

MARIPOSA EAST PUBLIC
IMPROVEMENT DISTRICT

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES

June 30, 2014



AXIOM
*Certified Public Accountants
and Business Advisors LLC*

**Mariposa East Public Improvement District
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**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
OFFICIAL ROSTER
JUNE 30, 2014**

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>
Thomas E. Swisstack	Chairman
Dawn Robinson	Member
Chuck Wilkins	Member
Cheryl Everett	Member
Mark Scott	Member
Lonnie Clayton	Member
Timothy C. Crum	Member

INDEPENDENT ACCOUNTNANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by Mariposa East Public Improvement District (District or Mariposa) and New Mexico State Auditor (State Auditor), solely to assist the users in evaluating the District's financial reporting to the State Auditor relating to its Cash, Capital Assets, Revenue, Expenditures, Journal Entries and Budget information and its compliance with Section 12-6-3B(6) NMSA 1978 and Section 2.2.2.16 NMAC as of and for the year ended June 30, 2014. The District's management is responsible for Mariposa's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

In accordance with Tier 6 of the Audit Act- Section 12-6-3 B(6) and Section 2.2.2.16 NMAC, we performed the following procedures:

1. Cash

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.

Results of Procedures 1(a)

Mariposa performs reconciliations monthly; we reviewed five out of the total twelve monthly reconciliations. All accounts were present on the reconciliation, and reconciliations were performed within one month of the last day of the reporting month. Based on our observations, Mariposa appears to be doing reconciliations in a timely and accurate manner.

- b) Perform a random test of bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and financial reports submitted to DFA-Local Government Division.

Results of Procedures 1(b)

We reviewed five out of a total of twelve monthly reconciliations and a sample of total deposits and expenditures were traced from the reconciliation to the bank statements and related

source documents. Ending balances were confirmed with the financial institution and traced to the general ledger without exception.

- c) Determine whether the local public body’s financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Results of Procedures 1(c)

All deposits of the district are invested in US Treasury instruments – all Mariposa deposits are in the Invesco Treasury Portfolio Money Market account. These investments are direct obligations of the US Treasury or repurchase agreement backed by Treasury obligations.

We obtained a list from management of all bank and investment accounts and the corresponding statements for the fiscal year ended June 30, 2014 as described below:

Account No.	Description	Fund	GL Balance as of 6/30/2014
81-8635-01-3	Pledged Revenue	Pledged Fund	\$ 150,374
81-8635-02-1	Principal	Bond Fund	1
81-8635-03-9	Interest	Bond Fund	1
81-8635-04-7	Prepay	Bond Fund	-
81-8635-07-0	Reserve Fund	Reserve Fund	278,774
81-8635-10-4	Admin	Administration Fund	<u>38,339</u>
Total			<u><u>\$ 467,489</u></u>

Through procedures performed 1(a) – 1(c), we noted no instances of non-compliance.

2. Capital Assets

Verify that the local body is performing a yearly inventory as required by section 12-6-10 NMSA 1978.

Results from Procedure 2

The District has no capital assets and accordingly Section 12-6-10 NMSA 1978 is not applicable.

3. Debt

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

Results from Procedure 3

The District is struggling financially due to the lack of home sales. At the direction of the Bond Holders, the District did not make its September 2013 or March 2014 principle payments. Regular payments on the General Obligation Bond will not resume until the debt restructuring has been completed.

4. Revenues

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a) Perform an analytical review: test actual revenue compared to budgeted revenue for the year for each type of revenue.

Results of Procedures 4(a)

For each type of revenue, we compared actual revenue to budgeted revenue and investigated any variances over 10%. No variances over 10% were noted.

Select a sample of revenues based on auditor judgment and test the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and bank statement.
- c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

Results of Procedures 4(b) and (c)

For Procedures (b) and (c), we selected the following revenue samples and obtained 95% coverage of total revenues.

Date	Check Number	Description	Amount
7/23/2013	24220	Monthly Tax Collection	\$37,68.64
8/21/2013	24313	Monthly Tax Collection	7,746.41
9/24/2013	24389	Monthly Tax Collection	514.30
10/24/2013	24470	Monthly Tax Collection	4,739.42
12/24/2013	24720	Monthly Tax Collection Undeveloped	26,372.25
12/24/2013	24721	Monthly Tax Collection Developed	13,887.45
1/22/2014	24865	Monthly Tax Collection Developed	39,582.67
1/22/2014	24866	Monthly Tax Collection Undeveloped	14,559.57
1/22/2014	24839	Monthly Tax Collection	632.54
2/24/2014	24965	Monthly Tax Collection	279.30
2/24/2014	24865	Monthly Tax Collection	1,783.59
2/24/2014	24866	Monthly Tax Collection Undeveloped	9,166.25
3/24/2014	25123	Monthly Tax Collection Developed	445.90
3/24/2014	25124	Monthly Tax Collection Undeveloped	693.84
4/24/2014	25244	Monthly Tax Collection Undeveloped	17,253.22
4/24/2014	25243	Monthly Tax Collection Developed	9,628.42
5/23/2014	25244	Monthly Tax Collection Undeveloped	34,102.14
5/23/2014	25243	Monthly Tax Collection Developed	10,247.49
5/23/2014	25243	Monthly Tax Collection Undeveloped	94,51.04
6/24/2014	25391	Monthly Tax Collection Undeveloped	37,431.28
6/24/2014	25526	Monthly Tax Collection Developed	26,074.52
6/24/2014	25525	Monthly Tax Collection Undeveloped	10,373.67
6/24/2014	25526	Monthly Tax Collection Developed	7,226.27

The selected samples all agreed to recorded revenue and supporting documents without exception. There were descriptions available for each item and classification seemed reasonable.

5. Expenditures

Select a sample of cash disbursements and test using the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date, and description agree to the vendor's invoice, purchase order, contract, and cancelled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. For purposes of performing our procedures, disbursements were considered to be properly authorized if they contained evidence of review such as sign off on invoices or approval through correspondence.

- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Results of Procedures 5(a) - 5(c)

We selected the following cash disbursements (representing 93% of the total and performed the procedures described in 5(a) - 5(c) above:

Date	Check Number	Description	Amount
7/15/2013	870659	Castle & Castle	6,981.75
7/15/2013	870661	Hopping Green & Sam	44,030.99
7/15/2013	870662	Bohannon Huston	5,312.55
7/15/2013	870663	David Taussig & Assoc	14,216.06
9/30/2013	884624	RBC Capital Markets	5,510.00
9/30/2013	884625	City of Rio Rancho	5,510.00
12/10/2013	ACH	Wire to Brown & Brown Metro	11,995.67
12/10/2013	897923	Sandoval County Treasure Mariposa Community Assoc.	47,470.57
3/26/2014	917701	Assessments	11,357.50
3/26/2014	917702	David Taussig & Assoc	13,285.68
3/26/2014	917703	Castle & Castle	9,822.60
3/26/2014	917704	Atkinson & Co.	5,751.26
3/26/2014	917706	CORR	6,000.00
5/9/2014	927926	Sandoval County Treasure	46,776.94
5/13/2014	928314	Castle & Castle	7,516.75
6/26/2014	937185	Modrall Sperling	5,549.99

The District is not required to follow the Procurement Code in accordance with NMSA 5-11-10 D. or the Per Diem and Mileage Act as the District has no employees. No other instances of noncompliance were noted as a result of performing the procedures described in 5(a) - 5(c).

6. Journal Entries

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Results of Procedure 6

We noted the District did maintain a general ledger for the fiscal year ending June 30, 2014, but did not have any journal entries.

7. Budget

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- c) From the original and approved budgets and general ledger, prepare a schedule of revenues and expenditures - budget and actual on the budgetary basis used by the local public body (cash, accrual, or modified accrual basis) for each individual fund.

Results of Procedure 7

See Schedules of Revenues and Expenditures – Budget and Actual (Cash Basis) in pages 10 through 12 of this report.

- Actual expenditures were higher than budgeted expenditures in the Pledged Revenue fund by \$183,710 due to unknown legal fees associated with the bond debt restructuring.
- Because no bond payments were made in FYE 2014, budgeted revenues and expenditures in the Bond Fund never materialized.

8. Capital Outlay Expenditures

Results of Procedure 8

The District does not have any large capital outlays, therefore Procedure 8 does not apply.

9. Other

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(1)(3)(C) NMAC.

Results of Procedure 9

No information was noted requiring reporting in the area of fraud illegal acts, noncompliance or any internal control deficiencies.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the District, bond investors, and Office of the State Auditor and is not intended to be and should not be used by anyone other than those specified parties.

The logo for Axiom, featuring the word "Axiom" in a blue, cursive script font.

Axiom CPA's
Albuquerque, New Mexico
October 28, 2014

FINANCIAL SECTION

STATE OF NEW MEXICO
MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL (CASH BASIS)
YEAR ENDED JUNE 30,2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Property taxes	\$ 312,952	\$ 312,952	\$ 298,677	\$ (14,275)
Dividend income	-	-	10	10
Other - tax revenue	-	-	-	-
<i>Total revenues</i>	<u>312,952</u>	<u>312,952</u>	<u>298,687</u>	<u>(14,265)</u>
<i>Expenditures:</i>				
Current				
General government	-	-	11,510	(11,510)
Public works	-	-	46,778	(46,778)
Professional services - legal	7,500	7,500	130,862	(123,362)
Professional services - admin & audit	60,698	60,698	62,758	2,060
Insurance	-	-	-	-
<i>Total expenditures</i>	<u>68,198</u>	<u>68,198</u>	<u>251,908</u>	<u>(183,710)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>244,754</u>	<u>244,754</u>	<u>46,779</u>	<u>(197,975)</u>
<i>Other financing sources (uses):</i>				
Operating transfers in	-	-	-	-
Operating transfers (out)	(98,592)	(98,592)	-	98,592
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(98,592)</u>	<u>(98,592)</u>	<u>-</u>	<u>98,592</u>
<i>Net change in fund balances</i>	<u>\$ 146,162</u>	<u>\$ 146,162</u>	<u>\$ 46,779</u>	<u>\$ (99,383)</u>

STATE OF NEW MEXICO
MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
BOND FUND
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL (CASH BASIS)
YEAR ENDED JUNE 30,2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Property taxes	-	-		
Dividend income	-	-	-	-
Other - tax revenue	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
Current				
Debt service				
Principal	-	-	-	-
Interest	98,592	98,592	-	98,592
<i>Total expenditures</i>	98,592	98,592	-	98,592
<i>Excess (deficiency) of revenues over expenditures</i>	(98,592)	(98,592)	-	98,592
<i>Other financing sources (uses):</i>				
Operating transfers in	98,592	98,592	-	(98,592)
Operating transfers (out)	-	-	-	-
Designated cash	-	-	-	-
<i>Total other financing sources (uses)</i>	98,592	98,592	-	(98,592)
<i>Net change in fund balances</i>	\$ -	\$ -	\$ -	\$ -

STATE OF NEW MEXICO
MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
RESERVE FUND
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL (CASH BASIS)
FOR THE YEAR ENDED JUNE 30,2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Dividend income	-	-	52	52
Other - tax revenue	-	-	-	-
Total revenues	-	-	52	52
<i>Expenditures:</i>				
Current				
General government	-	-	-	-
Public works	-	-	47,475	(47,475)
Professional services - legal	-	-	-	-
Professional services - admin & audit	-	-	-	-
New Mexico Corp trust fees	-	-	-	-
Interest expense	-	-	-	-
Insurance	-	-	11,996	(11,996)
Total expenditures	-	-	59,471	(59,471)
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(59,419)	(59,419)
<i>Other financing sources (uses):</i>				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ (59,419)	\$ (59,419)

**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiencies identified not considered to be material weaknesses? No

Noncompliance material to financial statements: No

FINANCIAL STATEMENT FINDINGS

None

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC

None

PRIOR YEAR FINDING

13-01 Late Submission of Auditor Recommendation and Contract (Compliance- Other) Resolved

12-01 Late Compliance Reports (Compliance- Other) Resolved

**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
EXIT CONFERENCE
JUNE 30, 2014**

An exit conference was held on October 21, 2014. Attending were the following:

Representing Mariposa East Public Improvement District:

Mayor Gregory Hull
Keith Riesburg
Dan Olsen
Christina Boyer

Representing Axiom:

Chris Garner, Partner

MARIPOSA EAST PUBLIC
IMPROVEMENT DISTRICT

COMPILED FINANCIAL STATEMENTS

June 30, 2014



*Certified Public Accountants
and Business Advisors LLC*

**Mariposa East Public Improvement District
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**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
OFFICIAL ROSTER
JUNE 30, 2014**

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>
Thomas E. Swisstack	Chairman
Dawn Robinson	Member
Chuck Wilkins	Member
Cheryl Everett	Member
Mark Scott	Member
Lonnie Clayton	Member
Timothy C. Crum	Member

See Accountants' Compilation Report

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

We have compiled the accompanying governmental fund financial statements consisting of the balance sheet – governmental funds and statement of revenues, expenditures, and changes in fund balance – governmental funds and related notes of Mariposa East Public Improvement District (Mariposa), as of and for the year ended June 30, 2014, as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted (GAAP) in the United States of America.

The management of Mariposa is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit the government wide financial statements and associated and corresponding reconciliations and disclosures required by GAAP. If the omitted financial statement disclosures were included in the financial statements, they might influence the user's conclusions about Mariposa PID's financial position and results of operations. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Management has elected to omit the budgetary comparison schedules for the government funds required by GAAP. If the omitted budgetary comparison schedules for the government funds were included in the financial statements, they might influence the user's conclusions about Mariposa PID's financial position and results of operations. Accordingly, the financial statements are not designed for those who are not informed about such matters.

For the year ended June 30, 2014, management has omitted the Management's Discussion and Analysis that GAAP requires to be presented to supplement the basic financial statements. Such missing 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. Accordingly, these financial statements are not designed for those who are not informed about such matters.

As discussed in Notes 8 and 9, certain conditions indicate that Mariposa PID may be unable to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary should the Mariposa PID be unable to continue as a going concern.



Axiom CPA's
Albuquerque, New Mexico
October 28, 2014

STATE OF NEW MEXICO
MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30,2014
See Accountants' Compilation Report

	General Fund	Bond Fund	Reserve Fund	Total
ASSETS				
Cash and cash equivalents	\$ 188,713	1	278,774	467,488
Receivables, net	41,253	-	-	41,253
Total Assets	\$ 229,966	1	278,774	508,741
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
<i>Deferred Inflows</i>				
Unearned revenue	\$ 33,772	-	-	33,772
Total Deferred Inflows	33,772	-	-	33,772
<i>Fund Balances</i>				
Restricted for debt service	-	1	278,774	278,775
Unassigned	196,194	-	-	196,194
Total fund balances	196,194	1	278,774	474,969
Total liabilities, deferred inflows and fund balances	\$ 229,966	1	278,774	508,741

See Notes to the Compiled Financial Statements

STATE OF NEW MEXICO
MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
JUNE 30,2014
See Accountants' Compilation Report

	General Fund	Bond Fund	Reserve Fund	Total
Revenues				
Property taxes	\$ 298,677	-	-	298,677
Dividend income	10	-	52	62
Other - tax revenue	-	-	-	-
<i>Total Revenues</i>	298,687	-	52	298,739
Expenditures				
General government	11,510	-	-	11,510
Public works	46,778	-	47,475	94,253
Professional services - legal	130,862	-	-	130,862
Professional services - administrative and audit	62,758	-	-	62,758
Insurance	-	-	11,996	11,996
<i>Total Expenditures</i>	251,908	-	59,471	311,379
Excess (deficiency) of revenues over (under) expenditures	46,779	-	(59,419)	(12,640)
Fund balances, beginning of year	149,415	1	338,193	487,609
Fund balances, ending of year	\$ 196,194	1	278,774	474,969

See Notes to the Compiled Financial Statements

**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
See Accountants' Compilation Report**

NOTE 1 - REPORTING ENTITY

Mariposa East Public Improvement District (the District, PID, or Mariposa) 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 Mariposa Project) for the Mariposa community, consisting of approximately 1,525 gross acres of real property located in the City of Rio Rancho, of which approximately 1,249 acres were initially subject to the District Property Tax 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 at June 30, 2014 and the District has no subordinate component units.

The District is governed by the District Board, consisting of five directors. The District Board has control over and management supervision responsibility of all affairs of the District. The City Council for the City of Rio Rancho has assumed Board responsibilities for Mariposa PID as of September 26, 2012.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Selected Information – Substantially All Disclosures Required by Accounting Principles Generally Accepted In the United States of America Are Not Included

The fund financial statements consisting of the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds 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

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.

Governmental Funds. The District reports all governmental funds in a major-fund type presentation:

- 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 the Administrative Property Tax.

**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
See Accountants' Compilation Report**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. Rate Stabilization Fund – used to account for funds received from the developer.
- c. Bond Fund – used to pay annual bond principal and interest payments.
- d. Reserve Fund – required reserves per the bond agreement are tracked in the reserve fund.

Measurement Focus and Basis of Accounting. 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 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. As a result, the District does not capitalize any capital assets on their financial statements.

Property Taxes. The District imposes Property Taxes, which secures the payment of the debt service on the District's General Obligation Bonds. Property Tax Revenue amounted to \$298,677 for the fiscal year ended June 30, 2014.

The Debt Service Property Tax shall cease to be levied following the payment of all scheduled interest, principal, and premium, if any, for the Bonds.

The Property Taxes are 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 Property Tax installment due November 10 becomes delinquent on December 11, while the April 10 installment becomes delinquent on May 11. The District Property Taxes shall be subject to foreclosure by the District at any time after six months following written notice of delinquency to the owner of the real property to which the delinquency applies. The lien shall include delinquencies, penalties, and interest thereon at a rate not to exceed the maximum legal rate of interest per year and penalties otherwise applicable.

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances. The District followed GASB 54 during the current fiscal year. 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, 2014.

The spendable classifications are detailed below:

Restricted Fund Balances. Net assets are reported as restricted when constraints placed on net asset 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 impelled 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 assets restricted by enabling legislation is \$278,774 which represents all restricted net assets. These assets are principally retained in the reserve fund to be used for debt service.

Unrestricted Assets – consist of net assets that do not meet the definition of “restricted” or invested in capital assets, net of related debt. Restricted resources are first applied where both restricted and unrestricted resources are available.

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.

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

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NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 District's deposits may not be returned. As of June 30, 2014, the District's deposits were not exposed to custodial risk due to:

Total deposits	\$ 467,488
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Invested in US Treasury instruments – all Mariposa deposits are in the Invesco Treasury Portfolio Money Market account. These investments are direct obligations of the US Treasury or repurchase agreements backed by Treasury obligations.

NOTE 4 - GENERAL OBLIGATION BONDS

Under modified accrual accounting, bond principal is not recorded in years subsequent to issuance. The following information is provided on the bond obligation to present additional information on the 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 the District Property Taxes.

The District is struggling financially due to the lack of home sales. At the direction of the bond holders, Mariposa did not pay their September 1, 2013 or March 1, 2014 principal payment. This is not considered a default because Mariposa had the funds to make the principal payment on time. The bond holders wanted to defer the payment to preserve the trust estate for restructuring. Due to lawsuits filed by the residents of Mariposa, the restructuring of the bonds was delayed. The lawsuits have been dropped so that the bond can be restructured. Mariposa did not make the scheduled interest payments.

The Indenture contains special mandatory and optional redemption, ranging from 100% to 102% of the principal amount. The special mandatory redemption, which started on September 1, 2010, triggers when: (a) on or after the completion of the project, moneys are transferred from the Construction Fund to the Prepayment Account of the Bond Fund, and (b) the prepayment in whole or in part of any Property Taxes 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 have triggered special mandatory redemption. The bond indenture requires continuous reporting including the filings of an annual budget with the local government division of DFA, State of New Mexico. Property tax revenues are currently providing approximately 20% of required principal and interest

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NOTE 4 - GENERAL OBLIGATION BONDS (CONTINUED)

bond servicing on an annual basis.

The details of activity of the revenue bonds for the year ended June 30, 2014 are as follows:

Interest Rate	5.20%	6.00%	6.30%	Total
Maturity Date	9/1/2016	9/1/2021	9/1/2021	
Balance 6/30/13	\$ 2,025,000	2,665,000	10,650,000	15,330,000
Payments	-	-	-	-
Balance 6/30/14	\$ 2,025,000	2,665,000	10,650,000	15,330,000

The balance of revenue bonds at June 30, 2014 is net of unamortized bond discount of \$197,080.

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

Year Ending June 30	Principal	Interest	Total Debt Service
2015	\$ 1,150,000	\$ 1,733,475	\$ 2,883,475
2016	425,000	828,100	1,253,100
2017	450,000	804,038	1,254,038
2018	475,000	778,006	1,253,006
2019-2023	2,805,000	3,435,575	6,240,575
2024-2028	3,745,000	2,471,850	6,216,850
2029-2033	6,280,000	1,129,200	7,409,200
	\$ 15,330,000	\$ 11,180,244	\$ 26,510,244

Interest payment and principal payments of the general obligation bonds are serviced by revenues generated from the District Property Taxes and are paid from the Bond Fund.

	July 1	Increases	Decreases	June 30	Due in 1 year
Special Levy Revenue Bonds	\$ 15,330,000	\$ -	\$ -	\$ 15,330,000	\$ 1,150,000
Unamortized bond discount	(221,461)	-	24,381	(197,080)	(24,381)
	\$ 15,108,539	\$ -	\$ 24,381	\$ 15,329,920	\$ 1,125,619

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NOTE 5 - INTERFUND TRANSFERS

No transfers were made for the year ended June 30, 2014 to fund the debt service requirements.

NOTE 6 - INSURANCE COVERAGE

The District has no buildings, equipment, infrastructure or other tangible assets. The District has no employees. Certain actions of the Board and management are covered through the Tort Claims Act which states, in part, that neither member of the Board of Directors of the District nor any person acting on behalf of the District, while acting within the scope of their authority, shall be subject to any personal liability for any action taken or omitted within that scope of authority. Accordingly, the District is not insured through private carriers for liability, casualty, and director and officer liability.

NOTE 7 - ACCRUAL ITEMS AFFECTING FINANCIAL STATUS OF MARIPOSA EAST AT JUNE 30, 2014

The financial statements are prepared on a modified accrual basis. Certain significant obligations exist for the PID that are not recorded in the government funds financial statements as follows:

Accrued Interest. Reserve funds, as well as a lesser amount of general funds, are used to pay interest expense on outstanding bonds. The amount of interest paid during the year was \$0. The principal payment due in FY14 of \$380,000 was delayed due to a forbearance agreement put in place. Accrued interest due at June 30, 2014 is not recorded in the government fund financials at June 30, 2014 as it is not considered to require expendable resources in the near term. The amount of the accrued interest at June 30, 2014 is \$1,166,191. Bond principal reported in Note D is also not recorded.

Accrued Professional Fees. The PID is incurring significant legal fees in relation to the financial status of the PID and the associated nonpayment of bond principal and ongoing restructuring attempts for outstanding bond obligations. Amounts were paid from reserve funds during the year totaling \$130,862 to legal counsel for bond holders as approved by bond holders for legal services in connection with bond restructuring. Amounts owing to the PID's legal counsels are accumulating and total \$35,278 at June 30, 2014. This amount is unpaid and are not recorded at June 30, 2014 due to the modified accrual basis of accounting. There is informal discussion that these amounts will be paid upon culmination of a bond restructure arrangement.

NOTE 8 - GOING CONCERN

Due to the circumstances described in Notes D and G to the financial statements, specifically the financial difficulties of the PID in relation to its bond payments and the low level of homeowners and homeowner sales, there is concern about the ability of the PID to continue to exist for periods after June 30, 2014.

The PID Board, the Bond investors, and the Developer are in discussions about possible actions that may assist the PID to continue. A supplemental indenture agreement No. 1 was reached between Mariposa East PID and the Bank of Albuquerque, NA trustee dated August 1, 2012 which was a forbearance agreement for the trustee and PID Board to not apply remedies available to them in the event of default of the bonds and to effect the transfer of High Desert Land in exchange for release from replenishment

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 - GOING CONCERN (CONTINUED)

responsibilities.

These conditions raise substantial doubt about the PID's ability to continue as a going concern. The accompanying financial statements have been prepared assuming that PID will continue as a going concern and the financials do not include any adjustments that might result from the outcome of this going concern uncertainty.

NOTE 9 - SUBSEQUENT EVENTS

Events subsequent to June 30, 2014 have been evaluated by management through October 28, 2014, the date the financial statements were available for issuance. The lawsuits by the homeowners were dropped in order for the restructuring of the bonds to occur. A forbearance agreement dated August 1, 2012 authorizes the District Board and Trustee to forbear from remedies for tax collection deficiencies in relation to required bond obligation. The forbearance agreement is in effect pending the closing of a restructuring agreement. A restructuring draft agreement dated August 13, 2013 relates to the proposed restructuring of Mariposa PID bonds whereby the original 2006 bonds will be replaced with 2013 or later bonds secured by special levy revenues rather than general obligation property taxes and amounts that homeowners will be responsible for was capped. The restructuring agreement is not final, but all parties are negotiating in good faith at the date of the financial statements.

**MARIPOSA EAST PUBLIC IMPROVEMENT DISTRICT
EXIT CONFERENCE
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An exit conference was held on October 21, 2014. Attending were the following:

Representing Mariposa East Public Improvement District:

Mayor Gregory Hull
Keith Riesburg
Dan Olsen
Christina Boyer

Representing Axiom:

Chris Garner, Partner