



**MARIPOSA EAST
PUBLIC
IMPROVEMENT
DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2009

Moss Adams LLP
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MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT

**Official Roster
As of June 30, 2009**

Board of Directors

James Jimenez	Chairman
Richard Kristof	Secretary/Treasurer
Douglas Collister	Member
Jack Eichorn	Member

Independent Auditors' Report

To the Board of Directors
Mariposa East Public Improvement District
Rio Rancho, New Mexico
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 Mariposa East Public Improvement District (District) as of and for the year ended June 30, 2009 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 year ended June 30, 2009 as listed in the table of contents. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2009 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparisons referred

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

to above present fairly, in all material respects, the budgetary comparisons for the year ended June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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 audit.

The management's discussion and analysis on pages 4 through 8 is not a required part of the basic financial statements but is 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
November 30, 2009

**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

As management of the Mariposa East 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 year ended June 30, 2009.

The District is a political subdivision of the State of New Mexico (the "State") created by the City of Rio Rancho (City) 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 dated February 8, 2006 authorized the imposition of Special Levy and facilities fee.

Financial Highlights

The financial statements, which follow the Management's Discussion and Analysis, provide those significant key financial highlights for fiscal year 2009 as follows:

- In the Statement of Net Assets, the District's total net assets decreased from a negative \$11.5 million in fiscal year 2008 to a negative \$12.2 million in fiscal year 2009. The decrease relates to the fact that the District transfers all capital assets to the City upon their completion.
- In the Statement of Activities the total District's revenue amounted to \$0.3 million while expenditures totaled \$1.0 million.

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.

MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
YEAR ENDED JUNE 30, 2009

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.

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 12 and 14, 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.

**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
YEAR ENDED JUNE 30, 2009**

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 by \$12,163,194.

The purpose of the District is to construct a water supply system and wastewater treatment plant. 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 and are not recorded on the District's books.

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

	<u>2009</u>	<u>2008</u>
Current assets	\$ 3,786,292	4,439,004
Other assets	162,846	169,876
	<u>\$ 3,949,138</u>	<u>4,608,880</u>
Current liabilities	\$ 395,644	378,265
Long-term obligations outstanding	15,716,688	15,704,459
Total Liabilities	<u>16,112,332</u>	<u>16,082,724</u>
Net Assets – Unrestricted (deficit)	<u>\$ (12,163,194)</u>	<u>(11,473,844)</u>

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

- Payment of bond interest totaled \$959,146 in fiscal year 2009 which is consistent with the amount incurred in fiscal year 2008.
- Special Levy and facilities fees amounted to \$244,246 or an increase of 50% from fiscal year 2008.

MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
YEAR ENDED JUNE 30, 2009

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

	<u>2009</u>	<u>2008</u>
Expenses		
Public works - construction	\$ -	(129)
General government	(31,375)	(17,045)
Interest expense	(959,146)	(959,146)
Other	(7,750)	-
Total expenses	<u>(998,271)</u>	<u>(976,320)</u>
General Revenues		
Facilities fee	36,432	14,400
Special Levy	207,814	148,398
Dividend income	24,494	110,322
Interest income	40,181	78,169
Other	-	31,656
	<u>308,921</u>	<u>382,945</u>
Change in net assets	<u>\$ (689,350)</u>	<u>(593,375)</u>

Financial Analysis of the Government's Funds

The District's revenues in the governmental funds amounted to \$294,822, while expenditures amounted to \$979,012. The major expenditures of the District are debt service payments and administrative expenses.

General Fund Budgetary Highlights

The District adopts annual budget, which project the expected expenditures (based on debt service requirement, administrative expenses and estimated delinquency) collection of facilities fee, 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 year ended 2009.

The actual Special Levy is higher by \$49,315 than the budget due to higher amount of actual assessment made by Sandoval County as a result of changes in valuation of property within the District. The actual expenditures exceeded budget by \$5,665 due to lower amount budgeted for audit fees than was incurred.

**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
YEAR ENDED JUNE 30, 2009**

Capital Assets and Debt Administration

On May 22, 2009, the capital assets were transferred to the City, and hence they were not recorded on the District's financial statements.

Pursuant to resolution adopted on June 14, 2006, the District issued its \$16,000,000 General Obligation Bonds, Series 2006 on June 21, 2006. Under the Indenture dated June 1, 2006, the Bonds are payable from revenues received by the District, comprising of the Special Levy and Facilities fee.

The first principal payment is scheduled in September 2010 hence the principal amount did not change since the issuance of the Bonds.

CONTACTING THE DISTRICT'S 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.

MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
 STATEMENTS OF NET ASSETS
 June 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,743,867
Special Levy receivables	42,425
Bond issuance costs, net	162,846
Total assets	<u>3,949,138</u>
LIABILITIES	
Accrued expenses	
Professional fees	30,736
Advances from developer	51,612
Interest payable	313,296
General obligation bonds payable, net of discount, due in more than one year	15,716,688
Total liabilities	<u>16,112,332</u>
NET ASSETS	
Unrestricted (deficit)	<u>\$ (12,163,194)</u>

See Notes to Financial Statements.

MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2009

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
General government	31,375	(31,375)
Interest expense	959,146	(959,146)
Others	7,750	(7,750)
Total expenses	<u>\$ 998,271</u>	<u>(998,271)</u>
General Revenues		
Facilities fee		\$ 36,432
Special Levy		207,814
Dividend income		24,494
Interest income		40,181
		<u>308,921</u>
Change in net assets		(689,350)
Net assets, (deficit) beginning		<u>(11,473,844)</u>
Net assets, (deficit) ending		<u>\$ (12,163,194)</u>

See Notes to Financial Statements.

MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General Fund	Stabilization Fund	Bond Fund	Reserve Fund	Total
ASSETS					
Cash and cash equivalents	\$ 309,776	2,046,217	110,333	1,277,541	3,743,867
Special Levy receivable	42,425	-	-	-	42,425
Total assets	\$ 352,201	2,046,217	110,333	1,277,541	3,786,292
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued expenses	\$ 82,348	-	-	-	82,348
Deferred revenue	25,654	-	-	-	25,654
Total liabilities	108,002	-	-	-	108,002
Fund Balances					
Reserve for debt service	-	-	110,333	1,277,541	1,387,874
Unreserved fund balances	244,199	2,046,217	-	-	2,290,416
Total fund balances	244,199	2,046,217	110,333	1,277,541	3,678,290
Total liabilities and fund balances	\$ 352,201	2,046,217	110,333	1,277,541	3,786,292

See Notes to Financial Statements.

MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
 RECONCILIATION OF THE BALANCE SHEET -
 GOVERNMENTAL FUNDS TO THE
 STATEMENT OF NET ASSETS
 Year Ended June 30, 2009

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

Fund balance - total governmental funds	\$	3,678,290
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Bond issuance costs in the governmental activities are not financial resources and therefore, not reported in the governmental funds</p>		162,846
<p>Long-term obligations for the revenue bonds, are not due and payable in the current period, and therefore are not reported in the governmental funds</p>		(15,716,688)
<p>Interest accrued on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due</p>		(313,296)
<p>Receivables reported in the Statement of Net Assets that are not currently available in the funds</p>		25,654
Net assets of governmental activities	\$	(12,163,194)

See Notes to Financial Statements.

MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General Fund	Stabilization Fund	Bond Fund	Reserve Fund	Total
Revenues					
Facilities fee	\$ -	36,432	-	-	36,432
Special levy	193,715	-	-	-	193,715
Dividend income	1,103	13,147	741	9,503	24,494
Interest income	-	40,181	-	-	40,181
	<u>194,818</u>	<u>89,760</u>	<u>741</u>	<u>9,503</u>	<u>294,822</u>
Expenditures					
General government	31,375	-	-	-	31,375
Debt service					
Interest expense	-	939,887	-	-	939,887
Other	-	7,750	-	-	7,750
Total expenditures	<u>31,375</u>	<u>947,637</u>	<u>-</u>	<u>-</u>	<u>979,012</u>
Excess (deficiency) of revenues over (under) expenditures	<u>163,443</u>	<u>(857,877)</u>	<u>741</u>	<u>9,503</u>	<u>(684,190)</u>
Other financing sources (uses)					
Transfer in	-	-	46,257	-	46,257
Transfer out	-	-	-	(46,257)	(46,257)
Total	<u>-</u>	<u>-</u>	<u>46,257</u>	<u>(46,257)</u>	<u>-</u>
Net change in fund balance	163,443	(857,877)	46,998	(36,754)	(684,190)
Fund balances, beginning	<u>80,756</u>	<u>2,904,094</u>	<u>63,335</u>	<u>1,314,295</u>	<u>4,362,480</u>
Fund balances, ending	<u>\$ 244,199</u>	<u>2,046,217</u>	<u>110,333</u>	<u>1,277,541</u>	<u>3,678,290</u>

See Notes to Financial Statements.

MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2009

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 \$ (684,190)

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 (19,259)

Special Levy that is not recognized in the
 fund balances 14,099

Change in net assets of governmental activities \$ (689,350)

See Notes to Financial Statements.

MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1. REPORTING ENTITY

Mariposa East Public Improvement District (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 (City) Administrative Policies and Procedures entitled "Public Improvement District Guidelines and Application Procedures, and City Resolution No. 105". Enactment No 04-103 adopted on February 8, 2006.

The District was created to fund certain public improvement projects consisting of a water supply system and wastewater treatment plant (Mariposa Project). The District is comprised of approximately 1,525 acres. Of the 1,525 acres, approximately 1,249 acres are property zoned for development, and are subject to the 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 and collection of facilities fee.

MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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's 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. Stabilization Fund - used to account for the collection of facilities fee and for the payment of interest for 36 months.
- 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.

MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 the 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. Allowance for doubtful accounts are provided based upon a review of outstanding receivables, historical collection information, and existing economic conditions. At June 30, 2009, allowance for doubtful accounts is not necessary.

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.

MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Long-Term Obligations (Continued)

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.

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 a Special Levy, which secures the payment of the debt service on the District's Revenue Bonds.

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, 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. The Special Levy 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.

Facilities fee

Facilities fee is a one time payment for lots/tracts sold within the District, imposed in accordance with the Development Agreement between the City, High Desert (Developer) and the District. It is payable and collected at the earlier of: (a) the transfer of lot or tract by the Developer to a third party, (b) the issuance of a building permit for such lot or tract. Facilities fee equals to \$2,400 for each residential lot, and \$.25 per buildable square foot for commercial parcel.

The facilities fee is generally recognized as revenue on the date the lot/tract is sold by the Developer to a third party, unless issuance of building permit for such lot or tract occurs first.

Transfers

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

MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Fund Equity Reservations

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

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 budget for each fiscal year. 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 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.

MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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.

Cash and cash equivalents at June 30, 2009 of US Treasury bonds held in trust by Bank of Albuquerque.

NOTE 4. GENERAL OBLIGATION BONDS

On June 21, 2006, the District issued General Obligation Bonds, Series 2006 with total par value of \$16,000,000 for \$15,680,000, or a discount of \$320,000. The proceeds from issuance were primarily used in the construction of the Mariposa 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's Special Levy and facilities fee.

The Indenture contains special mandatory and optional redemption, ranging from 100% to 102% of the principal amount. The special mandatory redemption triggers when: (a) on or after the completion of the project, moneys are transferred from the Project 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, 2016. No events occurred that triggered special mandatory redemption.

The changes in the long-term debt of the governmental activities for the year ended June 30, 2009 are as follows:

	<u>General Obligation Bonds, Series 2006</u>			<u>Total</u>
Interest rate	3.6%	3.75%	4.00%	
Maturity date	9/1/2016	9/1/2021	9/1/2032	
Original Amount	<u>\$ 2,695,000</u>	<u>2,655,000</u>	<u>10,650,000</u>	<u>16,000,000</u>
Balance, 6/30/2008	2,695,000	2,655,000	10,650,000	16,000,000
Payments	-	-	-	-
Balance, 6/30/2009	<u>\$ 2,965,000</u>	<u>2,655,000</u>	<u>10,650,000</u>	<u>16,000,000</u>

The General obligation bonds payable in the Statement of Net Assets is net of unamortized bond discount of \$283,312 at June 30, 2009.

MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE 4. GENERAL OBLIGATION BONDS (CONTINUED)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010	\$ -	939,887	939,887
2011	325,000	930,950	1,255,950
2012	345,000	912,525	1,257,525
2013	365,000	893,000	1,258,000
2014	380,000	872,512	1,252,512
2015-2019	2,255,000	4,011,044	6,266,044
2020-2024	2,970,000	3,267,150	6,237,150
2025-2029	3,970,000	2,240,400	6,210,400
2030-2033	5,390,000	779,100	6,169,100
	<u>\$ 16,000,000</u>	<u>14,846,568</u>	<u>30,846,568</u>

Interest payment and principal payments of the general obligation bonds are serviced by revenues generated from the Special Levy and Facilities fee, and are paid from the Bond Fund and Stabilization Fund.

	<u>July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30</u>	<u>Due in 1 year</u>
General obligation bonds	\$ 16,000,000	-	-	16,000,000	-
Unamortized bond discount	(295,541)	12,229	-	(283,312)	-
	<u>\$ 15,704,459</u>	<u>12,229</u>	<u>-</u>	<u>15,716,688</u>	<u>-</u>

NOTE 5. 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.

NOTE 6. INTERFUND TRANSFERS

The following transfer was made for the year ended June 30, 2009 to fund the debt service payments:

	<u>Transfer In</u>
	Bond Fund
<u>Transfer Out</u>	
Reserve Fund	<u>\$ 46,257</u>

MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 7. 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. While the District has yet to perform calculations of excess earnings on the general obligation bonds, management does not expect to incur a liability at June 30, 2009.

NOTE 8. 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>
General Fund	\$ 25,710	31,375	(5,665)
Stabilization Fund	882,888	947,637	(64,749)

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 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 four years.

**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)
 Year End June 30, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Revenues				
Special Levy	\$ 144,400	144,400	193,715	49,315
Dividends income	1,000	1,000	1,103	103
Total revenues	<u>145,400</u>	<u>145,400</u>	<u>194,818</u>	<u>49,418</u>
Expenditures				
General government	25,710	25,710	31,375	(5,665)
Total expenditures	<u>25,710</u>	<u>25,710</u>	<u>31,375</u>	<u>(5,665)</u>
Net change in fund balance	119,690	119,690	163,443	43,753
Fund balances, beginning of year	80,756	80,756	80,756	-
Fund balances, end of year	<u>\$ 200,446</u>	<u>200,446</u>	<u>244,199</u>	<u>43,753</u>

**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (STABILIZATION FUND)
 Year End June 30, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Facilities fee	\$ 129,000	129,000	36,432	(92,568)
Dividend income	-	-	13,147	13,147
Interest income	-	-	40,181	40,181
Total revenues	129,000	129,000	89,760	(39,240)
Expenditures				
Debt service - interest	882,888	882,888	939,887	(56,999)
Other	-	-	7,750	(7,750)
Total expenditures	882,888	882,888	947,637	(64,749)
Net change in fund balance	(753,888)	(753,888)	(857,877)	(103,989)
Fund balances, beginning of year	2,904,094	2,904,094	2,904,094	-
Fund balances, end of year	\$ 2,150,206	2,150,206	2,046,217	(103,989)

**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (BOND FUND)
 Year End June 30, 2009**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Dividend income	\$ -	-	741	741
Total revenues	-	-	741	741
Other Financing Sources (Uses)				
Transfer in	30,000	30,000	46,257	16,257
Total	30,000	30,000	46,257	16,257
Net change in fund balance	30,000	30,000	46,998	16,998
Fund balances, beginning of year	63,335	63,335	63,335	-
Fund balances, end of year	\$ 93,335	93,335	110,333	16,998

**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (RESERVE FUND)
 Year End June 30, 2009**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Interest income	\$ 30,000	30,000	9,503	(20,497)
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>9,503</u>	<u>(20,497)</u>
Other Financing Sources (Uses)				
Transfer out	(30,000)	(30,000)	(46,257)	(16,257)
Total	<u>(30,000)</u>	<u>(30,000)</u>	<u>(46,257)</u>	<u>(16,257)</u>
Net change in fund balance	-	-	(36,754)	(36,754)
Fund balances, beginning of year	1,314,295	1,314,295	1,314,295	-
Fund balances, end of year	<u>\$ 1,314,295</u>	<u>1,314,295</u>	<u>1,277,541</u>	<u>(36,754)</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
Mariposa East 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 Mariposa East Public Improvement District (District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2009. We have also audited the budgetary comparisons for the year ended June 30, 2009, as listed 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 entity'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 entity's financial statements that is more than inconsequential

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

will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting, 08-01.

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, 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 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 matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 08-02.

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

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

This report is intended solely for the information and use of management, others within the District, the Board Members, 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
November 30, 2009

**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009**

08-01 No General Ledger Maintained

CONDITION

The District did not maintain a general ledger for fiscal year ended June 30, 2009.

CRITERIA

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

EFFECT

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

CAUSE

The District used the monthly bank statements to track transactions.

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.

**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2009**

08-02 Budget Overspending

CONDITION

During the fiscal year ended June 30, 2009, the budget for the General Fund and Stabilization Fund was overspent by \$5,665 and \$64,749, respectively.

CRITERIA

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

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.

CAUSE

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

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.

**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2009**

08-01	No General Ledger Maintained	Updated and Repeated as 08-01
08-02	Budget Overspending	Updated and Repeated as 08-02
08-03	Late Audit Report	Resolved

**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
EXIT CONFERENCE
Year Ended June 30, 2009**

An exit conference was held on November 30, 2009. Attending were the following:

Representing Mariposa Public Improvement District:

Richard Kristof, Secretary/Treasurer

Representing Moss Adams LLP:

Chris Garner, CPA, Senior Manager

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