



VENTANA WEST
PUBLIC IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2015

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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VENTANA WEST PUBLIC IMPROVEMENT DISTRICT

**Official Roster
As of June 30, 2015**

Board of Directors

Howard DeBoi	Chairman
Bob Eslinger	Clerk/Secretary
Stephanie Yara	Treasurer
Wilfred Gallegos	Member
Jon Zaman	Member

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Ventana West Public Improvement District
and
Mr. Tim Keller
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison for the general fund of Ventana West 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 have also audited the budgetary comparisons for the major debt service funds presented as supplementary information, as defined by Governmental Accounting Standards Board, in the accompanying individual fund financial statements 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 District'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.

To the Board of Directors
Ventana West Public Improvement District
and
Mr. Tim Keller
New Mexico State Auditor
Santa Fe, New Mexico

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the respective budgetary comparison for the general fund of Ventana West Public Improvement District as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the respective budgetary comparisons for the debt service funds for the year ended June 30, 2015 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 4 through 7 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 vendor information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 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 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.

Mess Adams LLP

Albuquerque, New Mexico
December 8, 2015

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2015**

As management of the Ventana West Public Improvement District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the financial information presented here in conjunction with the financial statements and accompanying notes which follow this section.

The District is a political subdivision of the state of New Mexico duly created and existing pursuant to Sections 5-11-1 through 5-11-27 NMSA 1978, as amended, and City of Albuquerque (the "City") Council ordinance enactment No. O-2003-012 on December 8, 2003.

The purpose of the District, pursuant to the resolution of the City that formed the District, is to provide financing of the infrastructure improvements set forth in the Master Plan that was approved by the City and as required pursuant to the Act and the Development Agreement among the District, the City and the developer, Ventana West, LLC.

Financial Highlights

The financial statements, which follow the Management's Discussion and Analysis, provide those significant key financial highlights for fiscal year 2015 as follows:

- In the Statement of Net Position, the District's total net position amounted to negative \$4,704,200.
- In the Statement of Activities, the special levy revenue amounted to \$646,658.
- In the Statement of Activities, the District incurred \$513,040 for interest payments and general government expenses.

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.

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

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2015**

The statement of activities presents information showing how the District's net position changed during the fiscal years reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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 reimburse the developer for the construction of certain public infrastructure improvements as provided in the Act and the governing documents of the District, including the Development Agreement among the District, the developer and the City.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reconciliations are on pages 11 and 13, respectively.

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 beginning on page 15 of these financial statements.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a district's financial position. The District's liabilities exceeded assets by \$4,704,200 as of June 30, 2015.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2015**

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

	<u>2015</u>	<u>2014</u>
Current assets	\$ 1,251,949	\$ 1,304,584
Total assets	<u>1,251,949</u>	<u>1,304,584</u>
Current liabilities	196,535	240,008
Long-term obligations outstanding	5,759,614	5,902,403
Total liabilities	<u>5,956,149</u>	<u>6,142,411</u>
Net position - unrestricted (deficit)	<u>\$ (4,704,200)</u>	<u>\$ (4,837,827)</u>

The following are significant transactions that have had an impact on the Statement of Net Position:

- Administrative expenditures amounted to \$104,865 for the year ended June 30, 2015.
- Interest expense amounted to \$408,175 for the year ended June 30, 2015.
- Special levy revenue amounted to \$646,658 for the year ended June 30, 2015.

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

	<u>2015</u>	<u>2014</u>
Expenses		
Interest expense	(408,175)	(418,086)
General government	(104,865)	(60,280)
Total expenses	<u>\$ (513,040)</u>	<u>\$ (478,366)</u>
General Revenues		
Special levy	646,658	646,658
Interest income	9	21
	<u>646,667</u>	<u>646,679</u>
Changes in net position	<u>\$ 133,627</u>	<u>\$ 168,313</u>

Financial Analysis of the Government's Funds

The District's revenues in the governmental funds for the year ended June 30, 2015 amounted to \$645,966. The District's main source of revenue is the special levy assessed to properties within the District. The major expenditures of the District are debt service payments and administrative expenses. The general fund's unassigned fund balance is \$565,047 or 539% of the total expenditures during the year.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2015**

General Fund Budgetary Highlights

The District adopts an annual budget, which projects the expected expenditures (based on administrative expenses, debt service requirements and estimated delinquency) and the interest income from funds, to determine the special levy each year. There were no significant changes between original and final budgets for fiscal year ending 2015.

Capital Assets and Debt Administration

The District improvements include the construction of streets within the District, major earthwork and grading improvements, storm drainage channels and other storm water improvements, sidewalks, landscaping improvements and neighborhood parks, and related engineering costs.

The District owns no significant capital assets at June 30, 2015. It is anticipated that the District will not, in the future, own any capital assets. The capital improvements that are to be financed by the District are all to be dedicated to the City.

Pursuant to Resolution No. 2004-4 adopted on February 18, 2004, the District issued its \$7,000,000 Special Levy Revenue Bonds, Series 2004 (Bonds) on June 15, 2004. Under the Indenture dated June 1, 2004, the Bonds are payable from revenues received by the District in each fiscal year from the payment of the Special Levy, authorized pursuant to the Act to be levied against parcels of land within the District in accordance with the Rate and Method of Apportionment of the Special Levy for the District approved by the City in the Formation Resolution.

The outstanding debt at June 30, 2015 amounted to \$5,890,000. The next principal payment of \$165,000 was made in August 2015.

Requests for Information

This narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2015 is designed to give its readers a general overview of the District's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the Treasurer of the Ventana West Public Improvement District, Stephanie Yara, P.O. Box 17, Albuquerque, NM 87103.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
June 30, 2015**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,246,411
Special levy receivable	5,538
Total assets	<u><u>1,251,949</u></u>
LIABILITIES	
Accrued expenses - professional services	29,811
Interest payable	166,724
Revenue bonds payable, net	
Due within one year	157,790
Due in more than one year	5,601,824
Total liabilities	<u><u>5,956,149</u></u>
NET POSITION	
Unrestricted (deficit)	<u><u>\$ (4,704,200)</u></u>

See Notes to Financial Statements.

VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Interest expense	\$ 408,175	(408,175)
General government	104,865	(104,865)
Total expenses	<u>\$ 513,040</u>	<u>(513,040)</u>
General Revenues		
Special levy		646,658
Interest income		9
Total revenues		<u>646,667</u>
Change in net position		133,627
Net position, beginning		<u>(4,837,827)</u>
Net position, ending		<u>(4,704,200)</u>

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	General Fund	Bond Fund	Reserve Fund	Total
ASSETS				
Cash and cash equivalents	\$ 592,518	88,750	565,143	1,246,411
Special levy receivable	5,538	-	-	5,538
Total assets	\$ 598,056	88,750	565,143	1,251,949
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accrued expenses	\$ 29,811	-	-	29,811
Total liabilities	29,811	-	-	29,811
Deferred inflows of resources				
Special levy receivable not yet available	3,198	-	-	3,198
Total deferred inflows of resources	3,198	-	-	3,198
Fund Balances				
Restricted	-	88,750	565,143	653,893
Unassigned	565,047	-	-	565,047
Total fund balances	565,047	88,750	565,143	1,218,940
Total liabilities, deferred inflows of resources and fund balances	\$ 598,056	88,750	565,143	1,251,949

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
Year Ended June 30, 2015**

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

Fund balances - total governmental funds	\$ 1,218,940
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Long-term obligations for the revenue bonds are not due and payable in the current period, and therefore, not reported in the governmental funds.</p>	(5,759,614)
<p>Interest payable on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.</p>	(166,724)
<p>A portion of receivables reported in the Statement of Net Position is not currently available in the funds.</p>	<u>3,198</u>
Net position of governmental activities	<u><u>\$ (4,704,200)</u></u>

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2015**

	General Fund	Bond Fund	Reserve Fund	Total
Revenues				
Special levy	\$ 645,957	-	-	645,957
Dividend income	3	1	5	9
Total revenues	<u>645,960</u>	<u>1</u>	<u>5</u>	<u>645,966</u>
Expenditures				
Current:				
General government	104,865	-	-	104,865
Debt service:				
Principal	-	150,000	-	150,000
Interest	-	405,105	-	405,105
Total expenditures	<u>104,865</u>	<u>555,105</u>	<u>-</u>	<u>659,970</u>
Excess (deficiency) of revenues over (under) expenditures	<u>541,095</u>	<u>(555,104)</u>	<u>5</u>	<u>(14,004)</u>
Other financing sources (uses)				
Transfer in	-	555,115	-	555,115
Transfer out	(555,104)	-	(11)	(555,115)
Total	<u>(555,104)</u>	<u>555,115</u>	<u>(11)</u>	<u>-</u>
Net change in fund balances	(14,009)	11	(6)	(14,004)
Fund balances, beginning	579,056	88,739	565,149	1,232,944
Fund balances, ending	<u>\$ 565,047</u>	<u>88,750</u>	<u>565,143</u>	<u>1,218,940</u>

See Notes to Financial Statements.

**VENTANA WEST 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, 2015**

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

Net change in fund balances - total governmental funds	\$	(14,004)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report the effect of discounts when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		(7,210)
<p>Governmental funds report interest expense when the amount is paid, whereas the Statement of Activities reports interest on an accrual basis.</p>		4,140
<p>The repayment of long-term debt consumes current financial resources of the governmental funds. This has no effect on the net position in the Statement of Activities.</p>		150,000
<p>Special levy is recognized in fund financials when available to the funds, whereas the Statement of Activities reports revenue when assessments are levied.</p>		701
		<hr/>
Change in net position of governmental activities	\$	<u>133,627</u>

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)
Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special levy	\$ 646,658	646,658	645,957	(701)
Dividend income	-	-	3	3
Total Revenues	<u>646,658</u>	<u>646,658</u>	<u>645,960</u>	<u>(698)</u>
Expenditures				
Current:				
General government	148,449	148,449	104,865	43,584
Total Expenditures	<u>148,449</u>	<u>148,449</u>	<u>104,865</u>	<u>43,584</u>
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	(555,104)	(555,104)
Total	<u>-</u>	<u>-</u>	<u>(555,104)</u>	<u>(555,104)</u>
Net Change in Fund Balances	498,209	498,209	(14,009)	(512,218)
Fund Balances, beginning	579,056	579,056	579,056	-
Fund Balances, ending	<u>\$ 1,077,265</u>	<u>1,077,265</u>	<u>565,047</u>	<u>(512,218)</u>

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1. REPORTING ENTITY

The District is a political subdivision of the state of New Mexico duly created and existing pursuant to Sections 5-11-1 through 5-11-27 NMSA 1978, as amended, and City of Albuquerque (the "City") Council ordinance enactment No. O-2003-012 on December 8, 2003.

The purpose of the District, pursuant to the resolution of the City that formed the District, is to provide financing of the infrastructure improvements set forth in the Master Plan that was approved by the City and as required pursuant to the Act and the Development Agreement among the District, the City and the developer, Ventana West, LLC.

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

The District is governed by the District Board, consisting of six directors. The District Board has control over and management supervision of all affairs of the District. Two of the initially appointed directors of the District served four-year terms, two of the other directors served six-year terms. Upon the expiration of the initial terms of these directors, these four directors serve six-year terms. The remaining director is the Secretary of the Department of Finance and Administration, or her designee. Officers not appointed pursuant to the Formation Resolution may be elected by the Directors.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

Government-Wide Statements

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

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Fund Financial Statements

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

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

Governmental Fund

The District reports the following major governmental funds:

- a. General Fund – is the District’s primary operating fund. It accounts for all the financial resources of the general government except those required to be accounted for in another fund.

Debt Service Funds:

- b. Bond Fund – used to account for the payment of principal and interest related to the bonds 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.

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 is recognized in the fiscal year during which the taxes are earned.

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

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

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. At June 30, 2015, an allowance for uncollectible accounts was not considered necessary as all accounts are considered collectible.

Capital Assets

As capital assets are constructed, the ownership will be transferred to the City. 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 a Special Levy, which secures the payment of the debt service on the District's Revenue Bonds Obligation.

The Special Levy is to be billed and collected by Bernalillo 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. 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.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers

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

Fund Balance

As of June 30, 2015, the fund balances of governmental funds are classified as follows:

Restricted – amounts to be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Unassigned – all other spendable amounts.

The District has no fund balances that are classified as nonspendable, committed or assigned.

Use of Estimates

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

Budgets

The budget is adopted on a modified accrual basis of accounting. The legal compliance for the budget is total expenditures.

NOTE 3. DEPOSITS

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

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

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3. DEPOSITS (CONTINUED)

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

Cash equivalents represent investments in mutual funds, consisting of treasury bonds with maturities of less than 30 days. Cash and cash equivalents at June 30, 2015 consist of the following:

Held in trust by Bank of Albuquerque in U.S. Treasury Fund	<u>\$ 1,246,411</u>
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NOTE 4. REVENUE BONDS

On June 15, 2004, the District issued Special Levy Revenue Bonds, Series 2004 with total par value of \$7,000,000 for \$6,790,000, or a discount of \$210,000. The proceeds from issuance were primarily used to finance infrastructure projects. The bonds are generally callable with interest payable semi-annually, every February 1 and August 1. The obligations are secured by the pledge of net revenues from the District's Special Levy.

The Indenture contains special mandatory and optional redemption, ranging from 100% to 102% of the principal amount. The optional redemption, which started on September 1, 2009, triggers when: (a) on or after the completion of the project, moneys are transferred from the Construction Fund to the Prepayment Account of the Bond Fund, and (b) the prepayment in whole or in part of any Special Levy by the owner of the Property and the deposit of such prepayment amounts to the Prepayment Account of the Bond Fund. The optional redemption is available starting August 1, 2014. No events occurred that triggered special mandatory redemption.

The Indenture also contains maintenance of Reserve Fund Requirements equal to the least of (i) the maximum annual debt service requirements on all outstanding bonds; (ii) 125% of the average annual debt service requirements of the bonds; or (iii) 10% of the aggregate principal amount of the Bonds. The District is in compliance with this requirement at June 30, 2015.

The Revenue Bonds bear annual interest rates ranging from 3.5% to 6.875%, with final maturity on August 1, 2033. The following are the changes for Revenue Bonds during the year:

	July 1	Increases	Decreases	June 30
Special Levy Revenue Bonds	\$ 6,040,000	-	(150,000)	5,890,000
Unamortized bond discount	(137,597)	7,211	-	(130,386)
	<u>\$ 5,902,403</u>	<u>7,211</u>	<u>(150,000)</u>	<u>5,759,614</u>

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4. REVENUE BONDS (CONTINUED)

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

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 165,000	394,672	559,672
2017	175,000	383,409	558,409
2018	185,000	371,484	556,484
2019	195,000	358,897	553,897
2020	210,000	345,481	555,481
2021 – 2025	1,280,000	1,490,863	2,770,863
2026 – 2030	1,775,000	976,078	2,751,078
2031 – 2034	1,905,000	272,766	2,177,766
	<u>\$ 5,890,000</u>	<u>4,593,650</u>	<u>10,483,650</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 5. DEFICIT NET POSITION

The total net position balance is a deficit of \$4,704,200. 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. 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.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7. INTERFUND TRANSFERS

For the year ended June 30, 2015, the District transfers were made to fund debt service payments, and administrative expenses. The following transfers were made during the year:

<u>Transfer Out</u>	<u>Transfer In</u>
	Bond Fund
General Fund	\$ 555,104
Reserve Fund	11
	<u>\$ 555,115</u>

NOTE 8. SUBSEQUENT EVENT

On November 24, 2015, the District issued its Special Levy Refunding Revenue Bonds, Series 2015 in the amount of \$5,335,000 (the "Series 2015 Bonds") with interest rates ranging from 3% to 4%. The Series 2015 Bonds were issued to refund the Series 2004 Bonds for debt service savings. The Series 2004 Bonds have been fully redeemed and are no longer outstanding. The debt service payments on the Series 2015 Bonds will be lower than the debt service payments on the Series 2004 Bonds, and the special levy will be reduced for fiscal year 2017 and subsequent fiscal years.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
BUDGET TO ACTUAL SCHEDULE (BOND FUND)
Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	-	-	-
Dividend income	-	-	1	1
Total Revenues	-	-	1	1
Expenditures				
Debt Service:				
Principal	150,000	150,000	150,000	-
Interest	405,107	405,107	405,105	2
Total Expenditures	555,107	555,107	555,105	2
Other Financing Sources (Uses)				
Transfer in	-	-	555,115	555,115
Transfer out	-	-	-	-
Total	-	-	555,115	555,115
Net Change in Fund Balances	(555,107)	(555,107)	11	555,118
Fund Balances, beginning	88,739	88,739	88,739	-
Fund Balances, ending	\$ (466,368)	(466,368)	88,750	555,118

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (RESERVE FUND)
 Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	-	-	-
Dividend income	-	-	5	5
Total Revenues	-	-	5	5
Other Financing Sources (Uses)				
Transfer out	-	-	(11)	(11)
Total	-	-	(11)	(11)
Net Change in Fund Balances	-	-	(6)	(6)
Fund Balances, beginning	565,149	565,149	565,149	-
Fund Balances, ending	\$ 565,149	565,149	565,143	(6)

See Notes to Financial Statements.

**REPORT OF INDEPENDENT AUDITORS 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
 Ventana West Public Improvement District
 and
 Mr. Tim Keller
 New Mexico State Auditor
 Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparison for the general fund of the Ventana West 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 related budgetary comparisons of the debt service funds, presented as supplementary information, and have issued our report thereon dated December 8, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Ventana West Public Improvement District
and
Mr. Tim Keller
New Mexico State Auditor
Santa Fe, New Mexico

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Mess Adams LLP

Albuquerque, New Mexico
December 8, 2015

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF PRIOR YEAR'S FINDINGS
YEAR ENDED JUNE 30, 2015**

2006-002	Late Audit Report	Resolved
2014-001	Late Submission of IPA Recommendation Form and Audit Contract	Resolved

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

An exit conference was held on December 7, 2015. Attending were the following:

Representing Ventana West Public Improvement District:

Stephanie Yara, Treasurer
Daniel M. Alsup, Modrall, Sperling, Roehl, Harris & Sisk, P.A.
Dee Brescia, Brescia Consulting LLC

Representing Moss Adams LLP:

Jaime Rumbaoa, CPA, Senior Manager

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