

STATE OF NEW MEXICO
ANGEL FIRE PUBLIC IMPROVEMENT DISTRICT
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
FOR THE YEAR ENDED JUNE 30, 2019

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STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
DIRECTORY OF PRINCIPAL OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2019

Board of Directors

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

Other Officials

Sally Sollars	District Administrator
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INDEPENDENT AUDITORS' REPORT

Mr. Brian Colón
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, the aggregate fund information 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, 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, the aggregate fund information, and the budgetary comparisons for the general fund of Public Improvement District 2007-1 of Angel Fire as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective changes in financial position and the respective budgetary comparisons for the major debt service funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 02, 2019 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 and integral part of an audit performed in accordance with *Government Auditing Standards* in considering Public Improvement District 2007-1 of Angel Fire internal control over financial reporting and compliance.

Beasley Mitchell & Co LLP
Beasley, Mitchell & Co.
Las Cruces, New Mexico
December 02, 2019

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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

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

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

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

FINANCIAL HIGHLIGHTS

- The District's total net position increased by \$1,238,819 (or 45.0 percent) during the fiscal year ended June 30, 2019. Since the District engages only in governmental activities, the increase is all in the category of governmental net position. Net position was at a deficit of \$2,750,441 and \$3,989,260 for 2019 and 2018, 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, 2019 include \$1,740,227 for assessments collected during fiscal year 2019. The governmental activities revenue decreased by \$8,245,722 (or 82.4 percent) during the fiscal year ended 2019, and was \$1,759,636 and \$10,005,358 for 2019 and 2018, respectively. The decrease resulted primarily from the prepayment of the Resort in 2018.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

- The governmental activities expenses of the District decreased by \$167,118 (or 24.3 percent). Total expenses were \$520,817 and \$687,935 for 2019 and 2018, respectively. The District's decrease in governmental expenditures is due to the District operating in a lean budget.
- As of June 30, 2019, the current portion of the long-term liabilities of the District were \$950,343, the non-current portion of the long-term liabilities were \$8,939,657, making the total long-term liabilities \$9,890,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

The District consists of exclusively Governmental Funds. Governmental funds utilize the modified accrual basis of accounting. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to accounting utilized by the private sector accounting. The District has two funds; the general fund to account for all the general activities performed during the year, and the debt service fund to account for all the payments of principal and interest on the long-term debt of the District.

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

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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

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

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

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

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For fiscal year ending June 30, 2019, the District used three governmental funds to account for the District's activities. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Statement of Net Position

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

Statement of Net Position

	2019	2018
Assets:		
Current and other assets	\$ 7,148,563	\$ 14,364,325
Total assets	<u>\$ 7,148,563</u>	<u>\$ 14,364,325</u>
Liabilities:		
Current and other liabilities	\$ 9,899,004	\$ 18,353,585
Net Position (Deficit):		
Restricted	281,780	11,997,508
Unrestricted	<u>(3,032,221)</u>	<u>(15,986,768)</u>
Total net position (deficit)	<u>(2,750,441)</u>	<u>(3,989,260)</u>
Total liabilities and net position (deficit)	<u>\$ 7,148,563</u>	<u>\$ 14,364,325</u>

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

Major Factors Affecting the Statement of Net Position

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

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Statement of Revenues, Expenses, and Changes in Net Position

	2019	2018
Revenues:		
Local effort taxes	\$ 1,740,227	\$ 9,996,711
Other revenues	4,705	2,862
Interest revenues	14,704	5,785
Total revenues	1,759,636	10,005,358
Expenses:		
Governmental expenses	520,817	687,935
Total expenses	520,817	687,935
Change in net position	\$ 1,238,819	\$ 9,317,423

Special levy assessment started to be assessed and collected during fiscal year 2008. The total operating expenses decreased by \$167,118 (or 24.3%). The District's decrease in governmental expenditures is due to the District keeping a lean budget.

Financial Analysis of the District's Funds

The focus of the District's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$2,048,310, of unassigned fund balances is a deficit, which are available for spending at the District's discretion. The restricted balance represents reserves for future payments, prepaid insurance, accounts payable, and long term debt. The general fund balance represents 87% of the total governmental fund balances. The District's general fund balance increased by \$512,698 during the current fiscal year. The debt service fund balance represents 13% of the total governmental fund balances. The District's debt service fund balance decreased by \$7,307,159 during the current fiscal year as a result of the prepayment made by the Angel Fire Resort in 2018 that was paid out in 2019 to NMFA.

General fund revenues totaled \$719,172 for the fiscal year, while expenditures were \$136,876. Revenues exceeded expenditures by \$582,296 prior to transfers in and out of the general fund. During the year, the general fund had a transferred \$1,099,699 to the debt service fund.

The transfer out decreased the excess revenues over expenditures resulting in a net decrease of fund balance of \$512,698.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Debt service fund expenditures were \$15,047. Revenues exceeded expenditures by \$332,332 prior to transfers in and out of the debt service fund. During the year, the general fund transferred \$1,099,699 to cover the debt service expenditures. After the transfer in from the general fund and debt payments, the excess expenditures over revenues resulting in a net decrease of fund balance of \$7,307,159.

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 \$715,660. The actual budgetary basis revenues for the fiscal year were \$719,238, an increase of \$3,578. The District was within their budget for all of the funds as of June 30, 2019.

Debt Administration

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

	Balance June 30, 2019	Balance June 30, 2018
NMFA Loan	\$ 9,890,000	\$ 18,275,000
Long-term debt	\$ 9,890,000	\$ 18,275,000

Project Status

As of June 30, 2019 the project is 100% complete with regards to installation of water, wastewater and roads. The conduit for electrical wiring was installed with the bulk of the construction, while a contract remained to pull the wire through the conduit section by section was completed by September 2017.

As of October 24, 2014, all roadwork throughout the project has been completed throughout the district. The installation of electrical wire was completed in 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.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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.
- Property values are stable and slowly improving.

FINANCIAL CONTACT

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

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 52,798
Investments	1,814,131
Accounts receivable	5,174,174
Prepaid insurance	3,477
Restricted cash	188
Other assets	<u>103,795</u>

TOTAL ASSETS \$ 7,148,563

LIABILITIES AND NET POSITION (DEFICIT)

Current liabilities:

Accounts payable	\$ 9,004
Current portion of notes payable	<u>950,343</u>

Total current liabilities 959,347

Noncurrent liabilities:

Notes payable	<u>8,939,657</u>
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Total liabilities 9,899,004

Net position (deficit):

Restricted	281,780
Unrestricted	<u>(3,032,221)</u>

Total net position (deficit) (2,750,441)

TOTAL LIABILITIES AND NET POSITION (DEFICIT) \$ 7,148,563

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Revenues			Change in Net Position	
Functions/Programs:	Expenses	Charges for Services	Program Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 520,817	\$ -	\$ -	\$ -	\$ (520,817)
Total primary government	\$ 520,817	\$ -	\$ -	\$ -	(520,817)
			General Revenues:		
			Local effort - special levy		1,740,227
			Investment income		4,705
			Interest income		14,704
			Total general revenues		1,759,636
			Change in net position		1,238,819
			Net position (deficit), beginning of year		(3,989,260)
			Net position (deficit), end of year		\$ (2,750,441)

See accompanying notes to financial statements and independent auditors' report

GOVERNMENTAL FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

ASSETS	General Fund	Debt Service Fund	Total
Current assets:			
Cash and cash equivalents	\$ 31,086	\$ 21,712	\$ 52,798
Investments	1,563,255	250,876	1,814,131
Accounts receivable	5,174,174	-	5,174,174
Prepaid insurance	3,477	-	3,477
Restricted cash	-	188	188
Other assets	<u>103,795</u>	<u>-</u>	<u>103,795</u>
TOTAL ASSETS	<u>\$ 6,875,787</u>	<u>\$ 272,776</u>	<u>\$ 7,148,563</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable	<u>9,004</u>	<u>-</u>	<u>9,004</u>
Deferred Inflows:			
Property tax revenue	<u>5,091,249</u>	<u>-</u>	<u>5,091,249</u>
Total liabilities and deferred inflows	5,100,253	-	5,100,253
Fund balances:			
Restricted, reported in:			
General fund	9,004	-	9,004
Debt service fund	-	272,776	272,776
Unassigned, reported in:			
General fund	<u>1,766,530</u>	<u>-</u>	<u>1,766,530</u>
Total fund balances	<u>1,775,534</u>	<u>272,776</u>	<u>2,048,310</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 6,875,787</u>	<u>\$ 272,776</u>	<u>\$ 7,148,563</u>

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

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

Fund balances - total governmental funds	\$ 2,048,310
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:	
Special levy assessment	5,091,249
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds:	
Long-term debt	<u>(9,890,000)</u>
Net Position (Deficit) - Statement of Net Position	<u>\$ (2,750,441)</u>

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Debt Service Fund	Total
Revenues:			
Local effort - special levy	\$ 719,172	\$ 347,379	\$ 1,066,551
Total revenues	719,172	347,379	1,066,551
Expenditures:			
General government	136,876	-	136,876
Debt service	-	15,047	15,047
Total expenditures	136,876	15,047	151,923
Excess (deficiency) of revenues over expenditures	582,296	332,332	914,628
Other financing sources:			
Principle payments	-	(8,385,000)	(8,385,000)
Interest payments	-	(368,894)	(368,894)
Operating transfers in (out)	(1,099,699)	1,099,699	-
Investment income (loss)	4,705	-	4,705
Interest income	-	14,704	14,704
Total other financing sources	(1,094,994)	(7,639,491)	(8,734,485)
Net changes in fund balances	(512,698)	(7,307,159)	(7,819,857)
Fund balances, beginning of year	2,288,232	7,579,935	9,868,167
Fund balances, end of year	\$ 1,775,534	\$ 272,776	\$ 2,048,310

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN THE FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds \$ (7,819,857)

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

Special levy assessment collected during the fiscal year that do not provide current financial resources, made available to pay for the current period's expenditures, reported as deferred revenue in the funds. 673,676

Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures. 8,385,000

Change in net position of governmental activities \$ 1,238,819

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amounts			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Local effort - special levy	\$ 714,160	\$ 714,160	\$ 719,238	\$ 5,078
Rebates and property proceeds	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Total revenues	715,660	715,660	719,238	3,578
Expenditures:				
General government	<u>150,660</u>	<u>150,660</u>	<u>132,333</u>	<u>18,327</u>
Total expenditures	<u>150,660</u>	<u>150,660</u>	<u>132,333</u>	<u>18,327</u>
Excess (deficiency) of revenues over expenditures	565,000	565,000	586,905	21,905
Other financing uses:				
Investment income	-	-	4,705	4,705
Interest income	3,000	3,000	-	(3,000)
Operating transfers out	<u>(700,000)</u>	<u>(1,808,836)</u>	<u>(1,099,699)</u>	<u>709,137</u>
Total other financing uses	<u>(700,000)</u>	<u>(1,808,836)</u>	<u>(1,094,994)</u>	<u>713,842</u>
Net changes in fund balance Non-GAAP Basis	(135,000)	(1,243,836)	(508,089)	735,747
Fund balance - beginning	<u>2,288,232</u>	<u>2,288,232</u>	<u>2,288,232</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,153,232</u>	<u>\$ 1,044,396</u>	<u>\$ 1,780,143</u>	<u>\$ 735,747</u>

Reconciliation of Budgetary Basis to GAAP Basis:

Net changes in fund balance budgetary basis	\$ (508,089)
Revenue - accruals	(66)
Expenditure - accruals	<u>(4,543)</u>
Net change in fund balance GAAP basis	<u>\$ (512,698)</u>

See accompanying notes to financial statements and independent auditors' report

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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 2019 there were not any business-type activities.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

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

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

Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements - Governmental Fund Financial Statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Under this method revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Special levy assessment and interest are considered susceptible to accrual.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting (Continued)

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

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

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

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

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

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

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net Position - Net position represent the difference between assets and liabilities. Net position are reported as restricted when there are limitations on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws of other governments. As of June 30, 2019, restricted net position are \$281,780, as restricted by the New Mexico Finance Authority (NMFA) loan agreement #2254-pp.

New Governmental Accounting Standards

In June 2017, GASB Statement No. 87, Leases, was issued. Effective Date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, was issued. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District is still evaluating how this pronouncement will affect the financial statements.

In December 2018, GASB No. 90, Majority Equity Interests, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Governmental Accounting Standards (continued)

A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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.

State statutes authorize the PID to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool. Investments for the PID are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

The District maintains cash in two financial institutions, one is the International Bank. Collateral is held in safekeeping also at the International Bank in the form of Pledge Securities with a fair market value of \$2,142,797 as of June 30, 2019. The second is the New Mexico Finance Authority ("NMFA"). The PID holds investments in the Local Government Investment Pool and RBC Investments

As of June 30, 2019, cash consists of the following:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statement</u>
International Bank:			
General account	\$ 6,332	\$ -	\$ 6,332
Prepayment interest account	4,317	17,395	21,712
Special levy account	<u>24,284</u>	<u>-</u>	<u>24,284</u>
	34,933	17,395	52,328
New Mexico Finance Authority:			
Escrow Account	<u>188</u>	<u>-</u>	<u>188</u>
	188	-	188
Total checking accounts	<u>35,121</u>	<u>17,395</u>	<u>52,516</u>
Petty cash held by the District	<u>470</u>	<u>-</u>	<u>470</u>
Local Government Investment Pool	<u>1,236,958</u>	<u>-</u>	<u>1,236,958</u>
RBC Investment	<u>577,173</u>	<u>-</u>	<u>577,173</u>
Total of cash and cash equivalents	<u>\$ 1,849,722</u>	<u>\$ 17,395</u>	<u>\$ 1,867,117</u>

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the PID's investment in a single issuer, of more than 5%. The PID's investments are diversified to avoid including concentration of credit risk. With the exception of authorized pools, no more than 50% of the total investment portfolio is in one single security type or financial institution.

Credit Risk - The PID's investments shall be in accordance with State Law 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips, and US Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any county, municipality, or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10 NMSA 1978, 6-10-10 NMSA 1978.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the PID investments. The PID's investment policy follows New Mexico State Statute Section 6-10-36E (NMSA, 1978 Comp) requiring the interest rate on time deposits shall not be less than the rate fixed by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States Treasury bills of the same maturity on the day of deposit.

Foreign Currency Risk - Deposits and Investments - The PID is not exposed to the risk that exchange rates will adversely affect the fair value of an investment as none of the investments pools or certificates of deposit are dominated in a foreign currency.

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

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

As of June 30, 2019, the District's bank balance was exposed to custodial risk as follows:

Total deposits in bank		\$ 1,849,722
Less: FDIC coverage		<u>612,106</u>
Uninsured public funds		1,237,616
Pledge requirement %		<u>50 %</u>
Pledge requirement		618,808
Pledged collateral		<u>2,142,797</u>
Uninsured and uncollateralized		<u>\$ -</u>

The following securities are pledged by International Bank:

Description	CUSIP #	Par Value 6/30/19	Maturity Date
FNMA Pool #AN9641	3138LNWB3	<u>\$ 2,142,797</u>	11/1/2025
Total		<u>\$ 2,142,797</u>	

Investments

As of June 30, 2019, the City's investments were rated as follows:

Investment Type	Maturity date	Fair Value
New Mexico LGIP		\$ 1,236,958
Money Market		171
CD - Wells Fargo	12/30/2019	73,250
CD - Ally Bank	11/23/2020	249,713
CD - Morgan Stanley	6/21/2021	14,035
CD -Sallie Mae	6/21/2021	<u>240,004</u>
Total Investments		<u>\$ 1,814,131</u>

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

State Treasurer Local Governmental Investment Pool

The State Treasurer is authorized to invest the LGIP, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. The LGIP is not SEC registered. This pool is subject to the standards set forth in the State Treasurer's Local Government Investment Policy document incorporated in and made a part of the State Treasurer's Investment Policy document. The Independent Auditors' Report, together with the Financial Statements, the accompanying Notes to the Financial Statements and the Independent Auditors' Report on Compliance and Internal Controls are available from the State Investment Council, 2055 South Pacheco Street, Suite 100, Santa Fe, New Mexico 87505, upon written request.

Per review of GASB Statement No. 72, the State Treasurer Local Government Investment Pool is exempt from GASB 72 and should continue to be measured and disclosed in accordance with existing literature.

Credit Risk LGIP – With respect to credit risk, the LGIP, is rated AAAM by Standard & Poor's. Therefore, the LGIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.

Concentration of Risk – GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as LGIP, are excluded from the requirement of disclosing concentration of credit risk. Therefore, the LGIP is exempt from this disclosure.

Foreign Currency Risk – GASB Statement No. 40 defines foreign currency risk as the potential that changes in the exchange rates may adversely affect the fair value of an investment or deposit. The LGIP does not have any foreign currency risk as all investments are denominated in US dollars.

Interest Rate Risk – GASB Statement No. 40 defines interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

According to the Statement an acceptable method for reporting interest rate risk is weighted average of maturity (WAM). The State Treasurer's Office uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer's Office website at www.nmsto.gov

Fair Value Measurement (GASB 72)

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement Number 72, Fair Value Measurement and Application. This statement changes the definition of fair value and adds new disclosure requirements. GASB 72 is effective for periods beginning after June 15, 2015 (i.e., financial statements for June 30, 2016, and beyond).

The PID holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the PID's mission, the PID determines that the disclosures related to these investments only need to be disaggregated by major type. The PID chooses a table format for the fair value disclosures.

The PID categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

Market approach: this uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

Cost approach: this technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

Income approach: this approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

GASB 72 establishes a hierarchy of inputs to the valuation techniques listed above.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy's three levels are as follows:

Level 1

Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. (Examples: equity securities traded on an open market, actively traded mutual funds, and US treasuries)

Level 2

Are significant other observable inputs:

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c) Inputs other than quoted prices that are observable for the asset or liability, such as:
 - 1) Interest rates and yield curves observable at commonly quoted intervals,
 - 2) Implied volatilities, and
 - 3) Credit spreads.
- d) Market-corroborated inputs.

(Examples: a bond valued using market corroborated inputs such as yield curves, a bond valued using matrix pricing, and an interest rate swap valued using the LIBOR swap rate observed at commonly quoted intervals for the full term of the swap)

Level 3

Are significant unobservable inputs for an asset or liability. (Examples: Commercial real estate valued using a forecast of cash flows based on a university's own data and an interest rate swap valued using data that is neither directly observable nor corroborated by observable market data)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

New Mexico LGIP, Money Market Mutual Funds, and Certificates of Deposit are valued at the daily closing price as reported by the fund. These investments held by the PID are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the PID are deemed to be actively traded.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the PID believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The District has the following recurring fair value measurements as of June 30, 2019:

Investment Type	Level 1	Level 2	Level 3	Total
New Mexico LGIP	\$1,236,958	\$ -	\$ -	\$1,236,958
Money Market	171	-	-	171
CD - Wells Fargo	-	73,250	-	73,250
CD - Ally Bank	-	249,713	-	249,713
CD - Morgan Stanley	-	14,035	-	14,035
CD -Sallie Mae	-	<u>240,004</u>	-	<u>240,004</u>
Total Investments	<u>\$1,237,129</u>	<u>\$577,002</u>	<u>\$ -</u>	<u>\$1,814,131</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019, are as follows:

	<u>Governmental Activities</u>
Accounts receivable:	
Special levy	\$ 5,174,108
Other	<u>66</u>
Total	<u>\$ 5,174,174</u>

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

4. TRANSFERS

The composition of interfund transfers during the year ended June 30, 2019 is as follows:

Fund	Amount In (Out)
General fund	\$ (1,099,699)
Debt service fund	<u>1,099,699</u>
Total transfers	<u>\$ -</u>

5. SPECIAL LEVY ASSESSMENT

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

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

6. FORECLOSED PROPERTIES

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

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

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

6. FORECLOSED PROPERTIES (CONTINUED)

On December 2, 2010, the District foreclosed on five properties for lack of payment of the special assessment. The courts assessed the total judgment value for the five properties in the amount of \$67,472. This amount includes the delinquent assessment, penalties, fees, and delinquent property taxes owed to the County. The properties were placed up for auction by Colfax County on December 31, 2010. There were no other buyers for the properties therefore the District purchased the five properties at a reduced rate of \$13,541. The District will sell each property in an attempt to recover said properties' delinquent assessments, taxes, and penalties owed. The foreclosures are recorded in the financial statements as other assets in the total amount of \$93,257 which consists of each properties delinquent accounts receivable total of \$79,716 and the District's total payment of \$13,541 to the County.

7. LONG TERM OBLIGATIONS

A summary of changes in long term liability activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
NMFA Loan	\$ 18,275,000	\$ -	\$ (8,385,000)	\$ 9,890,000	\$ 950,343
Long-term debt	\$ 18,275,000	\$ -	\$ (8,385,000)	\$ 9,890,000	\$ 950,343

The Loan originated on December 22, 2016 matures on November 2038. The Interest rate was 3.069% blended for the year ended June 30, 2019. The loan is secured by the special assessment property taxes. Loan debt service requirements to maturity for NMFA Loan are as follows:

Years ending June 30,	Principal	Interest	Total
2020	\$ 950,343	\$ 349,164	\$ 1,299,507
2021	986,030	313,477	1,299,507
2022	1,023,056	276,451	1,299,507
2023	1,061,473	238,034	1,299,507
2024	1,101,333	198,174	1,299,507
2025-2029	<u>4,767,765</u>	<u>-</u>	<u>4,767,765</u>
	<u>\$ 9,890,000</u>	<u>\$ 1,375,300</u>	<u>\$ 11,265,300</u>

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019, was insured by the Cincinnati Insurance Company and paid \$7,882 in premiums.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 02, 2019 the date the financial statements were available to be issued.

10. TAX ABATEMENTS

There are no tax abutments to report under GASB 77.

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

INDEPENDENT AUDITORS' REPORT

Mr. Brian Colón
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 of the Public Improvement District 2007-1 of Angel Fire as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the basic financial statements of Public Improvement District 2007-1 of Angel Fire presented as supplemental information, and have issued our report thereon dated December 02, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 one instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. (2019-001).

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The district's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Beasley, Mitchell & Co.
Las Cruces, New Mexico
December 02, 2019

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
SUMMARY OF AUDIT RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

SUMMARY OF AUDIT RESULTS

Financial Statements:

1. Type of auditors' report issued

Unmodified

2. Internal control over financial reporting:

- | | |
|--|------------|
| a. Materials weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | Yes |

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Prior audit findings		Current status
2018-001	Pledge Collateral - Other non-compliance	Resolved
Current audit findings		
2019-001	Per Diem - Other non-compliance	New

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

(2019-001) Per Diem - Other non-compliance

CONDITION	The District reimbursed approved mileage expense for 184 miles; however, the district miscalculated the amount to be paid and over paid by \$66. The overpayment appears to be a clerical error, and the \$66 was reimbursed to the District.
CRITERIA	District policy requires mileage to be reimbursed using the IRS standard mileage rates.
CAUSE	The District has a clerical error in the form used for reimbursement.
EFFECT	The District is in non compliance with the their mileage reimbursement policy.
RECOMMENDATION	We recommend that management closely monitor reimbursements, and review for clerical accuracy.
RESPONSE	The District was reimbursed the \$66 as soon as the error was identified.

EXPECTED COMPLETION: 10/23/2019

EMPLOYEE RESPONSIBLE: District Administrator

STATE OF NEW MEXICO
PUBLIC IMPROVEMENT DISTRICT 2007-1 OF ANGEL FIRE
ENTRANCE AND EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2019

An entrance conference was conducted October 23, 2019 in a closed meeting pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Public Improvement District 2007-1 of Angel Fire

Sally Sollars	Administrator
Don A Borgeson	Director
Paul Cassidy	Director

Beasley, Mitchell & Co., LLP

Dahlia Garcia, CPA	Audit Manager
Juan Garcia	Audit Specialist

An exit conference was conducted October 23, 2019 in a closed meeting pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Public Improvement District 2007-1 of Angel Fire

Sally Sollars	Administrator
Don A Borgeson	Director
Paul Cassidy	Director

Beasley, Mitchell & Co., LLP

Dahlia Garcia, CPA	Audit Manager
Juan Garcia	Audit Specialist

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, 2019 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible District management. Official responsible personnel agree that the presentations are made with their knowledge and agreement.