its outstanding Series 2005 special levy revenue bonds. Taking advantage of lower interest rates, the District realized a net present value savings of \$1.78 million and a cash flow savings of \$2.3 million or approximately \$150,000 per year through the year 2034. The refunding transaction allowed the District to lower the amount of Special Levy A by 20% for all property owners.

At June 30, 2015, the District's outstanding bonds totaled \$9,340,000.

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's revenues come from special levies paid by property owners within the District, and the major expenditures of the District are debt service payments and landscape maintenance expenditures. For fiscal year 2015, revenues for all governmental funds totaled \$1,188,474, while expenditures totaled \$1,158,858. Both of these amounts were nearly equal to revenues and expenditures in the prior fiscal year.

The most significant transaction this year was the bond refunding, as explained above. As required by the refunding, the entire balance of the Reserve Fund was transferred to the Bond Fund where it was used to refund the 2006 bonds. As a result of liquidating the Reserve Fund, total fund balances decreased 19% from the prior year; however, the Reserve Fund will no longer be required to hold cash in reserve for future debt service payments.

The following table shows the balances of the District's governmental funds at June 30, 2015:

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Reserve Fund</u>	<u>Enhanced Services Fund</u>	<u>Total</u>
Fund Balances:					
Restricted for debt service	\$ -	\$ 7,243	\$ -	\$ -	\$ 7,243
Restricted for repairs & maintenance	-	-	-	286,538	286,538
Unassigned	<u>1,039,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,039,929</u>
Total	<u>\$ 1,039,929</u>	<u>\$ 7,243</u>	<u>\$ -</u>	<u>\$ 286,538</u>	<u>\$ 1,333,710</u>
<i>% change from prior year</i>	<i>29%</i>	<i>100%</i>	<i>(100%)</i>	<i>23%</i>	<i>(19%)</i>

General Fund Budgetary Highlights

Special levy collections were \$21,406 below budget, and administration expenditures were \$26,064 below budget.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

The District adopts an annual budget, which projects the expected General Fund expenditures (based on debt service requirement, administrative expenses, and estimated delinquency) and interest income from funds, to determine the amount of Special Levy A for each year. The only change to the General Fund budget during the year was a decrease of \$153,066 to Transfers Out to adjust the amount required for debt service after the bond refunding.

Other Funds – Enhanced Services Fund

The Enhanced Services Fund exists to pay for costs of maintaining the Linear Park trails and certain medians and landscaping along the major collector and arterial roads within the District's boundaries. These costs are paid for through collection of Special Levy B that is assessed on all property owners within the District. During fiscal year 2015, maintenance costs were \$86,607 or 30% lower than the prior year due largely to a combination of lower water usage and a switch from using culinary water to recycled water, which has a much lower per-gallon cost. The fund ended the year with a balance of \$286,538 which is restricted for future landscape maintenance needs.

CURRENTLY KNOWN FACTS AND CONDITIONS

For several years, the governing body of the City of Rio Rancho has been acting as the District's board for all legal and budgetary matters. In August 2015, the District held a formal election to select new board members comprised of residents from the various neighborhoods of the Cabezon District. Three individuals were elected to the District board, and the City's governing body turned over all legal and budgetary responsibility for the District's affairs to the new board. The District continues to contract with the City for certain financial and administrative services.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. Questions about this report or any other information about the District should be directed to the Financial Services Department of the City of Rio Rancho, 3200 Civic Center Circle NE, Rio Rancho, New Mexico 87144.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CABEZON PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,269,229
Prepaid insurance	184,250
Receivable, net	<u>130,347</u>
Total assets	<u>1,583,826</u>
LIABILITIES	
Accounts payable	-
Interest payable	99,313
Revenue bonds payable, net	
Due within one year	400,436
Due in more than one year	<u>8,947,839</u>
Total liabilities	<u>9,447,588</u>
Net Position	
Restricted for debt service	7,243
Unrestricted (deficit)	<u>(7,871,005)</u>
Total net position	<u>\$ (7,863,762)</u>

See Notes to the Financial Statements

**STATE OF NEW MEXICO
CABEZON PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2015**

EXPENSES	<u>Expenses</u>	<u>Governmental Activities</u>
Public works- maintenance	\$ 199,627	\$ (199,627)
General government	51,496	(51,496)
Bond issuance costs	256,715	(256,715)
Amortization of bond discount	131,472	(131,472)
Interest expense	<u>788,027</u>	<u>(788,027)</u>
Total expenses	\$ <u>1,427,337</u>	(1,427,337)
 GENERAL REVENUES		
Special levy		1,136,342
Miscellaneous revenue		<u>1,364</u>
		<u>1,137,706</u>
Change in net position		(289,631)
Net position (deficit) beginning		<u>(7,574,131)</u>
Net position (deficit), ending		\$ <u><u>(7,863,762)</u></u>

See Notes to the Financial Statements

**STATE OF NEW MEXICO
CABEZON PUBLIC IMPROVEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Bond Fund	Reserve Fund	Enhanced Services Fund	Total
ASSETS					
Cash and cash equivalents	\$ 987,679	7,243	-	274,307	1,269,229
Prepaid insurance	-	-	-	-	-
Receivables, net of allowance of \$12,499	102,179	-	-	28,168	130,347
Total Assets	\$ 1,089,858	7,243	-	302,475	1,399,576
LIABILITIES					
Accounts payable	-	-	-	-	-
<i>Total Liabilities</i>	-	-	-	-	-
DEFERRED INFLOWS					
Special levies	49,929	-	-	15,937	65,866
<i>Total Deferred Inflows</i>	49,929	-	-	15,937	65,866
FUND BALANCES					
Restricted for debt service	-	7,243	-	-	7,243
Restricted for repair & maint.	-	-	-	286,538	286,538
Unassigned	1,039,929	-	-	-	1,039,929
<i>Total fund balances</i>	1,039,929	7,243	-	286,538	1,333,710
<i>Total liabilities, deferred inflows and fund balances</i>	\$ 1,089,858	7,243	-	302,475	1,399,576

See Notes to the Financial Statements

**STATE OF NEW MEXICO
CABEZON PUBLIC IMPROVEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

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

Fund Balance - total government funds	\$ 1,333,710
Long-term assets related to the issuance of debt used in the governmental activities are not financial resources, and therefore, are not reported in the funds	184,250
Long-term liabilities for the revenue bonds are not due and payable in the current period, and therefore are not reported in the funds	(9,348,275)
Accrued interest payable	(99,313)
Receivables reported in the Statement of Net Position that are not currently available in the funds and reported in deferred inflows	<u>65,866</u>
Net position of governmental activities	<u><u>\$ (7,863,762)</u></u>

See Notes to the Financial Statements

**STATE OF NEW MEXICO
CABEZON PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Bond Fund	Reserve Fund	Enhanced Services Fund	Total
Revenues					
Special Levy	\$ 935,896	-	-	251,650	1,187,546
Other income	-	-	-	537	537
Dividend income	5	386	-	-	391
<i>Total Revenues</i>	<u>935,901</u>	<u>386</u>	<u>-</u>	<u>252,187</u>	<u>1,188,474</u>
Expenditures					
General government	51,496	-	-	-	51,496
Public works	-	-	-	199,627	199,627
Insurance costs	-	184,250	-	-	184,250
Debt service					
Interest expense	-	411,020	-	-	411,020
Bond issuance costs	-	256,715	-	-	256,715
Principal	-	240,000	-	-	240,000
<i>Total Expenditures</i>	<u>51,496</u>	<u>1,091,985</u>	<u>-</u>	<u>199,627</u>	<u>1,343,108</u>
Excess (deficiency) of revenues over (under) expenditures	<u>884,405</u>	<u>(1,091,599)</u>	<u>-</u>	<u>52,560</u>	<u>(154,634)</u>
Other financing sources (uses)					
Transfer in	-	1,475,835	-	-	1,475,835
Transfer out	(651,008)	-	(824,827)	-	(1,475,835)
Refunding bonds issued	-	9,340,000	-	-	9,340,000
Bond premium	-	8,711	-	-	8,711
Payment-refunded bond escrow	-	(9,725,705)	-	-	(9,725,705)
<i>Total other financing sources (uses)</i>	<u>(651,008)</u>	<u>1,098,841</u>	<u>(824,827)</u>	<u>-</u>	<u>(376,994)</u>
Net change in fund balance	233,397	7,242	(824,827)	52,560	(531,628)
Fund balances, beginning of year	<u>806,532</u>	<u>1</u>	<u>824,827</u>	<u>233,978</u>	<u>1,865,338</u>
Fund balances, ending of year	<u>\$ 1,039,929</u>	<u>7,243</u>	<u>-</u>	<u>286,538</u>	<u>1,333,710</u>

See Notes to the Financial Statements

**STATE OF NEW MEXICO
CABEZON PUBLIC IMPROVEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNEMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2015**

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	\$ (531,628)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report prepaid insurance costs as an expense; however, in the Statement of Activities, the expense is amortized	184,250
The repayment of long-term debt uses the current financial resources of the governmental funds. This has no effect on net position.	9,495,000
Proceeds from long-term debt uses the current financial resources of the governmental funds. This has no effect on net position.	(9,348,711)
Change in property tax receivable	(51,204)
Change in unamortized discount/premium	(131,036)
Change in accrued interest payable	<u>93,698</u>
Changes in net position of governmental activities	<u>\$ (289,631)</u>

See Notes to the Financial Statements

**STATE OF NEW MEXICO
CABEZON PUBLIC IMPROVEMENT DISTRICT
BUDGET TO ACTUAL - GENERAL FUND
JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Special Levy	\$ 957,302	957,302	935,896	(21,406)
Dividend income	-	-	5	5
<i>Total Revenues</i>	<u>957,302</u>	<u>957,302</u>	<u>935,901</u>	<u>(21,401)</u>
Expenditures				
General government	77,560	77,560	51,496	26,064
Public works	-	-	-	-
<i>Total Expenditures</i>	<u>77,560</u>	<u>77,560</u>	<u>51,496</u>	<u>26,064</u>
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer (out)	(821,210)	(668,144)	(651,008)	17,136
<i>Total</i>	<u>(821,210)</u>	<u>(668,144)</u>	<u>(651,008)</u>	<u>17,136</u>
Net change in fund balance	58,532	211,598	233,397	21,799
Fund balances, beginning of year	806,532	806,532	806,532	-
Fund balances, end of year	\$ <u><u>865,064</u></u>	<u><u>1,018,130</u></u>	<u><u>1,039,929</u></u>	<u><u>21,799</u></u>

**STATE OF NEW MEXICO
CABEZON PUBLIC IMPROVEMENT DISTRICT
BUDGET TO ACTUAL - ENHANCED SERVICES FUND
JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Special Levy	\$ 256,727	256,727	251,650	(5,077)
Other Income	-	-	537	537
Dividend income	-	-	-	-
<i>Total Revenues</i>	<u>256,727</u>	<u>256,727</u>	<u>252,187</u>	<u>(4,540)</u>
Expenditures				
General government	-	-	-	-
Public works	301,268	301,268	199,627	101,641
Debt service				
Interest expense	-	-	-	-
Principal	-	-	-	-
<i>Total Expenditures</i>	<u>301,268</u>	<u>301,268</u>	<u>199,627</u>	<u>101,641</u>
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
<i>Total</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(44,541)	(44,541)	52,560	97,101
Fund balances, beginning of year	233,978	233,978	233,978	-
Fund balances, end of year	<u>\$ 189,437</u>	<u>189,437</u>	<u>286,538</u>	<u>97,101</u>

**CABEZON PUBLIC IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

These financial statements present the District (the primary government). As defined by GASBS No. 14 & 61, component units are legally separate entities that are included in the District's reporting entity because of the significance of their operating or financial relationships with the District. Based on the criterion in GASB's No. 14 & 61, the District had no component units.

The District is governed by the District Board, consisting of seven directors. The District Board has control over and management supervision of all affairs of the District. Directors serve either four years or six years.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles (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

District-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 Special Levy. The Statement of Net Position includes the District's assets, liabilities, deferred outflows of resources and deferred inflows of resources and the residual of these items are reported as net position for the year ending June 30, 2015. There are no deferred outflows or deferred inflows of resources for the District as a whole.

The Statement of Activities presents comparisons 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 Special Levy on real property covered by the District, and dividends income from the investment of funds.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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. It includes proceeds from Special Levy A.
- b. Bond Fund – used to account for the payment of principal and interest related to the bond obligation.
- c. 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.
- d. Enhanced Services Fund – used to account for Special Levy B proceeds to be used for repairs and maintenance.

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. For the year ending June 30, 2015, amounts of special levy receivable expected to be collected 60 days beyond the fiscal year is reported as deferred inflows. 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.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows in the governmental funds regarding property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Cash Equivalents. The District considers all highly liquid debt instruments with an 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 and Southern Sandoval County Arroyo Flood Control Authority. As a result, the District does not capitalize any capital assets on its financial statements.

Long-Term Obligations. In the Government-wide financial statements, long-term debts are reported as liabilities. Long-term obligations of the governmental funds payable from the general revenues of the District are reported in the 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 the 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.

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). Billings on Special Levy A and Special Levy B amounted to \$935,896 and \$251,650 for the fiscal year ended 2015, respectively. 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.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Annual Special Levy A shall cease to be levied following the payment of all scheduled 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 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 year, with one-half of the taxes on that assessment due the following November 10 and one-half due April 10 of the next calendar year. The special levy installment due November 10 becomes delinquent on December 11, while the April 10 installment becomes delinquent on May 11. 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. Levy amounts not available within 60 days of the reporting date are recorded as deferred inflows.

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

Fund Balances. The District follows GASB 54. In the governmental fund financial statements, the District classifies fund balances into spendable and non-spendable classifications. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact permanently such as principal of a permanent fund. The District has no non-spendable fund balances at June 30, 2015.

The spendable classifications are detailed below:

Restricted Fund Balances. Net position is reported as restricted when constraints placed on net position use are (a) externally imposed by creditors such as through debt covenants, grantors, contributors, laws, or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation includes a legal enforceable requirement that resources be only for the specific purposes stipulated in the legislation.

Legal enforceability means the government can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources for the purpose specified by the legislation.

The amount of net position restricted by enabling legislation is \$7,243 which represents all restricted net position reported on the Statement of Net Position.

The District will apply restricted resources first, and then unrestricted resources to any activity that may be satisfied by either restricted or unrestricted resources.

Unrestricted Net Position – consists of net position that does not meet the definition of “restricted” or invested in capital assets, net of related debt.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates. The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. The budget is adopted on a modified accrual (GAAP) 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 District, municipality or town, securities that are issued by the United States government or by its agencies or instrumentalities or in contracts with banks, savings, and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities. If the District is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance from financial institutions within the geographic boundaries of the governmental unit, the District may invest its money as provided under Section 6-10-10.1 NMSA 1978 with the New Mexico State Treasurer's investment pool for a period greater than 181 days. The State Treasurer's investment pool shall be invested as provided for State funds under Section 60-10-10 NMSA 1978.

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

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of June 30, 2015, the District's deposits were exposed to custodial risk as follows:

Total deposits	\$ 274,307
Insured	250,000
Total uninsured public funds	<u>\$ 24,307</u>
Pledged collateral required	\$ 12,153
Pledged collateral held by a third party banking institution	
CUSIP 3136A1RL1 Fed Home Loan Bank stated at market value	205,504
Excess collateral	<u>\$ 193,351</u>

**CABEZON PUBLIC IMPROVEMENT DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Cash and cash equivalents at June 30, 2015 consists of the following:

Cash in Bank of Albuquerque	\$	274,307
Held in trust by Bank of Albuquerque US Treasury Fund		<u>994,922</u>
Total	\$	<u>1,269,229</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, 2015 consist of:

Special Levy receivables	\$	142,846
Allowance for bad debts		<u>(12,499)</u>
Total	\$	<u>130,347</u>

NOTE 5 – REVENUE BONDS

On October 7, 2014, the District issued \$9,340,000 of Special Levy Refunding Revenue Bonds with interest rates between 2.00% and 3.75% to advance refund \$9,255,000 of series 2005 bonds outstanding with interest rates between 5.20% and 6.30%. In addition to the reserve fund cash balance of \$824,815, net proceeds of \$8,900,890 (including premium of \$8,711, underwriting discounts of \$62,782, issuance costs of \$200,789 and bond insurance of \$184,250) were used to purchase U.S. government securities that were placed in an escrow fund to provide for all future debt service payments for the 2005 series bonds. On March 1, 2015, the outstanding bonds were called and all principal, interest and a related premium of 2% were paid. The liability for those bonds has been removed from the government-wide statement of net assets. As a result of the refunding transaction, the District reduced its total debt service requirements by \$2,252,622, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,780,509.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – REVENUE BONDS (Continued)

The details of activity of the revenue bonds for the year ended June 30, 2015 are as follows:

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015	Due within one year
Series 2005 Special Levy Revenue Bonds	\$ 9,495,000	\$ -	\$ (9,495,000)	\$ -	\$ -
Series 2014 Special Levy Refunding Revenue Bonds	-	9,340,000	-	9,340,000	400,000
Total Bonds	<u>9,495,000</u>	<u>9,340,000</u>	<u>(9,495,000)</u>	<u>9,340,000</u>	<u>400,000</u>
Unamortized Bond Discount	(131,472)	-	131,472	-	-
Unamortized Bond Premium	-	8,711	(436)	8,275	436
Total Bonds, net Premium	<u>\$ 9,363,528</u>	<u>\$ 9,348,711</u>	<u>\$ (9,363,964)</u>	<u>\$ 9,348,275</u>	<u>\$ 400,436</u>

The balance of revenue bonds at June 30, 2015 in the Statement of Net Position includes unamortized bond premium of \$8,275.

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

Year Ending June 30	Principal	Interest	Total Debt Service
2016	\$ 400,000	\$ 293,938	\$ 693,938
2017	360,000	286,337	646,337
2018	365,000	279,088	644,088
2019	370,000	269,887	639,887
2020	385,000	258,563	643,563
2021-2025	2,105,000	1,111,253	3,216,253
2026-2030	2,445,000	763,747	3,208,747
2031-2035	2,910,000	280,875	3,190,875
Total	<u>\$ 9,340,000</u>	<u>\$ 3,543,688</u>	<u>\$ 12,883,688</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 POSITION

The total net position 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 assessments.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2015**

NOTE 7 – INTERFUND TRANSFERS

The following transfers were made for the year ended June 30, 2015 to fund the debt service requirements:

<u>Transfer Out</u>		<u>Transfer In Bond Fund</u>
General Fund	\$	651,008
Reserve Fund		824,827
Total	\$	<u>1,475,835</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, 2015 does not expect to incur a liability.

NOTE 9 - 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 officer liability. Certain actions of the Board and management are covered through the Tort Claims Act. As it applies to the District, neither any member of the Board of Directors of the District nor any person acting on behalf of the District, while acting within the scope of his authority, shall be subject to any personal liability for any action taken or omitted within that scope of authority.

NOTE 10 - SUBSEQUENT EVENTS

Events subsequent to June 30, 2015 have been evaluated by management through December 15, 2015, the date the financial statements were available for issuance. In the opinion of management, no events occurring after June 30, 2015 require adjustment or disclosure in the financial statements.

NOTE 11 – OVERSPENT BUDGET LINE ITEMS

As stated in the finding 2015-001, the District had expended in excess of the budget as listed in the finding.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 - RECENT ACCOUNTING STANDARDS

In August 2012, the GASB issued Statement No.68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The adoption of GASB Statement No. 68 had no effect on the District's financial statements, as the District does not employ any employees and therefore, does not have payroll expenditures for contributions to pension plans.

In January 2013, the GASB issued statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combination includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. GASB Statement 69 is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis. The District was not a party to any combinations or disposals in the current year and therefore the adoption of GASB Statement 69 does not have any impact on the District's financial statements.

In November 2013, the GASB issued statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Statement No. 68 requires a state or local government employer to recognize a net pension liability measured as of the measurement date, no earlier than the end of its prior fiscal year. If a state or local government employer makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. If it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. Accordingly, Statement No. 71 amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The adoption of GASB Statement No. 71 had no effect on the District's financial statements.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement No. 76, which supersedes Statement No. 55, aims to identify, in the context of the current governmental financial reporting environment, the hierarchy of U.S. GAAP, which consists of the sources of accounting principles used to prepare the financial statements of state and local governments entities in conformity with U.S. GAAP, as well as the framework for selecting those principles. The District adopted GASB Statement No. 76 during fiscal year 2015, with no significant impact to the District's financial statements.

**CABEZON PUBLIC IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13 – NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2015.

GASB Statement No. 72, Fair Value Measurement and Application

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The District will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The District believes that the above listed new GASB pronouncements will not have a significant financial impact to the District or in issuing its financial statements.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CABEZON PUBLIC IMPROVEMENT DISTRICT
BUDGET TO ACTUAL - BOND FUND
JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Positive (Negative)
Revenues				
Special Levy	\$ -	-	-	-
Dividend income	-	-	386	386
<i>Total Revenues</i>	-	-	386	386
Expenditures				
General government	-	-	-	-
Public works	-	-	-	-
Insurance costs	-	-	184,250	(184,250)
Debt service				
Interest expense	571,210	268,144	411,020	(142,876)
Bond issuance costs	-	-	256,715	(256,715)
Principal	250,000	400,000	240,000	160,000
<i>Total Expenditures</i>	821,210	668,144	1,091,985	(423,841)
Other financing sources (uses)				
Transfer in	821,210	668,144	1,475,835	807,691
Transfer out	-	-	-	-
Refunding bonds issued	-	-	9,340,000	9,340,000
Premium	-	-	8,711	8,711
Payment to escrow agent	-	-	(9,725,705)	(9,725,705)
<i>Total</i>	821,210	668,144	1,098,841	430,697
Net change in fund balance	-	-	7,242	854,924
Fund balances, beginning of year	1	1	1	-
Fund balances, end of year	\$ 1	1	7,243	854,924

**STATE OF NEW MEXICO
CABEZON PUBLIC IMPROVEMENT DISTRICT
BUDGET TO ACTUAL - RESERVE FUND
JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-
	Original	Final		Positive (Negative)
Revenues				
Special Levy	\$ -	-	-	-
Dividend income	-	-	-	-
<i>Total Revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
General government	-	-	-	-
Public works	-	-	-	-
Debt service				
Interest expense	-	-	-	-
Principal	-	-	-	-
<i>Total Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer out	-	-	(824,827)	(824,827)
<i>Total</i>	<u>-</u>	<u>-</u>	<u>(824,827)</u>	<u>(824,827)</u>
Net change in fund balance	-	-	(824,827)	(824,827)
Fund balances, beginning of year	824,827	824,827	824,827	-
Fund balances, end of year	\$ <u>824,827</u>	<u>824,827</u>	<u>-</u>	<u>(824,827)</u>

OTHER SCHEDULES

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
Cabezon Public Improvement District
Rio Rancho, New Mexico
and Mr. Timothy Keller
New Mexico State Auditor

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 of the general fund and major special revenue fund of Cabezon Public Improvement District (the “District”), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and the budgetary comparisons of the District, presented as supplemental information, and have issued our report thereon dated December 15, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or deficiencies 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2015-001.

District's Response to Finding

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 15, 2015

COMPLIANCE SECTION

**CABEZON PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015**

FINANCIAL STATEMENT FINDINGS

2015-001 Budgetary Compliance (Other Matters)

Condition: The District spent in excess of budgeted expenditures in the Bond Fund. Excess expenditures in the Bond Fund totaled \$423,841.

Criteria: NMSA 6-6-2 (J) requires management to supervise expenditures to ensure the budgeted amounts are not exceeded.

Effect: The District is not in compliance with NMSA 6-6-2 (J).

Cause: The District did not adequately monitor expenditures in relation to the budget as required by New Mexico budgetary state statutes.

Recommendation: We recommend management monitor total expenditures to ensure actual expenditures are within budgeted amounts.

Management's Response: Beginning in January 2016, the Special District Analyst will prepare a monthly schedule showing year-to-date expenditures relative to the budget for each fund of the District. A board member of the District will review this schedule each month as part of the District's monthly financial review of expenditures. The analyst will also contact the District's financial consultant by May 1st of each year to discuss anticipated expenditures through the end of the fiscal year. The analyst and consultant will ensure any required budget adjustments are prepared and approved prior to June 30th.

PRIOR YEAR FINDINGS

None

**CABEZON PUBLIC IMPROVEMENT DISTRICT
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2015**

EXIT CONFERENCE

An exit conference was held on December 15, 2015 which was attended by the following:

Cabazon

Dan Olsen, Board Member
Candida Kelcourse, Special District Analyst

Axiom

Chris Garner, Partner

Financial Statement Presentation

The financial statements were prepared from the original books and records of Cabazon Public Improvement District as of June 30, 2015 by Axiom. However, the contents of the financial statements remain the responsibility of management.