



VENTANA WEST
PUBLIC IMPROVEMENT DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2006, 2005 and 2004

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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VENTANA WEST PUBLIC IMPROVEMENT DISTRICT

**Official Roster
As of June 30, 2006**

Board of Directors

Jon Zaman	Chairman
Cilia Aglialoro	Secretary - Treasurer
Michael Riordan	Member

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the governmental activities and each major fund and the budgetary comparison for the general fund of Ventana West Public Improvement District (the "District") as of and for the years ended June 30, 2006, 2005 and 2004, 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 debt service and construction funds presented as supplementary information in the fund statements for the years ended June 30, 2006 and 2005, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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 Ventana West Public Improvement District as of June 30, 2006, 2005 and 2004, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the respective budgetary comparisons for the debt service and construction funds for the years ended June 30, 2006 and 2005 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 August 19, 2013, 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

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

audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information on pages 4 through 7 and 29 through 34 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.

Mess Adams LLP

Albuquerque, New Mexico
August 19, 2013

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2006, 2005 AND 2004**

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 years ended June 30, 2006, 2005 and 2004. 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 years 2006, 2005 and 2004 as follows:

- In the Statements of Net Assets, the District's total net assets as of June 30, 2006, 2005 and 2004 amounted to negative \$5,920,280, \$4,189,221 and \$488,358, respectively.
- In the Statements of Activities, the special levy revenue amounted to:
 - Fiscal 2006 - \$396,034
 - Fiscal 2005 - \$ 60,001
 - Fiscal 2004 - \$ -
- In the Statements of Activities the District expenditures totaled \$2,195,275, \$3,823,165 and \$488,358 million for the fiscal years ended 2006, 2005 and 2004, respectively. The primary expenses of the District are construction expenditures, interest expense and administrative 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 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.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2006, 2005 AND 2004**

The statement of activities presents information showing how the District's net assets changed during the fiscal years reported. 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.

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 15 and 19, 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 22 of these financial statements.

Government-wide Financial Analysis

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

- \$5,920,280 as of June 30, 2006
- \$4,189,221 as of June 30, 2005
- \$488,358 as of June 30, 2004

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2006, 2005 AND 2004**

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current Assets	\$ 972,189	\$ 2,681,526	\$6,189,681
Other Assets	132,511	137,403	142,296
Total Assets	<u>1,104,700</u>	<u>2,818,929</u>	<u>6,331,977</u>
Current Liabilities	318,049	210,640	30,035
Long-term Obligations Outstanding	<u>6,706,931</u>	<u>6,797,510</u>	<u>6,790,300</u>
Total Liabilities	<u>7,024,980</u>	<u>7,008,150</u>	<u>6,820,335</u>
Net Assets - Unrestricted	<u>\$(5,920,280)</u>	<u>\$(4,189,221)</u>	<u>\$ (488,358)</u>

The following are significant transactions that have had an impact on the Statements of Net Assets:

- Administrative expenditures amounted to \$48,768, \$51,654 and \$155,786 for the years ended June 30, 2006, 2005 and 2004, respectively. The amount in fiscal year 2004 includes reimbursement for formation costs.
- Construction expenditures amounted \$1,675,039, \$3,300,043 and \$298,807 for the years ended June 30, 2006, 2005 and 2004, respectively.
- Interest expense amounted to \$471,468, \$471,468 and \$33,765 for the years ended June 30, 2006, 2005 and 2004, respectively.
- Special levy revenue amounted to \$396,034 and \$60,001 for the years ended June 30, 2006 and 2005. No special levy was assessed for the fiscal year 2004.

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Expenses			
Construction	\$ (1,675,039)	\$ (3,300,043)	\$ (298,807)
Interest	(471,468)	(471,468)	(33,765)
General government	(48,768)	(51,654)	(155,786)
Total Expenses	<u>(2,195,275)</u>	<u>(3,823,165)</u>	<u>(488,358)</u>
General Revenues			
Special levy	396,034	60,001	-
Interest income	54,537	37,401	-
Dividend income	13,645	24,900	-
Total Revenues	<u>464,216</u>	<u>122,302</u>	<u>-</u>
Change in net assets	<u>\$(1,731,059)</u>	<u>\$(3,700,863)</u>	<u>\$ (488,358)</u>

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
JUNE 30, 2006, 2005 AND 2004**

Financial Analysis of the Government's Funds

The District's revenues in the governmental funds for the years ended June 30, 2006, 2005 and 2004 amounted to \$464,216, \$122,302 million and \$0, respectively. The District's main source of revenue is the special levy assessed to properties within the District.

The major expenditures of the District are construction expenditures, debt service payments, and administrative expenses. On June 15, 2004, the District issued Special levy Revenue Bonds, Series 2004 with a face amount of \$7,000,000 for \$6,790,000, or a discount of \$210,000.

General Fund Budgetary Highlights

The District adopts an annual budget, which projects the expected expenditures (based on administrative expenses, debt service payments, and construction reimbursement estimated) and the estimated special levy each year. There were no significant changes between original and final budgets for fiscal years ending 2006 and 2005. No budget was adopted in fiscal year ended June 30, 2004.

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 store water improvements, sidewalks, landscaping improvements and neighborhood parks, and related engineering costs.

The District owns no significant capital assets at June 30, 2006, 2005 and 2004. 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. It is anticipated that all dedications will be done by the developer directly to the City, on behalf of the District.

On June 15, 2004, the District issued Special Levy Revenue Bonds, Series 2004 with a face amount of \$7,000,000 for \$6,790,000, or a discount of \$210,000. 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 bonds bear an annual interest rates ranging from 3.5% to 6.875%, with annual principal payments starting in August 2006 through August 2033.

Requests for Information

This narrative overview and analysis of the financial activities of the District for the fiscal years ending June 30, 2006, 2005 and 2004 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, Cilia Aglialoro, P.O. Box 17, Albuquerque, NM 87103.

VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
STATEMENTS OF NET ASSETS
June 30, 2006, 2005 and 2004

	Governmental Activities		
	2006	2005	2004
ASSETS			
Cash and cash equivalents	\$ 967,587	2,680,920	6,189,681
Special levy receivable	4,602	606	-
Bond issuance costs	132,511	137,403	142,296
Total assets	\$ 1,104,700	2,818,929	6,331,977
LIABILITIES			
Accrued expenses - professional services	\$ 28,857	19,238	9,619
Interest payable	191,402	191,402	20,416
Revenue bonds payable			
Due within one year	97,790	-	-
Due in more than one year	6,706,931	6,797,510	6,790,300
Total liabilities	\$ 7,024,980	7,008,150	6,820,335
NET ASSETS			
Unrestricted	\$ (5,920,280)	(4,189,221)	(488,358)

See Notes to Financial Statements.

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

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Public works - construction	\$ 1,675,039	(1,675,039)
Interest expense	471,468	(471,468)
General government	48,768	(48,768)
Total expenses	<u>\$ 2,195,275</u>	<u>(2,195,275)</u>
General Revenues		
Special levy		396,034
Interest income		54,537
Dividend income		13,645
Total revenues		<u>464,216</u>
Change in net assets		(1,731,059)
Net assets, beginning		<u>(4,189,221)</u>
Net assets, ending		<u>(5,920,280)</u>

See Notes to Financial Statements.

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

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Public works - construction	\$ 3,300,043	(3,300,043)
Interest expense	471,468	(471,468)
General government	51,654	(51,654)
Total expenses	<u>\$ 3,823,165</u>	<u>(3,823,165)</u>
General Revenues		
Special levy		60,001
Interest income		37,401
Dividend income		24,900
Total revenues		<u>122,302</u>
Change in net assets		(3,700,863)
Net assets, beginning		<u>(488,358)</u>
Net assets, ending		<u>(4,189,221)</u>

See Notes to Financial Statements.

VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Public works - construction	\$ 298,807	(298,807)
Interest expense	33,765	(33,765)
General government	155,786	(155,786)
Total expenses	<u>\$ 488,358</u>	<u>(488,358)</u>
General Revenues		
Special levy		-
Interest income		-
Dividend income		-
Total revenues		<u>-</u>
Change in net assets		(488,358)
Net assets, beginning		<u>-</u>
Net assets, ending		<u>(488,358)</u>

See Notes to Financial Statements.

VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2006

	General Fund	Construction Fund	Bond Fund	Reserve Fund	Total
ASSETS					
Cash and cash equivalents	\$ 411,017	-	1,546	555,024	967,587
Special levy receivable	4,602	-	-	-	4,602
Total assets	\$ 415,619	-	1,546	555,024	972,189
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued expenses	\$ 28,857	-	-	-	28,857
Deferred income	-	-	-	-	-
Total liabilities	28,857	-	-	-	28,857
Fund Balances					
Restricted	-	-	1,546	555,024	556,570
Unassigned	386,762	-	-	-	386,762
Total fund balances	386,762	-	1,546	555,024	943,332
Total liabilities and fund balances	\$ 415,619	-	1,546	555,024	972,189

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2005**

	General Fund	Construction Fund	Bond Fund	Reserve Fund	Total
ASSETS					
Cash and cash equivalents	\$ 48,521	1,634,279	442,119	556,001	2,680,920
Special levy receivable	606	-	-	-	606
Total assets	<u>\$ 49,127</u>	<u>1,634,279</u>	<u>442,119</u>	<u>556,001</u>	<u>2,681,526</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued expenses	\$ 19,238	-	-	-	19,238
Deferred income	-	-	-	-	-
Total liabilities	<u>19,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,238</u>
Fund Balances					
Restricted	-	-	442,119	556,001	998,120
Unassigned	29,889	1,634,279	-	-	1,664,168
Total fund balances	<u>29,889</u>	<u>1,634,279</u>	<u>442,119</u>	<u>556,001</u>	<u>2,662,288</u>
Total liabilities and fund balances	<u>\$ 49,127</u>	<u>1,634,279</u>	<u>442,119</u>	<u>556,001</u>	<u>2,681,526</u>

See Notes to Financial Statements.

VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2004

	General Fund	Construction Fund	Bond Fund	Reserve Fund	Total
ASSETS					
Cash and cash equivalents	\$ 10,761	4,897,262	716,520	565,138	6,189,681
Special levy receivable	-	-	-	-	-
Total assets	\$ 10,761	4,897,262	716,520	565,138	6,189,681
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued expenses	\$ 9,619	-	-	-	9,619
Deferred income	-	-	-	-	-
Total liabilities	9,619	-	-	-	9,619
Fund Balances					
Restricted	-	-	716,520	565,138	1,281,658
Unassigned	1,142	4,897,262	-	-	4,898,404
Total fund balances	1,142	4,897,262	716,520	565,138	6,180,062
Total liabilities and fund balances	\$ 10,761	4,897,262	716,520	565,138	6,189,681

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEETS -
GOVERNMENTAL FUNDS TO THE
STATEMENTS OF NET ASSETS
Years Ended June 30, 2006, 2005 and 2004**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Reconciliation of the Governmental Fund Balances Sheets to the Statements of Net Assets:			
Fund balances - total governmental funds	\$ 943,332	2,662,288	6,180,062
Amounts reported for governmental activities in the Statements of Net Assets are different because:			
Bond issuance costs in the governmental activities are not financial resources and therefore, not reported in the funds	132,511	137,403	142,296
Long-term liabilities for the revenue bonds are not due and payable in the current period, and therefore not reported in the funds	(6,804,721)	(6,797,510)	(6,790,300)
Accrued interest payable	(191,402)	(191,402)	(20,416)
Net assets of governmental activities	<u>\$ (5,920,280)</u>	<u>(4,189,221)</u>	<u>(488,358)</u>

See Notes to Financial Statements.

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

	General Fund	Construction Fund	Bond Fund	Reserve Fund	Total
Revenues					
Special levy	\$ 396,034	-	-	-	396,034
Interest income	-	35,269	19,268	-	54,537
Dividend income	4,955	6,974	760	956	13,645
Total revenues	400,989	42,243	20,028	956	464,216
Expenditures					
Current:					
Public works - construction	-	1,675,039	-	-	1,675,039
General government	44,116	1,483	1,978	1,191	48,768
Debt service					
Interest	-	-	459,365	-	459,365
Total expenditures	44,116	1,676,522	461,343	1,191	2,183,172
Excess (deficiency) of revenues over (under) expenditures	356,873	(1,634,279)	(441,315)	(235)	(1,718,956)
Other financing sources (uses)					
Transfer in	-	-	742	-	742
Transfer out	-	-	-	(742)	(742)
Total	-	-	742	(742)	-
Net change in fund balances	356,873	(1,634,279)	(440,573)	(977)	(1,718,956)
Fund balances, beginning	29,889	1,634,279	442,119	556,001	2,662,288
Fund balances, ending	\$ 386,762	-	1,546	555,024	943,332

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 Year Ended June 30, 2005**

	General Fund	Construction Fund	Bond Fund	Reserve Fund	Total
Revenues					
Special levy	\$ 60,001	-	-	-	60,001
Interest income	-	18,303	14,481	4,617	37,401
Dividend income	287	22,184	44	2,385	24,900
Total revenues	<u>60,288</u>	<u>40,487</u>	<u>14,525</u>	<u>7,002</u>	<u>122,302</u>
Expenditures					
Current:					
Public works - construction	-	3,300,043	-	-	3,300,043
General government	26,261	8,707	547	16,139	51,654
Debt service					
Interest	-	-	288,379	-	288,379
Total expenditures	<u>26,261</u>	<u>3,308,750</u>	<u>288,926</u>	<u>16,139</u>	<u>3,640,076</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,027</u>	<u>(3,268,263)</u>	<u>(274,401)</u>	<u>(9,137)</u>	<u>(3,517,774)</u>
Other financing sources (uses)					
Transfer in	-	5,280	-	-	5,280
Transfer out	(5,280)	-	-	-	(5,280)
Total	<u>(5,280)</u>	<u>5,280</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	28,747	(3,262,983)	(274,401)	(9,137)	(3,517,774)
Fund balances, beginning	<u>1,142</u>	<u>4,897,262</u>	<u>716,520</u>	<u>565,138</u>	<u>6,180,062</u>
Fund balances, ending	<u>\$ 29,889</u>	<u>1,634,279</u>	<u>442,119</u>	<u>556,001</u>	<u>2,662,288</u>

See Notes to Financial Statements.

VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General Fund	Construction Fund	Bond Fund	Reserve Fund	Total
Revenues					
Special levy	\$ -	-	-	-	-
Interest income	-	-	-	-	-
Dividend income	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
Current:					
Public works - construction	-	298,807	-	-	298,807
General government	152,220	-	3,566	-	155,786
Debt service					
Interest	-	-	12,845	-	12,845
Bond issuance costs	-	-	142,500	-	142,500
Total expenditures	152,220	298,807	158,911	-	609,938
Excess (deficiency) of revenues over (under) expenditures	(152,220)	(298,807)	(158,911)	-	(609,938)
Other financing sources (uses)					
Proceeds from bonds issuance	-	-	7,000,000	-	7,000,000
Bonds discount	-	-	(210,000)	-	(210,000)
Transfer in	295,862	5,196,069	-	565,138	6,057,069
Transfer out	(142,500)	-	(5,914,569)	-	(6,057,069)
Total	153,362	5,196,069	875,431	565,138	6,790,000
Net change in fund balances	1,142	4,897,262	716,520	565,138	6,180,062
Fund balances, beginning	-	-	-	-	-
Fund balances, ending	\$ 1,142	4,897,262	716,520	565,138	6,180,062

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
RECONCILIATION OF THE STATEMENTS OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2006, 2005 and 2004**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Reconciliation of the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances to the Statements of Net Assets:			
Net change in fund balances - total governmental funds	\$ (1,718,956)	(3,517,774)	6,180,062
Amounts reported for governmental activities in the Statements of Activities are different because:			
Proceeds from bond issuance are not reported as income in the Statements of Activities, net of discount	-	-	(6,790,000)
Accrued interest expense	-	(170,986)	(20,416)
Governmental funds report the effect of issuance costs and discount, whereas these amounts are deferred and amortized in the Statement of Activities	<u>(12,103)</u>	<u>(12,103)</u>	<u>141,996</u>
Change in net assets of governmental activities	<u>\$ (1,731,059)</u>	<u>(3,700,863)</u>	<u>(488,358)</u>

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)
 Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special levy	\$ 396,034	396,034	396,034	-
Interest income	-	-	-	-
Dividend income	-	-	4,955	4,955
Total Revenues	<u>396,034</u>	<u>396,034</u>	<u>400,989</u>	<u>4,955</u>
Expenditures				
General government	46,370	46,370	44,116	2,254
Total Expenditures	<u>46,370</u>	<u>46,370</u>	<u>44,116</u>	<u>2,254</u>
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	349,664	349,664	356,873	7,209
Fund Balances, beginning of year	<u>29,889</u>	<u>29,889</u>	<u>29,889</u>	<u>-</u>
Fund Balances, end of year	<u>\$ 379,553</u>	<u>379,553</u>	<u>386,762</u>	<u>7,209</u>

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
BUDGET TO ACTUAL SCHEDULE (GENERAL FUND)
Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special levy	\$ 60,001	60,001	60,001	-
Interest income	-	-	-	-
Dividend income	-	-	287	287
Total Revenues	<u>60,001</u>	<u>60,001</u>	<u>60,288</u>	<u>287</u>
Expenditures				
General government	60,001	60,001	26,261	33,740
Total Expenditures	<u>60,001</u>	<u>60,001</u>	<u>26,261</u>	<u>33,740</u>
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	(5,280)	(5,280)
Total	<u>-</u>	<u>-</u>	<u>(5,280)</u>	<u>(5,280)</u>
Net Change in Fund Balances	-	-	28,747	28,747
Fund Balances, beginning of year	1,142	1,142	1,142	-
Fund Balances, end of year	<u>\$ 1,142</u>	<u>1,142</u>	<u>29,889</u>	<u>28,747</u>

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006, 2005 AND 2004**

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 Standard 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 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.

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, 2006, 2005 AND 2004**

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.
- b. Construction Fund - used to account for financial resources to be used for the construction of the improvement project.
- c. Bond Fund - used to account for the payment of principal and interest related to the bonds obligation.
- d. Reserve Fund – used to account for funds to be used in accordance with the bond indenture in situations whereby the bond fund does not have sufficient funds to pay for debt service payments.

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. 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.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006, 2005 AND 2004**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2006, 2005 and 2004 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 District started to impose Special Levy for the year ended June 30, 2005.

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

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006, 2005 AND 2004**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Transfers

As there is only one governmental fund during the fiscal years, there were no transfers in from (out to) other governmental funds. If in the future, there are transfers between governmental funds, they will be recorded as other financing sources (uses).

Fund Balance

As of June 30, 2006, 2005 and 2004, 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. There was no budget adopted for 2004.

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

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006, 2005 AND 2004**

NOTE 3. DEPOSITS (CONTINUED)

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.

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 consist of the following:

	2006	2005	2004
Held in trust by Bank of Albuquerque in U.S. Treasury Fund	<u>\$ 967,587</u>	<u>\$ 2,680,920</u>	<u>\$ 6,189,681</u>

NOTE 4. REVENUE BONDS

On January 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, 2006, triggers when: (a) on or after the completion of the project, moneys are transferred from the Construction Fund to the Prepayment Account of the Bond Fund, and (b) the prepayment in whole or in part of any Special Levy by the owner of the Property and the deposit of such prepayment amounts to the Prepayment Account of the Bond Fund. The optional redemption is available starting 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, 2006, 2005 and 2004.

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

Construction	\$ 5,196,069
Reserve	565,138
Bond	732,931
General	<u>295,862</u>
	<u>\$ 6,790,000</u>

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006, 2005 AND 2004**

NOTE 4. REVENUE BONDS (CONTINUED)

The Revenue Bonds bear annual interest rates ranging from 3.5% to 6.875%, with annual principal payments starting in August 2006 through August 2033. The amounts outstanding in the Statements of Net Assets are net of unamortized bond discount of \$195,279, \$202,490, and \$209,700 at June 30, 2006, 2005 and 2004, respectively.

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>
2007	\$ 105,000	457,527	562,527
2008	105,000	453,590	558,590
2009	110,000	449,070	559,070
2010	115,000	443,919	558,919
2011	120,000	438,188	558,188
2012-2016	720,000	2,070,716	2,790,716
2017-2021	990,000	1,790,344	2,780,344
2022-2026	1,365,000	1,402,134	2,767,134
2027-2031	1,895,000	849,922	2,744,922
2032-2033	1,475,000	156,578	1,631,578
	<u>\$ 7,000,000</u>	<u>8,511,988</u>	<u>15,511,988</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 ASSETS

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

2006	\$ (5,920,280)
2005	(4,189,221)
2004	(488,358)

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, 2006, 2005 and 2004 does not expect to incur a liability.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006, 2005 AND 2004**

NOTE 7. INTERFUND TRANSFERS

For the years ended June 30, 2006, 2005, and 2004 the District transfers were made to fund debt service payments, construction costs and administrative expenses. The following transfers were made for the years ended June 30:

2006:

	<u>Transfer In</u>
	Bond Fund
<u>Transfer Out</u>	
Reserve Fund	\$ <u>742</u>

2005:

	<u>Transfer In</u>
	Construction Fund
<u>Transfer Out</u>	
General Fund	\$ <u>5,280</u>

2004:

	<u>Transfer In</u>			
	General Fund	Construction	Reserve	Total
<u>Transfer Out</u>				
Bond Fund	\$ <u>153,362</u>	<u>5,196,069</u>	<u>565,138</u>	<u>5,914,569</u>

NOTE 8. BUDGET VIOLATIONS

In violation of New Mexico state statutes, the District overspent the budget for the following funds for the year ended June 30:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
2006:			
Construction Fund	\$ -	1,676,039	(1,676,039)
Reserve Fund	-	1,191	(1,191)
2005:			
Construction Fund	-	3,308,750	(3,308,750)
Reserve Fund	-	16,139	(16,139)

NOTE 9. INSURANCE COVERAGE

The District is exposed to various risk of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omission and natural disasters. The District is not insured through private carriers for liability, casualty and director and office liability.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (CONSTRUCTION FUND)
 Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	-	35,269	35,269
Dividend income	-	-	6,974	6,974
Total Revenues	-	-	42,243	42,243
Expenditures				
Public works - construction	-	-	1,675,039	(1,675,039)
General government	-	-	1,483	(1,483)
Total Expenditures	-	-	1,676,522	(1,676,522)
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total	-	-	-	-
Net Change in Fund Balances	-	-	(1,634,279)	(1,634,279)
Fund Balances, beginning of year	1,634,279	1,634,279	1,634,279	-
Fund Balances, end of year	\$ 1,634,279	1,634,279	-	(1,634,279)

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (BOND FUND)
 Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	-	19,268	19,268
Dividend income	-	-	760	760
Total Revenues	-	-	20,028	20,028
Expenditures				
General government	-	2,400	1,978	422
Debt Service				
Interest	-	459,365	459,365	-
Total Expenditures	-	461,765	461,343	422
Other Financing Sources (Uses)				
Transfer in	-	-	742	742
Transfer out	-	-	-	-
Total	-	-	742	742
Net Change in Fund Balances	-	(461,765)	(440,573)	21,192
Fund Balances, beginning of year	442,119	442,119	442,119	-
Fund Balances, end of year	\$ 442,119	(19,646)	1,546	21,192

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (RESERVE FUND)
 Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	-	-	-
Dividend income	-	-	956	956
Total Revenues	-	-	956	956
Expenditures				
General government	-	-	1,191	(1,191)
Interest	-	-	-	-
Total Expenditures	-	-	1,191	(1,191)
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	(742)	(742)
Total	-	-	(742)	(742)
Net Change in Fund Balances	-	-	(977)	(977)
Fund Balances, beginning of year	556,001	556,001	556,001	-
Fund Balances, end of year	\$ 556,001	556,001	555,024	(977)

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (CONSTRUCTION FUND)
 Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	-	18,303	18,303
Dividend income	-	-	22,184	22,184
Total Revenues	-	-	40,487	40,487
Expenditures				
Public works - construction	-	-	3,300,043	(3,300,043)
General government	-	-	8,707	(8,707)
Total Expenditures	-	-	3,308,750	(3,308,750)
Other Financing Sources (Uses)				
Transfer in	-	-	5,280	5,280
Transfer out	-	-	-	-
Total	-	-	5,280	5,280
Net Change in Fund Balances	-	-	(3,262,983)	(3,262,983)
Fund Balances, beginning of year	4,897,262	4,897,262	4,897,262	-
Fund Balances, end of year	\$ 4,897,262	4,897,262	1,634,279	(3,262,983)

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
BUDGET TO ACTUAL SCHEDULE (BOND FUND)
Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	-	14,481	14,481
Dividend income	-	-	44	44
Total Revenues	-	-	14,525	14,525
Expenditures				
General government	-	-	547	(547)
Debt Service				
Interest	-	518,062	288,379	229,683
Total Expenditures	-	518,062	288,926	229,136
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total	-	-	-	-
Net Change in Fund Balances	-	(518,062)	(274,401)	243,661
Fund Balances, beginning of year	716,520	716,520	716,520	-
Fund Balances, end of year	\$ 716,520	198,458	442,119	243,661

See Notes to Financial Statements.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
 BUDGET TO ACTUAL SCHEDULE (RESERVE FUND)
 Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ -	-	4,617	4,617
Dividend income	-	-	2,385	2,385
Total Revenues	-	-	7,002	7,002
Expenditures				
General government	-	-	16,139	(16,139)
Interest	-	-	-	-
Total Expenditures	-	-	16,139	(16,139)
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total	-	-	-	-
Net Change in Fund Balances	-	-	(9,137)	(9,137)
Fund Balances, beginning of year	565,138	565,138	565,138	-
Fund Balances, end of year	\$ 565,138	565,138	556,001	(9,137)

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. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities and each major fund and the budgetary comparison of the general fund of Ventana West Public Improvement District (the "District") as of and for the years ended June 30, 2006, 2005 and 2004 and have issued our report thereon dated August 19, 2013. We have also audited the budgetary comparisons for the debt service and construction funds presented as supplementary information in the fund statements for the years ended June 30, 2006 and 2005, as listed in the table of contents.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we

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

identified certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting as item 06-01. 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.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 06-02 and 06-03.

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

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

Mess Adams LLP

Albuquerque, New Mexico
August 19, 2013

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED JUNE 30, 2006, 2005 AND 2004**

06-01: No General Ledger Maintained (Significant Deficiency)

CONDITION

The District did not maintain a general ledger for the years ended June 30, 2006, 2005 and 2004.

CRITERIA

State Audit Rule 2.2.2.10 I, Section 12-6-5, NMSA 1978 states that any violation of good accounting practices be included in the annual audit report.

EFFECT

There is an increased risk of misstatements and/or budget overages occurring and not being detected and corrected in a timely manner.

CAUSE

The District has minimal transaction activity and uses the monthly trust statements from the Trustee to track transactions.

RECOMMENDATION

We recommend that the District implement a basic general ledger software package as soon as it is practical.

MANAGEMENT'S RESPONSE

The Board agrees with the recommendation and has instructed the Treasurer and PID counsel to hire, as soon as possible, a professional person/firm to implement a general ledger system for tracking all PID revenues and expenditures.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEARS ENDED JUNE 30, 2006, 2005 AND 2004**

06-02: Late Audit Report, Compliance and Other Matters

CONDITION

The audit reports for the years ending June 30, 2006, 2005 and 2004 were not submitted by the deadline of December 1 for each fiscal year. These reports were submitted to the State Auditor's Office in August 2013.

CRITERIA

2.2.2 NMAC, Audit Rule 2012, specifies the deadline for submission of audit reports. Section 2.2.2.9 A (1)(e) stipulates that District reports are due no later than December 1. Further, Section 2.2.2.9 A (2) requires that submission of a late audit report shall be reported as current year audit finding in the audit report.

CAUSE

The District did not receive the original contract in 2010 and reissued contract in March 2013.

EFFECT

The District is not in compliance with Section 2.2.2.9 A (1)(e) of the NMAC, Audit Rule 2012.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE

The Board agrees with the recommendation and has instructed the Treasurer to work together with the external auditor and trustee to ensure that audits are submitted to the State's Auditor by the due date or in a timely manner.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEARS ENDED JUNE 30, 2006, 2005 AND 2004**

06-03: Budget, Compliance and Other Matters

CONDITION

The District did not prepare a budget for fiscal 2004. Additionally, during fiscal years 2006 and 2005 the budget for the Construction Fund was overspent by \$1,676,039 and \$3,308,750, respectively. The Reserve Fund was overspent by \$1,191 and \$16,139 for the fiscal years 2006 and 2005.

CRITERIA

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

CAUSE

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

EFFECT

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE

The Board agrees with the recommendation and will include annual amounts for capital outlay expenditures in future budgets. The Board does include budget line items for capital outlay expenditures for the entire project in both the preliminary and final budget that is submitted to the State of New Mexico Local Government Division.

**VENTANA WEST PUBLIC IMPROVEMENT DISTRICT
EXIT CONFERENCE
YEARS ENDED JUNE 30, 2006, 2005 AND 2004**

An exit conference was held on August 14, 2013. Attending were the following:

Representing Ventana West Public Improvement District:

Jon Zaman, Chairman
Cilia Agliodoro, Treasurer
Michael Riordan, Member
Daniel Alsup, Modrall, Sperling, Roehl, Harris & Sisk, P.A.
Susan Biernacki, City of Albuquerque
Mitch Mosesman, David Taussig & Associates, Inc.

Representing Moss Adams LLP:

Jaime Rumbaoa, CPA, Senior Manager

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