HINKLE + LANDERS

Certified Public Accountants + Business Consultants

CIMMARON LIMITED PARTNERSHIP

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

For the Year Ended December 31, 2018, With Comparative Totals For 2017

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INDEPENDENT AUDITOR'S REPORT

To the Partners of
Cimmaron Limited Partnership
Anthony, New Mexico
and
Brian S. Colón, New Mexico State Auditor

Report on Financial Statements
We have audited the accompanying financial statements of the Cimmaron Limited Partnership (the Partnership), which comprise the balance sheet as of December 31, 2018, and the 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.

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 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 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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the Partnership's financial statements for the year ended December 31, 2017 dated May 18, 2018. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for prior year comparative data, is based solely on the report of the other auditors. Those auditors expressed an unmodified opinion on those statements.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information Required by HUD and the Computation of Surplus Cash and Distributions, as identified in the table of contents, is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD-Assisted Programs (the Guide),* issued by the U.S. Department of Housing and Urban Development, Office of Inspector General and is not a required part of the financial statements.

The Schedule of Expenses, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

All supplementary information 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 supplementary information 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 April 11, 2019 on our consideration of the Partnership'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 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 Partnership's internal control over financial reporting and compliance.

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
April 11, 2019

CIMMARON LIMITED PARTNERSHIP
Balance Sheet
As of December 31, 2018, With Comparative Totals for 2017

		2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	$	**41,017**	20,396
Receivables		**498**	548
Prepaid expenses		**15,570**	17,620
Total current assets		**57,085**	38,564
Restricted Deposits & Funded Reserves			
Tenant security deposits		**29,176**	27,618
Real estate tax & insurance		**9,209**	11,569
Other escrows		**1,522**	1,423
Replacement cash reserve		**194,459**	176,176
Total restricted deposits & funded reserves		**234,366**	216,786
Property & Equipment			
Land		**120,000**	120,000
Buildings		**5,614,079**	5,614,079
Site improvements		**64,049**	64,049
Furnishings		**33,978**	33,978
Total property and equipment		**5,832,106**	5,832,106
Less: accumulated depreciation		**(1,832,116)**	(1,687,178)
Net property and equipment		**3,999,990**	4,144,928
Other Assets			
Deferred tax credit fees, net of amortization		**7,593**	11,389
Total other assets		**7,593**	11,389
Entity Assets			
Operating reserve		**97,602**	97,572
Total entity assets		**97,602**	97,572
Total Assets	$	**4,396,636**	4,509,239
LIABILITIES			
Current Liabilities			
Current maturities of long-term debt	$	**12,497**	11,723
Accounts payable		**4,028**	5,874
Accrued interest		**7,520**	6,599
Accrued expenses		**11,549**	8,211
Accrued property taxes		**6,171**	7,645
Total current liabilities		**41,765**	40,052
Deposits & Prepaid Liabilities			
Tenant security deposits		**28,603**	27,618
Prepaid tenant fees		**1,510**	726
Total deposits & prepaid liabilities		**30,113**	28,344
Long-Term Liabilities			
Long-term debt (net of current maturities)		**1,087,117**	1,096,632
Long-term accrued interest		**142,736**	128,083
Deferred development fees		**70,000**	80,000
Asset management fee/return to owner		**4,990**	4,845
Total long-term liabilities		**1,304,843**	1,309,560
Total Liabilities		**1,376,721**	1,377,956
Partners' Equity (Deficit)		**3,019,915**	3,131,283
Total Liabilities & Partners' Equity	$	**4,396,636**	4,509,239

The independent auditor's report and accompanying notes are an integral part of these financial statements.

CIMMARON LIMITED PARTNERSHIP
Statement of Operations
For the Year Ended December 31, 2018, With Comparative Totals for 2017

		2018 Total	2017 Total
REVENUE			
Rental Income			
Potential rental income	$	**388,224**	381,462
Lease excess		**7,722**	12,783
Less: vacancies		**(11,350)**	(8,348)
Less: concessions		**(2,803)**	(7,445)
Net rental income		**381,793**	378,452
Other Income			
Interest income		**316**	282
Laundry & vending		**-**	78
Tenant charges		**11,287**	15,510
Miscellaneous income		**-**	1,323
Total other income		**11,603**	17,193
Total Revenue		**393,396**	395,645
EXPENSES			
Operating Expenses			
Administrative		**77,541**	80,659
Utilities		**51,393**	49,722
Maintenance		**82,037**	83,788
Taxes & insurance		**52,366**	60,159
Financial expenses		**87,703**	87,905
Total cost of operations		**351,040**	362,233
Net Income/(Loss) from Operations		**42,356**	33,412
Non-Operating Income & (Expenses)			
Administrative fees		**(4,990)**	(4,845)
Depreciation expense		**(144,938)**	(145,561)
Amortization expense		**(3,796)**	(3,796)
Total non-operating income & (expenses)		**(153,724)**	(154,202)
Net Income/(Loss)	$	**(111,368)**	(120,790)

The independent auditor’s report and accompanying notes are an integral part of these financial statements.

CIMMARON LIMITED PARTNERSHIP
Statement of Changes in Partners' Equity (Deficit)
For the Year Ended December 31, 2018, With Comparative Totals for 2017

		Total	General Partner Equity	Limited Partner Equity
Partners' Equity (Deficit), December 31, 2016	$	3,252,073	(41)	3,252,114
Net Income/(Loss)		(120,790)	(12)	(120,778)
Partners' Capital Contributions		-	-	-
Partners' Distributions		-	-	-
Partners' Equity (Deficit), December 31, 2017	$	3,131,283	(53)	3,131,336
Net Income/(Loss)		(111,368)	(11)	(111,357)
Partners' Capital Contributions		-	-	-
Partners' Distributions		-	-	-
Partners' Equity (Deficit), December 31, 2018	$	**3,019,915**	**(64)**	**3,019,979**

The independent auditor's report and accompanying notes are an integral part of these financial statements.

CIMMARON LIMITED PARTNERSHIP
Statement of Cash Flows
For the Year Ended December 31, 2018, With Comparative Totals for 2017

CASH FLOWS FROM OPERATING ACTIVITIES		2018	2017
Revenue			
Rental receipts	$	**382,627**	377,914
Other income		**11,603**	17,193
Total Receipts		**394,230**	395,107
Expenses			
Administrative		**(53,017)**	(59,593)
Management fees		**(20,983)**	(21,527)
Utilities		**(51,393)**	(49,722)
Maintenance		**(82,037)**	(89,748)
Taxes & insurance		**(53,840)**	(59,351)
Financial expense		**(20,203)**	(19,820)
Interest paid		**(63,595)**	(65,102)
Tenant security deposits		**(573)**	968
Asset management expense		**(4,845)**	(4,704)
Total Disbursements		**(350,486)**	(368,599)
Net cash provided (used) by operating activities		**43,744**	26,508
CASH FLOWS FROM INVESTING ACTIVITIES			
Replacement reserve		**(18,283)**	(18,250)
Real estate tax & insurance		**2,360**	(4,427)
Other escrows		**(99)**	(36)
Operating reserve		**(30)**	(29)
Net cash provided (used) by investing activities		**(16,052)**	(22,742)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on mortgage		**(11,724)**	(10,994)
Long-term accrued interest		**14,653**	14,092
Payments on deferred development fees		**(10,000)**	-
Net cash provided (used) by financing activities		**(7,071)**	3,098
Net increase (decrease) in cash and cash equivalents		**20,621**	6,864
Cash and cash equivalents at beginning of year		**20,396**	13,532
Cash and cash equivalents at end of year	$	**41,017**	20,396

Reconciliation of net income (loss) to net cash provided (used) by operating activities:

Net income (loss)	$	**(111,368)**	(120,790)
Adjustments to reconcile net income (loss) to cash provided/(used) by operating activities:			
Depreciation expense		**144,938**	145,561
Amortization expense		**3,796**	3,796
Non-cash interest for debt issuance costs		**2,984**	2,984
Decrease (increase) in assets:			
Receivables		**50**	(363)
Prepaid expenses		**2,050**	(2,282)
Tenant security deposit account		**(1,558)**	(79)
(Decrease) increase in liabilities:			
Accounts payable		**(1,846)**	(2,705)
Accrued interest		**921**	(1)
Accrued expenses		**3,337**	(1,434)
Accrued property taxes		**(1,474)**	808
Tenant security deposits		**985**	1,047
Prepaid tenant fees		**784**	(175)
Asset management fee/return to owner		**145**	141
Net Cash Provided (Used) by Operating Activities	$	**43,744**	26,508

The independent auditor’s report and accompanying notes are an integral part of these financial statements.

NOTE 1 - 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 Partnership 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.

Related to GASB 77, the Partnership does not negotiate property tax abatements and has no tax abatement agreements as of December 31, 2018.

The Partnership does not receive public money from the State of New Mexico or any local governments as defined by 6-10-1 to 6-10-63 NMSA 1978 and therefore is not subject to several state compliance regulations.

NOTE 2 - SUMMARY OF 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:

A. 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. The Partnership is a for profit organization and prepares their financials under the Financial Accounting Standards and not the Governmental Accounting Standards generally accepted in the United States of America.

B. 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. Restricted deposits and funded reserves are not considered cash equivalents for purposes of the statement of cash flow.

C. Credit Risk - 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.

D. Collateralization of Deposits

The Partnership does not receive public money from the State of New Mexico or any local governments as defined by NMSA 1978 and therefore is not required to secure collateralization on cash deposits.

E. 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, 2018 and 2017.

F. 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.

G. Property, Equipment, and Depreciation

Property and equipment are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Property and equipment with a unit cost of $5,000 or more and an estimated useful life greater than one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets. Property and equipment purchases less than $5,000 or with lives of one year or less, and maintenance and repairs which do not extend the useful lives of premises and equipment, are charged to expense 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.

Classification	Estimated Life
Buildings	40
Site improvements	7-20
Furnishings	3-10

H. Impairment

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 amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2018 and 2017.

I. Income Taxes

No income tax provision has been included in the financial statements since income or loss of the Partnership is required to be reported by the Owner. Further, income or loss of a partnership is required to be reported by the respective partners on their income tax returns.

J. Deferred Fees and Amortization

Tax credit fees are amortized over fifteen years using the straight-line method.

K. 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.

L. 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.

M. Advertising Costs

Advertising costs are expensed as incurred.

N. Reclassifications

Certain December 31, 2017 amounts may have been reclassified in order to conform to the December 31, 2018 financial statement presentation.

NOTE 3 – PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

The Partners of Cimmaron Limited Partnership and their respective profit and loss percentages were as follows as of December 31, 2018 and 2017:

General Partner:	
Mesilla Valley Public Housing Authority	0.01%
Limited Partner:	
NEF Assignment Corporation	99.99%
Total	100.00%

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.

NOTE 4 – LONG-TERM DEBT

		2018	2017
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 $5,031 and $5,093 as of December 31, 2018 and 2017, respectively. Interest expensed on this loan was $60,709 and $61,440 as of December 31, 2018 and 2017, respectively.	$	940,184	951,908

	2018	2017
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 $2,489 and $1,506 as of December 31, 2018 and 2017, respectively. The long-term accrued interest was $142,736 and $128,083 as of December 31, 2018 and 2017, respectively. Interest expensed on this loan was $18,460 and $17,754 as of December 31, 2018 and 2017, respectively.	240,000	240,000
Less: unamortized debt issuance costs	(80,570)	(83,553)
Total	1,099,614	1,108,355
Less: current portion	(12,497)	(11,723)
Long-term notes payable $	1,087,117	1,096,632

Aggregate maturities of the mortgage notes are approximated as follows:

	Principal	Interest
2019 $	12,497	63,893
2020	13,324	63,222
2021	14,205	62,502
2022	15,144	61,730
2023	16,146	60,903
2024-2028	98,227	289,888
2029-2033	135,290	258,352
2034-2038	186,339	214,022
2039-2043	256,650	151,878
Thereafter	432,362	49,463
Less: Unamortized debt issuance costs	(80,570)	-
Total $	1,099,614	1,275,854

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 5 – 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. Replacement reserve balances at December 31, 2018 and 2017 were as follows:

	2018	2017
Replacement reserve $	194,459	176,176

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. Operating reserve balances at December 31, 2018 and 2017 were as follows:

	2018	2017
Operating reserve	$ 97,602	97,572

NOTE 6 – 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 Partnership 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 Partnership 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 7 – 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 $21,138 and $21,336 during 2018 and 2017, respectively. The amounts due to the management agent related to management fees were $392 and $237 as of December 31, 2018 and 2017, respectively.

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 $4,990 and $4,845 were recognized during 2018 and 2017, respectively. The amounts due to the Limited Partner related to asset management fees were $4,990 and $4,845 as of December 31, 2018 and 2017, 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 Partnership's 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 2018 and 2017, respectively. There were no amounts due to the General Partner related to partnership management fees as of December 31, 2018 and 2017.

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, 2018, $589,093 of this fee has been paid. The amounts due related to development fees were $70,000 and $80,000 as of December 31, 2018 and 2017, respectively.

Laundry Lease
The Partnership previously 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 was terminated and sold to CSC Service Works during 2018. The Partnership received laundry income of $0 and $78 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017.

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 Partnership has operated at break-even three consecutive calendar years following the stabilization date of the Project; or
2. The Partnership has met the required debt service coverage ratio for three years.

NOTE 8 – 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 9 – ACCRUED EXPENSES

Accrued expenses consist of the following at year end:

		2018	2017
Accrued payroll expenses	$	2,363	2,190
Accrued expenses - audit fees		8,803	5,640
Unclaimed resident property		383	381
Total accrued expenses	$	11,549	8,211

NOTE 10 – RECEIVABLES

Receivables consist of the following at year end:

		2018	2017
AR - Residents	$	-	50
AR - PHA		498	498
Total receivables	$	498	548

NOTE 11 – LITIGATION

A maintenance worker from the Project has filed a lawsuit for wrongful termination against the entity. The Partnership is vigorously defending this claim. There appears to be insurance coverage for this claim. There is not currently an estimated range of potential loss, nor has it been concluded whether there is likely to be an unfavorable outcome as of the date of this report.

NOTE 12 – SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through April 11, 2019 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

Cimmaron Limited Partnership

Supplementary Information

Year Ended December 31, 2018

CIMMARON LIMITED PARTNERSHIP
Supplementary Information Required by HUD
For the Year Ended December 31, 2018, With Comparative Totals for 2017

1. Schedule of Reserve for Replacements

		2018	2017
Balance at beginning of year	$	176,176	157,926
Total monthly deposit		18,000	18,000
Interest earned on reserve for replacement account (Net of service fees)		283	250
Balance at end of year	$	194,459	176,176

2. Schedule of Operating for Replacements

		2018	2017
Balance at beginning of year	$	97,572	97,543
Total monthly deposit		-	-
Interest earned on reserve for replacement account (Net of service fees)		30	29
Balance at end of year	$	97,602	97,572

3. Schedule of Changes in Fixed Asset Accounts

		2017	Additions	Deductions	2018
Land	$	120,000	-	-	120,000
Buildings		5,614,079	-	-	5,614,079
Site improvements/building equipment		64,049	-	-	64,049
Furniture & fixtures		33,978	-	-	33,978
Total		5,832,106	-	-	5,832,106
Accumulated depreciation		1,687,178	144,938	-	1,832,116
Net book value	$	4,144,928			3,999,990

CIMMARON LIMITED PARTNERSHIP
Computation of Surplus Cash and Distributions
For the Year Ended December 31, 2018, With Comparative Totals for 2017

Cash		**2018**	**2017**
Cash	$	70,193	48,014
Total cash		70,193	48,014
Current obligations			
Accrued mortgage interest payable		7,520	6,599
Accounts payable due within 30 days		4,028	5,874
Accrued expenses (not escrowed)		11,549	8,211
Prepaid revenue		1,510	726
Tenant security deposits liability		28,603	27,618
Total current obligations		53,210	49,028
Surplus cash (deficiency)	$	16,983	(1,014)
Amount available for distribution during next fiscal period			
Surplus cash	$	16,983	-

The independent auditor’s report and accompanying notes are an integral part of these financial statements.

CIMMARON LIMITED PARTNERSHIP
Schedule of Expenses
For the Year Ended December 31, 2018, With Comparative Totals for 2017

OPERATING EXPENSES		2018	2017
Administrative			
Professional management fees	$	**21,138**	21,336
Salaries & wages		**20,393**	18,917
Professional services		**9,440**	12,417
Manager's rent free unit		**6,060**	6,060
Telephone, cable, internet		**4,567**	5,132
Training		**3,990**	5,863
Compliance & monitoring fees		**3,613**	2,700
Supplies & office expenses		**2,233**	2,109
Technical support		**1,805**	1,800
Credit/criminal reports		**1,344**	1,569
Bad debt & adjustments		**1,190**	1,169
Advertising		**571**	489
Dues, fees, & subscriptions		**442**	432
Travel, meals, & entertainment		**389**	104
Equipment & furniture		**194**	442
Service for residents		**172**	120
Total administrative expenses		**77,541**	80,659
Utilities			
Water		**23,056**	22,062
Sewer		**17,645**	17,645
Electric		**10,279**	9,862
Utility allowance		**413**	153
Total utility expenses		**51,393**	49,722
Maintenance			
Contractual		**29,887**	16,839
Maintenance payroll		**14,031**	20,806
Supplies		**13,028**	10,946
Appliance and equipment replacement		**7,381**	2,698
Trash removal		**5,756**	5,871
Security		**4,400**	-
Repair & maintenance		**3,265**	22,775
Painting and drywall		**3,219**	1,966
Pest control		**1,024**	1,886
Mileage - Manager		**46**	1
Total maintenance expenses		**82,037**	83,788
Taxes & insurance			
Insurance		**37,190**	41,147
Property taxes		**10,725**	13,674
Payroll taxes		**4,451**	5,338
Total taxes & insurance		**52,366**	60,159
Financial expenses			
Interest		**79,169**	79,193
Mortgage insurance premium		**4,819**	4,790
Debt issuance costs		**2,984**	2,984
Service charges		**731**	938
Total financial expenses		**87,703**	87,905
Total Cost of Operating Expenses		**351,040**	362,233
NON-OPERATING EXPENSES			
Depreciation expense		**144,938**	145,561
Asset management fees		**4,990**	4,845
Amortization expense		**3,796**	3,796
Total non-operating expenses		**153,724**	154,202
Total Expenses	$	**504,764**	516,435

The independent auditor's report and accompanying notes are an integral part of these financial statements.

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
Brian S. Colón, 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, 2018, 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 April 11, 2019.

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.

Hinkle & Landers, P.C.

Hinkle + Landers, PC
Albuquerque, NM
April 11, 2019

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
Brian S. Colón, 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, 2018. Cimmaron Limited Partnership's major HUD program is as follows:

Name of Major HUD Programs	Direct and Material Compliance Requirements
HUD Insured Mortgage	Fair housing and nondiscrimination, mortgage status, replacement reserve, distributions to owners, equity skimming, cash receipts, cash disbursements, tenant application, eligibility, and recertification, tenant security deposits, management functions, unauthorized change of ownership/acquisition of liabilities, and unauthorized loans of project funds.

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 Federal Program

In our opinion, Cimmaron Limited Partnership complied, in all material respects, with the types of 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, 2018.

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.

Hinkle & Landers, P.C.

Hinkle + Landers, PC
Albuquerque, NM
April 11, 2019

CIMMARON LIMITED PARTNERSHIP
Schedule of Findings, Questioned Costs, and Recommendations
For the Year Ended December 31, 2018

Finding	Prior Year Findings	Status of Prior Year Findings	Type of Finding*
	None	n/a	n/a

Finding	Current Year Findings		
	None	n/a	n/a

* Legend for Type of Findings
A. Material Weakness in Internal Control Over Financial Reporting
B. Significant Deficiency in Internal Control Over Financial Reporting
C. Finding That Does Not Rise to the Level of a Significant Deficiency (Other Matters) Involving Internal Control Financial Reporting
D. Material Weakness in Internal Control Over Compliance of Federal Awards
E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
F. Instance of Noncompliance of Federal Awards

CIMMARON LIMITED PARTNERSHIP
Mortgagor's Certification
For the Year Ended December 31, 2018

We hereby certify that we have examined the accompanying financial statements and supplemental data of Cimmaron Limited Partnership as of December 31, 2018, and to the best of our knowledge and belief; the same are accurate and complete.

Signatories:

Juan Olvera, Executive Director
Mesilla Valley Public Housing Authority

04/12/2019
Date

Auditee Information:

505-325-6515
Cimmaron Limited Partnership
825 4th St.
Anthony, New Mexico 88001

CIMMARON LIMITED PARTNERSHIP
Management Agent's Certification
For the Year Ended December 31, 2018

We hereby certify that we have examined the accompanying financial statements and supplemental data of Cimmaron Limited Partnership as of December 31, 2018, and to the best of our knowledge and belief; the same are accurate and complete.

Bobby Griffith, CFO – Senior Executive
JL Gray Company

April 12, 2019
Date

Address:
1816 East Mojave St.
Farmington, NM 87401

EXIT CONFERENCE

An exit conference was held on April 11, 2019, which was attended by the following:

Housing Authority Administration

Juan Olvera	Executive Director
Elizabeth Garcia	Comptroller

Hinkle + Landers, PC

Farley Vener, CPA	President and Shareholder
Maclen Enriquez, CPA	Senior Audit Manager

Management Agent

Bobby Griffith	Chief Financial Officer
Lori Varnell	Accountant

Preparation of Financial Statements

The financial statements presented in this report were compiled by the auditor Hinkle + Landers, PC. However, the contents of the financial statements remain the responsibility of management.