

**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, 2011*

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

**List of Principal Officials  
For the Year Ended June 30, 2011**

**Board of Directors**

James LeBus	Chairman of the Board
Daniel Rakes	Vice Chairman
Charles Verry	Clerk & Treasurer
Steve Oliver	Director
Alan Young	Director

**Other Officials**

Sally Sollars	District Administrator
Gerald White	Project Director

## PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE

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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, 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, 2011, 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 the budgetary comparisons for the capital projects fund and debt service fund presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, 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 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, as of June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity 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 financial position of the budgetary comparisons for the capital projects fund and debt service 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 November 12, 2011 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 9 are 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, and the combining and individual fund financial statements and budgetary comparisons. The additional schedules listed as "other 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 & Samaniego & Campbell, LLP*

El Paso, Texas

November 12, 2011

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

**JUNE 30, 2011**

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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 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 District 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 11).

### **FINANCIAL HIGHLIGHTS**

- The District's total net assets decreased by \$11,084,386 (or (57.5) percent) during the fiscal year ended June 30, 2011. Since the District engages only in governmental activities, the decrease is all in the category of governmental net assets. Net assets were at a deficit \$19,206,042 and deficit \$8,121,656 for 2011 and 2010, 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, 2011 include \$2,962,875 for assessments collected during fiscal year 2011. The governmental activities revenue increased by \$559,550 (or 23.2 percent) during the fiscal year ended 2011, and were \$2,974,860 and \$2,415,310 for 2011 and 2010, respectively.
- The governmental activities expenses of the District increased by \$2,534,087 (or 22.0 percent). Total expenses were \$14,059,246 and \$11,525,159 for 2011 and 2010, respectively. The District's increase in governmental expenses is due to the District project that is still in process.
- As of June 30, 2011, the current portion of the long-term liabilities of the District were \$205,200, the non-current portion of the long-term liabilities were \$24,044,800, making the total long-term liabilities \$24,250,000.



## 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 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 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, 2011, 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.

**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**

	2011	2010
Assets:		
Current and other assets	<u>\$ 6,206,821</u>	<u>\$ 19,402,047</u>
Total assets	<u>\$ 6,206,821</u>	<u>\$ 19,402,047</u>
Liabilities:		
Current and other liabilities	\$ 25,412,863	\$ 27,523,703
Net Assets:		
Restricted	71,003	71,003
Unrestricted	<u>(19,277,045)</u>	<u>(8,192,659)</u>
Total net assets	<u>(19,206,042)</u>	<u>(8,121,656)</u>
Total liabilities and net assets	<u>\$ 6,206,821</u>	<u>\$ 19,402,047</u>

The District will use the unrestricted net assets to repay the debt incurred. For more detailed information see page 12 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**

	2011	2010
<b>Revenues:</b>		
Local effort taxes	\$ 2,962,875	\$ 2,383,143
Interest revenues	<u>11,985</u>	<u>32,167</u>
<b>Total revenues</b>	<u>2,974,860</u>	<u>2,415,310</u>
<b>Expenses:</b>		
Governmental expenses	<u>14,059,246</u>	<u>11,525,159</u>
<b>Total expenses</b>	<u>14,059,246</u>	<u>11,525,159</u>
Change in net assets	<u>\$ (11,084,386)</u>	<u>\$ (9,109,849)</u>

Special levy taxes started to be assessed and collected during fiscal year 2008.

Total interest revenue decreased by \$20,182 (or (62.7) percent). This was primarily due to a decrease in cash balances throughout the year.

The total operating expenses increased by \$2,534,087 (or 22.0 percent). The increase is primarily due to the fact that the District continues with the Construction Project as of June 30, 2011.

**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 \$3,625,585. Sixty four percent of this total constitutes unassigned fund balances, which are available for spending at the District's discretion. The other thirty six percent represents reserves for future payments, prepaid insurance and accounts payable. The general fund balance represents eighty six percent of the total governmental fund balances. The District's general fund balance decreased by \$1,443,456 during the current fiscal year. The capital projects fund balance represents twelve percent of the total governmental fund balances. The District's capital projects fund balance decreased by \$12,042,797 during the current fiscal year. The debt service fund balance represents two percent of the total governmental fund balances. The District's debt service fund balance decreased by \$113 during the current fiscal year.

General fund revenues totaled \$2,553,942 for the fiscal year, while expenditures were \$420,850. Revenues exceeded expenditures by \$2,133,092 prior to transfers in and out of the general fund. During the year, the general fund transferred \$3,576,548 to both the debt service fund and the capital projects fund. The transfer out decreased the excess revenues over expenditures resulting in a net decrease of fund balance of \$1,443,456.

Capital projects fund expenditures were \$12,483,735. Expenditures exceeded revenues by \$12,483,735 prior to transfers in and out of the capital projects fund. Other financing sources include the transfer in from the general fund of \$440,938. The total transfer in left a deficiency of the excess revenues over expenditures resulting in a net decrease of fund balance of \$12,042,797.

Debt service fund expenditures were \$1,885,723. Expenditures exceeded revenues by \$1,885,723 prior to transfers in and out of the debt service fund. During the year, the general fund transferred \$3,135,610 to cover the expenditures including the debt prepayment requested by the New Mexico Finance Authority of \$1,250,000 to be directly applied to the principal of the loan. The transfer out decreased the excess revenues over expenditures resulting in a net decrease of fund balance of \$113.

**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 \$2,338,230. The actual revenues for the fiscal year were \$1,634,241, a deficit of \$703,989.

Decreases to the actual revenue receipts were directly related to the special levy taxes that have not yet been received from the public as of June 30, 2011.

The District was within their budget for all of the funds as of June 30, 2011.

**Debt Administration**

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

	<u>Balance</u> <u>June 30, 2011</u>	<u>Balance</u> <u>June 30, 2010</u>
NMFA Loan \$1M	\$ 975,000	\$ 990,000
NMFA Loan \$25M	<u>23,275,000</u>	<u>25,115,000</u>
Long-term debt	<u>\$ 24,250,000</u>	<u>\$ 26,105,000</u>

**Project Status**

As of June 30, 2011 the District anticipated that the project would be 100% complete by October 2011 with regards to installation of water, wastewater and roads. The installation of dry utilities was planned to be limited to conduit installation with electrical conductor installed on an as required basis with a final installation date of three years from the project end date.

As of November 12, 2011, the contractor has one subdivision remaining that has twenty five percent of roadwork left to complete. All other roadwork throughout the project has been completed to date except a 100 foot section that is to be connected to the El Vado Bridge. The bridge is also pending utilities to run across it. All remaining work is pending weather conditions and will most likely not begin again until the Spring thaw in which it is estimated to be completed within a five week period. Beyond the few pending items, the only remaining expenditures for the District will belong to any warranty work needed, or the installations of dry utilities, which are installed as properties are sold. The dry utility installations must all be completed within three years of the completion date of the project.

## **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**

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

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

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**ASSETS**

Current assets:

Cash and cash equivalents	\$ 4,644,948
Accounts receivable	919,701
Prepaid insurance	4,960
Deferred charges	505,617
Restricted cash	71,003
Other assets	<u>60,592</u>

TOTAL ASSETS \$ 6,206,821

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$ 1,162,863
Current portion of notes payable	<u>205,200</u>

Total current liabilities 1,368,063

Noncurrent liabilities:

Notes payable	<u>24,044,800</u>
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Total liabilities 25,412,863

Net assets:

Restricted	71,003
Unrestricted	<u>(19,277,045)</u>

Total net assets (19,206,042)

TOTAL LIABILITIES AND NET ASSETS \$ 6,206,821

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

PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs:	Program Revenues			Change in Net Assets
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions      Capital Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 14,059,246	\$ -	\$ -	\$ (14,059,246)
Total primary government	\$ 14,059,246	\$ -	\$ -	\$ (14,059,246)
General Revenues:				
Local effort taxes - special levy				\$ 2,962,875
Interest income				11,985
Total general revenues				2,974,860
Change in net assets				(11,084,386)
Net assets, beginning of year				(8,121,656)
Net assets, end of year				\$ (19,206,042)

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, 2011**

<b>ASSETS</b>	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
Current assets:				
Cash and cash equivalents	\$ 3,049,938	\$ 1,594,999	\$ 11	\$ 4,644,948
Accounts receivable	919,701	-	-	919,701
Prepaid insurance	4,960	-	-	4,960
Restricted cash	-	-	71,003	71,003
Other assets	60,592	-	-	60,592
<b>TOTAL ASSETS</b>	<b><u>\$ 4,035,191</u></b>	<b><u>\$ 1,594,999</u></b>	<b><u>\$ 71,014</u></b>	<b><u>\$ 5,701,204</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 1,162,863	\$ -	\$ 1,162,863
Deferred revenue	912,756	-	-	912,756
Total liabilities	912,756	1,162,863	-	2,075,619
Fund balances:				
Restricted, reported in:				
General fund	917,716	-	-	917,716
Debt service fund	-	-	71,003	71,003
Unassigned, reported in:				
General fund	2,204,719	-	-	2,204,719
Capital projects fund	-	432,136	-	432,136
Debt service fund	-	-	11	11
Total fund balances	<u>3,122,435</u>	<u>432,136</u>	<u>71,014</u>	<u>3,625,585</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 4,035,191</u></b>	<b><u>\$ 1,594,999</u></b>	<b><u>\$ 71,014</u></b>	<b><u>\$ 5,701,204</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, 2011**

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

Fund balances - total governmental funds	\$ 3,625,585
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:	
Special levy taxes	912,756
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds:	
Long-term debt	(24,250,000)
Loan issuance costs, net	<u>505,617</u>
Net Assets - Statement of Net Assets	<u><u>\$ (19,206,042)</u></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, 2011**

	General Fund	Capital Projects Fund	Debt Service Fund	Total
Revenues:				
Local effort taxes - special levy	\$ 2,541,957	\$ -	\$ -	\$ 2,541,957
Interest income	11,985	-	-	11,985
	<u>2,553,942</u>	<u>-</u>	<u>-</u>	<u>2,553,942</u>
Total revenues				
Expenditures:				
General government	420,850	-	-	420,850
Debt service	-	-	1,885,723	1,885,723
Capital outlay	-	12,483,735	-	12,483,735
	<u>420,850</u>	<u>12,483,735</u>	<u>1,885,723</u>	<u>14,790,308</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>2,133,092</u>	<u>(12,483,735)</u>	<u>(1,885,723)</u>	<u>(12,236,366)</u>
Other financing sources:				
Operating transfers in (out)	(3,576,548)	440,938	3,135,610	-
Loan prepayment	-	-	(1,250,000)	(1,250,000)
	<u>(3,576,548)</u>	<u>440,938</u>	<u>1,885,610</u>	<u>(1,250,000)</u>
Total other financing sources				
Net changes in fund balances	<u>(1,443,456)</u>	<u>(12,042,797)</u>	<u>(113)</u>	<u>(13,486,366)</u>
Fund balances, beginning of year	<u>4,565,891</u>	<u>12,474,933</u>	<u>71,127</u>	<u>17,111,951</u>
Fund balances, end of year	<u>\$ 3,122,435</u>	<u>\$ 432,136</u>	<u>\$ 71,014</u>	<u>\$ 3,625,585</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, 2011**

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Net change in fund balances - total governmental funds	\$ (13,486,366)
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	420,918
Governmental funds report loan reductions as other financing source. However, in the statement of activities, these reductions are not recognized as revenue.	1,250,000
Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures.	605,000
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>126,062</u>
Change in net assets of governmental activities	<u>\$ (11,084,386)</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, 2011**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Special levy taxes	\$ 2,338,230	\$ 2,338,230	\$ 1,622,256	\$ (715,974)
Interest revenue	-	-	11,985	11,985
Total revenues	2,338,230	2,338,230	1,634,241	(703,989)
Expenditures:				
General government	745,930	859,325	420,850	438,475
Total expenditures	745,930	859,325	420,850	438,475
Excess (deficiency) of revenues over expenditures	1,592,300	1,478,905	1,213,391	265,514
Other financing uses:				
Operating transfers out	-	(3,576,548)	(3,576,548)	-
Total other financing uses	-	(3,576,548)	(3,576,548)	-
Net changes in fund balance Non-GAAP Basis	1,592,300	(2,097,643)	(2,363,157)	265,514
Fund balance - beginning	4,565,891	4,565,891	4,565,891	-
Fund balance - ending	<u>\$ 6,158,191</u>	<u>\$ 2,468,248</u>	<u>\$ 2,202,734</u>	<u>\$ 265,514</u>

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

Net changes in fund balance budgetary basis	\$ (2,363,157)
Revenue - accruals	919,701
Net change in fund balance GAAP basis	<u>\$ (1,443,456)</u>

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, 2011

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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 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 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 2011 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. 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 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 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 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, 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 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.

**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 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.

**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.
- c. 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.

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 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, 2011, restricted net assets are \$71,003, as restricted by the New Mexico Finance Authority (NMFA) loan agreement #2254-pp.

**New Governmental Accounting Standards** - 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. This Statement is intended to improve how governments report information about derivative instruments. The District incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010, and earlier application is encouraged. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The District is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year. The District incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 55 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which was effective upon issuance. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The District incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 56 Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, which was effective upon issuance. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. The District incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which is effective upon issuance for certain provisions of the statement and for periods beginning after June 15, 2011 for other provisions. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit plans. The District is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 61 The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, which is effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The District is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the GASB issued Statement No. 63, Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position, which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,

and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The District is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

## 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 two financial institution, one is 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 \$3,419,659 as of June 30, 2011. The second is the New Mexico Finance Authority ("NMFA") which took over the accounts that were held by the Bank of New York Mellon in the previous fiscal year.

As of June 30, 2011, cash consists of the following:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statement</u>
First National Bank:			
Interest bearing account	\$ 692,308	\$ (265)	\$ 692,043
Prepayment interest account	2,761	-	2,761
Special levy account	<u>2,355,019</u>	<u>-</u>	<u>2,355,019</u>
	<u>3,050,088</u>	<u>(265)</u>	<u>3,049,823</u>
New Mexico Finance Authority:			
Bank of New York 2	1,294,950	-	1,294,950
Bank of New York 3	71,014	-	71,014
Cash Account 6	<u>342,139</u>	<u>(42,090)</u>	<u>300,049</u>
	<u>1,708,103</u>	<u>(42,090)</u>	<u>1,666,013</u>
Total checking accounts	<u>4,758,191</u>	<u>(42,355)</u>	<u>4,715,836</u>
Petty cash held by the District	<u>115</u>	<u>-</u>	<u>115</u>
Total of checking accounts and petty cash	<u>\$ 4,758,306</u>	<u>\$ (42,355)</u>	<u>\$ 4,715,951</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, 2011, the District's bank balance was exposed to custodial risk as follows:

Total deposits in bank	\$ 4,758,191
Less: FDIC coverage	<u>250,000</u>
Uninsured public funds	4,508,191
Pledged collateral	<u>3,419,659</u>
Uninsured and uncollateralized	<u>\$ -</u>

The following securities are pledged by First National Bank of New Mexico:

Description	CUSIP #	Par Value 6/30/11	Maturity Date
FNMA ARM	31402HA50	\$ 34,437	11/1/33
ALB NM MUN SCD	013595LM3	107,061	8/1/22
FHLHC ARM	3128NCMT8	117,721	10/1/35
FNNA	31417YTE7	1,154,977	10/1/20
PORTALES NM SCH DIST	736151CY5	105,072	2/1/15
SAN JUAN CTY NM	796359JF3	250,873	8/1/17
SLATON Tfx	8322S1EO3	109,687	2/15/17
SLATON Tfx	83251EF8	107,409	2/15/19
BERNALLO NM SCH DIST	085279PR2	204,106	8/1/13
FNMA ARM	31402HASO	45,914	11/1/33
FNMA ARM	31402HASO	34,437	11/1/33
GALLUP NM	364028EUO	275,650	8/1/20
ROY NM SCH PIST	780040AX9	15,135	10/1/11
FHLB PLOAT-TO-MX	313372KM5	500,010	2/22/16
CLOVIS NM SCH DIST	189414KN8	<u>357,170</u>	8/1/25
Total		<u>\$ 3,419,659</u>	

### 3. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2011, are as follows:

	<u>Governmental Activities</u>
Accounts receivable:	
Special levy taxes	<u>\$ 919,701</u>

4. **TRANSFERS**

The composition of interfund transfers during the year ended June 30, 2011 is as follows:

<u>Fund</u>	<u>Amount In (Out)</u>
General Fund	\$ (3,576,548)
Capital Projects Fund	440,938
Debt Service Fund	<u>3,135,610</u>
Total transfers	<u>\$ -</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 minus a 1% processing fee for each month collected and distributed.

6. **FORECLOSED PROPERTIES**

The District has established the following foreclosure and redemption procedures for delinquent Special Levies:

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.

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 \$60,268, which consists of each properties delinquent accounts receivable total of \$46,727 and the District's total payment of \$13,541 to the County.

## **7. LONG TERM OBLIGATIONS**

During the fiscal year, the District refinanced the NMFA Loan of \$25,000,000 at a lessor interest rate and lessor balance which closed on May 6, 2011. The District was required by NMFA to return \$1,250,000 of the previous loan proceeds to be directly applied to the principal balance of the loan and treated as a prepayment. The face value of the loan has been reduced to a new amount of \$23,275,000. Long term liability activity for the year ended June 30, 2011, was as follows:

	Balance			Balance	
	June 30, 2010	Additions	Reductions	June 30, 2011	Due Within One Year
NMFA Loan \$1M	\$ 990,000	\$ -	\$ (15,000)	\$ 975,000	\$ 15,000
NMFA Loan \$25M	<u>25,115,000</u>	<u>-</u>	<u>(1,840,000)</u>	<u>23,275,000</u>	<u>190,200</u>
Long-term debt	<u>\$ 26,105,000</u>	<u>\$ -</u>	<u>\$(1,855,000)</u>	<u>\$ 24,250,000</u>	<u>\$ 205,200</u>

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

Years ending June 30,	Principal	Interest	Total
2012	15,000	47,365	62,365
2013	15,000	47,066	62,066
2014	20,000	46,684	66,684
2015	20,000	46,207	66,207
2016	20,000	45,686	65,686
2017-2021	110,000	218,715	328,715
2022-2026	140,000	192,606	332,606
2027-2031	190,000	150,659	340,659
2032-2036	255,000	90,371	345,371
2037-2038	<u>190,000</u>	<u>16,311</u>	<u>206,311</u>
	<u>\$ 975,000</u>	<u>\$ 901,670</u>	<u>\$ 1,876,670</u>

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

Years ending June 30,	Principal	Interest	Total
2012	190,200	1,032,665	1,222,865
2013	554,234	1,043,002	1,597,236
2014	561,224	1,035,635	1,596,859
2015	572,542	1,026,185	1,598,727
2016	579,399	1,014,198	1,593,597
2016-2021	3,118,593	4,808,236	7,926,829
2022-2026	3,703,889	4,136,827	7,840,716
2027-2031	4,687,324	3,134,053	7,821,377
2032-2036	6,062,504	1,740,339	7,802,843
2037-2038	<u>3,245,091</u>	<u>208,655</u>	<u>3,453,746</u>
	<u>\$ 23,275,000</u>	<u>\$ 19,179,795</u>	<u>\$ 42,454,795</u>



**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, 2011, was insured by the Cincinnati Insurance Company and paid \$12,025 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.

In October 2011, the contractors of the District's ongoing project to place water, sewer, electric and telephone lines on each of the properties within the District, have found that some of the lot's have had the placement of said utility lines placed incorrectly within the lot because the contractors were reading the diagrams incorrectly. At this time, it has not been determined how many lots are affected by this discovery, nor any monetary amount for future corrections to the situation. The District is currently in the process of trying to determine how many lots have been affected. It is not determined what the possible costs will be for this situation at the time of this report nor who will be the responsible party for said costs.

**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, 2011**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Expenditures:				
Capital outlay - project	\$ 10,297,250	\$ 12,474,933	\$ 11,320,872	\$ 1,154,061
Total expenditures	10,297,250	12,474,933	11,320,872	1,154,061
Deficiency of revenues over expenditures	(10,297,250)	(12,474,933)	(11,320,872)	1,154,061
Other financing sources:				
Operating transfers in	-	440,938	440,938	-
Total other financing sources	-	440,938	440,938	-
Net changes in fund balance Non- GAAP Basis	(10,297,250)	(12,033,995)	(10,879,934)	1,154,061
Fund balance - beginning	12,474,933	12,474,933	12,474,933	-
Fund balance - ending	\$ 2,177,683	\$ 440,938	\$ 1,594,999	\$ 1,154,061

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

Net changes in fund balance budgetary basis	\$ (10,879,934)
Expenditure - accruals	(1,162,863)
Excess of revenues over expenditures - GAAP basis	<u>\$ (12,042,797)</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  
DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	Budget Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures:				
Debt service	\$ 1,592,300	\$ 1,885,723	\$ 1,885,723	\$ -
Total expenditures	<u>1,592,300</u>	<u>1,885,723</u>	<u>1,885,723</u>	<u>-</u>
Deficiency of revenues over expenditures	<u>(1,592,300)</u>	<u>(1,885,723)</u>	<u>(1,885,723)</u>	<u>-</u>
Other financing sources:				
Loan prepayment	-	(1,250,000)	(1,250,000)	-
Operating transfers out	<u>-</u>	<u>3,135,610</u>	<u>3,135,610</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>1,885,610</u>	<u>1,885,610</u>	<u>-</u>
Net changes in fund balance Non- GAAP Basis	(1,592,300)	(113)	(113)	-
Fund balance - beginning	<u>71,127</u>	<u>71,127</u>	<u>71,127</u>	<u>-</u>
Fund balance - ending	<u>\$ (1,521,173)</u>	<u>\$ 71,014</u>	<u>\$ 71,014</u>	<u>\$ -</u>

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

Net changes in fund balance budgetary basis	\$ (113)
Expenditure - accruals	-
Excess of revenues over expenditures - GAAP basis	<u>\$ (113)</u>

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



WHITE+  
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**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, 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, 2011, and have issued our report thereon dated November 12, 2011. 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.

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.

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

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*.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, DFA, NMFA, the State Auditor, the New Mexico Legislature, and applicable federal grantors, 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  
November 12, 2011

**PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011**

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<b>Prior audit findings</b>		<b>Current status</b>
09-01	Legal Compliance with Budget	Resolved
10-01	Fund Accounting	Resolved
10-02	Audit Contract	Resolved

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

**EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2011**

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An exit conference was conducted September 7, 2011 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  
Gerald White  
James LeBus  
Charles Verry

Administrator  
Project Director  
Chairman of Board of Directors  
Director

White + Samaniego + Campbell, LLP

Cynthia Morales  
Cheryl Hutton-Tellez

In-Charge, Audit Department  
Staff, 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, 2011 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.

