

**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, 2009*

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

**List of Principal Officials  
For the Year Ended June 30, 2009**

**Board of Directors**

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

**Other Officials**

Penni L. Davey	Administrator
----------------	---------------

# PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE

## TABLE OF CONTENTS

---

	Page
INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Revenues, Expenses and Changes in Net Assets	11
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Revenues, Expenses and Changes in Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - General Fund	17
Notes to Financial Statements	18
SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis - Capital Projects Fund	25
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	26
Schedule of Findings and Responses	28
Summary Schedule of Prior Audit Findings	29
Exit Conference	30

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 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 + Gumaniegy + Campbell, CP*

El Paso, Texas  
April 9, 2010

**REQUIRED SUPPLEMENTARY INFORMATION**



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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2009**

---

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 PID Resolution 2007-1 and 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 decreased by \$208,803 (or 17.4 percent) during the fiscal year ended June 30, 2009. Since the District engages only in governmental activities, the decrease is all in the category of governmental net assets. Net assets were \$988,193 and \$1,196,996 for 2009 and 2008, respectively.
- As a result of the PID 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, 2009 include \$2,548,209 for assessments collected during fiscal year 2009. The governmental activities revenue increased by \$1,367,395 (or 113.9 percent) during the fiscal year ended 2009, and were \$2,568,426 and \$1,201,031 for 2009 and 2008, respectively.
- The governmental activities expenses of the District increased by \$2,773,194 (or 68,728.5 percent). Total expenses were \$2,777,229 and \$4,035 for 2009 and 2008, respectively. The District was formed during fiscal year 2008 and as a result, governmental expenses for fiscal year 2008 were not significant.
- The District acquired long-term debt during fiscal year 2009. As of June 30, 2009 the long-term liabilities of the District were \$990,000.

## 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 two funds; the general fund to account for all the general activities performed during the year and 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.

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 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 taxes revenue and expenses, such as construction and 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, 2009, the District used two 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.

**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>2009</b>	<b>2008</b>
Assets:		
Current and other assets	\$ 2,246,205	\$ 1,200,336
Total assets	<u>\$ 2,246,205</u>	<u>\$ 1,200,336</u>
Liabilities:		
Current and other liabilities	<u>\$ 1,258,012</u>	<u>\$ 3,340</u>
Net Assets:		
Restricted	71,003	-
Unrestricted	<u>917,190</u>	<u>1,196,996</u>
Total net assets	<u>988,193</u>	<u>1,196,996</u>
Total liabilities and net assets	<u>\$ 2,246,205</u>	<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 Revenues, Expenses and 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

	2009	2008
<b>Revenues:</b>		
Local effort taxes	\$ 2,548,209	\$ -
Other revenues	-	1,200,000
Interest revenues	<u>20,217</u>	<u>1,031</u>
<b>Total revenues</b>	<u>2,568,426</u>	<u>1,201,031</u>
<b>Expenses:</b>		
Governmental expenses	<u>2,777,229</u>	<u>4,035</u>
<b>Total expenses</b>	<u>2,777,229</u>	<u>4,035</u>
Change in net assets	<u>\$ (208,803)</u>	<u>\$ 1,196,996</u>

Special levy taxes started to be assessed and collected during fiscal year 2009.

Total interest revenue increased by \$19,186 (or 1,860.9 percent). This was primarily due to an increase in cash balances throughout the year.

The total operating expenses increased by \$2,773,194 (or 68,728.5 percent). The increase is primarily due to the fact that the District was created at the end of fiscal year 2008 and not many expenses were incurred during that year.

### **Budget Variances**

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

	Budgeted Amount	Actual	Variance
Revenues over expenditures	<u>\$ 2,113,791</u>	<u>\$ 1,745,823</u>	<u>\$ (367,968)</u>

The District's actual revenues and expenditures were less than budgeted.

### **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 \$1,491,740. One hundred percent of this total constitutes undesignated, unreserved fund balances, which are available for spending at the District's discretion. The general fund balance represents forty one percent of the total governmental fund balances. The District's general fund balance decreased by \$594,304 during the current fiscal year. The capital projects fund balance represents fifty nine percent of the total governmental fund balances. The District's capital projects fund balance increased by \$889,048 during the current fiscal year.

General fund revenues totaled \$2,086,258 for the fiscal year, while expenditures were \$309,948. Revenues exceeded expenditures by \$1,776,310 prior to transfers in and out of the general fund. During the year, the general fund transferred \$2,370,614 to the capital projects fund. The transfer out decreased the excess revenues over expenditures resulting in a net decrease of fund balance of \$594,304.

Capital projects fund expenditures were \$2,481,566. Expenditures exceeded revenues by \$2,481,566 prior to transfers in and out of the capital projects fund. Other financing sources include the transfer in from the general fund of \$2,370,614 and the loan proceeds of \$1,000,000. Total other financing sources increased the excess revenues over expenditures resulting in a net increase of fund balance of \$889,048.

## **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 owners' 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, 2009**

---

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 1,620,247
Accounts receivable	535,427
Prepaid insurance	4,919
Deferred charges	14,285
Restricted cash	71,003
Other assets	<u>324</u>

TOTAL ASSETS \$ 2,246,205

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$ 258,012
Current portion of notes payable	<u>10,000</u>

Noncurrent liabilities:

Notes payable	<u>990,000</u>
---------------	----------------

Total liabilities 1,258,012

Net assets:

Restricted	71,003
Unrestricted	<u>917,190</u>

Total net assets 988,193

TOTAL LIABILITIES AND NET ASSETS \$ 2,246,205

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, 2009**

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	\$ 2,777,229	\$ -	\$ -	\$ -	\$ (2,777,229)
Total primary government	\$ 2,777,229	\$ -	\$ -	\$ -	(2,777,229)
		General Revenues:			
				Local effort taxes - special levy	\$ 2,548,209
				Interest income	20,217
				Total general revenues	2,568,426
				Change in net assets	(208,803)
				Net assets, beginning of year	1,196,996
				Net assets, end of year	\$ 988,193

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

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2009**

<b>ASSETS</b>	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Current assets:			
Cash and cash equivalents	\$ 802,202	\$ 818,045	\$ 1,620,247
Accounts receivable	535,427	-	535,427
Prepaid insurance	4,919	-	4,919
Restricted cash	-	71,003	71,003
Other assets	324	-	324
<b>TOTAL ASSETS</b>	<b><u>\$ 1,342,872</u></b>	<b><u>\$ 889,048</u></b>	<b><u>\$ 2,231,920</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 258,012	\$ -	\$ 258,012
Deferred revenue	482,168	-	482,168
Total liabilities	740,180	-	740,180
Fund balances:			
Reserved for future payments	-	71,003	71,003
Reserved for prepaid insurance and accounts payable	262,931	-	262,931
Unreserved	339,761	818,045	1,157,806
Total fund balances	602,692	889,048	1,491,740
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,342,872</u></b>	<b><u>\$ 889,048</u></b>	<b><u>\$ 2,231,920</u></b>

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

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

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009**

---

Amounts reported for government activities in the statement of net assets are different because:

Fund balances - total governmental funds	\$ 1,491,740
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:	
Special levy taxes	482,168
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds:	
Long-term debt	(1,000,000)
Loan issuance costs, net	<u>14,285</u>
Net Assets - Statement of Net Assets	<u>\$ 988,193</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, 2009**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Revenues:			
Local effort taxes - special levy	\$ 2,066,041	\$ -	\$ 2,066,041
Interest income	<u>20,217</u>	<u>-</u>	<u>20,217</u>
Total revenues	<u>2,086,258</u>	<u>-</u>	<u>2,086,258</u>
Expenditures:			
General government	309,948	14,778	324,726
Capital outlay	<u>-</u>	<u>2,466,788</u>	<u>2,466,788</u>
Total expenditures	<u>309,948</u>	<u>2,481,566</u>	<u>2,791,514</u>
Excess (deficiency) of revenues over expenditures	<u>1,776,310</u>	<u>(2,481,566)</u>	<u>(705,256)</u>
Other financing sources (uses):			
Operating transfers in (out)	(2,370,614)	2,370,614	-
Loan proceeds	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total other financing sources (uses)	<u>(2,370,614)</u>	<u>3,370,614</u>	<u>1,000,000</u>
Net changes in fund balances	<u>(594,304)</u>	<u>889,048</u>	<u>294,744</u>
Fund balances, beginning of year	<u>1,196,996</u>	<u>-</u>	<u>1,196,996</u>
Fund balances, end of year	<u>\$ 602,692</u>	<u>\$ 889,048</u>	<u>\$ 1,491,740</u>

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

**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 ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009**

---

Net change in fund balances - total governmental funds	\$ 294,744
The changes in net assets reported for governmental activities in the statement of activities are different because:	
Special levy taxes 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	482,168
Governmental funds report loan proceeds as other financing source. However, in the statement of activities, these proceeds are not recognized as revenue.	(1,000,000)
Governmental funds report loan issuance costs as expenditures. However, in the statement of activities, these costs are amortized over the life of the loan.	<u>14,285</u>
Change in net assets of governmental activities	<u>\$ (208,803)</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, 2009**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Special levy taxes	\$ 2,553,868	\$ 2,553,868	\$ 2,012,782	\$ (541,086)
Interest revenue	-	-	20,217	20,217
Total revenues	2,553,868	2,553,868	2,032,999	(520,869)
<b>Expenditures:</b>				
Consultants	80,500	80,500	37,586	42,914
Insurance	15,000	15,000	11,805	3,195
Legal	155,000	155,000	155,526	(526)
Office expense	15,000	15,000	23,628	(8,628)
Other expenses	141,077	141,077	-	141,077
Professional fees	33,500	33,500	49,086	(15,586)
Rent	-	-	7,502	(7,502)
Telephone	-	-	2,043	(2,043)
Total expenditures	440,077	440,077	287,176	152,901
Excess (deficiency) of revenues over expenditures	2,113,791	2,113,791	1,745,823	(367,968)
<b>Other financing uses:</b>				
Operating transfers out, net	-	-	(2,370,614)	(2,370,614)
Total other financing uses	-	-	(2,370,614)	(2,370,614)
Net changes in fund balance	\$ 2,113,791	\$ 2,113,791	\$ (624,791)	\$ (2,738,582)

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

Net changes in fund balance budgetary basis	\$ (624,791)
Revenue - accruals	53,259
Expenditure - accruals	(22,772)
Excess of revenues over expenditures - GAAP basis	\$ (594,304)

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



## PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

---

#### 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 six 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 2009 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 special levy taxes 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. It is used to account 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.

### **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 special levy taxes. On an accrual basis, revenue from special levy 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. Special levy 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** - Separate budgets for the General Fund and the Capital Projects 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 taxes 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 note agreement acquired by the District during the fiscal year.

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

**Deferred Revenues** - Within the government-wide financial statements, deferred revenues represent unearned revenues advanced to the District. Such advances are reported as deferred 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 taxes that are not available are recorded as deferred revenues and reflected as a liability with 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 assets. 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 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. 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.

**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 of other governments. As of June 30, 2009, restricted net assets are \$71,003.

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 \$2,072,042 as of June 30, 2009.

As of June 30, 2009, cash consists of the following:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statement</u>
Checking accounts:			
General account	\$ 58,576	\$ -	\$ 58,576
Interest bearing account	8,590	-	8,590
Prepayment interest account	20,140	-	20,140
Special levy account	714,696	-	714,696
NMFA account	<u>818,045</u>	<u>-</u>	<u>818,045</u>
Total checking accounts	<u>\$ 1,620,047</u>	<u>\$ -</u>	<u>\$ 1,620,047</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 \$250,000 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, 2009, the District's bank balance was exposed to custodial risk as follows:

Total deposits in bank	\$ 1,620,047
Less: FDIC coverage	<u>250,000</u>
Uninsured public funds	1,370,047
Pledged collateral	<u>2,072,042</u>
Uninsured and uncollateralized	<u>\$ -</u>

The following securities are pledged by First National Bank:

Description	CUSIP #	Fair Value 6/30/08	Maturity Date
GASDEN NM	362550KE4	\$ 211,006	8/15/13
FNMA ARM	31402HA50	65,161	11/1/33
FHLMC	312BE4CH3	182,877	5/1/27
FNMA ARM	31416BN20	1,003,586	3/1/38
FHLMC	31283KU71	214,344	12/1/18
FFCB	31331GP70	<u>395,068</u>	3/11/19
Total		<u>\$ 2,072,042</u>	

### 3. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2009, are as follows:

	<u>Governmental Activities</u>
Accounts receivable:	
Special levy taxes	<u>\$ 535,427</u>

### 4. TRANSFERS

The composition of interfund transfers during the year ended June 30, 2009 is as follows:

Transfers In	Transfers Out	Amount
Capital Projects Fund	General Fund	<u>\$ 2,370,614</u>



**5. SPECIAL LEVY TAX**

Special levy taxes attached as an enforceable lien on property as of January 1st. Special levy tax 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 tax schedule by October 1st. The Colfax County Treasurer sends tax notices to property owners by November 1st of each year. Taxes 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. Taxes 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.

**6. LONG TERM OBLIGATIONS**

Long term liability activity for the year ended June 30, 2009, was as follows:

	<b>Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2009</b>	<b>Due Within One Year</b>
NMFA Loan	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000	\$ 10,000

Loan debt service requirements to maturity are as follows:

<b>Years ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 10,000	\$ 46,105	\$ 56,105
2011	15,000	47,581	62,581
2012	15,000	47,365	62,365
2013	15,000	47,066	62,066
2014	20,000	46,684	66,684
2015-2019	100,000	225,414	325,414
2020-2024	130,000	204,867	334,867
2025-2029	170,000	169,501	339,501
2030-2034	225,000	116,947	341,947
2035-2038	<u>300,000</u>	<u>43,826</u>	<u>343,826</u>
	<u>\$ 1,000,000</u>	<u>\$ 995,356</u>	<u>\$ 1,995,356</u>

**7. BUDGETARY DIFFERENCES**

New Mexico State Statutes restrict all officials and governing authorities from approving claims in excess of the approved budget. The District exceeded its approved budget by \$126,015.

<u>Fund</u>	<u>Reason</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures</u>
Capital Projects Fund	Operating expenditures	\$ 2,113,791	\$ 2,239,806	\$ (126,015)

**8. 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, 2009, was insured by the Cincinnati Insurance Company and paid \$11,805 in premiums.

**9. CONTINGENCIES**

Certain lot owners within the District have filed a lawsuit against the Board of Directors of the District, the Village of Angel Fire, New Mexico Finance Authority 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.

**10. SUBSEQUENT EVENTS**

The New Mexico Finance Authority approved a loan to the District for \$25,225,000 at the end of fiscal year 2009. However, the loan was closed until August 2009 and the loan will be recorded in fiscal year 2010. The loan is to be used for financing the construction and installation of various combinations of road improvements, water and sewer lines. The loan matures in November 2038 and the first payment will be made on November 2009. The loan will be serviced by special levy taxes collected by the District.

**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, 2009**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Expenditures:				
Design and construction	\$ 2,113,791	\$ 2,113,791	\$ 2,239,806	\$ (126,015)
Total expenditures	<u>2,113,791</u>	<u>2,113,791</u>	<u>2,239,806</u>	<u>(126,015)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,113,791)</u>	<u>(2,113,791)</u>	<u>(2,239,806)</u>	<u>(126,015)</u>
Other financing sources:				
Loan proceeds	-	-	1,000,000	1,000,000
Operating transfers in, net	<u>-</u>	<u>-</u>	<u>2,370,614</u>	<u>2,370,614</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>3,370,614</u>	<u>3,370,614</u>
Net changes in fund balance	<u>\$ (2,113,791)</u>	<u>\$ (2,113,791)</u>	<u>\$ 1,130,808</u>	<u>\$ 3,244,599</u>

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

Net changes in fund balance budgetary basis	\$ 1,130,808
Expenditure - accruals	<u>(241,760)</u>
Excess of revenues over expenditures - GAAP basis	<u>\$ 889,048</u>

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the agency'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.

*White + Samaniego + Campbell, LLP*

El Paso, Texas  
April 9, 2010



**PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2009**

---

**Late Audit Report (08-03)**

---

<b>CONDITION</b>	The audit report was not completed and forwarded to the New Mexico State Auditor in a timely manner.
<b>CRITERIA</b>	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, 2009.
<b>CAUSE</b>	The District was unaware of audit rule.
<b>EFFECT</b>	Violation of the State Auditor's Rule. Audited financial information is not available for the District to use and distribute as necessary.
<b>RECOMMENDATION</b>	The District 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.
<b>RESPONSE</b>	The District's management will implement sufficient procedures to make sure the audit is submitted to the State Auditor on time.

**Legal Compliance with Budget (09-01)**

---

<b>CONDITION</b>	The District approved claims and payments in excess of the approved Capital Projects Fund budget. The District exceeded its approved budget by \$126,015.
<b>CRITERIA</b>	New Mexico State Statutes Section 6-6-6 states that all approved budgets shall bind all officials and governing authorities and no official can pay any claims in excess of the approved budget. District officials and governing authorities have the obligation to follow applicable state statutes.
<b>CAUSE</b>	The District did not have controls in place to ensure that it is not expending funds in excess of approved budget amounts.
<b>EFFECT</b>	Non-compliance with New Mexico state statutes subjects District officials and personnel to punishment as defined by state statutes.
<b>RECOMMENDATION</b>	Accounting personnel should closely monitor expenditures and budget restrictions, if a change is needed to the budget, accounting personnel should ensure that such changes are presented to the District Board members and the New Mexico Department of Finance and Administration (DFA). If no changes in the budget are deemed necessary, then no payments should be remitted that would cause the total expenditures to exceed the legal budget.
<b>RESPONSE</b>	The District's management will adhere to auditors' recommendation.

**PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

---

<b>Prior audit findings</b>	<b>Current status</b>
08-01 Collateral of Bank Deposits	Resolved
08-02 Insurance	Resolved
08-03 Late Audit Report	Repeat

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

**EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2009**

---

An exit conference was conducted December 17, 2009 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, 2009 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.