

**Public Improvement District 2007-1 of Angel Fire  
Angel Fire, New Mexico**

*Financial Statements and Supplemental Information  
and Independent Auditors' Report  
for the Year Ended June 30, 2008*

**PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE**

**List of Principal Officials  
For the Year Ended June 30, 2008**

**Board of Directors**

Jim LeBus	Chairman of the Board
Dan Rakes	Director
Chuck Verry	Director
Gerald White	Director
Steve Oliver	Director

**Other Officials**

Penni L. Davey	Administrator
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# PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE

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## INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas  
New Mexico State Auditor and  
Board of Directors  
Public Improvement District 2007-1 of Angel Fire  
Angel Fire, New Mexico

We have audited the accompanying financial statements of the governmental activities and each major fund of the Public Improvement District 2007-1 of Angel Fire, as of and for the year ended June 30, 2008, which collectively comprise the Public Improvement District 2007-1 of Angel Fire's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Public Improvement District 2007-1 of Angel Fire's management. 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 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 Public Improvement District 2007-1 of Angel Fire'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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Public Improvement District 2007-1 of Angel Fire, as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended 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 January 8, 2010 on our consideration of the Public Improvement District 2007-1 of Angel Fire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 8 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The additional schedules listed as "supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*White & Sumaniego + Campbell, LLP*

El Paso, Texas  
January 8, 2010

**REQUIRED SUPPLEMENTARY INFORMATION**

## **PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008**

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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 2008-07, "Ordering the Formation of the 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 PID 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 10).

### **FINANCIAL HIGHLIGHTS**

The District's total net assets were \$1,196,996 at the end of the fiscal year ended June 30, 2008. Since the District engages only in governmental activities, the increase is all in the category of governmental net assets.

As a result of the bankruptcy, Angel Fire Resort Operations, LLC was required to provide \$2 million; however \$800,000 was incurred preparing the application for the formation. The governmental activities revenue for fiscal year ended June 30, 2008 was \$1,200,000 that represents the \$1.2 million provided by the Angel Fire Resort Operations, LLC to start the operations of the District in accordance with the PID resolution and the General Plan.

The governmental activities expenditures of the District were \$4,035 for fiscal year ended June 30, 2008.

## 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.

### Using This Annual Report

The report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary Information":

### 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 one fund; the general fund to account for all the initial activities performed during the first year of operations.

These statements include a **Statement of Net Assets**, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial resources for the District. The Statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current". Overtime increases or decreases in Net Assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The MD&A is presented for one year as it is the District's first year. In the future, a comparative presentation will be made.

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

The focus of the Statement of Revenues, Expenses, and Changes in Net Assets is the "Change in Net Assets", 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, 2008, the District used one governmental fund 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.

**Statement of Net Assets**

The District is using the new 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 assets may be observed and used to discuss the changing financial position of the District as a whole.

**Statement of Net Assets**

	<b><u>June 30, 2008</u></b>
Assets:	
Current and other assets	<u>\$ 1,200,336</u>
Total assets	<u>\$ 1,200,336</u>
Liabilities:	
Current and other liabilities	<u>\$ 3,340</u>
Net Assets:	
Unrestricted	<u>1,196,996</u>
Total liabilities and net assets	<u>\$ 1,200,336</u>

The District will use the unrestricted net assets to repay the debt incurred. For more detailed information see page 11 for the Statement of Changes in Net Assets.

**Major Factors Affecting the Statement of Net Assets**

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

**Statement of Revenues, Expenses, and Changes in Net Assets**

	<b><u>June 30, 2008</u></b>
<b>Revenues:</b>	
Revenues:	
Resort funding	\$ 1,200,000
Interest revenues	<u>1,031</u>
<b>Total revenues</b>	<u>1,201,031</u>
<b>Expenses:</b>	
Legal	3,340
Rent	330
Other	<u>365</u>
<b>Total expenses</b>	<u>4,035</u>
Change in net assets	<u>\$ 1,196,996</u>

**Budget Variances**

Variances between final budgeted amounts and actual budget results are as follows:

	<b><u>Budgeted</u></b>		<b><u>Actual</u></b>		<b><u>Variance</u></b>
	<b><u>Amount</u></b>				
Revenues over expenses	<u>\$ 1,196,600</u>		<u>\$ 1,200,336</u>		<u>\$ 3,736</u>

The District's actual expenses budgeted were less than budgeted and interest income was not budgeted.

**ECONOMIC FACTORS**

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 owner's interest in maintaining their property and creating possible foreclosure situations.

## **FINANCIAL CONTACT**

The individual to be contacted regarding this report is Ms. Penni L. Davey, 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**

**PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE**

**STATEMENT OF NET ASSETS  
JUNE 30, 2008**

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**ASSETS**

Current assets:

Cash and cash equivalents \$ 1,200,336

TOTAL ASSETS \$ 1,200,336

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable \$ 3,340

Net assets:

Unrestricted 1,196,996

TOTAL LIABILITIES AND NET ASSETS \$ 1,200,336

See accompanying notes to financial statements and independent auditors' report.

**PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs:	Expenses	Program Revenues			Change in Net Assets
		Charges for Services	Program Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 4,035	\$ -	\$ -	\$ -	\$ (4,035)
Total primary government	\$ 4,035	\$ -	\$ -	\$ -	(4,035)
		General Revenues:			
					\$ 1,031
					1,200,000
					1,201,031
					1,196,996
					-
					\$ 1,196,996

See accompanying notes to financial statements and independent auditors' report.

**PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2008**

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	<b>General Fund</b>	<b>Total</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 1,200,336	\$ 1,200,336
<b>TOTAL ASSETS</b>	<u>\$ 1,200,336</u>	<u>\$ 1,200,336</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 3,340	\$ 3,340
Net assets:		
Unrestricted	<u>1,196,996</u>	<u>1,196,996</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,200,336</u>	<u>\$ 1,200,336</u>

See accompanying notes to financial statements and independent auditors' report.

**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, 2008**

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	<b>General Fund</b>	<b>Total</b>
Revenues:		
Resort Funding	\$ 1,200,000	\$ 1,200,000
Interest revenue	<u>1,031</u>	<u>1,031</u>
Total revenues	<u>1,201,031</u>	<u>1,201,031</u>
Expenditures:		
Legal	3,340	3,340
Rent	330	330
Other	<u>365</u>	<u>365</u>
Total expenditures	<u>4,035</u>	<u>4,035</u>
Change in net assets	<u>1,196,996</u>	<u>1,196,996</u>
Net assets, beginning of year	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 1,196,996</u>	<u>\$ 1,196,996</u>

See accompanying notes to financial statements and independent auditors' report.



**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, 2008**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES:</b>				
Resort Funding	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000	\$ -
Interest revenue	-	-	1,031	1,031
Total revenues	1,200,000	1,200,000	1,201,031	1,031
<b>EXPENSES:</b>				
Legal	2,750	2,750	-	2,750
Rent	330	330	330	-
Telephone	120	120	-	120
Other	200	200	365	(165)
Total expenses	3,400	3,400	695	2,705
Revenues over expenses	<u>\$ 1,196,600</u>	<u>\$ 1,196,600</u>	<u>\$ 1,200,336</u>	<u>\$ 3,736</u>

**Reconciliation of Budgetary Basis to GAAP Basis:**

Excess of revenues over cash expenditures	\$ 1,200,336
Expenditure - accruals	<u>(3,340)</u>
Excess of revenues over expenditures - GAAP basis	<u>\$ 1,196,996</u>

## PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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#### 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 2008-07, "Ordering the Formation of the 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 assets 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 2008 there were not any business-type activities.

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 resort funding. Revenues that are not classified as general revenues, such as interest, are presented as other revenues.

**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 fund:

**General Fund** - The General Fund is the general operating fund of the District. It is used to account for all financial resources.

#### **Measurement Focus, Basis of Accounting**

**Government-Wide Fund Financial Statements** - The government-wide fund financial statements are reported using the economic resources measurement focus.

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

**Governmental Fund Financial Statements** - Governmental Fund Financial Statements are reported using the current financial resources 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. Property taxes and interest are considered susceptible to accrual. 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** - Budget for the General Fund is adopted and amended on an annual basis. As of June 30, 2008, the General Fund was not over expended.

**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 District started to impose and collect the special levy in October 2008.

The Special Levy is to be billed and collected by the County in the same manner and at the same time as general ad valorem property taxes. Assessments are made as of January 1st of each year, with one-half of the tax on that assessment due the following November 10 and one-half due April 10 of the next calendar year. The Special Levy installment due November 10 becomes delinquent on December 11, while the April 10 installment becomes delinquent on May 11. The Special Levy shall be subject to foreclosure by the District at any time after six months following written notice of delinquency to the owner of the real property to which the delinquency applies. The lien shall include delinquencies, penalties and interest thereon at a rate not to exceed the maximum legal rate of interest per year and penalties otherwise applicable.

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets 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 or regulations of other governments. As of June 30, 2008 there are no restricted net assets.

Restricted resources are used first to fund appropriations. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**New governmental accounting standards** - GASB has issued Statement No. 51 "Accounting and Financial Reporting for Intangible Assets". This statement was issued in June 2007 and is effective for Phase III governments in fiscal year 2010.

In November 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 52 Land Held as Investments by Endowments, which is effective for financial statements for periods beginning after June 15, 2008, with earlier application encouraged. This Statement establishes standards for the reporting of Land and other real estate by endowment.

In June 2008, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which is effective for all periods beginning after June 15, 2009. The statement is intended to improve how governments report information about derivative instruments.

Management has not yet determined the impact of the above statements on the financial statements.

## **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 Statutes, in amounts equal to at least 50% of the uninsured deposits.

The District maintains cash in one financial institution, The First National Bank of New Mexico, New Mexico ("First National Bank"). Collateral is held in safekeeping also at the First National Bank in the form of Pledge Securities with a fair market value of \$101,758 as of June 30, 2008.

As of June 30, 2008 the amount of cash reported on the financial statements differs from the amount on deposit with the banking institution because of transactions in transit and outstanding checks. Cash, cash equivalents, and certificates of deposit consist of the following:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statement</u>
Checking accounts:			
General account	\$ 20,423	\$ (365)	\$ 20,058
Interest bearing account	1,180,278	-	1,180,278
Total checking accounts	<u>\$ 1,200,701</u>	<u>\$ (365)</u>	<u>\$ 1,200,336</u>

**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 \$100,000 are covered by federal depository insurance. Bank balances in excess of the federal depository insurance were collateralized with pledged securities at the First National Bank in an amount not exceeding 50% of total District deposits. As of June 30, 2008, the District's bank balance of \$448,593 was exposed to custodial risk.

Total deposits in bank	\$ 1,200,701
Less: FDIC coverage	<u>100,000</u>
Uninsured public funds	1,100,701
Pledged collateral	<u>101,758</u>
Uninsured and uncollateralized	<u>\$ 998,943</u>

The following security is pledged by First National Bank:

<u>Description</u>	<u>CUSIP #</u>	<u>Fair Value 6/30/08</u>	<u>Maturity Date</u>
Los Lunas NMGR	545559CP9	\$101,758	4/1/09

### 3. COMMITMENTS

The District is leasing two offices. The leases minimum monthly payments are \$325 and \$330 and expire on 7/31/09 and 6/14/09, respectively. Future minimum payments for the building leases are as follows:

<u>June 30,</u>	<u>Amount</u>
2009	\$ 7,162
2010	<u>325</u>
	<u>\$ 7,487</u>

**4. 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, workers compensation; and natural disasters. The District, as of year ended June 30, 2008, was not insured.

**5. CONTINGENCIES**

Certain lot owners within the District have filed a lawsuit against the Board of Directors of the District, the Village of Angel Fire and the Angel Fire Resort Operations. Management and legal counsel are of the opinion that settlement of these claims and pending litigation will not have a material adverse effect on the District's financial statements.

**6. SUBSEQUENT EVENTS**

The District received two loans from New Mexico Finance Authority for \$1,000,000 and \$25,225,000 during FY 2009. Both loans are to be used for financing the construction and installation of various combinations of road improvements, water and sewer lines. The \$1,000,000 loan matures in February 2039 and the first payment will be made on August 2009. The \$25,225,000 loan matures in November 2038 and the first payment will be made on November 2009. Both loans will be serviced by special levy taxes collected by the District.

**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**

Mr. Hector H. Balderas  
New Mexico State Auditor  
The Board of Directors  
Public Improvement District 2007-1 of Angel Fire  
Angel Fire, New Mexico

We have audited the financial statements of the governmental activities and each major fund, and the budgetary comparison for the general fund of the Public Improvement District 2007-1 of Angel Fire as of and for the year ended June 30, 2008, and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Public Improvement District 2007-1 of Angel Fire's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Public Improvement District 2007-1 of Angel Fire's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Public Improvement District 2007-1 of Angel Fire's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Public Improvement District 2007-1 of Angel Fire's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 08-1, 08-2, and 08-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Public Improvement District 2007-1 of Angel Fire's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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 08-01, 08-02 and 08-03.

The Public Improvement District 2007-1 of Angel Fire's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Public Improvement District 2007-1 of Angel Fire'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 Public Improvement District 2007-1 of Angel Fire, the audit committee, the State Auditor, and the New Mexico Legislature, and is not intended to be and should not be used by anyone other than these specified parties.



El Paso, Texas  
January 8, 2010



**PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2008**

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Current Year Findings:

**Finding 08-01 Collateral of Bank Deposits**

**Condition**

50% of the deposits held at the financial institution were not collateralized.

**Criteria**

As per SAO 2.2.2.10, N (4) (b), the New Mexico State Audit Rule, the amounts held in a financial institution must be pledge to a minimum of 50%.

**Cause**

The Angel Fire Public Improvement District was unaware of audit rule.

**Effect**

Violation of the State Auditor's Rule. Bank balances are in risk of being lost in case of bank failure.

**Recommendation**

The deposits held at any financial institution must be collateralized by at least 50% of total balance.

**District's Response**

The District will implement procedures to ensure that bank balances are collateralized in accordance with audit rule.

**Finding 08-02 Insurance**

**Condition**

The District was not insured during fiscal year 2008.

**Criteria**

Per GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, all governments must be insured for protection that applies to a governmental unit's accounting for risks of loss arising from torts; asset theft, damage, or destruction; business interruption; errors or omissions.

**Cause**

The District was formed in May 2008 and were unaware of governmental standard.

**Effect**

Violation of GASB Standard No. 10. In case of any loss the District is in risk of losing public monies.

**Recommendation**

The District should be insured to avoid any risks.

**District's Response**

The District was not insured at the time of formation but the Board of Directors made sure that an insurance package was purchased to properly avoid any risks shortly after its formation.

**Finding 08-03 Completion of Audit Report**

**Condition**

The audit report was not completed and forwarded to the New Mexico State Auditor in a timely manner.

**Criteria**

As per SAO 2.2.2.9, A (4), the New Mexico State Auditor contract calls for this audit report to be delivered by December 1, 2008.

**Cause**

The District was unaware of audit rule.

**Effect**

Violation of the State Auditor's Rule. Audited financial information is not available for the District to use and distribute as necessary.

**Recommendation**

The District along with the auditor must implement procedures that would produce a timely audit. Proper accounting control must be established where the District management is able to produce financial information for the auditor in a timely manner.

**District's Response**

The District's management will implement sufficient procedures to make sure the audit is submitted to the State Auditor on time.

**PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE**

**EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2008**

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An exit conference was conducted December 17, 2008 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

Penni L. Davey  
Donna Holman  
Jim LeBus  
Chuck Verry

Administrator  
Contract Accountant  
Chairman of Board of Directors  
Director

White + Samaniego + Campbell, LLP

Cynthia Morales

In-Charge Auditor

**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, 2008 were prepared by White + Samaniego + Campbell, LLP, with the aid of responsible District management. Official responsible personnel agree that the presentations are made with their knowledge and agreement.