

STATE OF NEW MEXICO
ANGEL FIRE PUBLIC IMPROVEMENT DISTRICT
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
FOR THE YEAR ENDED JUNE 30, 2016

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STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
FOR THE YEAR ENDED JUNE 30, 2016

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STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
DIRECTORY OF PRINCIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2016

Board of Directors

Alan G. Young	Chairman of the Board
Daniel E. Rakes	Vice Chairman
Burl Smith	Treasurer
Carl Abrams	Director
Don Borgeson	Director

Other Officials

Sally Sollars	District Administrator
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Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

INDEPENDENT AUDITORS' REPORT

Mr. Timothy Keller
New Mexico State Auditor and
Board of Directors
Public Improvement District 2007-1 of Angel Fire
Angel Fire, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund of the Public Improvement District 2007-1 of Angel Fire, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Public Improvement District 2007-1 of Angel Fire's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons for the major capital projects fund and the debt service fund, presented as supplementary information, as defined by the *Government Accounting Standards Board*, as of and for the year ended June 30, 2016, 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, and the aggregate fund information of Public Improvement District 2007-1 of Angel Fire as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective changes in financial position and the respective budgetary comparisons for the major capital project funds, and debt service funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 11 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

Our audit was conducted for the purpose of forming opinions on the financial statements, the combining and individual fund financial statements, and the budgetary comparison that collectively comprise the Public Improvement District 2007-1 of Angel Fire basic financial statements.

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 any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 04, 2016 on our consideration of Public Improvement District 2007-1 of Angel Fire internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Public Improvement District 2007-1 of Angel Fire internal control over financial reporting and compliance.

Beasley Mitchell & Co LLP
Beasley, Mitchell & Co.
Las Cruces, New Mexico
November 04, 2016

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

The Public Improvement District 2007-1 of Angel Fire's ("District") Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position (it's ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

The District is a political subdivision of the State of New Mexico created and existing pursuant to Sections 5-11-1 through 5-11-27 NMSA 1978 and Village of Angel Fire Resolution 2001-17(c)(1), "PID Resolution". The Village of Angel Fire requested under the General Plan that Angel Fire Resort Operations, LLC, provide the application for the formation. The District was formed for the purpose of financing, construction, and installation of various combinations of road improvements, water, sewer, electric and telephone lines. The cost of constructing these improvements, together with related engineering and administration costs, are to serve the 850 lots comprised by the District in conformity with all relevant plans, specifications, requirements and standards of the Village of Angel Fire.

The Formation Resolution 2008-07 adopted by the Village of Angel Fire on February 14, 2008 authorized the forming of the District and also authorized the imposition and collection of a Special Levy against the lots comprised by the District, all of which will benefit from the Special Levy, to be used for the purpose of administration and operation costs of the District as well as paying the principal of and interest on bonds issued by the New Mexico Finance Authority, as more particularly described herein.

This Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the District's financial statements (beginning on page 13).

FINANCIAL HIGHLIGHTS

- The District's total net position increased by \$2,943,951 (or 15.9 percent) during the fiscal year ended June 30, 2016. Since the District engages only in governmental activities, the increase is all in the category of governmental net position. Net position was at a deficit \$14,504,032 and deficit \$17,447,983 for 2016 and 2015, respectively.
- As a result of the District Formation Resolution 2008-07, owners of the lots comprised by the District voted and authorized the imposition and collection of a Special Levy. The governmental activities revenue for fiscal year ended June 30, 2016 include \$4,250,849 for assessments collected during fiscal year 2016. The governmental activities revenue increased by \$1,890,790 (or 80.0 percent) during the fiscal year ended 2016, and was \$4,254,299 and \$2,363,509 for 2016 and 2015, respectively.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

- The governmental activities expenses of the District increased by \$272,655 (or 26.3 percent). Total expenses were \$1,310,348 and \$1,037,693 for 2016 and 2015, respectively. The District's increase in governmental expenditures is due to the District project expenditures being primarily incurred in 2016. It is expected that expenditures will start to decrease until the final installation of electrical wire, which is expected by September of 2017. At that point there should be no further District project expenditures.
- As of June 30, 2016, the current portion of the long-term liabilities of the District were \$592,542, the non-current portion of the long-term liabilities were \$19,349,859, making the total long-term liabilities \$19,942,401.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The District's annual report consists of the following parts: 1) Management's Discussion and Analysis, 2) Basic Financial Statements, and 3) Other Required Supplementary Information. The financial statements include notes that explain in detail some of the information included in the basic financial statements.

Basic Financial Statements

The primary focus of the District's basic financial statements is on the District as a whole (District-Wide). This perspective allows the user to address relevant questions, broaden a basis for comparison (year to year or District to District) and enhance the District's accountability.

The District consists of exclusively Governmental Funds. Governmental funds utilize the modified accrual basis of accounting. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to accounting utilized by the private sector accounting. The District has three funds; the general fund to account for all the general activities performed during the year, the capital projects fund to record revenues and expenditures to account for the financing, construction, and installation of various combinations of road improvements, water, sewer, electric and telephone lines within the lots comprised by the District and the debt service fund to account for all the payments of principal and interest on the long-term debt of the District.

These statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial resources for the District. The Statement is presented in the format where assets, minus liabilities, equal "Net Position", formerly known as equity.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current". Over time increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The District-Wide financial statements also include a Statement of Revenues, Expenses, and Changes in Net Position (similar to an Income Statement). This statement includes revenues, such as tax revenue and expenses, such as construction and legal.

The focus of the Statement of Revenues, Expenses, and Changes in Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

In the Government-Wide financial statements, the District's activities are presented in the following category:

Governmental activities - Governmental activities include the District's basic activities to construct certain infrastructure improvements to the District's comprised lots.

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. For fiscal year ending June 30, 2016, the District used three governmental funds to account for the District's activities. 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.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Statement of Net Position

The District is using the financial reporting model required by *Governmental Accounting Standards* Board Statement No. 34. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

Statement of Net Position

	2016	2015
Assets:		
Current and other assets	\$ 5,455,560	\$ 3,547,858
Total assets	<u>\$ 5,455,560</u>	<u>\$ 3,547,858</u>
Liabilities:		
Current and other liabilities	\$ 19,959,592	\$ 20,995,841
Net Position (Deficit):		
Restricted	4,056,492	71,552
Unrestricted	<u>(18,560,524)</u>	<u>(17,519,535)</u>
Total net position (deficit)	<u>(14,504,032)</u>	<u>(17,447,983)</u>
Total liabilities and net position (deficit)	<u>\$ 5,455,560</u>	<u>\$ 3,547,858</u>

The District will use the special levy revenue to repay the debt incurred. For more detailed information see page 14 for the Statement of Activities.

Major Factors Affecting the Statement of Net Position

The following schedule lists the revenues and expenses for the current fiscal year. The District is engaged only in Government-Type Activities.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Statement of Revenues, Expenses, and Changes in Net Position

	2016	2015
Revenues:		
Local effort taxes	\$ 4,250,849	\$ 2,358,860
Other revenues	-	2,352
Interest revenues	3,450	2,297
Total revenues	4,254,299	2,363,509
Expenses:		
Governmental expenses	1,310,348	1,037,693
Total expenses	1,310,348	1,037,693
Change in net position	\$ 2,943,951	\$ 1,325,816

Special levy assessment started to be assessed and collected during fiscal year 2008. The total operating expenses increased by \$272,655 (or 26.3%). The District's increase in governmental expenditures is due to the District project expenditures.

Financial Analysis of the District's Funds

The focus of the District's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$2,115,025, of which (92)% constitutes unassigned fund balances, which are available for spending at the District's discretion. The restricted balance represents reserves for future payments, prepaid insurance, accounts payable, and long term debt. The general fund balance represents 65% of the total governmental fund balances. The District's general fund balance decreased by \$46,163 during the current fiscal year. The capital projects fund balance represents 24% of the total governmental fund balances. The District's capital projects fund balance increased by \$104,794 during the current fiscal year. The debt service fund balance represents 11% of the total governmental fund balances. The District's debt service fund balance increased by \$158,070 during the current fiscal year.

General fund revenues totaled \$2,092,031 for the fiscal year, while expenditures were \$184,254. Revenues exceeded expenditures by \$1,907,777 prior to transfers in and out of the general fund. During the year, the general fund transferred \$1,955,409 to both the debt service fund and the capital projects fund.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

The transfer out decreased the excess revenues over expenditures resulting in a net decrease of fund balance of \$46,163.

Capital projects fund expenditures were \$138,650. Expenditures exceeded revenues by \$138,650 prior to transfers in and out of the capital projects fund. Other financing sources include the transfer in from the general fund of \$242,589. After the transfer in from general fund, the excess revenues over expenditures resulted in a net increase of fund balance of \$104,794.

Debt service fund expenditures were \$2,026,843. Expenditures exceeded revenues by \$1,555,876 prior to transfers in and out of the debt service fund. During the year, the general fund transferred \$1,712,820 to cover the expenditures. After the transfer in from the general fund, the excess revenues over expenditures resulting in a net increase of fund balance of \$158,070.

General Fund Budgetary Highlights

The discussion that follows presents financial data based upon the budgetary basis of accounting. Please refer to the notes of the financial statements for an explanation of the differences of accounting regarding the budget.

During the current fiscal year, the District budgeted general fund revenues at \$2,675,169. The actual revenues for the fiscal year were \$2,092,031, and decrease of \$583,138.

The District was not within their budget for all of the funds as of June 30, 2016. The District completed a transfer from the general fund to debt service fund with out budgetary approval. This resulted in transfers in excess of budget of \$117,338. The district received finding 2016-001 as a result of the transfer.

Debt Administration

The District's long-term debt is summarized as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Balance</u> <u>June 30, 2015</u>
NMFA Loan \$1M	\$ 885,000	\$ 905,000
NMFA Loan \$25M	<u>19,057,401</u>	<u>20,076,800</u>
Long-term debt	<u>\$ 19,942,401</u>	<u>\$ 20,981,800</u>

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Project Status

As of June 30, 2016 the project is 100% complete with regards to installation of water, wastewater and roads. The conduit for electrical wiring was installed with the bulk of the construction, while a contract remains to pull the wire through the conduit section by section to be completed by September 2017.

As of October 24, 2014, all roadwork throughout the project has been completed throughout the district. The only remaining expenditure for the district will be the installation of electrical wire which will be installed section by section to be completed by September 2017. Phone lines will be installed in the District conduit by CenturyLink on an as needed basis with no additional cost to the District.

ECONOMIC STATUS

Significant economic factors affecting the District are as follows:

- General economic and financial crisis may limit owners' ability to pay the special levy assessments.
- Diminishing property values, limited owners' interest in maintaining their property and creating possible foreclosure situations.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Ms. Sally Sollars, District Administrator, Public Improvement District 2007-1 of Angel Fire, P.O. Box 1046, 3465 Mountain Blvd., Suite 14, Angel Fire, New Mexico 87710-1046. The intent of this report is designed to present to the users a general overview of the District's finances and to demonstrate the District's accountability.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,936,849
Accounts receivable	3,335,564
Prepaid insurance	3,393
Restricted cash	71,665
Other assets	<u>108,089</u>

TOTAL ASSETS \$ 5,455,560

LIABILITIES AND NET POSITION (DEFICIT)

Current liabilities:

Accounts payable	\$ 17,191
Current portion of notes payable	<u>592,542</u>

Total current liabilities 609,733

Noncurrent liabilities:

Notes payable	<u>19,349,859</u>
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Total liabilities 19,959,592

Net position (deficit):

Restricted	4,056,492
Unrestricted	<u>(18,560,524)</u>

Total net position (deficit) (14,504,032)

TOTAL LIABILITIES AND NET POSITION (DEFICIT) \$ 5,455,560

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Revenues			Change in Net Position	
Functions/Programs:	Expenses	Charges for Services	Program Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 1,310,348	\$ -	\$ -	\$ -	\$ (1,310,348)
Total primary government	\$ 1,310,348	\$ -	\$ -	\$ -	(1,310,348)
			General Revenues:		
			Local effort - special levy		4,250,849
			Interest income		3,450
			Total general revenues		4,254,299
			Change in net position		2,943,951
			Net position (deficit), beginning of year		(17,447,983)
			Net position (deficit), end of year		\$ (14,504,032)

See accompanying notes to financial statements and independent auditors' report

GOVERNMENTAL FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

ASSETS	General Fund	Capital Projects Fund	Debt Service Fund	Total
Current assets:				
Cash and cash equivalents	\$ 1,275,366	\$ 503,526	\$ 157,957	\$ 1,936,849
Accounts receivable	3,335,564	-	-	3,335,564
Prepaid insurance	3,393	-	-	3,393
Restricted cash	-	-	71,665	71,665
Other assets	<u>108,089</u>	<u>-</u>	<u>-</u>	<u>108,089</u>
TOTAL ASSETS	<u>\$ 4,722,412</u>	<u>\$ 503,526</u>	<u>\$ 229,622</u>	<u>\$ 5,455,560</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 17,191	\$ -	\$ -	\$ 17,191
Deferred Inflows:				
Property tax revenue	<u>3,323,344</u>	<u>-</u>	<u>-</u>	<u>3,323,344</u>
Total liabilities and deferred inflows	3,340,535	-	-	3,340,535
Fund balances:				
Restricted, reported in:				
General fund	3,323,344	-	-	3,323,344
Capital projects fund	-	503,526	-	503,526
Debt service fund	-	-	229,622	229,622
Unassigned, reported in:				
General fund	(1,941,467)	-	-	(1,941,467)
Debt service fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,381,877</u>	<u>503,526</u>	<u>229,622</u>	<u>2,115,025</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 4,722,412</u>	<u>\$ 503,526</u>	<u>\$ 229,622</u>	<u>\$ 5,455,560</u>

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Amounts reported for government activities in the statement of net position are different as a result of the following:

Fund balances - total governmental funds	\$ 2,115,025
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:	
Special levy assessment	3,323,344
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds:	
Long-term debt	<u>(19,942,401)</u>
Net Position (Deficit) - Statement of Net Position	<u>\$ (14,504,032)</u>

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Projects Fund	Debt Service Fund	Total
Revenues:				
Local effort - special levy	<u>\$ 2,092,031</u>	<u>\$ -</u>	<u>\$ 470,967</u>	<u>\$ 2,562,998</u>
Total revenues	2,092,031	-	470,967	2,562,998
Expenditures:				
General government	184,254	-	-	184,254
Debt service	-	-	2,026,843	2,026,843
Capital outlay	<u>-</u>	<u>138,650</u>	<u>-</u>	<u>138,650</u>
Total expenditures	<u>184,254</u>	<u>138,650</u>	<u>2,026,843</u>	<u>2,349,747</u>
Excess (deficiency) of revenues over expenditures	1,907,777	(138,650)	(1,555,876)	213,251
Other financing sources:				
Operating transfers in (out)	(1,955,409)	242,589	1,712,820	-
Interest income	<u>1,469</u>	<u>855</u>	<u>1,126</u>	<u>3,450</u>
Total other financing sources	<u>(1,953,940)</u>	<u>243,444</u>	<u>1,713,946</u>	<u>3,450</u>
Net changes in fund balances	(46,163)	104,794	158,070	216,701
Fund balances, beginning of year	<u>1,428,040</u>	<u>398,732</u>	<u>71,552</u>	<u>1,898,324</u>
Fund balances, end of year	<u>\$ 1,381,877</u>	<u>\$ 503,526</u>	<u>\$ 229,622</u>	<u>\$ 2,115,025</u>

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN THE FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds \$ 216,701

The changes in net position reported for governmental activities in the statement of activities are different because:

Special levy assessment collected during the fiscal year that do not provide current financial resources, made available to pay for the current period's expenditures, reported as deferred revenue in the funds 1,687,851

Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures. 1,039,399

Change in net position of governmental activities \$ 2,943,951

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget Amounts			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Special levy assessment	<u>\$ 2,675,169</u>	<u>\$ 2,675,169</u>	<u>\$ 2,089,679</u>	<u>\$ (585,490)</u>
Total revenues	2,675,169	2,675,169	2,089,679	(585,490)
Expenditures:				
General government	<u>204,560</u>	<u>204,560</u>	<u>181,104</u>	<u>23,456</u>
Total expenditures	<u>204,560</u>	<u>204,560</u>	<u>181,104</u>	<u>23,456</u>
Excess (deficiency) of revenues over expenditures	2,470,609	2,470,609	1,908,575	(562,034)
Other financing uses:				
Interest income	2,000	2,000	1,469	(531)
Operating transfers out	<u>(1,838,071)</u>	<u>(1,849,455)</u>	<u>(1,955,409)</u>	<u>(105,954)</u>
Total other financing uses	<u>(1,838,071)</u>	<u>(1,849,455)</u>	<u>(1,953,940)</u>	<u>(104,485)</u>
Net changes in fund balance Non-GAAP Basis	632,538	621,154	(45,365)	(666,519)
Fund balance - beginning	<u>1,428,040</u>	<u>1,428,040</u>	<u>1,428,040</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,060,578</u>	<u>\$ 2,049,194</u>	<u>\$ 1,382,675</u>	<u>\$ (666,519)</u>

Reconciliation of Budgetary Basis to GAAP Basis:

Net changes in fund balance budgetary basis	\$ (45,365)
Revenue - accruals	2,352
Expenditure - accruals	<u>(3,150)</u>
Net change in fund balance GAAP basis	<u>\$ (46,163)</u>

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Public Improvement District 2007-1 of Angel Fire (the "District"), is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management, who is responsible for their integrity and objectivity.

Reporting Entity - The Public Improvement District 2007-1 of Angel Fire (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 and Village of Angel Fire Resolution 2001-17, "PID Resolution".

The Village of Angel Fire requested under the General Plan that Angel Fire Resort Operations, LLC, provide the application for the formation. The District was formed for the purpose of financing, construction, and installation of various combinations of road improvements, water, sewer, electric and telephone lines. These costs, together with related engineering and administration costs, are to serve the 850 lots comprised by the District in conformity with all relevant plans, specifications, requirements and standards of the Village of Angel Fire.

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 unit of any other governmental entity and the District has no subordinate component units.

The District is governed by the District Board, consisting of five directors. The District Board has control over and management supervision of all affairs of the District.

Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities report information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. During fiscal year 2016 there were not any business-type activities.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for the different government-type activities of the District and for each function, of the District's governmental activities. Direct expenses are those that are specially associated with a program or function and, therefore, are clearly identifiable to a particular function. General revenues consist of special levy assessment and interest.

Fund Financial Statements - The fund financial statements provide information about the District's funds. Only statements for governmental funds are presented since the District engaged in government-type activities only. The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. This fund accounts for all financial resources that are not required to be accounted for in another fund.

Capital Projects Fund - This fund accounts for the revenues and expenses related to the construction activities to the lots comprised by the District.

Debt Service Fund - This fund accounts for the payments of principal and interest of the District's long-term debt.

Measurement Focus, Basis of Accounting

Government-Wide Fund Financial Statements - The government-wide fund financial statements are reported using the economic resource measurement focus. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include special levy assessment. On an accrual basis, revenue from special levy assessment is recognized in the fiscal year for which the assessment are levied.

Governmental Fund Financial Statements - Governmental Fund Financial Statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Under this method revenues are recognized when 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 year-end. Special levy assessment and interest are considered susceptible to accrual.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement Focus, Basis of Accounting (Continued)

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments which are recognized as expenditures to the extent they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Budget - Separate budgets for the General Fund, the Capital Projects Fund and the Debt Service Fund are adopted and amended on an annual basis. Budgets for all funds are prepared by management and approved by the District Board of Directors and the New Mexico Department of Finance and Administration. The appropriated budget is prepared by line item within funds; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the District Board of Directors for approval by resolution. The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval.

DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for special levy assessment in September. These budgets are prepared on the non-GAAP cash basis.

The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local Board of Directors approval. If a transfer between "funds" or a budget increase is required, approval must be obtained from the Department of Finance and Administration. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Restricted Cash - Cash is classified as restricted cash on the balance sheet because it has been restricted as part of the agreement acquired by the District.

Interfund Activity - Interfund activity is reported as transfers between governmental funds and netted as part of the reconciliation to the government-wide financial statements.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Unearned Revenues - Within the government-wide financial statements, unearned revenues are advanced to the District. Such advances are reported as unearned revenue until the earnings process is complete.

Within the governmental funds, revenues must be available in order to be recognized. Revenues such as special levy assessment that are not available are recorded as deferred revenues and reflected as a liability on the balance sheet.

Long Term Obligations - In the government-wide fund financial statements, long term obligations are reported as liabilities in the applicable governmental activities within the statement of net position. Loan issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize loan issuance costs during the period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Taxes - The District is exempt from federal and state income taxes; as such, no provision is made in the accompanying financial statements.

Special Levy - The District imposes a Special Levy, which will secure the payment of the debt service on the District's long-term debt. The Special Levy is to be billed and collected by the District 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 tax of 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. Delinquencies on Special Levies shall render the property subject to foreclosure. 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.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred Inflows - Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred inflows and reflected within the balance sheet.

Fund Balance - In the fund financial statements, governmental fund balances are classified as follows:

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

Unassigned - Fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District's policy is to apply restricted resources first, committed resources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

Net Position - Net position represent the difference between assets and liabilities. Net position are reported as restricted when there are limitations on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws of other governments. As of June 30, 2016, restricted net position are \$4,056,492, as restricted by the New Mexico Finance Authority (NMFA) loan agreement #2254-pp.

New Governmental Accounting Standards

In 2015, GASB issued GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and amendments to Certain Provisions of GASB Statements 67 and 68. The provisions in statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities or pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information supporting assessments of accountability and interperiod equity, and creating additional transparency. The District is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Governmental Accounting Standards(Continued)

In 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The District is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The District is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Governmental Accounting Standards(Continued)

This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The District is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, GASB issued GASB Statement No. 78, The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

In 2015, GASB issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Governmental Accounting Standards(Continued)

In 2016, GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

In 2016, GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

In 2016, GASB issued GASB Statement No. 82, *Pension Issues An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

2. CASH AND CASH EQUIVALENTS

New Mexico State Statutes authorize the District to deposit cash with a bank, savings and loan association, or credit union whose deposits are insured by an agency of the United States of America. All uninsured demand deposits and deposit - type investments such as certificates of deposits, are required to be collateralized with eligible securities, as described by New Mexico State Statues, in amounts equal to at least 50% of the uninsured deposits.

The District maintains cash in two financial institutions, one is the International Bank. Collateral is held in safekeeping also at the International Bank in the form of Pledge Securities with a fair market value of \$1,800,000 as of June 30, 2016. The second is the New Mexico Finance Authority ("NMFA") which took over the accounts that were held by the Bank of New York Mellon.

As of June 30, 2016, cash consists of the following:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statement</u>
International Bank:			
General account	\$ 75,543	\$ -	\$ 75,543
Interest bearing account	525	-	525
Prepayment interest account	157,847	-	157,847
Special levy account	1,199,547	(380)	1,199,167
Reserve account	<u>503,526</u>	<u>-</u>	<u>503,526</u>
	1,936,988	(380)	1,936,608
 New Mexico Finance Authority:			
Escrow Account	<u>71,665</u>	<u>-</u>	<u>71,665</u>
	<u>71,665</u>	<u>-</u>	<u>71,665</u>
Total checking accounts	<u>2,008,653</u>	<u>(380)</u>	<u>2,008,273</u>
Petty cash held by the District	<u>241</u>	<u>-</u>	<u>241</u>
Total of checking accounts and petty cash	<u>\$ 2,008,894</u>	<u>\$ (380)</u>	<u>\$ 2,008,514</u>

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

2. CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk-Deposits - Custodial credit risk is the risk that, in the event of a bank failure the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. Bank balances of \$250,000 are covered by federal depository insurance. Bank balances in excess of the federal depository insurance were collateralized with pledged securities at the International Bank in an amount not exceeding 50% of total District deposits.

As of June 30, 2016, the District's bank balance was exposed to custodial risk as follows:

Total deposits in bank	\$ 2,008,894
Less: FDIC coverage	<u>250,000</u>
Uninsured public funds	1,758,894
Pledged collateral	<u>1,800,000</u>
Uninsured and uncollateralized	<u>\$ -</u>

The following securities are pledged by International Bank:

Description	CUSIP #	Par Value 6/30/16	Maturity Date
FHLB	None	<u>\$ 1,800,000</u>	10/13/2020
Total		<u>\$ 1,800,000</u>	

3. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2016, are as follows:

	<u>Governmental Activities</u>
Accounts receivable:	
Special levy	<u>\$ 3,335,564</u>
Total	<u>\$ 3,335,564</u>

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

4. TRANSFERS

The composition of interfund transfers during the year ended June 30, 2016 is as follows:

Fund	Amount In (Out)
General fund	\$ (1,955,409)
Capital projects fund	242,589
Debt service fund	1,712,820
Total transfers	\$ -

5. SPECIAL LEVY ASSESSMENT

Special levy assessment attached as an enforceable lien on property as of January 1st. Special levy assessment rates for the year are set no later than September 1st each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the Colfax County Assessor to develop the special levy assessment schedule by October 1st. The Colfax County Treasurer sends tax notices to property owners by November 1st of each year. The assessments are payable in equal semiannual installments by November 10th and April 10th of subsequent year. Thirty days later the bill becomes delinquent and the County Treasurer assesses penalties and interest. The assessments are collected on behalf of the District by the County Treasurer, and are remitted to the District in the month following collection. The County Treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the County Treasurer's office minus a 1% processing fee for each month collected and distributed.

6. FORECLOSED PROPERTIES

The District, in its sole discretion, may either avail itself of all statutes relating to the levy and collection of property taxes, including statutes relating to the collection of delinquent taxes and sale of property for nonpayment of taxes, or, may opt to use the collection, foreclosure and redemption procedures for delinquent Special Levies substantially set out in sections 1 through 7 below:

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

6. FORECLOSED PROPERTIES (CONTINUED)

1. The District may foreclose on a delinquent Special Levy after six months following written notice of the delinquency to the owner of the real property to which the delinquency applies.
2. Any delinquent Special Levy shall be foreclosed in the manner provided by law for the foreclosure of mortgages on real estate.
3. In any action seeking the foreclosure of a Special Levy lien after any District bonds payable from Special Levy revenues ("Bonds") have been issued, if there is no other purchaser for the real property having a delinquent Special Levy, the District or other trustee of the funds from which the Bonds are to be paid may (i) purchase the real property sold at the foreclosure sale, and (ii) bid, in lieu of cash, the amount of the Special Levy, interest, penalties, attorneys' fees, and costs found by the court to be due and payable under the resolution creating the lien and any cost taxed by the court in the foreclosure proceedings against the property ordered sold. Upon the purchase of the real property, title to the tract or parcel of land, subject to the right of redemption provided in the following paragraph (4), shall vest in the trustee of the fund from which the Bonds are payable.
4. No real property shall be sold to satisfy a delinquent assessment until at least fifteen days after the date of the order, judgment or decree of the court, within which time the owner of the tract or parcel of land may payoff the decree and avoid the sale. After the expiration of the fifteen-day period, the property may be sold at a public or private sale subject to the right of redemption. Any property sold under any order, judgment, or decree of court to satisfy the Special Levy lien may be redeemed at any time within one year of the date of sale by the owner or mortgage holder or other person having an interest, or their assigns, by repaying to the purchaser or his assignee the amount paid plus interest from the date of purchase at a rate of twelve percent per year.
5. The proceeds of the sale of the foreclosed real property at either a public or private sale shall be applied as follows:
 - a First, to the payment of costs in giving notice of the sale and of conducting the sale;
 - b Second, to costs and fees taxed against the real estate in the foreclosure proceedings;
 - c Third, on a pro rata basis, to the indebtedness claimed under the Special Levy lien and any other lien on the property that has a priority coequal to the Special Levy lien; and
 - d Fourth, after all costs, liens, assessments, and taxes are paid, to the former owner, mortgage holder or other parties having an interest in the real estate, upon the foregoing person's providing satisfactory proof to the court of the interest and upon approval of the court.
6. Receipts for the satisfaction of the indebtedness claimed under the Special Levy lien shall be paid into the proper District fund for payment of debt service on the Bonds, or, if no Bonds are outstanding, to pay District expenses.
7. No public rights of way or public property shall be subject to foreclosure by the District.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

6. FORECLOSED PROPERTIES (CONTINUED)

On December 2, 2010, the District foreclosed on five properties for lack of payment of the special assessment. The courts assessed the total judgment value for the five properties in the amount of \$67,472. This amount includes the delinquent assessment, penalties, fees, and delinquent property taxes owed to the County. The properties were placed up for auction by Colfax County on December 31, 2010. There were no other buyers for the properties therefore the District purchased the five properties at a reduced rate of \$13,541. The District will sell each property in an attempt to recover said properties' delinquent assessments, taxes, and penalties owed. The foreclosures are recorded in the financial statements as other assets in the total amount of \$97,551 which consists of each properties delinquent accounts receivable total of \$84,010 and the District's total payment of \$13,541 to the County.

7. LONG TERM OBLIGATIONS

A summary of changes in long term liability activity for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
NMFA Loan \$1M	\$ 905,000	\$ -	\$ (20,000)	\$ 885,000	\$ 20,000
NMFA Loan \$25M	<u>20,076,800</u>	<u>-</u>	<u>(1,019,399)</u>	<u>19,057,401</u>	<u>572,542</u>
Long-term debt	<u>\$ 20,981,800</u>	<u>\$ -</u>	<u>\$ (1,039,399)</u>	<u>\$ 19,942,401</u>	<u>\$ 592,542</u>

Loan debt service requirements to maturity for NMFA Loan \$1M are as follows:

Years ending June 30,	Principal	Interest	Total
2017	\$ 20,000	\$ 45,127	\$ 65,127
2018	20,000	44,523	64,523
2019	20,000	43,871	63,871
2020	25,000	43,079	68,079
2021	25,000	42,115	67,115
2022-2027	140,000	192,606	332,606
2028-2033	190,000	150,659	340,659
2034-2038	<u>445,000</u>	<u>106,682</u>	<u>551,682</u>
	<u>\$ 885,000</u>	<u>\$ 668,662</u>	<u>\$ 1,553,662</u>

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

8. LONG TERM OBLIGATIONS (CONTINUED)

Loan debt service requirements to maturity for NMFA Loan \$25M are as follows:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 572,542	\$ 991,998	\$ 1,564,540
2018	579,399	980,011	1,559,410
2019	592,872	965,699	1,558,571
2020	601,721	949,236	1,550,957
2021	620,779	930,146	1,550,925
2022-2027	3,325,898	4,281,941	7,607,839
2028-2033	4,096,017	3,447,899	7,543,916
2034-2038	<u>8,668,173</u>	<u>2,872,583</u>	<u>11,540,756</u>
	<u>\$ 19,057,401</u>	<u>\$ 15,419,513</u>	<u>\$ 34,476,914</u>

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District, as of year ended June 30, 2016, was insured by the Cincinnati Insurance Company and paid \$7,005 in premiums.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 04, 2016 the date the financial statements were available to be issued.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE BUDGET AND ACTUAL ON BUDGETARY BASIS
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance
	Original	Final		Favorable Unfavorable
Expenditures:				
Capital outlay - project	\$ 245,000	\$ 245,000	\$ 138,650	\$ 106,350
Total expenditures	<u>245,000</u>	<u>245,000</u>	<u>138,650</u>	<u>106,350</u>
Deficiency of revenues over expenditures	(245,000)	(245,000)	(138,650)	106,350
Other financing sources:				
Interest	425	425	855	430
Operating transfers in (out)	<u>245,000</u>	<u>245,000</u>	<u>242,589</u>	<u>(2,411)</u>
Total other financing sources	<u>245,425</u>	<u>245,425</u>	<u>243,444</u>	<u>(1,981)</u>
Net changes in fund balance Non-GAAP Basis	425	425	104,794	104,369
Fund balance - beginning	<u>398,732</u>	<u>398,732</u>	<u>398,732</u>	<u>-</u>
Fund balance - ending	<u>\$ 399,157</u>	<u>\$ 399,157</u>	<u>\$ 503,526</u>	<u>\$ 104,369</u>

Reconciliation of Budgetary Basis to GAAP Basis:

Net changes in fund balance - budgetary basis	\$ 104,794
Revenue - accruals	-
Expenditure - accruals	<u>-</u>
Net changes in fund balance - GAAP basis	<u>\$ 104,794</u>

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE BUDGET AND ACTUAL ON BUDGETARY BASIS
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget Amounts			Variance
	Original	Final	Actual	Favorable Unfavorable
Revenues:				
Prepayments - special levy	\$ -	\$ -	\$ 470,967	\$ 470,967
Total revenues	-	-	470,967	470,967
Expenditures:				
Debt service	2,093,071	2,093,071	2,026,843	66,228
Total expenditures	2,093,071	2,093,071	2,026,843	66,228
Deficiency of revenues over expenditures	(2,093,071)	(2,093,071)	(1,555,876)	404,739
Other financing sources:				
Interest	600	600	1,126	526
Operating transfers in (out)	1,593,071	1,593,071	1,712,820	119,749
Total other financing sources	1,593,671	1,593,671	1,713,946	120,275
Net changes in fund balance Non-GAAP Basis	(499,400)	(499,400)	158,070	657,470
Fund balance - beginning	71,552	71,552	71,552	-
Fund balance - ending	<u>\$ (427,848)</u>	<u>\$ (427,848)</u>	<u>\$ 229,622</u>	<u>\$ 657,470</u>

Reconciliation of Budgetary Basis to GAAP Basis:

Net changes in fund balance - budgetary basis	\$ 158,070
Revenue - accruals	-
Expenditure - accruals	<u>-</u>
Net changes in fund balance - GAAP basis	<u>\$ 158,070</u>

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO, PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
 SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
 JUNE 30, 2016

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
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None Noted



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

Mr. Timothy Keller
New Mexico State Auditor
The Board of Directors
Public Improvement District 2007-1 of Angel Fire
Angel Fire, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the budgetary comparisons of the general fund, and the budgetary comparisons presented as supplemental information of the Public Improvement District 2007-1 of Angel Fire as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the basic financial statements of Public Improvement District 2007-1 of Angel Fire presented as supplemental information, and have issued our report thereon dated November 04, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Public Improvement District 2007-1 of Angel Fire's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Public Improvement District 2007-1 of Angel Fire's internal control. Accordingly, we do not express an opinion on the effectiveness of Public Improvement District 2007-1 of Angel Fire's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2016-001)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Public Improvement District 2007-1 of Angel Fire's financial statements are free of 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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Public Improvement District 2007-1 of Angel Fire's Response to Findings

Public Improvement District 2007-1 of Angel Fire's response to the findings identified in our audit is described in the accompanying schedule of findings. Public Improvement District 2007-1 of Angel Fire's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.


Beasley, Mitchell & Co.

Las Cruces, New Mexico

November 04, 2016

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Prior audit findings

Current status

NONE NOTED

Current audit findings

2016-001	Legal Compliance with Budget	New
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STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

(2016-001) Legal Compliance with Budget - Significant Deficiency

CONDITION The District completed a transfer that was not included in the approved budget, and was not subsequently approved by DFA. The transfer totaled \$115,356. The total unapproved transfers for the year equaled \$105,954.

Fund	Reason	Budget Expenses	Actual Expenses	Difference
General Fund	Transfers	\$ (1,849,455)	\$ (1,955,409)	\$ 105,954
Totals		<u>\$ (1,849,455)</u>	<u>\$ (1,955,409)</u>	<u>\$ 105,954</u>

CRITERIA Section 6-6-6 of the New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget.

CAUSE The transfer was discussed with between the District Administrator and the budget Analyst; however, due to lack of management oversight, a budget adjustment for the transfer was not formally submitted and approved.

EFFECT The District is in non compliance with the state, since all transfers between funds must be budgeted for. Non-compliance with New Mexico state statutes could subject officials and employees to penalties and fines required by state statutes.

RECOMMENDATION We recommend that management closely monitor transfers, expenditures and budget limitations to ensure compliance with budget restrictions.

RESPONSE The District inadvertently missed submitting the transfer for formal approval. The District will evaluate the process to ensure this is an isolated event.

EXPECTED COMPLETION: 07/31/2016

EMPLOYEE RESPONSIBLE: District Administrator

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
ENTRANCE AND EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2016

An entrance conference was conducted September 20, 2016 in a closed meeting pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Public Improvement District 2007-1 of Angel Fire

Sally Sollars	Administrator
Burl Smith	Director - Treasurer
Don A Borgeson	Director

Beasley, Mitchell & Co., LLP

Dahlia Garcia	Senior, Audit Department
Juan Garcia	Staff II, Audit Department

An exit conference was conducted September 21, 2016 in a closed meeting pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Public Improvement District 2007-1 of Angel Fire

Sally Sollars	Administrator
Burl Smith	Director - Treasurer
Don A Borgeson	Director

Beasley, Mitchell & Co., LLP

Dahlia Garcia	Senior, Audit Department
Juan Garcia	Staff II, Audit Department

FINANCIAL STATEMENT PREPARATION

The financial statements of the Public Improvement District 2007-1 of Angel Fire as of, and for the year ended, June 30, 2016 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible District management. Official responsible personnel agree that the presentations are made with their knowledge and agreement.