

Cimmaron Limited Partnership

Financial Statements

Years Ended December 31, 2014 and 2013

And Supplementary Information

Year Ended December 31, 2014

Cimmaron Limited Partnership

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INDEPENDENT AUDITOR'S REPORT

To the Partners of

Cimmaron Limited Partnership
Anthony, New Mexico
and
Tim Keller, New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of Cimmaron Limited Partnership, which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of operations, changes in partners' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits 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 Cimmaron Limited Partnership'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 Cimmaron Limited Partnership'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cimmaron Limited Partnership as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 18 - 19 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information shown on pages 18 - 19 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information shown on pages 18 - 19 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2015, on our consideration of Cimmaron Limited Partnership's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Cimmaron Limited Partnership's internal control over financial reporting and compliance.



Boothe, Vassar & Company

May 21, 2015
Big Spring, Texas

Cimmaron Limited Partnership
Balance Sheets
December 31, 2014 and 2013

ASSETS

	12/31/2014	12/31/2013
Current Assets:		
Cash and Cash Equivalents	\$ 6,978	\$ 18,150
Accounts Receivable - Tenants	128	504
Accounts Receivable - PHA	985	7,519
Prepaid Expenses	13,723	13,493
Total Current Assets	21,814	39,666
Restricted Deposits & Funded Reserves:		
Tenant Security Deposits	25,411	25,892
Real Estate Tax & Insurance	9,702	6,683
Other Escrows	1,252	1,235
Replacement Reserve	121,742	103,719
Operating Reserve	97,484	97,439
Total Restricted Deposits & Funded Reserves	255,591	234,968
Property & Equipment:		
Land	120,000	120,000
Buildings	5,614,079	5,614,079
Site Improvements	64,049	64,049
Furnishings	33,978	33,626
Accumulated Depreciation	(1,245,498)	(1,096,470)
Total Property & Equipment	4,586,608	4,735,284
Other Assets:		
Deferred Finance Cost, net of amortization	92,506	95,490
Deferred Tax Credit Fees, net of amortization	22,777	26,573
Total Other Assets	115,283	122,063
Total Assets	\$ 4,979,296	\$ 5,131,981

*The accompanying notes are an integral part
of these financial statements*

Cimmaron Limited Partnership

Balance Sheets

December 31, 2014 and 2013

LIABILITIES & PARTNERS' EQUITY

	<u>12/31/2014</u>	<u>12/31/2013</u>
Liabilities:		
Current Liabilities:		
Current Maturities of Long-Term Debt	\$ 9,673	\$ 9,074
Accounts Payable	5,434	8,556
Accrued Interest	6,599	6,595
Accrued Expenses	10,225	11,700
Accrued Property Taxes	6,873	7,396
Total Current Liabilities	<u>38,804</u>	<u>43,321</u>
Deposits & Prepaid Liabilities:		
Tenant Security Deposits	24,305	25,857
Prepaid Tenant Fees	126	844
Total Deposits & Prepaid Liabilities	<u>24,431</u>	<u>26,701</u>
Long-Term Liabilities:		
Long-Term Debt (net of current maturities)	1,213,216	1,222,890
Long-Term Accrued Interest	87,406	74,871
Deferred Development Fees	80,000	80,000
Asset Management Fee / Return to Owner	4,434	4,305
Total Long-Term Liabilities	<u>1,385,056</u>	<u>1,382,066</u>
Total Liabilities	<u>1,448,291</u>	<u>1,452,088</u>
Partners' Equity (Deficit)	<u>3,531,005</u>	<u>3,679,893</u>
Total Liabilities & Partners' Equity	<u>\$ 4,979,296</u>	<u>\$ 5,131,981</u>

*The accompanying notes are an integral part
of these financial statements*

Cimmaron Limited Partnership
Statements of Operations
For the Years Ended December 31, 2014 and 2013

	12/31/2014	12/31/2013
Rental Income:		
Potential Rental Income	\$ 341,921	\$ 343,632
Lease Excess	15,478	9,957
Less: Vacancies	(13,428)	(13,488)
Less: Concessions	(3,060)	(1,507)
Total Rental Income	340,911	338,594
 Other Income:		
Interest Income	71	82
Laundry & Vending	130	27
Tenant Charges	19,105	14,690
Miscellaneous Income	3,229	4,361
Total Other Income	22,535	19,160
Total Income	363,446	357,754
 Operating Expenses:		
Administrative	71,571	70,478
Utilities	71,974	47,922
Maintenance	71,654	68,862
Taxes & Insurance	52,111	54,089
Financial Expense	84,095	84,100
Service Coordinator	687	2,685
Total Cost of Operations	352,092	328,136
Net Income/(Loss) from Operations	11,354	29,618
 Non-Operating Income & (Expenses):		
Administrative Fees	(4,434)	(4,305)
Depreciation Expense	(149,028)	(148,539)
Amortization Expense	(6,780)	(6,780)
Total Non-Operating Income & (Expenses)	(160,242)	(159,624)
Net Income/(Loss)	\$ (148,888)	\$ (130,006)

*The accompanying notes are an integral part
of these financial statements*

Cimmaron Limited Partnership
Statements of Changes in Partners' Equity (Deficit)
For the Years Ended December 31, 2014 and 2013

	<u>Total</u>	<u>General Partner Equity</u>	<u>Limited Partner Equity</u>
Partners' Equity (Deficit), December 31, 2012	\$ 3,809,899	\$ 15	\$ 3,809,884
Net Income/(Loss): 12/31/2013	(130,006)	(13)	(129,993)
Partners' Capital Contributions	0	0	0
Partners' Distributions	<u>0</u>	<u>0</u>	<u>0</u>
Partners' Equity (Deficit), December 31, 2013	\$ 3,679,893	\$ 2	\$ 3,679,891
Net Income/(Loss): 12/31/2014	(148,888)	(15)	(148,873)
Partners' Capital Contributions	0	0	0
Partners' Distributions	<u>0</u>	<u>0</u>	<u>0</u>
Partners' Equity (Deficit), December 31, 2014	<u>\$ 3,531,005</u>	<u>\$ (13)</u>	<u>\$ 3,531,018</u>

*The accompanying notes are an integral part
of these financial statements*

Cimmaron Limited Partnership
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013
Increase (Decrease) in Cash and Cash Equivalents

	12/31/2014	12/31/2013
Cash Flows From Operating Activities:		
Revenue:		
Rental Receipts	\$ 347,103	\$ 336,933
Other Income	22,535	19,160
Total Receipts	369,638	356,093
Expenses:		
Administrative	(51,869)	(55,364)
Management Fees	(19,635)	(18,924)
Utilities	(74,766)	(47,922)
Maintenance	(72,585)	(68,862)
Taxes & Insurance	(52,634)	(54,630)
Financial Expense	(84,091)	(84,926)
Tenant Security Deposits	(1,071)	606
Service Coordinator	(687)	(2,685)
Asset Management Expense	(4,305)	(4,179)
Total Disbursements	(361,643)	(336,886)
Net Cash from Operating Activities:	7,995	19,207
Cash Flows From Investing Activities:		
Purchase Property & Equipment	(1,522)	(3,898)
Replacement Reserve	(18,023)	(13,578)
Real Estate Tax & Insurance	(3,020)	(608)
Other Escrows	(17)	(16)
Operating Reserve	(45)	(55)
Net Cash from Investing Activities:	(22,627)	(18,155)
Cash Flows From Financing Activities:		
Principal Payments on Mortgage	(9,075)	(8,511)
Long-Term Accrued Interest	12,535	12,055
Net Cash from Financing Activities:	3,460	3,544
Increase (Decrease) In Cash	(11,172)	4,596
Cash at Beginning of Period	18,150	13,554
Cash at End of Period	\$ 6,978	\$ 18,150

*The accompanying notes are an integral part
of these financial statements*

Cimmaron Limited Partnership
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013
Increase (Decrease) in Cash and Cash Equivalents

	12/31/2014	12/31/2013
Reconciliation of Net Profit (Loss) to Net Cash Provided by Operating Activities:		
Net Income (Loss)	\$ (148,888)	\$ (130,006)
Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	149,028	148,539
Amortization Expense	6,780	6,780
(Increase) Decrease In Assets		
Accounts Receivable - Tenants	376	1,273
Accounts Receivable - PHA	6,534	(259)
Prepaid Expenses	(230)	(389)
Tenant Security Deposits	481	(1,753)
Increase (Decrease) In Liabilities		
Accounts Payable	(1,951)	5,695
Accrued Interest	4	3
Accrued Expenses	(1,475)	(9,945)
Accrued Property Taxes	(523)	(541)
Tenant Security Deposits	(1,552)	2,359
Prepaid Tenant Fees	(718)	(2,675)
Asset Management Fee / Return to Owner	129	126
Net Cash from Operating Activities	\$ 7,995	\$ 19,207
 <u>Supplemental Disclosures:</u>		
Interest Paid	\$ 66,625	\$ 67,066

The accompanying notes are an integral part of these financial statements

Cimmaron Limited Partnership
Notes to Financial Statements
December 31, 2014 and 2013

NOTE A - ORGANIZATION

Cimmaron Limited Partnership was organized in 2004 as a Limited Partnership to develop, construct, own, maintain, and operate a 60-unit rental housing project for mixed income tenants with both tax credit and market rate units. The Project is located in the city of Anthony, New Mexico, and is currently known as Cimmaron Apartments. The major activities of the Partnership are governed by the Partnership Agreement and the Internal Revenue Code Section 42.

The management of the Partnership and the ongoing management of Cimmaron Apartments are vested in the Partners. The Partnership has hired JL Gray Company to provide day to day management for the property. Compensation for such services is as determined under the Partnership Agreement and Management Agreement.

The Project is financed and constructed under Section 542(c) of the Housing and Community Development Act, as amended, and is administered by the New Mexico Mortgage Finance Authority (MFA). Under this program, the Company provides housing to low and moderate income tenants, subject to regulation by MFA and the United States Department of Housing and Urban Development (HUD), as to rental charges and operating methods. Lower rental charges to tenants are recovered by the Project through rent subsidies provided by the local Public Housing Authority (PHA).

The Partnership is reported as a component unit of Mesilla Valley Public Housing Authority (MVPHA), previously Housing Authority of the City of Las Cruces, because MVPHA is a member of the General Partner of the Partnership. The Partnership has no component units.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

A summary of the Partnership's significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Basis of Accounting

The Partnership utilized the accrual basis of accounting, whereby income is recognized as earned and expenses are recognized as obligations are incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted short-term investments with an original maturity of three months or less, cash on deposit, money market funds and certificates of deposit.

Cash and Other Deposits

The Partnership maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cimmaron Limited Partnership
Notes to Financial Statements
December 31, 2014 and 2013

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)

Collateralization of Deposits

The Project is a component unit of the Housing Authority of the City of Las Cruces and as such, is not required to secure collateralization on cash deposits.

Tenants' Security Deposits

Tenants' security deposits are held in a separate bank account. This account was funded in an amount greater than the security deposit liability as of December 31, 2014 and 2013.

Tenant Receivable and Bad Debt Policy

Tenant rent charges for the current month are due on the first of the month. The Partnership does not accrue interest on the tenant receivable balances. The Partnership has not established an allowance for doubtful accounts and does not use the reserve method for recognizing bad debts. Bad debts are treated as direct write-offs in the period management determines that collection is not probable.

Property and Equipment

Property and equipment are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Any resulting gains and losses are reflected in the statements of operations. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

	Estimated Life
Buildings	40
Site Improvements	7-20
Furnishings	3-10

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the moment by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2014 or 2013.

Cimmaron Limited Partnership
Notes to Financial Statements
December 31, 2014 and 2013

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income passes through to, and is reportable by, the Partners individually. As of December 31, 2014, the Partnership's tax years for 2011, 2012 and 2013 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2014, the Partnership is no longer subject to examinations by tax authorities for years before 2011.

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 disclosure 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.

Rental Income

Rental Income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the property are operating leases.

Reclassifications

Certain items in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

The Partners of Cimmaron Limited Partnership and their respective profit and loss percentages are as follows as of December 31, 2014 and 2013:

General Partner:	
<i>CIMMARON APARTMENTS ONE LLC</i>	0.01 %
Limited Partner:	
<i>NEF Assignment Corporation</i>	<u>99.99 %</u>
Total	<u>100.00 %</u>

Distributable cash flow is defined in the Partnership Agreement as the sum of all cash receipts less cash disbursements for operating activities and Replacement Reserve funding.

Cimmaron Limited Partnership
Notes to Financial Statements
December 31, 2014 and 2013

NOTE D - LONG-TERM DEBT

The Project is financed with a 40-year mortgage payable to New Mexico Mortgage Finance Authority in the original amount of \$1,042,000, with an interest rate of 6.42%. The mortgage is payable in monthly installments of \$6,041 including interest through the maturity date. The loan payments are based on a 40-year amortization schedule. The unpaid principal of the loan is due November 2046. In addition, monthly deposits for taxes, insurance and replacement of depreciable assets are required. The accrued interest was \$5,259 and \$5,307 as of December 31, 2014 and 2013, respectively. Interest expensed on this loan was \$63,372 and \$63,937 as of December 31, 2014 and 2013, respectively.

	<u>12/31/2014</u>	<u>12/31/2013</u>
	\$ 982,889	\$ 991,964

The Project also has a 40-year mortgage payable to New Mexico Mortgage Finance Authority Home Program in the original amount of \$240,000. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 4.91% per annum. Interest only payments shall be made monthly in the amount of 1% of the outstanding principal plus accrued and unpaid interest (per amortization schedule) beginning in 2006. Principal and unpaid interest are due November 2046. The short-term accrued interest was \$1,340 and \$1,288 as of December 31, 2014 and 2013, respectively. The long-term accrued interest was \$87,406 and \$74,871 as of December 31, 2014 and 2013, respectively. Interest expensed on this loan was \$15,792 and \$15,187 as of December 31, 2014 and 2013, respectively.

	<u>240,000</u>	<u>240,000</u>
Total	1,222,889	1,231,964
Less: Current Portion	9,673	9,074
Long-Term Notes Payable	<u>\$ 1,213,216</u>	<u>\$ 1,222,890</u>

Cimmaron Limited Partnership
Notes to Financial Statements
December 31, 2014 and 2013

NOTE D - LONG-TERM DEBT (continued)

Aggregate maturities of the mortgage notes are approximated as follows:

	<u>Principal</u>	<u>Interest</u>
December 31, 2015	\$ 9,673	\$ 66,154
2016	10,314	65,647
2017	10,995	65,103
2018	11,723	64,519
2019	12,498	63,893
2020-2024	76,033	308,375
2025-2029	104,722	284,414
2030-2034	144,236	250,647
2035-2039	198,660	203,209
2040-2044	273,620	136,741
2045-2049	370,415	17,073
Total	<u>\$ 1,222,889</u>	<u>\$ 1,525,775</u>

The apartment project is pledged as collateral for the mortgage. The mortgage loan is nonrecourse debt secured by deeds of trust on the related real estate.

NOTE E - RESERVE FUNDS

Replacement Reserve

In accordance with the Partnership Agreement, the General Partner shall establish a Replacement Reserve account. The General Partner shall make monthly deposits of \$300 per unit per year, totaling \$18,000 annually. The Replacement Reserve shall be used to make capital improvements and repairs to the Project. The Replacement Reserve balance was \$121,742 and \$103,719 as of December 31, 2014 and 2013, respectively.

Operating Reserve

In accordance with the Partnership Agreement, the General Partner shall establish an Operating Reserve fund in the amount of \$92,284. Funds are to be used for operating and debt service deficits. The Operating Reserve balance was \$97,484 and \$97,439 as of December 31, 2014 and 2013, respectively.

Cimmaron Limited Partnership
Notes to Financial Statements
December 31, 2014 and 2013

NOTE F - COMMITMENTS AND CONTINGENCIES

Housing Tax Credits

As incentive for investment equity, the Partnership applied for and received an allocation certificate for Housing Tax Credits established by the Tax Reform Act of 1986. To qualify for the Tax Credits, the Partnership must meet certain requirements, including attaining a qualified basis sufficient to support the credit allocation. In addition, tenant eligibility and rental charges are restricted in accordance with Internal Revenue Code Section 42. Management has certified that each Tax Credit unit has met these qualifications to allow the credits allocated to each unit be claimed.

Compliance with these regulations must be maintained in each of the fifteen consecutive years of the compliance period. Failure to maintain compliance with occupant eligibility, unit gross rent, or to correct noncompliance within a reasonable time period could result in recapture of previously claimed Tax Credits plus interest.

HOME Investment Partnerships Program

In addition, the Partnership received funding from the HOME Investment Partnerships Program to assist with financing the development of the Project. Under the terms of the agreement, three units shall be designated as floating HOME assisted units.

Regulatory Agreement Provisions

On February 5, 2001, the Company executed a 542 (c) Multifamily Insurance Program Regulatory Agreement with the New Mexico Mortgage Finance Authority in order to obtain the "risk-sharing" mortgage loan. The Company is required to abide by the Regulatory Agreement provisions including, but not limited to, (1) the maintenance of certain tenant income requirements, (2) limitations on surplus cash distributions, (3) Replacement Reserve requirements, and (4) compliance with Affirmative Fair Housing marketing plans.

NOTE G - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Management Fee

In accordance with the Management Agreement, the Partnership has incurred Management Fee expenses for services rendered in connection with the leasing and operation of the Project. The current year management fee is equal to 5.5% of gross rental collections. Property Management Fees expensed were \$19,470 and \$19,277 during 2014 and 2013, respectively. The amounts due to the Management Agent related to Management Fees were \$188 and \$353 as of December 31, 2014 and 2013, respectively.

Cimmaron Limited Partnership
Notes to Financial Statements
December 31, 2014 and 2013

NOTE G - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES *(continued)*

Owner Distribution - Asset Management Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the Limited Partner an Asset Management Fee in the amount of \$3,500, increasing annually by three percent (3%), for property management oversight, tax credit compliance monitoring, and related services. Asset Management Fees of \$4,434 and \$4,305 were recognized during 2014 and 2013, respectively. The amounts due to the Limited Partner related to Asset Management Fees were \$4,434 and \$4,305 as of December 31, 2014 and 2013, respectively.

Owner Distribution - Partnership Management Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the General Partner a Partnership Management Fee in the amount of \$25,000 for the managing of the Partnerships assets and operations and coordinating the preparation of the required State Housing Finance Agency, federal, state, and local tax and other required filings and reports. There were no Partnership Management Fees accrued during 2014 and 2013, respectively.

Development Fee

The Partnership has incurred a Development Services Agreement with CAASNM and JL Gray Company. Fees for these services are based on a percentage of the Total Development Cost, as defined by the Agreement, for a total projected Development Fee of \$659,093 rendered to the Partnership for overseeing the construction of the Project. This Development Fee has been capitalized into the basis of the building. As of December 31, 2014, \$579,093 of this fee has been paid. The amounts due related to Development Fees were \$80,000 and \$80,000 as of December 31, 2014 and 2013, respectively.

Laundry Lease

The Partnership leased space for the installation and operation of coin-operated laundry and vending machine equipment to JL Gray Company for fifty percent (50%) of the laundry room receipts after Gross Receipts Tax. This lease continues in effect until terminated by either party. The Partnership received rental income of \$130 and \$27 for the years ended December 31, 2014 and 2013, respectively.

Reimbursed Expenses

The Management Agent is reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent, some expenses are incurred for the property by the Management Agent. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. There were no amounts due to the Management Agent related to reimbursed expenses as of December 31, 2014 and 2013, respectively.

Cimmaron Limited Partnership
Notes to Financial Statements
December 31, 2014 and 2013

NOTE G - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES (continued)

Operating Deficit Guaranty

Pursuant to the Partnership Agreement, the General Partner shall be obligated to provide any funds needed by the Partnership, after all funds in the Operating Reserve account have been used, to fund operating deficits through the later of the closing or conversion to the Permanent Loan and achievement of a Debt Service Coverage Ratio of 1.15:1, as defined. The amount guaranteed is limited to \$147,899. If this amount reaches zero, the General Partner is required to provide the funds to the Partnership for operating deficits. The requirement to fund additional operating deficits will terminate on the date the following occurs:

- 1) The Project has operated at Break-even three consecutive calendar years following the stabilization date of the Project; or
- 2) The Project has met the required Debt Service Coverage Ratio for three years.

NOTE H - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Cimmaron Apartments. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies. Such administrative directives, rules, and regulations are subject to change by federal and state agencies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE I - ACCRUED EXPENSES

The accrued expenses on the balance sheet contain the following:

	12/31/2014	12/31/2013
Accrued Payroll Expenses	\$ 1,542	\$ 927
Accrued Audit Fees	8,683	10,773
Total Accrued Expenses	\$ 10,225	\$ 11,700

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 21, 2015 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

Cimmaron Limited Partnership
Supplemental Information Required by HUD
Year Ended December 31, 2014

Cimmaron Limited Partnership
Supplementary Information Required by HUD
Year Ending December 31, 2014

1. SCHEDULE OF RESERVE FOR REPLACEMENTS

Balance as of January 1, 2014	\$ 103,719
Monthly Deposits	18,000
Interest Earned on Reserve for Replacement Account (Net of Service Fees)	23
Balance as of December 31, 2014	\$ 121,742

Deposits Suspended or Waived Indicator No

2. SCHEDULE OF OPERATING RESERVE

Balance as of January 1, 2014	\$ 97,439
Monthly Deposits	0
Interest Earned on Operating Reserve Account (Net of Service Fees)	45
Balance as of December 31, 2014	\$ 97,484

3. SCHEDULE OF CHANGES IN FIXED ASSETS

	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014
Land	\$ 120,000	\$ 0	\$ 0	\$ 120,000
Buildings	5,614,079	0	0	5,614,079
Site Improvements/Building Equipment	64,049	0	0	64,049
Furnishings	33,626	352	0	33,978
Totals	5,831,754	352	0	5,832,106
Accumulated Depreciation	1,096,470	\$ 149,028	\$ 0	1,245,498
Net Book Value	\$ 4,735,284			\$ 4,586,608

Schedule of Additions to Fixed Assets:

	12/31/2014
Water Heater	352
Totals:	\$ 352

Cimmaron Limited Partnership
Computation of Surplus Cash, Distributions and Residual Receipts
Year Ending December 31, 2014

		<u>12/31/2014</u>
Cash:		
	Cash	\$ 32,389
	Total Cash	<u>32,389</u>
Current Obligations:		
	Accrued Mortgage Interest Payable	6,599
	Accounts Payable - 30 Days	5,434
	Accrued Expenses (not escrowed)	10,225
	Prepaid Revenue	126
	Tenant Security Deposits Liability	24,305
	Total Current Obligations	<u>46,689</u>
	Surplus Cash (Deficiency)	<u>(14,300)</u>
Amount Available for Distribution During Next Fiscal Period:		
	Surplus Cash	<u>\$ 0</u>

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CERTIFIED PUBLIC ACCOUNTANTS

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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 Partners of
Cimmaron Limited Partnership
Anthony, New Mexico
and
Tim Keller, 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 Cimmaron Limited Partnership which comprise the balance sheet as of December 31, 2014, and related statements of operations, changes in partners' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cimmaron Limited Partnership'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cimmaron Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of Cimmaron Limited Partnership'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. 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 Cimmaron Limited Partnership'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.



Boothe, Vassar & Company

May 21, 2015
Big Spring, Texas

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

To the Partners of
Cimmaron Limited Partnership
Anthony, New Mexico
and
Tim Keller, New Mexico State Auditor

Report on Compliance for Each Major HUD Program

We have audited Cimmaron Limited Partnership's compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide) that could have direct and material effect on each of Cimmaron Limited Partnership's major U.S. Department of Housing and Urban Development (HUD) programs for the year ended December 31, 2014. Cimmaron Limited Partnership's major HUD program is a HUD insured mortgage.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its HUD program(s).

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cimmaron Limited Partnership's major HUD programs based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major HUD program occurred. An audit includes examining, on a test basis, evidence about Cimmaron Limited Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major HUD program. However, our audit does not provide a legal determination of Cimmaron Limited Partnership's compliance.

Opinion on Each Major HUD Program

In our opinion, Cimmaron Limited Partnership complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Cimmaron Limited Partnership is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cimmaron Limited Partnership's internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cimmaron Limited Partnership's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.



Boothe, Vassar & Company

May 21, 2015
Big Spring, Texas

Cimmaron Limited Partnership
Schedule of Findings and Responses
December 31, 2014

Current Year Audit Findings: December 31, 2014

Our audit disclosed no findings that are required to be reported.

Cimmaron Limited Partnership
Schedule of the Status of Prior Audit Findings,
Questioned Costs, and Recommendations
December 31, 2014

Prior Year Audit Findings: December 31, 2013

Our audit disclosed no findings that are required to be reported.

Cimmaron Limited Partnership

Mortgagor's Certification

December 31, 2014

We hereby certify that we have examined the accompanying financial statements and supplemental information of Cimmaron Limited Partnership as of December 31, 2014, and to the best of our knowledge and belief, the same are complete and accurate.

Signatories:

Signed:  Date: 6/5/15
Name: Juan Olvera

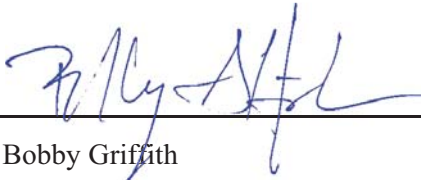
Title: Executive Director
Mesilla Valley Public Housing Authority

Auditee Information:

505-325-6515
May 21, 2015
Cimmaron Limited Partnership
825 N 4th St
Anthony, New Mexico 88021

Cimmaron Limited Partnership
Management Agent's Certification
December 31, 2014

We hereby certify that we have examined the accompanying financial statements and supplemental information of Cimmaron Limited Partnership as of December 31, 2014, and to the best of our knowledge and belief, the same are complete and accurate.

Signed:  Date: June 15, 2015

Name: Bobby Griffith

Title: CFO - Senior Executive

Management Company: JL Gray Company

Address: 1816 East Mojave St.
Farmington, NM 87401

Federal I.D. Number: 85-0327246

