

**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, 2014*

PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE

**List of Principal Officials
For the Year Ended June 30, 2014**

Board of Directors

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

Other Officials

Sally Sollars	District Administrator
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PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE

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WHITE+
SAMANIEGO+
CAMPBELL, LLP

CERTIFIED PUBLIC ACCOUNTANTS

810 E. Yandell Dr.
El Paso, TX 79902
ph. 915.532.8400
fax. 915.532.8405
www.cpawsc.com

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund and major special revenue funds of the Public Improvement District 2007-1 of Angel Fire, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Public Improvement District 2007-1 of Angel Fire's basic financial statements as listed in the table of contents. We also have audited the financial statements and the budgetary comparisons for the capital projects fund and the debt service fund, presented as supplementary information, as defined by the *Government Accounting Standards Board*, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, and the aggregate fund information of Public Improvement District 2007-1 of Angel Fire as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective changes in financial position and the respective budgetary comparisons for the major capital project funds, debt service funds, permanent funds and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 18, 30-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements, the combining and individual fund financial statements, and the budgetary comparison that collectively comprise the Public Improvement District 2007-1 of Angel Fire basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014 on our consideration of Public Improvement District 2007-1 of Angel Fire internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Public Improvement District 2007-1 of Angel Fire internal control over financial reporting and compliance.

White & Saramego & Campbell, CP

El Paso, Texas
October 24, 2014

PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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 position increased by \$612,158 (or 3.2 percent) during the fiscal year ended June 30, 2014. Since the District engages only in governmental activities, the increase is all in the category of governmental net position. Net position were at a deficit \$18,773,799 and deficit \$19,385,957 for 2014 and 2013, 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, 2014 include \$2,332,034 for assessments collected during fiscal year 2014. The governmental activities revenue decreased by \$413,993 (or 15.0 percent) during the fiscal year ended 2014, and was \$2,341,298 and \$2,755,291 for 2014 and 2013, respectively.
- The governmental activities expenses of the District decreased by \$486,586 (or 27.9 percent). Total expenses were \$1,259,733 and \$1,746,319 for 2014 and 2013, respectively. The District's decrease in governmental expenditures is due to the District project expenditures being primarily incurred in 2013.
- As of June 30, 2014, the current portion of the long-term liabilities of the District were \$592,542, the non-current portion of the long-term liabilities were \$21,231,800, making the total long-term liabilities \$21,824,342.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

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

These statements include a **Statement of Net Position**, which is similar to a Balance Sheet. The Statement of Net Position reports all financial resources for the District. The Statement is presented in the format where assets, minus liabilities, equal "Net Position", formerly known as equity. 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 Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

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

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For fiscal year ending June 30, 2014, 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 Position

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 position may be observed and used to discuss the changing financial position of the District as a whole.

Statement of Net Position

	2014	2013
Assets:		
Current and other assets	<u>\$ 3,105,060</u>	<u>\$ 3,433,068</u>
Total assets	<u>\$ 3,105,060</u>	<u>\$ 3,433,068</u>
Liabilities:		
Current and other liabilities	\$ 21,878,859	\$ 22,819,025
Net Position (Deficit):		
Restricted	71,290	71,197
Unrestricted	<u>(18,845,089)</u>	<u>(19,457,154)</u>
Total net position (deficit)	<u>(18,773,799)</u>	<u>(19,385,957)</u>
Total liabilities and net position (deficit)	<u>\$ 3,105,060</u>	<u>\$ 3,433,068</u>

The District will use the special levy revenue to repay the debt incurred. For more detailed information see page 12 for the Statement of Activities.

Major Factors Affecting the Statement of Net Position

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

Statement of Revenues, Expenses, and Changes in Net Position

	2014	2013
Revenues:		
Local effort taxes	\$ 2,332,034	\$ 2,752,245
Other revenues	1,727	-
Interest revenues	<u>7,537</u>	<u>3,046</u>
Total revenues	<u>2,341,298</u>	<u>2,755,291</u>
Expenses:		
Governmental expenses	<u>1,259,733</u>	<u>1,746,319</u>
Total expenses	<u>1,259,733</u>	<u>1,746,319</u>
Change in net position	<u>\$ 1,081,565</u>	<u>\$ 1,008,972</u>

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

Total interest revenue increased by \$4,491 (or 147.4%). This was primarily due to a increase in cash balances throughout the year.

The total operating expenses decreased by \$486,586 (or 27.9%). The District's decrease in governmental expenditures is due to the District project expenditures being primarily incurred in 2013.

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 \$1,627,710, of which 8% constitutes unassigned fund balances, which are available for spending at the District's discretion. The other 92% represents reserves for future payments, prepaid insurance and accounts payable. The general fund balance represents 82% of the total governmental fund balances. The District's general fund balance decreased by \$106,820 during the current fiscal year. The capital projects fund balance represents 14% of the total governmental fund balances. The District's capital projects fund balance increase by \$24,376 during the current fiscal year. The debt service fund balance represents 4% of the total governmental fund balances. The District's debt service fund balance increased by \$93 during the current fiscal year.

General fund revenues totaled \$2,340,506 for the fiscal year, while expenditures were \$181,830. Revenues exceeded expenditures by \$2,158,676 prior to transfers in and out of the general fund. During the year, the general fund transferred \$2,265,496 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 \$106,820.

Capital projects fund expenditures were \$222,377. Expenditures exceeded revenues by \$221,903 prior to transfers in and out of the capital projects fund. Other financing sources include the transfer in from the general fund of \$246,279. After the transfer in from general fund, the excess revenues over expenditures resulted in a net increase of fund balance of \$24,376.

Debt service fund expenditures were \$2,019,442. Expenditures exceeded revenues by \$2,019,124 prior to transfers in and out of the debt service fund. During the year, the general fund transferred \$2,019,217 to cover the expenditures. After the transfer in from the general fund, the excess revenues over expenditures resulting in a net increase of fund balance of \$93.

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 \$2,290,957. The actual revenues for the fiscal year were \$2,340,506, an increase of \$49,549.

Increases to the actual revenue receipts were directly related to the special levy taxes that have been received from the public as of June 30, 2014.

The District was within their budget for all of the funds as of June 30, 2014.

Debt Administration

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

	Balance June 30, 2014	Balance June 30, 2013
NMFA Loan \$1M	\$ 925,000	\$ 945,000
NMFA Loan \$25M	<u>20,899,342</u>	<u>21,855,566</u>
Long-term debt	<u>\$ 21,824,342</u>	<u>\$ 22,800,566</u>

Project Status

As of June 30, 2014 the District anticipated that the project would be 100% complete by October 2014 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 October 24, 2014, all roadwork throughout the project has been completed throughout the district. The only remaining expenditure for the district will be the installation of electrical wire which will be installed section by section to be completed by September 2017. Phone lines will be installed in the District conduit by CenturyLink on an as needed basis with no additional cost to the District.

ECONOMIC STATUS

Significant economic factors affecting the District are as follows:

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

FINANCIAL CONTACT

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

BASIC FINANCIAL STATEMENTS

PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE

**STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,572,389
Accounts receivable	1,356,949
Prepaid insurance	6,557
Deferred charges	-
Restricted cash	71,290
Other assets	<u>97,875</u>
TOTAL ASSETS	<u>\$ 3,105,060</u>

LIABILITIES AND NET POSITION (DEFICIT)

Current liabilities:	
Accounts payable	\$ 54,517
Current portion of notes payable	<u>592,542</u>
Total current liabilities	647,059
Noncurrent liabilities:	
Notes payable	<u>21,231,800</u>
Total liabilities	21,878,859
Net position (deficit):	
Restricted	71,290
Unrestricted	<u>(18,845,089)</u>
Total net position (deficit)	<u>(18,773,799)</u>
TOTAL LIABILITIES AND NET POSITION (DEFICIT)	<u>\$ 3,105,060</u>

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, 2014**

	Program Revenues			Change in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs:				
Primary government:				
Governmental activities:				
General government	\$ 1,259,733	\$ 1,727	\$ -	\$ (1,258,006)
Total primary government	\$ 1,259,733	\$ 1,727	\$ -	(1,258,006)
General Revenues:				
Local effort taxes - special levy				\$ 2,332,034
Interest income				7,537
Total general revenues				2,339,571
Change in net position				1,081,565
Net position (deficit), beginning of year				(19,385,957)
Prior period adjustment - GASB 65				(469,407)
Net position (deficit), end of year - as restated				\$ (18,773,799)

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, 2014**

ASSETS	General Fund	Capital Projects Fund	Debt Service Fund	Total
Current assets:				
Cash and cash equivalents	\$ 1,306,592	\$ 265,797	\$ -	\$ 1,572,389
Accounts receivable	1,356,573	-	376	1,356,949
Prepaid insurance	6,557	-	-	6,557
Restricted cash	-	-	71,290	71,290
Other assets	<u>97,875</u>	<u>-</u>	<u>-</u>	<u>97,875</u>
TOTAL ASSETS	<u>\$ 2,767,597</u>	<u>\$ 265,797</u>	<u>\$ 71,666</u>	<u>\$ 3,105,060</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 16,081	\$ 38,436	\$ -	\$ 54,517
Deferred Inflows:				
Property tax revenue	<u>1,422,833</u>	<u>-</u>	<u>-</u>	<u>1,422,833</u>
Total liabilities and deferred inflows	1,438,914	38,436	-	1,477,350
Fund balances:				
Restricted, reported in:				
General fund	1,429,390	-	-	1,429,390
Debt service fund	-	-	71,666	71,666
Unassigned, reported in:				
General fund	(100,707)	-	-	(100,707)
Capital projects fund	-	227,361	-	227,361
Debt service fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,328,683</u>	<u>227,361</u>	<u>71,666</u>	<u>1,627,710</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 2,767,597</u>	<u>\$ 265,797</u>	<u>\$ 71,666</u>	<u>\$ 3,105,060</u>

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 POSITION
JUNE 30, 2014**

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

Fund balances - total governmental funds	\$ 1,627,710
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:	
Special levy taxes	1,422,833
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds:	
Long-term debt	(21,824,342)
Loan issuance costs, net	<u>-</u>
Net Position (Deficit) - Statement of Net Position	<u>\$ (18,773,799)</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, 2014**

	General Fund	Capital Projects Fund	Debt Service Fund	Total
Revenues:				
Local effort taxes - special levy	\$ 2,332,034	\$ -	\$ -	\$ 2,332,034
Interest income	6,745	474	318	7,537
Rebates and Property Proceeds	<u>1,727</u>	<u>-</u>	<u>-</u>	<u>1,727</u>
Total revenues	2,340,506	474	318	2,341,298
Expenditures:				
General government	181,830	-	-	181,830
Debt service	-	-	2,019,442	2,019,442
Capital outlay	<u>-</u>	<u>222,377</u>	<u>-</u>	<u>222,377</u>
Total expenditures	<u>181,830</u>	<u>222,377</u>	<u>2,019,442</u>	<u>2,423,649</u>
Excess (deficiency) of revenues over expenditures	<u>2,158,676</u>	<u>(221,903)</u>	<u>(2,019,124)</u>	<u>(82,351)</u>
Other financing sources:				
Operating transfers in (out)	<u>(2,265,496)</u>	<u>246,279</u>	<u>2,019,217</u>	<u>-</u>
Total other financing sources	(2,265,496)	246,279	2,019,217	-
Net changes in fund balances	<u>(106,820)</u>	<u>24,376</u>	<u>93</u>	<u>(82,351)</u>
Fund balances, beginning of year	<u>1,435,503</u>	<u>202,985</u>	<u>71,573</u>	<u>1,710,061</u>
Fund balances, end of year	<u>\$ 1,328,683</u>	<u>\$ 227,361</u>	<u>\$ 71,666</u>	<u>\$ 1,627,710</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 POSITION FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds	\$ (82,351)
The changes in net position 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	187,692
Prior period adjustment - implementation of GASB 65	(469,407)
Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures.	976,224
Governmental funds report loan issuance costs as expenditures. However, in the statement of activities, these costs had been amortized over the life of the loan; however, the PID has implemented GASB 65; thus expensing the cost.	<u>469,407</u>
Change in net position of governmental activities	<u>\$ 1,081,565</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, 2014**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Special levy taxes	\$ 2,288,957	\$ 2,288,957	\$ 2,332,034	\$ 43,077
Interest revenue	2,000	2,000	6,745	4,745
Rebates and property proceeds	-	-	1,727	1,727
Total revenues	2,290,957	2,290,957	2,340,506	49,549
Expenditures:				
General government	214,460	214,460	165,749	48,711
Total expenditures	214,460	214,460	165,749	48,711
Excess (deficiency) of revenues over expenditures	2,076,497	2,076,497	2,174,757	98,260
Other financing uses:				
Operating transfers out	(2,064,356)	(2,064,356)	(2,265,496)	(201,140)
Total other financing uses	(2,064,356)	(2,064,356)	(2,265,496)	(201,140)
Net changes in fund balance Non-GAAP Basis	12,141	12,141	(90,739)	102,880
Fund balance - beginning	1,435,503	1,435,503	1,435,503	-
Fund balance - ending	\$ 1,447,644	\$ 1,447,644	\$ 1,344,764	\$ 102,880

Reconciliation of Budgetary Basis to GAAP Basis:

Net changes in fund balance budgetary basis	\$ (90,739)
Revenue - accruals	-
Expenditure - accruals	(16,081)
Net change in fund balance GAAP basis	\$ (106,820)

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, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity - The Public Improvement District 2007-1 of Angel Fire (the "District") is a political subdivision of the State of New Mexico duly created and existing pursuant to Sections 5-11-1 through 5-11-27 NMSA 1978 and Village of Angel Fire Resolution 2001-17, "PID Resolution".

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

The District follows the standards promulgated by GASB Statement No. 14, The Financial Reporting Entity, and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, to define the reporting entity. The District is not a component unit of any other governmental entity and the District has no subordinate component units.

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

Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities report information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. During fiscal year 2014 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.

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

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

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

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

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

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

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

Special Levy - The District imposes a Special Levy, which will secure the payment of the debt service on the District's long-term debt. The Special Levy is to be billed and collected by the District in the same manner and at the same time as general ad valorem property taxes. Assessments are made as of January 1 of each year, with one-half of the tax of that assessment due the following November 10 and one-half due April 10 of the next calendar year. The Special Levy installment due November 10 becomes delinquent on December 11, while the April 10 installment becomes delinquent on May 11. Delinquencies on Special Levies shall render the property subject to foreclosure. The lien shall include delinquencies, penalties and interest thereon at a rate not to exceed the maximum legal rate of interest per year and penalties otherwise applicable.

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 Position - Net position represent the difference between assets and liabilities. Net position are reported as restricted when there are limitations on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws of other governments. As of June 30, 2014, restricted net position are \$71,290, as restricted by the New Mexico Finance Authority (NMFA) loan agreement #2254-pp.

New Governmental Accounting Standards - 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 position by the government that is applicable to a future reporting period, and an acquisition of net position 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 implemented this standard in the current year. No significant

effect on the financial statement was noted.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65 Items Previously Reported as Assets and Liabilities, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The District implemented this standard in the current year. An adjustment to net position was made to expense loan issuance cost totaling \$469,407.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 66 Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The District implemented this standard in the current year. No significant effect on the financial statement was noted.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 67 Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. 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 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68 Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. 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 January 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 69 Government Combinations and Disposals of government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. 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 April 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. 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 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 71 Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. 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 Statues, 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 \$1,421,583 as of June 30, 2014. 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, 2014, cash consists of the following:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statement</u>
First National Bank:			
Interest bearing account	\$ 30,789	\$ -	\$ 30,789
Prepayment interest account	39,566	-	39,566
Special levy account	1,236,293	(379)	1,235,914
Reserve account	<u>265,797</u>	<u>-</u>	<u>265,797</u>
	<u>1,572,445</u>	<u>(379)</u>	<u>1,572,066</u>
New Mexico Finance Authority:			
Escrow Account	<u>71,290</u>	<u>-</u>	<u>71,290</u>
	<u>71,290</u>	<u>-</u>	<u>71,290</u>
Total checking accounts	<u>1,643,735</u>	<u>(379)</u>	<u>1,643,356</u>
Petty cash held by the District	<u>323</u>	<u>-</u>	<u>323</u>
Total of checking accounts and petty cash	<u>\$ 1,644,058</u>	<u>\$ (379)</u>	<u>\$ 1,643,679</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, 2014, the District's bank balance was exposed to custodial risk as follows:

Total deposits in bank	\$ 1,644,058
Less: FDIC coverage	<u>250,000</u>
Uninsured public funds	1,394,058
Pledged collateral	<u>1,421,583</u>
Uninsured and uncollateralized	<u>\$ -</u>

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

Description	CUSIP #	Par Value 6/30/14	Maturity Date
PORTALES NM SCH DIST	736151CY5	101,508	2/1/15
SLATON TX	8322S1EO3	102,980	2/15/19
FNMA ARM	31417YU88	514,702	12/1/30
HATCH NM SCH DIST	418839CH7	160,522	8/1/17
ALAMOGORDO NM	011446FQ9	175,558	8/1/17
CLOVIS NM SCH DIST	189414KN8	<u>366,313</u>	8/1/25
Total		<u>\$ 1,421,583</u>	

3. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2014, are as follows:

	<u>Governmental Activities</u>
Accounts receivable:	
Special levy taxes	<u>\$ 1,356,949</u>

4. TRANSFERS

The composition of interfund transfers during the year ended June 30, 2014 is as follows:

<u>Fund</u>	<u>Amount In (Out)</u>
General Fund	\$ (2,265,496)
Capital Projects Fund	246,279
Debt Service Fund	<u>2,019,217</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 \$97,551 which consists of each properties delinquent accounts receivable total of \$84,010 and the District's total payment of \$13,541 to the County.

7. LONG TERM OBLIGATIONS

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, 2014, was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
NMFA Loan \$1M	\$ 945,000	\$ -	\$ (20,000)	\$ 925,000	\$ 20,000
NMFA Loan \$25M	<u>21,855,566</u>	<u>-</u>	<u>(956,224)</u>	<u>20,899,342</u>	<u>572,542</u>
Long-term debt	<u>\$ 22,800,566</u>	<u>\$ -</u>	<u>\$ (976,224)</u>	<u>\$ 21,824,342</u>	<u>\$ 592,542</u>

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

Years ending June 30,	Principal	Interest	Total
2015	\$ 20,000	\$ 46,207	\$ 66,207
2016	20,000	45,686	65,686
2017	20,000	45,127	65,127
2018	20,000	44,523	64,523
2019	20,000	43,871	63,871
2020-2025	130,000	204,867	334,867
2026-2030	170,000	169,501	339,501
2031-2035	225,000	116,947	341,947
2036-2039	<u>300,000</u>	<u>43,826</u>	<u>343,826</u>
	<u>\$ 925,000</u>	<u>\$ 760,555</u>	<u>\$ 1,685,555</u>

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

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 572,542	\$ 991,998	\$ 1,564,540
2016	579,399	980,011	1,559,410
2017	592,872	965,699	1,558,571
2018	601,721	949,236	1,550,957
2019	620,779	930,146	1,550,925
2020-2025	3,325,898	4,281,941	7,607,839
2026-2030	4,096,017	3,447,900	7,543,917
2031-2035	5,271,146	2,259,946	7,531,092
2036-2039	<u>5,238,968</u>	<u>660,158</u>	<u>5,899,126</u>
	<u>\$ 20,899,342</u>	<u>\$ 15,467,035</u>	<u>\$ 36,366,377</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, 2014, was insured by the Cincinnati Insurance Company and paid \$6,000 in premiums.

9. CONTINGENCIES

Certain lot owners within the District 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 in 2009, with the District counter suing for damages later that year. The original suit was settled in favor of the District by the New Mexico Supreme Court on April 13, 2012. The counter lawsuit was sent to the appellate court for review and ultimate decision. On November 26, 2012, the appellate court also ruled in favor of the District allowing the District to resume pursuing damages if the Board desires to do so.

10. IMPLEMENTATION OF NEW STANDARDS

Changes in Accounting Principles - As a result of GASB Statement No. 65, Debt Issuance cost is no longer reported as an asset in the government-wide financial statements. The balance is adjusted out against net position.

11. RESTATEMENTS

A restatement of \$469,407 was recorded against net position during fiscal year ended June 30, 2014 to remove the asset related to the debt issuance cost. Per GASB 65, debt issuance cost should be expensed, not amortized.

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, 2014**

	Budget Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Expenditures:				
Capital outlay - project	\$ 435,000	\$ 435,000	\$ 183,940	\$ 251,060
Total expenditures	<u>435,000</u>	<u>435,000</u>	<u>183,940</u>	<u>251,060</u>
Deficiency of revenues over expenditures	(435,000)	(435,000)	(183,940)	251,060
Other financing sources:				
Interest	300	300	474	174
Operating transfers in (out)	<u>435,000</u>	<u>435,000</u>	<u>246,279</u>	<u>(188,721)</u>
Total other financing sources	<u>435,300</u>	<u>435,300</u>	<u>246,753</u>	<u>(188,547)</u>
Net changes in fund balance Non-GAAP Basis	300	300	62,813	62,513
Fund balance - beginning	<u>202,985</u>	<u>202,985</u>	<u>202,985</u>	<u>-</u>
Fund balance - ending	<u>\$ 203,285</u>	<u>\$ 203,285</u>	<u>\$ 265,798</u>	<u>\$ 62,513</u>

Reconciliation of Budgetary Basis to GAAP Basis:

Net changes in fund balance budgetary basis	\$ 62,813
Expenditure - accruals	<u>(38,437)</u>
Excess of revenues over expenditures - GAAP basis	<u>\$ 24,376</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, 2014**

	Budget Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures:				
Debt service	\$ 1,629,356	\$ 2,019,442	\$ 2,019,442	\$ -
Total expenditures	<u>1,629,356</u>	<u>2,019,442</u>	<u>2,019,442</u>	<u>-</u>
Deficiency of revenues over expenditures	(1,629,356)	(2,019,442)	(2,019,442)	-
Other financing sources:				
Interest	50	50	318	268
Operating transfers in (out)	<u>1,629,356</u>	<u>1,625,356</u>	<u>2,019,217</u>	<u>393,861</u>
Total other financing sources	<u>1,629,406</u>	<u>1,625,406</u>	<u>2,019,535</u>	<u>394,129</u>
Net changes in fund balance Non- GAAP Basis	50	(394,036)	93	394,129
Fund balance - beginning	<u>71,573</u>	<u>71,573</u>	<u>71,573</u>	<u>-</u>
Fund balance - ending	<u>\$ 71,623</u>	<u>\$ (322,463)</u>	<u>\$ 71,666</u>	<u>\$ 394,129</u>

Reconciliation of Budgetary Basis to GAAP Basis:

Net changes in fund balance budgetary basis	\$ 93
Expenditure - accruals	<u>-</u>
Excess of revenues over expenditures - GAAP basis	<u>\$ 93</u>

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



WHITE+
SAMANIEGO+
CAMPBELL, LLP

CERTIFIED PUBLIC ACCOUNTANTS

810 E. Yandell Dr
El Paso, TX 79902
ph. 915.532.8400
fax. 915.532.8405
www.cpawsc.com

**INDEPENDENT AUDITORS' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the budgetary comparisons of the general fund, and the budgetary comparisons presented as supplemental information of the Public Improvement District 2007-1 of Angel Fire as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the basic financial statements, and the combining and individual funds and related budgetary comparisons of Public Improvement District 2007-1 of Angel Fire presented as supplemental information, and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given the limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses.

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*.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. This report is 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, CP

El Paso, Texas
October 24, 2014

**PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

Prior audit findings

Current status

NONE NOTED

PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2014**

An exit conference was conducted October 1, 2014 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
Daniel Rakes

Administrator
Vice Chairman of Board of Directors

White + Samaniego + Campbell, LLP

Dahlia Garcia
Nancy Escobar

Supervisor, 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, 2014 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.