

**THE BOULDERS
PUBLIC IMPROVEMENT DISTRICT**

Financial Statements

June 30, 2018



AXIOM

*Certified Public Accountants
and Business Advisors LLC*

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT

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THE BOULDERS PUBLIC IMPROVEMENT DISTRICT

Official Roster

Year ended June 30, 2018

Board of Directors

Rhonda Methvin	Chairman
Pamela Fanelli	Vice Chairman
Pierre Amestoy	Clerk
Christine Amestoy	Treasurer
Russell Brito	Member

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Boulders Public Improvement District
and
Mr. Wayne Johnson
New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison for the general fund of The Boulders Public Improvement District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District'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.

Auditor's 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 of the District, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund 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 4-6, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Albuquerque, New Mexico
October 15, 2018

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT

Management's Discussion and Analysis

June 30, 2018

As management of the The Boulders Public Improvement District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2018. We encourage readers to consider the financial information presented here in conjunction with the financial statements and accompanying notes which follow this section.

The District is a political subdivision of State of New Mexico duly created and existing pursuant to Sections 5-11-1 through 5-11-27 NMSA 1978, as amended, City of Albuquerque (City) Enactment No. 0-2003-12 and City Resolution Enactment No. R-2012-035 adopted on May 21, 2012, the "Formation Resolution."

In addition to forming the District, the Formation Resolution also authorized the imposition and collection of a Special Levy against real property in the District, all of which will benefit from the Special Levy, to be used for the purpose, among others, of paying the principal of and interest on such bonds, as more particularly described herein.

FINANCIAL HIGHLIGHTS

The financial statements, which follow the Management's Discussion and Analysis, provide those significant key financial highlights for fiscal year 2018 as follows:

- In the Statements of Net Position, the District's total net position as of June 30, 2018 amounted to a deficit \$3,124,097.
- In the Statements of Activities, the special levy revenue amounted to \$411,370.
- In the Statements of Activities, the District incurred \$301,750 in interest and general government expenses.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. 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 statement of activities presents information showing how the District's net position changed during the fiscal years reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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 reimburse the developer for the construction of certain public infrastructure improvements as provided in the Act and the governing documents of the District, including the Development Agreement among the District, the developer and the City.

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT
Management’s Discussion and Analysis
June 30, 2018

Fund financial statements. 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.

Governmental funds – 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. The reconciliations are on pages 10 and 12, respectively.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 14 of these financial statements.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a district’s financial position. As of June 30, 2018, the District’s liabilities exceeded its assets by \$3,124,097.

The purpose of the District is to provide for infrastructure improvements. It should be noted that the resources needed to repay this debt must be provided from other sources such as the Special Levy revenue collected from property owners within the District to liquidate liabilities.

The following table presents the District’s condensed net position at June 30:

	<u>2018</u>	<u>2017</u>
Current assets	\$ 718,254	657,263
Total assets	<u>718,254</u>	<u>657,263</u>
Current liabilities	80,260	76,709
Long-term obligations outstanding	<u>3,762,091</u>	<u>3,819,654</u>
Total liabilities	<u>3,842,351</u>	<u>3,896,363</u>
Net position (deficit)	\$ <u>(3,124,097)</u>	<u>(3,239,100)</u>

The following are significant transactions that have had an impact on the Statements of Net Position for the year ended June 30, 2018:

- Administrative expenditures and interest expense amounted to \$56,385 and \$245,365, respectively.
- Assessment of Special levy of \$411,370.

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT
Management's Discussion and Analysis
June 30, 2018

Changes in net position. The following table presents a summary of the changes in net position (deficit) for fiscal years ended June 30:

	<u>2018</u>	<u>2017</u>
General revenues:		
Special levy	\$ 411,370	413,700
Interest	5,383	1,637
Total revenues	<u>416,753</u>	<u>415,337</u>
Expenses:		
Interest	(245,365)	(248,538)
General government	(56,385)	(55,339)
Total expenditures	<u>(301,750)</u>	<u>(303,877)</u>
Change in net position	<u>\$ 115,003</u>	<u>111,460</u>

Financial Analysis of the Government's Funds

The District's revenues in the governmental funds for the year ended June 30, 2018 amounted to \$416,753 while expenditures amounted to \$360,116. The District's main source of revenue is the special levy assessed to properties within the District. The major expenditures of the District are debt service payments and administrative expenses. The general fund has unassigned fund balance of \$384,531, representing 682% of the general fund expenditures during the fiscal year.

General Fund Budgetary Highlights

The District adopts an annual budget, which projects the expected expenditures (based on administrative expenses, debt service requirements and estimated delinquency) and the interest income from funds, to determine the special levy each year. There were no significant changes between original and final budgets for fiscal year ending 2018.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District owns no significant capital assets. The District is expected to transfer all public infrastructure improvements owned by the District to the City.

Pursuant to Resolution No. 2012-035 adopted on May 21, 2012, the District issued its \$1,865,000 Special Levy Revenue Bonds, Series 2013 on November 21, 2013 and its \$2,135,000 Special Levy Revenue Bonds, Series 2015 on June 30, 2015. Under the Indenture dated as of November 1, 2013 and June 1, 2015, the Bonds are payable from revenues received by the District in each fiscal year from the payment of the Special Levy, authorized pursuant to the Act to be levied against parcels of land within the District in accordance with the Rate and Method of Apportionment of the Special Levy for the District approved by the City in the Formation Resolution.

The outstanding debt at June 30, 2018 amounted to \$3,825,000. The next principal payment of \$65,000 was made on October 1, 2018.

REQUESTS FOR INFORMATION

This narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2018 is designed to give its readers a general overview of the District's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the Treasurer of The Boulders Public Improvement District, c/o Rhonda Methvin, Department of Municipal Development, P.O. Box 1293, Albuquerque, NM 87103.

FINANCIAL STATEMENTS

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT
Statement of Net Position
June 30, 2018

	Governmental Activities
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 714,644
Special levy receivable	3,610
	<hr/>
Total assets	718,254
	<hr/>
LIABILITIES	
Accounts payable	8,402
Accrued expenses - professional services	11,327
Interest payable	60,531
Revenue bonds payable, net	
Due within one year	62,563
Due in more than one year	3,699,528
	<hr/>
Total liabilities	3,842,351
	<hr/>
NET POSITION	
Restricted	313,994
Unrestricted (deficit)	(3,438,091)
	<hr/>
Total net position	\$ (3,124,097)
	<hr/> <hr/>

See Notes to Financial Statements.

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT
Statement of Activities
Year Ended June 30, 2018

	<u>Expenses</u>	<u>Governmental Activities</u>
Expenses		
Interest expense	\$ 245,365	\$ (245,365)
General government	56,385	(56,385)
Total expenses	<u>\$ 301,750</u>	<u>(301,750)</u>
General Revenues		
Special levy		411,370
Interest income		5,383
		<u>416,753</u>
Change in net position		115,003
Net position, beginning		<u>(3,239,100)</u>
Net position, ending		<u>\$ (3,124,097)</u>

See Notes to Financial Statements.

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT
Balance Sheet – Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 400,650	95	313,899	714,644
Special levy receivable	3,610	-	-	3,610
	<u>\$ 404,260</u>	<u>95</u>	<u>313,899</u>	<u>718,254</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 8,402	-	-	8,402
Accrued expenses	11,327	-	-	11,327
Total liabilities	<u>19,729</u>	<u>-</u>	<u>-</u>	<u>19,729</u>
Fund balances				
Restricted	-	95	313,899	313,994
Unassigned	384,531	-	-	384,531
Total fund balances	<u>384,531</u>	<u>95</u>	<u>313,899</u>	<u>698,525</u>
Total liabilities and fund balances	<u>\$ 404,260</u>	<u>95</u>	<u>313,899</u>	<u>718,254</u>

See Notes to Financial Statements.

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT
Reconciliation of the Balance Sheet – Governmental
Funds to the Statement of Net Position
Year Ended June 30, 2018

Reconciliation of the Governmental Fund Balance
Sheet to the Statement of Net Position:

Fund balance - total governmental funds	\$	698,525
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Long-term obligations for revenue bonds are not due and payable in the current period, and therefore are not reported in the governmental funds</p>		(3,762,091)
<p>Interest payable on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due</p>		(60,531)
<p>A portion of receivables reported in the Statement of Net Position is not currently available in the funds</p>		<hr/> -
Net position of governmental activities	\$	<u><u>(3,124,097)</u></u>

See Notes to Financial Statements.

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT
Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds
Year Ended June 30, 2018

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
Revenues				
Special levy	\$ 411,370	-	-	411,370
Interest income	2,263	142	2,978	5,383
Total revenues	<u>413,633</u>	<u>142</u>	<u>2,978</u>	<u>416,753</u>
Expenditures				
General government	56,385	-	-	56,385
Debt service:				
Principal	-	60,000	-	60,000
Interest	-	243,731	-	243,731
Total expenditures	<u>56,385</u>	<u>303,731</u>	<u>-</u>	<u>360,116</u>
Excess (deficiency) of revenues over (under) expenditures	<u>357,248</u>	<u>(303,589)</u>	<u>2,978</u>	<u>56,637</u>
Other financing sources (uses)				
Transfer in	-	303,653	-	303,653
Transfer out	(302,151)	-	(1,502)	(303,653)
Total	<u>(302,151)</u>	<u>303,653</u>	<u>(1,502)</u>	<u>-</u>
Net change in fund balance	55,097	64	1,476	56,637
Fund balance, beginning	<u>329,434</u>	<u>31</u>	<u>312,423</u>	<u>641,888</u>
Fund balance, ending	<u>\$ 384,531</u>	<u>95</u>	<u>313,899</u>	<u>698,525</u>

See Notes to Financial Statements.

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2018

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Net changes in fund balances - total governmental funds	\$	56,637
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>The repayment of long-term debt consumes current financial resources of the governmental funds. This has no effect on the net position in the Statement of Activities</p>		60,000
<p>Government funds report the effect of the discount and the related current year amortization, whereas the amount is deferred and amortized in the Statement of Net Position</p>		<u>(1,634)</u>
Change in net position of governmental activities	\$	<u><u>115,003</u></u>

See Notes to Financial Statements.

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT
Budget to Actual Schedule (General Fund)
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Special levy	\$ 411,370	411,370	411,370	-
Interest income	-	-	2,263	2,263
Total revenues	<u>411,370</u>	<u>411,370</u>	<u>413,633</u>	<u>2,263</u>
Expenditures				
Current:				
General government	<u>139,896</u>	<u>139,896</u>	<u>56,385</u>	<u>83,511</u>
Total expenditures	<u>139,896</u>	<u>139,896</u>	<u>56,385</u>	<u>83,511</u>
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfer out	-	-	(302,151)	(302,151)
Total	<u>-</u>	<u>-</u>	<u>(302,151)</u>	<u>(302,151)</u>
Net change in fund balance	271,474	271,474	55,097	(216,377)
Fund balance, beginning	<u>329,434</u>	<u>329,434</u>	<u>329,434</u>	<u>-</u>
Fund balance, ending	<u>\$ 600,908</u>	<u>600,908</u>	<u>384,531</u>	<u>(216,377)</u>

See Notes to Financial Statements.

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT

Notes to the Financial Statements

June 30, 2018

NOTE 1. REPORTING ENTITY

The Boulders Public Improvement District (District) is a political subdivision of State of New Mexico duly created and existing pursuant to Sections 5-11-1 through 5-11-27 NMSA 1978, as amended, City of Albuquerque (City) Enactment No. 0-2003-12 and City Resolution Enactment No. R-2012-035 adopted on May 21, 2012.

The District was created to fund public infrastructure improvements (the "Boulders Project"), which encompasses approximately 68 acres of land located wholly within the corporate boundaries of the City. The Boulders Project includes roadways, storm drain, sanitary sewer water improvement and grading.

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 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. Directors serve six-year terms.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's policies are described below.

Basis of Presentation

Government-Wide Statements. The Statement of Net Position and Statement of Activities present financial information about reporting government as a whole. These statements include the financial activities of the overall District in its entirety. Eliminations have been made to minimize the double counting of internal transactions. District activities generally are financed through special levy.

The Statement of Activities presents a comparison between direct expenses and direct revenues for each function of the District governmental activities. Direct expenses are those that are specifically associated with and clearly identifiable to a particular function. Direct revenues include special levy on property covered by the District, interest income and dividend income from the investment of funds.

Fund Financial Statements. Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category.
- b. Total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Governmental Funds. The District reports the following major governmental funds:

- a. General Fund – is the District’s primary operating fund. It accounts for all the financial resources of the general government except those required to be accounted for in another fund.

Debt Service Funds:

- b. Bond Fund – used to account for the payment of principal and interest related to the bonds obligation.
- c. Reserve Fund –accounts for funds to be used in accordance with the bond indenture in situations whereby the bond fund does not have sufficient funds to pay for debt service payments.

Measurement Focus and Basis of Accounting

The Government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of when the related cash transaction takes place. On an accrual basis, revenue from special levy is recognized in the fiscal year during which the assessments are levied.

The governmental fund statements are reported using the current resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when they are both 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 the end of the fiscal year. Amount collected after the sixty-day period is recognized as deferred inflows of resources.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on the bond obligations, which are recognized as expenditures when paid. Proceeds from the issuance of bond obligations are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the District policy to use restricted first, then unrestricted as they are needed.

Cash Equivalents. The District considers all highly liquid debt instruments with original maturity of three months or less when purchased to be cash equivalents.

Receivables. All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At June 30, 2018, an allowance for uncollectible accounts was not considered necessary as all accounts are considered collectible.

Capital Assets. As capital assets are constructed, the ownership will be transferred to the City. As a result, the District does not capitalize any capital assets on its financial statements.

Long-Term Obligations. In the Government-wide financial statements, long-term debts are reported as liabilities. Long-term obligations of the governmental funds payable from the general revenues of the District are reported in the District-wide financial statements. Payments of principal and interest are reported as expenditures in the fund financial statements.

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond discount is recognized and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond discount.

In the governmental fund financial statements, bond discounts are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Special Levy. The District imposes a Special Levy, which secures the payment of the debt service on the District's Revenue Bonds Obligation.

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

The New Mexico State Legislature, pursuant to Section 7-37-5.4, NMSA 1978, enacted a law providing an exemption from the imposition of special levies in Public Improvement Districts for the principal place of residence for a disabled veteran, as defined in the legislation. The law extends the exemption to surviving spouses provided (1) the spouse and the disabled veteran were married at the time of the disabled veteran's death, (2) the surviving spouse continues to occupy the property continuously after the disabled veteran's death as the spouse's principal place of residence and (3) the surviving spouse has remained unmarried since the time of the disabled veteran's death.

The District determined that a total of 4 lots were subject to this exemption for fiscal year 2018 and the District did not seek to collect the Special Levy on those properties. This resulted in a \$4,890 reduction in the Special Levy that could be collected from property within the District. The District took such reduction into account in determining its fiscal year 2018 Special Levy requirement. The fiscal year 2018 Special Levy due on the regular property tax bills, together with the available account balances, was sufficient to cover the scheduled debt service payments due on the Bonds and the District administrative expenses. The District has no definitive information on the number of residences in the District that could in the future become subject to such exemption.

Transfers. Transfers in from (out to) other governmental funds are recorded as other financing sources (uses).

Fund Balance. As of June 30, 2018, the fund balances of governmental funds are classified as follows:

Restricted – amounts to be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Unassigned – All other spendable amounts.

The District has no fund balances that are classified as non-spendable, committed or assigned.

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT

Notes to the Financial Statements

June 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 could differ from those estimates.

Budgets. The budget is adopted on a modified accrual basis of accounting. The legal compliance for the budget is total expenditures.

NOTE 3. DEPOSITS AND INVESTMENTS

The District is authorized under the provision of Chapter 6, Article 10, paragraph 10, NMSA 1978, annotated, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

All money not immediately necessary for the public uses of the District may be invested in bonds or negotiable securities of the United States, the state or any county, municipality or town, securities that are issued by the United States government or by its agencies or instrumentalities or in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities. If the District is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance from financial institutions within the geographic boundaries of the governmental unit, the District may invest its money as provided under Section 6-10-10.1 NMSA 1978 with the New Mexico State Treasurer's investment pool for a period greater than 181 days. The State Treasurer's investment pool shall be invested as provided for State funds under Section 60-10-10 NMSA 1978. The District has not formally adopted a deposit and investment policy that limits the government's allowable deposits or investments and addresses the specific types of risk to which the government is exposed.

Cash and investments held by the District include cash on deposit with a financial institution. Deposits are secured by Federal depository insurance and U.S. Treasuries. Under New Mexico law, all deposits with financial institutions must be collateralized in an amount not less than 50% (102% for overnight deposits) of the uninsured balance. Market values of all cash and deposits approximate the cost of those assets.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. As of June 30, 2018, the District's deposits were not exposed to custodial risk, because the District cash is invested in a Government Money Market Fund. These investments are direct obligations of the US Government. Cash and cash equivalents invested in a Government Market Fund consist of the following:

	<u>2018</u>
Held in trust by Bank of Albuquerque in U.S. Treasury Fund	\$ <u>714,644</u>

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 4. REVENUE BONDS

On November 21, 2013, the District issued Revenue Bonds with a par value of \$1,865,000 for \$1,831,430, or a discount of \$33,570. The District had another bond issuance on June 30, 2015 for Revenue Bonds with a par value of \$2,135,000 for \$2,096,570, or a discount of \$38,430. The proceeds from issuance were primarily used in the construction of the Boulders Project. The bonds are generally callable with interest payable semi-annually, every April 1 and October 1. The obligations are secured by the pledge of net revenues from District Special Levy.

The Indenture of Trust and Security Agreements (Bond Indenture) dated November 1, 2013 and June 1, 2015 for the Series 2013 and 2015 Bonds, respectively, with Bank of Albuquerque (as Trustee) contains special mandatory and optional redemption. The special mandatory redemption, triggers when: (a) on or after the completion of the project, moneys are transferred from the Project Fund to the Prepayment Account of the Bond Fund, and (b) the prepayment in whole or in part of any Special Levy by the owner of the Property and the deposit of such prepayment amounts to the Prepayment Account of the Bond Fund. The optional redemption is available for principal maturing after October 1, 2023 and October 1, 2026 for the Series 2013 Bonds and Series 2015 Bonds, respectively. No events occurred that triggered special mandatory redemption.

The Indenture also contains maintenance of Reserve Fund Requirements equal to the least of (i) the maximum annual debt service requirements on all outstanding bonds; (ii) 125% of the average annual debt service requirements of the bonds; or (iii) 10% of the aggregate principal amount of the Bonds. The District is in compliance with this requirement at June 30, 2018.

The Series 2013 Revenue Bonds bear annual interest of 7.25%, with final maturity on October 1, 2043. The Series 2015 Revenue Bonds bear annual interest of 4% to 5.75%, with final maturity on October 1, 2044.

The following are the changes for Revenue Bonds during the year:

		<u>July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30</u>
Series 2013 Revenue Bonds	\$	1,790,000	-	(25,000)	1,765,000
Series 2015 Revenue Bonds		2,095,000	-	(35,000)	2,060,000
Discount - 2013 bonds		(29,543)	-	1,123	(28,420)
Discount - 2015 bonds		(35,803)	-	1,314	(34,489)
	\$	<u>3,819,654</u>	<u>-</u>	<u>(57,563)</u>	<u>3,762,091</u>

Annual debt service requirements to maturity for the revenue bonds are as follows:

<u>Year ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$	65,000	240,419	305,419
2020		70,000	236,906	306,906
2021		70,000	233,213	303,213
2022		75,000	229,141	304,141
2023		80,000	224,591	304,591
2024 – 2028		465,000	1,044,150	1,509,150
2029 – 2033		620,000	873,462	1,493,462
2034 – 2038		830,000	641,350	1,471,350
2039 – 2043		1,270,000	335,762	1,605,762
2044 – 2045		280,000	9,100	289,100
	\$	<u>3,825,000</u>	<u>4,068,094</u>	<u>7,893,094</u>

Interest and principal payments of the revenue bonds are serviced by revenues generated from the Special Levy and are paid from the Bond Fund.

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT
Notes to the Financial Statements
June 30, 2018

NOTE 5. DEFICIT NET POSITION

The total net position balance is in a deficit position. This is due to the fact that the capital assets acquired with bond proceeds were transferred to another governmental agency. This resulted in the recognition of long-term debt with no related asset on the District’s financial statement. The long term debt will be repaid with future special levy taxes. The resulting deficit net position as of June 30, 2018 is \$3,124,097.

NOTE 6. INTERFUND TRANSFERS

For the year ended June 30, 2018, the District transfers were made to fund debt service payments and administrative expenses. The following transfers were made during the year:

<u>Transfer Out</u>	<u>Transfer In Bond Fund</u>
General Fund	\$ 302,151
Reserve Fund	<u>1,502</u>
	<u>\$ 303,653</u>

NOTE 7. INSURANCE COVERAGE

The District is exposed to various risk of loss from torts; theft of, damage to, and destruction of assets; business interruption; and errors and omission and natural disasters. The District is not insured through private carriers for liability, casualty and director and office liability.

Section 5-11-25 NMSA 1978 provides that neither any member of the board of directors of a district nor any person acting on behalf of the district, while acting within the scope of his authority, shall be subject to any personal liability for any action taken or omitted within that scope of authority. In addition, the Development Agreement provides that the Developer will indemnify and will hold the City, the District, and their respective agents and employees against any liabilities, claims, costs and expenses incurred in any challenge or proceeding relevant to the formation, operation and administration of the District.

OTHER INFORMATION

INDEPENDENT AUDITOR’S 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

To the Board of Directors
The Boulders Public Improvement District
and
Mr. Wayne Johnson
New Mexico State Auditor

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the budgetary comparison of the general fund of The Boulders Public Improvement District (the “District”), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated October 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’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 or significant deficiencies. However, material weaknesses or deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 results 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.



Albuquerque, New Mexico
October 15, 2018

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT
Schedule of Prior Year Audit Findings
Year Ended June 30, 2018

PRIOR YEAR FINDINGS

No prior year findings.

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT
Schedule of Findings and Responses
Year Ended June 30, 2018

FINANCIAL STATEMENT FINDINGS

No matters were reported.

THE BOULDERS PUBLIC IMPROVEMENT DISTRICT

Exit Conference

Year Ended June 30, 2018

EXIT CONFERENCE

An exit conference was held on October 12, 2018, which was attended by the following:

The Boulders Public Improvement District

Rhonda Methvin, Chairman

Jenica Jacobi, Legal Counsel (Rodey Law Firm)

Dee Brescia, Accountant (Brescia Consulting)

Axiom Certified Public Accountants and Business Advisors LLC

Jaime Rumbaoa, CPA, CITP, CFE, CISA, Partner

Financial Statement Presentation

The financial statements were prepared with the assistance of Axiom CPAs and Business Advisors LLC.