Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
MESILLA VALLEY PUBLIC HOUSING AUTHORITY
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2013

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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INTRODUCTORY SECTION

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
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June 30, 2013

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Directory of Officials
June 30, 2013

Board of Commissioners

Chairman	Art Jiron
Vice Chairman	Arturo Marrujo
Commissioner	J. Steve Pandak
Commissioner	Felix Cordero
Commissioner	Theresa Olguin-Fisher

Administrative Officials

Executive Director	Robbie R. Levey
Deputy Director	Jesse Padilla
Accountant	Sharon Hansen

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FINANCIAL SECTION

Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
The Board of Commissioners of
Mesilla Valley Public Housing Authority
and
The Office of Management and Budget

Report on Financial Statements

We have audited the accompanying financial statements of the Mesilla Valley Public Housing Authority (the "Housing Authority") and its components units as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents. We have also audited the budget comparison schedule presented as supplementary information in the schedule of revenues, expenses and changes in net position—budget and actual 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 did not audit the financial statements of Robledo Ridge, LLLP (RR), Cimmaron, LP (Cimmaron I), Cimmaron II Apartments, LP (Cimmaron II), Desert Palms Apartments Limited Partnership (DP), Falcon Ridge, LP (FR), Montana Senior Village, LLC (MSV), MSV II Limited Partnership (MSV II) and Stone Mountain Place, LP (SMP) for the year ended December 31, 2012, component units of the Housing Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for RR, Cimmaron I, Cimmaron II, DP, FR, MSV, MSV II and SMP, is based on the reports of the other auditors. 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 of 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.

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Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority as of June 30, 2013, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the supplementary schedule referred to above presents fairly, in all material respects, the budgetary comparison of the Housing Authority in conformity 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 10 through 13 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Housing Authority's basic financial statements and the budgetary comparison. The Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations,* the combining financial statements, and Supporting Schedules I through IV in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Housing Authority.

The Schedule of Expenditures of Federal Awards, the combining financial statements, and Supporting Schedules I through IV in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Award, the combining financial statements and Supporting Schedules I through IV are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2013 on our consideration of the Housing Authority'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 Housing Authority's internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
September 17, 2013

Executive Director:
Robbie Levey

General Offices:
926 S. San Pedro Street

Mesilla Valley Public Housing Authority

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LAS CRUCES, NEW MEXICO 88001

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Mesilla Valley Public Housing Authority' (the "Housing Authority") financial performance provides an overview of the Authority's financial activities for the year ended June 30, 2013. Please read it in conjunction with the Housing Authority's financial statements, which follow this section.

As noted in Note 1, the Housing Authority exists under an intergovernmental agreement between the City of Las Cruces, New Mexico and Dona Ana County. The agreement established the Housing Authority and it commenced its operations as of January 1, 2012. The operations of Dona Ana County have been merged into these financial statements as of July 1, 2012 in accordance with the intergovernmental agreement.

These financial statements represent the financial operations of the Housing Authority for the year ended June 30, 2013. Prior to the intergovernmental agreement, the Housing Authority operated as the "Housing Authority of the City of Las Cruces" (HACLC) for the six month period July 1, 2011 through December 31, 2011 and then as Mesilla Valley Public Housing Authority for the six month period January 1, 2012 through June 30, 2012. Separate financial statements for each of these six month periods are available at 926 S. San Pedro Street, Las Cruces, NM 88001.

In addition, the Housing Authority has 8 component units. In accordance with GASB 14, as amended by GASB 39 and GASB 61, the component unit financial information should incorporate financial statements for the component unit's fiscal year ending during the reporting entity's fiscal year. Therefore, the Housing Authority is including the component unit operations for the entire 2012 calendar year in the fiscal year 2013 financial statements.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about the Housing Authority's finances is, "How did operations do this year?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position reports information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. They report the Housing Authority's net position at year-end and changes in net position during the year.

You can think of the Housing Authority's net position, the difference between assets and liabilities, as one way to measure the Housing Authority's financial health, or financial position. Over time, increases or decreases in the Housing Authority's Net Position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Housing Authority's tenant base, which includes such variables as housing assistance demand, family size, family income, the condition of the Housing Authority's rental units, and the Housing Authority's investments in mixed-financing ventures to assess the overall health of the Housing Authority.

There was an initial transfer of equity (assets and liabilities) from the previous reporting entity. See Note 13 for more information on this transfer.

The Housing Authority's total assets increased during the year ended June 30, 2013, by approximately $852,301. This increase is mainly due to the merger of the operations of Dona Ana County Housing Authority with Mesilla Valley Public Housing Authority.

Assets, liabilities, and net position are summarized as follows:

	June 30, 2013
Current assets	$ 4,485,048
Restricted assets	161,509
Noncurrent assets	9,143,931
Total Assets	$ 13,790,488
Current Liabilities	$ 280,544
Non Current Liabilities	1,622,861
Total Liabilities	1,903,405
Net Position	
Net investment in capital assets	4,278,521
Restricted	77,472
Unrestricted	7,531,090
Total Net Position	11,887,083
Total liabilities and net position	$ 13,790,488

The majority of operating revenues for the year ended June 30, 2013 came from operating subsidies and grants, accounting for $6,762,409 (89.67%) of total operating revenues. The remainder of the operating revenues was generated from rental revenue at $731,267 (9.70%) and other tenant revenues for $47,498 (0.63%).

The largest contributing factor to operating expenses came in the form of Housing Assistance Payments, which made up $6,220,096 (68.63%) of all operating expenses. This was followed by administration costs of $1,697,300 (18.73%) and $516,614 (5.70%) for maintenance and operations.

Changes in Net Position are summarized as follows:

	For the Year Ended June 30, 2013
Total operating revenues	**$ 7,541,174**
Total operating expenses	**(9,062,979)**
Operating Loss	**(1,521,805)**
Total non-operating revenues (expenses)	**222,846**
Transfers out	**(-0-)**
Change in net position	**(1,298,959)**
Beginning net position	**10,815,271**
Equity transfers in – Dona Ana County Housing Authority (Note 13)	**2,370,771**
Ending net position	**$ 11,887,083**

Budgetary Highlights

The Housing Authority made two revisions to its budget during fiscal year 2013. These revisions adjusted the budget for fluctuations in HUD funding of the Section 8 Voucher and Public Housing programs, as well as adjusted for the decrease in operating expenditures for the year. Total operating revenues were under budget by $87,841 due primarily to the Housing Authority receiving more funding from HUD than anticipated for Housing Assistance Payments (HAP). The amount of HUD funding fluctuates considerably during the fiscal year. Total operating expenses were under budget by $53,476, due mainly to the result of lower Housing Assistance Payment (HAP) expenditures for the Section 8 Housing Choice Voucher (HCV) program. The Housing Authority bases their budget on the expenditure rate for the previous fiscal year and incorporates any anticipated changes in fiscal year 2013. Housing assistance payments were under budget due to the housing authority, upon HUD's instructions, attempting to utilize its Net Restricted Assets balance by overspending HUD subsidy for HAP and then having to reduce the expense level as the NRA reserve was substantially reduced.

Capital Assets
For the year ended June 30, 2013, the Housing Authority had $5,923,489, net of depreciation, invested in a range of capital assets, including land, dwelling units, administrative buildings, office furniture and equipment, maintenance equipment, and vehicles. See the notes to the financial statements for further information on capital assets.

Long-Term Debt
At year-end, the Housing Authority had $1,622,968 in bonds and notes outstanding. See the notes to the financial statements for further information on long-term debt.

Economic Factors and Next Year's Budgets and Rates
The Housing Authority's staff and Board of Commissioners considered many factors when setting the fiscal year 2013 budget. One of the main factors is the economy. The demand for housing assistance should not diminish due to the growth of the community and surrounding area, and the local and national economies.

According to the Census Bureau, the poverty rate in New Mexico was 19% in 2007-2011, while the national poverty rate was 14.3%. For the same time period, the median household income in New Mexico was $44,631, while the national median household income was $52,762. According to the New Mexico Department of Workforce Solutions, for the period of December 11 through November 2012, New Mexico lost 4,800 jobs, making it the only state in a nine-state region to experience negative job growth. It is important to keep in mind that the actual HUD Section 8 Voucher funding level is mainly based on the Housing Authority's actual expenditure level for housing assistance payments, as reported to HUD electronically on a monthly basis through the Voucher Management System (VMS). For the public housing program, the final funding percentage for calendar year 2012 was 94.968%, compared to 100% for calendar year 2011, and 103% for calendar year 2010. Additionally, HUD is recapturing excess operating reserves for both the Section 8 Voucher and public housing programs. The Housing Authority operates in an environment of annually fluctuating funding levels.

Contacting the Housing Authority's Financial Management
This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Mesilla Valley Public Housing Authority at 926 South San Pedro, Las Cruces, New Mexico 88001.

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BASIC

FINANCIAL STATEMENTS

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Net Position
June 30, 2013

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
ASSETS			
Current assets			
Cash and cash equivalents	$ 4,373,649	$ 266,669	$ 13,554
Restricted cash and cash equivalents	161,509	10,007	218,958
Accounts receivable - tenants, net of allowance for doubtful accounts	725	4,061	9,037
Accounts receivable - other	2,297	-	-
Grants receivable	70,485	-	-
Prepaid expenses and other assets	37,892	14,792	13,104
Total current assets	4,646,557	295,529	254,653
Noncurrent Assets			
Capital assets, net	5,923,489	6,906,992	4,878,755
Receivables from component units, net	1,450,144	-	-
Mortgage receivables, noncurrent	1,281,431	-	-
Other noncurrent assets	488,867	107	128,844
Total assets	$ 13,790,488	$ 7,202,628	$ 5,262,252
LIABILITIES AND NET POSITION			
Current liabilities			
Book overdraft	$ 70,157	$ -	$ -
Accounts payable	25,303	645,882	37,866
Prepaid tenant rent	343	-	3,519
Accrued payroll	23,210	-	-
Notes payable, current portion	77,494	3,223,030	8,511
Total current liabilities	196,507	3,868,912	49,896
Current liabilities (payable from restricted assets)			
Tenant deposits	78,215	7,591	23,498
FSS deposits	5,822	-	-
Total current liabilities (payable from restricted assets)	84,037	7,591	23,498
Non-current liabilities			
Compensated absences, noncurrent portion	55,387	-	-
Payables to housing authority	-	163,896	80,000
Notes payable, net of current portion	1,567,474	333,523	1,298,959
Total non-current liabilities	1,622,861	497,419	1,378,959
Total liabilities	1,903,405	4,373,922	1,452,353
Net position:			
Net investment in capital assets	4,278,521	3,350,439	3,571,285
Restricted for program activities	77,472	-	194,818
Unrestricted	7,531,090	(521,733)	43,796
Total net position	11,887,083	2,828,706	3,809,899
Total liabilities and net position	$ 13,790,488	$ 7,202,628	$ 5,262,252

The accompanying notes are an integral part of these financial statements

Component Units as of December 31, 2012					
Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ 21,349	$ 22,697	$ 131,252	$ 43,457	$ 61,643	$ 37,261
630,262	260,539	861,725	116,325	531,399	358,740
8,252	5,689	65,541	1,339	2,536	9,847
-	-	-	-	-	-
-	-	-	-	-	-
18,968	14,434	8,644	6,599	14,848	17,463
678,831	303,359	1,067,162	167,720	610,426	423,311
10,138,360	3,132,898	8,715,809	1,842,495	3,691,469	8,013,709
-	-	-	-	-	-
-	-	-	-	-	-
65,682	54,433	378,319	39,693	35,816	100,997
$ 10,882,873	$ 3,490,690	$ 10,161,290	$ 2,049,908	$ 4,337,711	$ 8,538,017
$ -	$ -	$ -	$ -	$ -	$ -
23,845	54,945	56,746	27,026	36,489	41,502
1,104	3,548	651	269	1,369	3,049
12,249	-	-	-	-	-
7,740	19,713	33,516	12,764	32,045	18,187
44,938	78,206	90,913	40,059	69,903	62,738
31,978	33,318	37,881	14,292	27,335	37,564
-	-	-	-	-	-
31,978	33,318	37,881	14,292	27,335	37,564
-	-	-	-	-	-
55,027	50,807	30,552	594,719	1,348,940	238,574
1,625,713	2,199,927	3,739,954	1,178,024	1,905,141	2,824,876
1,680,740	2,250,734	3,770,506	1,772,743	3,254,081	3,063,450
1,757,656	2,362,258	3,899,300	1,827,094	3,351,319	3,163,752
8,504,907	913,258	4,942,339	651,707	1,754,283	5,170,646
597,346	227,220	823,845	101,933	503,934	318,342
22,964	(12,046)	495,806	(530,826)	(1,271,825)	(114,723)
9,125,217	1,128,432	6,261,990	222,814	986,392	5,374,265
$ 10,882,873	$ 3,490,690	$ 10,161,290	$ 2,049,908	$ 4,337,711	$ 8,538,017

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
Operating revenues			
Rental revenue (tenants)	$ 731,267	$ 304,957	$ 332,403
Other tenant revenue	47,498	3,150	14,653
Operating subsidies and grants and other receipts	6,762,409	84	760
Total operating revenues	7,541,174	308,191	347,816
Operating expenses			
Housing assistance payments	6,220,096	-	-
Administration	1,697,300	69,220	68,109
Maintenance and operations	516,614	93,892	71,290
Utilities	184,587	37,004	49,182
Depreciation	373,607	4,880	147,830
Miscellaneous	70,775	73	141,204
Total operating expenses	9,062,979	205,069	477,615
Operating income (loss)	(1,521,805)	103,122	(129,799)
Non-operating revenues (expenses)			
Interest income	89,055	22	109
Interest expense	(118,314)	-	-
Developer fees	163,896	-	-
Management fees and other income	42,528	-	-
Insurance reimbursement	1,080	-	-
Loss on disposal of assets	44,601	-	-
Total non-operating revenues	222,846	22	109
Transfers	-	-	-
Change in net position	(1,298,959)	103,144	(129,690)
Total net position - beginning of year	10,815,271	14,202	3,939,589
Equity transfers in - Dona Ana County Housing Authority (Note 13)	2,370,771	-	-
Equity transfers in (out) and capital contributions	-	2,711,360	-
Total net position - end of year	$ 11,887,083	$ 2,828,706	$ 3,809,899

The accompanying notes are an integral part of these financial statements

Component Units as of December 31, 2012

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ 472,486	$ 487,813	$ 513,274	$ 288,865	$ 458,326	$ 538,508
19,942	38,057	10,866	6,803	14,162	27,069
1,612	-	1,349	-	-	-
494,040	525,870	525,489	295,668	472,488	565,577
-	-	-	-	-	-
112,412	84,844	104,818	55,345	75,063	109,247
79,323	122,646	107,233	45,789	71,886	87,347
72,632	40,631	28,083	17,691	29,882	38,415
296,011	137,071	266,325	111,780	207,398	285,891
191,172	192,012	335,276	146,253	180,537	234,601
751,550	577,204	841,735	376,858	564,766	755,501
(257,510)	(51,334)	(316,246)	(81,190)	(92,278)	(189,924)
9	283	151,359	148	153	512
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9	283	151,359	148	153	512
-	-	-	-	-	-
(257,501)	(51,051)	(164,887)	(81,042)	(92,125)	(189,412)
9,422,718	1,179,483	6,441,877	303,856	1,078,517	5,563,677
-	-	-	-	-	-
(40,000)	-	(15,000)	-	-	-
$ 9,125,217	$ 1,128,432	$ 6,261,990	$ 222,814	$ 986,392	$ 5,374,265

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2013

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
Cash flows from operating activities:			
Cash received from tenant rents	$ 881,733	$ 301,064	$ 329,891
Cash payments to employees for services	(1,231,995)	(112,117)	(59,782)
Cash payments to suppliers for goods and services	(7,590,083)	(66,938)	(258,554)
Subsidy grants and other receipts	6,846,832	5,025	15,522
Net cash provided (used) by operating activities	(1,093,513)	127,034	27,077
Cash flows from noncapital financing activities:			
Miscellaneous income	46,586	-	-
Transfers (out) in	1,087	-	-
Net cash provided (used) by noncapital financing activities	47,673	-	-
Cash flows from capital and related financing activities:			
Capital contributions (distributions)	-	2,711,360	-
Proceeds from debt and deferred fees	-	2,710,743	-
Proceeds from sale of assets	46,825	-	-
Acquisition of capital assets	(274,520)	(5,493,446)	(9,929)
Amount due to housing authority	-	150,269	-
Principal payments on long-term debt	(32,518)	(226,399)	(7,983)
Interest payments on long-term debt	(118,314)	-	11,593
Net cash provided (used) by capital and related financing activities	(378,527)	(147,473)	(6,319)
Cash flows from investing activities:			
Reserves	-	(1,305)	(12,781)
Interest on investments	89,055	-	-
Net cash provided (used) by investing activities	89,055	(1,305)	(12,781)
Net increase (decrease) in cash and cash equivalents	(1,335,312)	(21,744)	7,977
Cash and cash equivalents - beginning of year	3,569,349	288,413	5,577
Cash and cash equivalents - transfer from Dona Ana County Housing Authority (Note 13)	2,230,964	-	-
Cash and cash equivalents - end of year	$ 4,465,001	$ 266,669	$ 13,554

The accompanying notes are an integral part of these financial statements

Component Units as of December 31, 2012

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ 492,291	$ 525,239	$ 514,704	$ 287,696	$ 460,518	$ 535,591
(111,364)	(98,604)	(108,065)	(55,875)	(75,373)	(110,995)
(328,983)	(356,496)	(416,900)	(209,544)	(280,819)	(360,364)
12,362	-	133,974	6,951	14,316	27,581
64,306	70,139	123,713	29,228	118,642	91,813
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(40,000)	-	(15,000)	-	-	
-	-	-	(25,000)	(50,000)	-
-	-	-	-	-	-
(419)	(51,367)	(4,633)	(25,235)	(60,376)	(19,606)
-	-	-	-	-	-
(10,220)	(18,478)	(30,272)	(11,983)	(29,876)	(17,112)
-	-	-	19,490	-	-
(50,639)	(69,845)	(49,905)	(42,728)	(140,252)	(36,718)
(29,911)	(17,890)	4,149	15,621	30,958	(34,401)
-	16,423	-	-	6,001	-
(29,911)	(1,467)	4,149	15,621	36,959	(34,401)
(16,244)	(1,173)	77,957	2,121	15,349	20,694
37,593	23,870	53,295	41,336	46,294	16,567
-	-	-	-	-	-
$ 21,349	$ 22,697	$ 131,252	$ 43,457	$ 61,643	$ 37,261

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2013

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
Reconciliation of operating income (loss) to net cash (used) by operating activities:			
Operating income (loss)	$ (1,521,805)	$ 103,144	$ (129,690)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation and amortization	373,607	4,910	154,610
Change in estimate	(29,222)	-	-
Changes in assets and liabilities			
Accounts receivable	194,292	(2,124)	(4,963)
Prepaid expenses	6,186	(8,542)	(731)
Accounts payable	(59,377)	3,881	(4,248)
Accrued interest	-	7,589	5
Accrued expenses	-	1,997	9,536
Accrued payroll expenses	(55,601)	17,000	-
Accrued compensated absences	(3,875)	-	-
Tenant deposits	2,282	(821)	2,558
Net cash provided (used) by operating activities	$ (1,093,513)	$ 127,034	$ 27,077

The accompanying notes are an integral part of these financial statements

Component Units as of December 31, 2012					
Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ (257,501)	$ (51,051)	$ (164,887)	$ (81,042)	$ (92,125)	$ (189,412)
299,093	139,280	296,015	113,246	212,704	288,777
-	-	-	-	-	-
(1,872)	(1,021)	(28,273)	(788)	1,827	(3,069)
1,155	(555)	(1,624)	(670)	(97)	(786)
(12,059)	(32,420)	1,201	(1,746)	(3,676)	(7,991)
7,891	-	4,905	(63)	-	(87)
15,125	15,906	15,574	348	139	6,562
-	-	-	-	-	-
-	-	-	-	-	-
12,474	-	802	(57)	(130)	(2,181)
$ 64,306	$ 70,139	$ 123,713	$ 29,228	$ 118,642	$ 91,813

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Mesilla Valley Public Housing Authority (the "Housing Authority") is a public housing authority that provides affordable housing to low-income families. The programs are primarily funded with federal grants and tenant rents. The Housing Authority exists under an intergovernmental agreement between the City of Las Cruces, New Mexico and Dona Ana County. The agreement established the Housing Authority and it commenced its operations as of January 1, 2012.

The reporting entity for the Housing Authority is based upon criteria established by the Governmental Accounting Standards Board. All functions of the Housing Authority for which it exercises oversight responsibility are included. The oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, and special financing relationships.

These financial statements represent the financial operations of the Housing Authority for the year ended June 30, 2013. The operations of the Dona Ana County have been merged into these financial statements as of July 1, 2012 in accordance with the intergovernmental agreement.

This summary of significant accounting policies of the Housing Authority is presented to assist in the understanding of the Housing Authority's financial statements. The financial statements and notes are the representation of the Housing Authority's management, who is responsible for their integrity and objectivity. The financial statements of the Housing Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities.

During the year ended June 30, 2013, the Housing Authority adopted GASB Statements No. 61 through 63. GASB 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

Activities of the Housing Authority

The Housing Authority manages the following units:

HUD Public Housing (Contract FW5434)	
Scattered sites, Development II and modernization programs	249 units
New Construction Housing (NMOZ-0002-0004)	
Burley Court	40 units

The Housing Authority also oversees the regulatory portion and subsidizes rent for the following program:

HUD Section 8 Housing Voucher (Contract FW5374V)	1,707 units

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Reporting Entity (continued)

In evaluating how to define the Housing Authority for financial reporting purposes, management has considered all potential programs and operations of the Housing Authority. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing board by the Housing Authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits the Housing Authority and/or its residents and participants, or whether the activity is conducted within the geographic boundaries of the Housing Authority and is generally available to its residents and participants.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Housing Authority is able to exercise oversight responsibilities.

<u>Discretely-Presented Component Units</u>

Montana Senior Village, LLC (MSV), MSV II Limited Partnership (MSV II), Stone Mountain Place, LP (SMP), Falcon Ridge, LP (FR), Cimmaron, LP (Cimmaron I), Cimmaron II Apartments, LP (Cimmaron II), Desert Palms Apartments, LP (DP) and Robledo Ridge, LLLP (RR), were formed to acquire, construct and rehabilitate, and operate apartment buildings for rental to low-income tenants. The Housing Authority is the managing member of MSV, is the sole member of Montana Street, LLC (MSV II's general partner), is the sole member of Stone Mountain Place, LLC (SMP's general partner), is the sole member of Falcon Ridge, LLC (FR's general partner), is the sole member of Cimmaron Apartments I, LLC (Cimmaron I's general partner), is the sole member of Cimmaron Apartments, LLC (Cimmaron II's general partner), is the sole member of Desert Palms Apartments, LLC (DP's general partner) and is a partner in Robledo Ridge, LLLP. The criteria provided in Government Accounting Standards Board Statements No. 14, No. 39 and No. 61 has been considered and MSV, MSV II, SMP, FR, Cimmaron I, Cimmaron II, DP and RR meet the criteria for inclusion as component units of the Housing Authority.

MSV, MSV II, SMP, FR, Cimmaron I, Cimmaron II, DP and RR have a December 31 fiscal year-end, and in accordance with GASB 14, the reporting entity (which reports using the Housing Authority's fiscal year) should incorporate financial statements for the component unit's fiscal year ending during the reporting entity's fiscal year. Accordingly, these financial statements do not include the first six months of the financial operations of the component units. See note 15 for more information.

Basis of Accounting and Measurement Focus

The Housing Authority's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as set forth or adopted by the Governmental Accounting Standards Board ("GASB") and the Financial Accounting Standards Board ("FASB"), and their predecessors, the National Council on Governmental Accounting ("NCGA") and the Accounting Principles Board ("APB"), respectively. Generally accepted accounting principles for local governments include those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units.

The accounting and financial reporting treatment applied to the Housing Authority is determined by its measurement focus. The Housing Authority's proprietary (enterprise) funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting and Measurement Focus (continued)

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets; restricted; and unrestricted components.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for rent and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenue Recognition

Dwelling rental revenues are recorded as rents become due. Rental payments received in advance are deferred until earned.

Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The Housing Authority has entered into contracts with U.S. Department of Housing and Urban Development (HUD) to develop, manage and own public housing projects. HUD makes monthly operating subsidy contributions within the public housing program. Such contributions are reflected as operating grants revenue. Contributions received from HUD for capital additions and improvements are reported as capital grants revenue.

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 certain reported amounts and disclosures such as the lives of capital assets. Accordingly, actual results could differ from those estimates. Significant estimates in the Housing Authority's financial statements include depreciation on capital assets, the current portion of accrued compensated absences and the allowance for uncollectible accounts.

Assets, Liabilities and Net Position

Deposits and Investments

The Housing Authority is authorized under the provision of 6-10-10 NMSA 1978, as amended, to deposit its money in banks, savings and loan association and/or credit unions whose accounts are insured by an Agency of the United States. The Housing Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to Section 6-10-10.1 NMSA 1978, as amended, the local public body finance official shall notify and make such funds available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the state treasurer pursuant to a policy adopted by the State Board of Finance for such short-term investments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position (continued)

Deposits and Investments

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of balances on deposit with any one institution must be collateralized, with higher requirements up to one hundred percent (100%) for financially troubled institutions. If the securities pledged are United States government securities, they are pledged at market value, if they are New Mexico municipal bonds, they are pledged at par value.

Accounts Receivable

All trade receivables are shown net of an allowance for doubtful accounts. The allowance is comprised of all accounts receivable which management estimates to be uncollectible.

Inventory

The inventory held consists of expendable supplies held for consumption and recorded at cost. The cost is recorded as expenditures at the time of consumption. Inventory for the Housing Authority is valued at cost using the First In, First Out Method.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, and equipment, are defined by the Housing Authority as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. The Housing Authority does have an exception for ranges and refrigerators, which are capitalized regardless of the cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.2.20.1.9 C (5). Contributed capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Depreciation is recorded using the straight-line method based on the estimated useful life of the asset. The following lives are utilized:

Assets	Years
Building and improvements	40 yrs – 50 yrs
Machinery and equipment	5 yrs – 10 yrs
Vehicles	5 yrs – 10 yrs

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position (continued)

Compensated Absences

Housing Authority employees are entitled to be compensated for accrued vacation and sick leave time off, which is reported as an expense and a liability of the program that will fund it. There is no cap on the number of sick leave hours that can be accumulated. When an employee separates from employment with the Housing Authority in good standing, he or she is eligible to receive 1/8 of accumulated sick leave between 160 to 1,000 hours. If he or she has accumulated less than 160 hours, he receives no pay out at separation of employment. Hours accumulated over 1,000 are also not compensated. There is no cap on the number of annual leave hours that are paid out when an employee separates from employment in good standing.

Net Position

The financial statements, net position is reported in three categories: net investment in capital assets, restricted, and unrestricted:

- **Net investment in capital assets –** This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.

- **Restricted Net Position –** Net position is reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted Net Position** – Net position that do not meet the definition of “restricted” and “Net Investment in Capital Assets.”

Unrestricted and Restricted Revenues

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

Budgets

The Housing Authority’s budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), using an estimate of the anticipated revenue and expenditures. Annual budgets of the Housing Authority are prepared prior to June 1 and must be approved by resolution of the Board of Commissioners. Once the budget has been formally approved, any amendments must also be approved by the Board of Commissioners.

NOTE 2. DEPOSITS AND INVESTMENTS

State Statutes authorize the investment of Housing Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Housing Authority properly followed State investment requirements as of June 30, 2013.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Housing Authority. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution. The only funds held in a non-interest bearing account are the funds in the rent account, which are then transferred to an interest-bearing account on a monthly basis.

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the FDIC. Beginning January 1, 2013, all of the Housing Authority's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of ($250,000).

Custodial Credit Risk – Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the Housing Authority's deposits may not be returned to it. The Housing Authority does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63 NMSA 1978). At June 30, 2013, $357,561 of the Housing Authority's bank balance of $646,271 was exposed to custodial credit risk. Although the $357,561 was uninsured, $331,861 was collateralized by collateral held by the pledging bank's trust department, not in the Housing Authority's name. $25,700 of the Housing Authority's deposits were uninsured and uncollateralized at June 30, 2013.

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation states the types of collateral allowed is limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. All depositories had collateral exceeding the amount required by law.

	Wells Fargo Bank, N.A.	Citizens Bank of Las Cruces	Total
Total amount of deposits	$ 607,561	$ 38,710	$ 646,271
FDIC Coverage	(250,000)	(38,710)	(288,710)
Total uninsured public funds	357,561	-	357,561
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the Housing Authority's name	331,861	-	331,861
Uninsured and uncollateralized	$ 25,700	$ -	$ 25,700
Collateral requirement (50% of uninsured public funds)	$ 178,781	$ -	$ 178,781
Pledged securities	331,861	-	331,861
Over (under) collateralization	$ 153,081	$ -	$ 153,081

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Housing Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Housing Authority does not have an investment policy for custodial credit risk other than to comply with the state statute as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). New Mexico State Statutes require collateral pledged to be delivered for securities underlying an overnight repurchase agreement, or a joint safekeeping receipt be issued to the Housing Authority for at least one hundred two percent (102%) of the fair value of the securities underlying overnight repurchase accounts invested with the institution. At June 30, 2013, the Housing Authority's investment balances were exposed to custodial credit risk as follows:

	Wells Fargo Bank, N.A. Repurchase Agreement
Total amount of deposits	$ 3,830,990
FDIC Coverage	-
Total uninsured public funds	3,830,990
Securities underlying an overnight repurchase agreement held by investment's counterparty not in Housing Authority's name	3,830,990
Total investments subject to custodial credit risk	$ -
Collateral requirement (102% of value of underlying securities)	$ 3,907,610
Pledged securities	3,907,610
Over (under) collateralization	$ -

The collateral pledged for both deposits and investments is listed on Schedule I of this report.

Reconciliation to Statement of Net Position

The carrying amount of deposits and investments shown above are included in the Housing Authority's statement of net position as follows:

Cash and cash equivalents	$ 4,373,649
Restricted cash and cash equivalents	161,509
Less: Book Overdraft	(70,157)
Add: outstanding checks and other reconciling items	13,260
Less: repurchase agreement	(3,830,990)
	647,271
Less: petty cash	(1,000)
Bank balance of deposits	$ 646,271

NOTE 3. COMPONENT UNIT AND OTHER RECEIVABLES

The following is a reconciliation of amounts due to the Housing Authority from its component units from December 31, 2012 (component units' year-end) to June 30, 2013 (Housing Authority's year-end). Reconciling items include timing differences and an allowance for doubtful accounts based on management's assessment of the collection of receivables from MSV and MSV II:

MSV payables to Housing Authority (December 31, 2012)	
Note payable	$ 487,250
Deferred development fees	32,446
Land note payable	66,730
Other	8,293
	594,719
MSV II payables to Housing Authority (December 31, 2012)	
Deferred development fee note	40,157
Authority loan payable	800,000
Authority AHP loan payable	500,000
Other	8,783
	1,348,940
SMP payables to Housing Authority (December 31, 2012)	
Development fees payable	238,574
Falcon Ridge payables to Housing Authority (December 31, 2012)	
Development fees payable	30,552
Cimmaron I payables to Housing Authority (December 31, 2012)	
Development fees payable	80,000
Cimmaron II payables to Housing Authority (December 31, 2012)	
Development fees payable	55,027
Desert Palms payables to Housing Authority (December 31, 2012)	
Development fees payable	50,807
Robledo Ridge payables to Housing Authority (December 31, 2012)	
Development fees payable	163,896
Net payables to Housing Authority at December 31, 2012	2,562,515
Reconciling items:	
Allowance for doubtful accounts	(1,315,142)
Payments received from January 1, 2013 through June 30, 2013	(75,509)
Accrued interest from January 1, 2013 through June 30, 2013	277,829
Reconciling items	451
Housing Authority net receivable from component units, at June 30, 2013	$ 1,450,144

NOTE 3. COMPONENT UNIT AND OTHER RECEIVABLES (continued)

Other receivables and non-current receivables consist of the following:

Other receivables:	
Spay and Neuter Animal Program (SNAP)	
Note payable	$ 14,716
Non-current receivables:	
New Mexico Housing Corporation (NMHC)	
Note payable	$ 460,000

NOTE 4. CAPITAL ASSETS

The following summarizes changes in capital assets activity during fiscal year 2013.

	Balance June 30, 2012	Transfers	Additions	Deletions	Balance June 30, 2013
Public housing	$ 8,172,549	$ 396,808	$ 356,172	$ -	$ 8,925,529
Less accumulated depreciation	(6,254,173)	(424,342)	(262,589)	-	(6,941,104)
Net public housing	1,918,376	(27,534)	93,583	-	1,984,425
Section 8 housing	4,542	-	-	-	4,542
Less accumulated depreciation	(1,353)	-	(132)	-	(1,485)
Net Section 8 housing	3,189	-	(132)	-	3,057
Section 8 new construction	1,927,334	-	-	-	1,927,334
Less accumulated depreciation	(414,306)	-	(26,244)	-	(440,550)
Net Section 8 new construction	1,513,028	-	(26,244)	-	1,486,784
Local housing projects	3,041,331	(100,236)	19,129	2,500	2,957,724
Less accumulated depreciation	(522,407)	98,548	(84,642)	-	(508,501)
Net local housing projects	2,518,924	(1,688)	(65,513)	2,500	2,449,223
Net capital assets	$ 5,953,517	$ (29,222)	$ 1,694	$ 2,500	$ 5,923,489

NOTE 4. CAPITAL ASSETS (continued)

Summary Totals Capital assets	Balance June 30, 2012	Transfers	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated:					
Land	$ 1,715,801	$ 19,426	$ -	$ -	$ 1,735,227
Total capital assets not being depreciated	1,715,801	19,426	-	-	1,735,227
Other capital assets					
Site improvements	2,104,412	33,794	296,334	-	2,434,540
Structures	8,731,949	236,044	78,967	2,500	9,044,460
Equipment	593,596	7,308	-	-	600,904
Total other capital assets at cost	11,429,957	277,146	375,301	2,500	12,079,904
Less accumulated depreciation:					
Site improvements	(1,317,434)	15,734	(77,709)	-	(1,379,409)
Structures	(5,455,324)	(339,335)	(229,471)	-	(6,024,130)
Equipment	(419,483)	(2,193)	(66,427)	-	(488,103)
Subtotal	(7,192,241)	(325,794)	(373,607)	-	(7,891,642)
Net capital assets being depreciated	4,237,716	(48,648)	1,694	2,500	4,188,262
Net capital assets	$ 5,953,517	$ (29,222)	$ 1,694	$ 2,500	$ 5,923,489

Depreciation expense for the year ended June 30, 2013 totaled $373,607.

During the year ended June 30, 2013, the Housing Authority made changes in lives to the assets transferred in from DACHA. As a result, a change of estimate adjustment has been recorded to adjust capital asset balances. The effect of the entry was a decrease in net capital assets by $29,222.

NOTE 5. LONG-TERM LIABILITIES

The following summarizes changes in long-term debt activity during fiscal year 2013.

Description	Issue Date	Interest Rates (%)	Maturity Date	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Amount Due Within One Year
Note payable Wells Fargo Bank	9/10/2012	6.00%	9/15/2027	$ 337,276	$ 12,723	$ 10,760	$ 339,239	$ 15,477
Note payable Wells Fargo Bank	4/15/2005	8.13%	4/15/2025	316,476	-	13,550	302,926	16,253
Note payable Wells Fargo Bank	8/15/2013	6.00%	11/15/2027	239,042	10,958	5,723	244,277	10,898
Note payable Wells Fargo Bank	8/15/2013	6.00%	7/15/2027	715,213	4,787	28,204	691,796	32,117
Note payable Land	12/02/1998	0.00%	11/02/2015	69,479	-	2,749	66,730	2,749
Total				$ 1,677,486	$ 28,468	$ 60,986	$ 1,644,968	$ 77,494

NOTE 5. LONG-TERM LIABILITIES (continued)

Debt service requirements on long-term debt at June 30, 2013, are as follows:

Year Ending	Notes Payable	
June 30,	Principal	Interest
2014	$ 77,494	$ 98,995
2015	81,144	95,345
2016	144,659	90,313
2017	89,299	84,441
2018	95,327	78,413
2013-2023	582,420	286,279
2024-2028	574,625	75,178
	$ 1,644,968	$ 808,964

NOTE 6. CONTINGENT LIABILITIES

Legal Proceedings—The Housing Authority is subject to various legal proceedings that arise in the ordinary course of the Housing Authority's operations. In the opinion of the Housing Authority's management, the ultimate resolution of the matters will not have a material adverse impact on the financial position or results of operations of the Housing Authority.

Federal Grants—The Housing Authority receives federal grants for various specific purposes. These grants are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Management believes that such disallowance, if any, will not be material to the financial statements.

NOTE 7. MORTGAGE RECEIVABLES AND OTHER ASSETS

The Housing Authority owns mortgages on twelve properties which they sold and originated the mortgage. These mortgages carry an interest rate ranging from 4% to 4.5% and mature during the period 2039 through 2042. They are all collateralized by the mortgaged property. There is a current allowance on the mortgage receivables in the amount of $1,308,861.

NOTE 8. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN

Plan Description. Substantially all of the Housing Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at http://www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 9.15% of their gross salary. The Housing Authority is required to contribute 9.15% of the gross covered salary. The contribution requirements of plan members and the Housing Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Housing Authority's contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were $59,723, $64,517, and $63,963, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 9. RISK MANAGEMENT

The Housing Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters for which the Housing Authority carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the previous three years.

NOTE 10. CONCENTRATIONS

A significant portion of the revenues of the Housing Authority are received from programs directed by the United States Department of Housing and Urban Development. Receipt of these funds is contingent upon the Housing Authority's continued compliance with grant provisions and the continuance of the grant programs by this U.S. Governmental agency.

NOTE 11. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2013, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is September 17, 2013 which is the date on which the financial statements were available to be issued.

NOTE 12. SUBSEQUENT PRONOUNCEMENTS

In March 2012, Statement No. 65 *Items Previously Reported as Assets and Liabilities*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In March 2012, GASB Statement No. 66 *Technical Corrections-2012-an amendment of the GASB Statements No. 10 and No. 62*, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Housing Authority will implement this standard during fiscal year June 30, 2014.

In June 2012, Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statements No. 25,* Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the Housing Authority in upcoming years.

In June 2012, Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27,* Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2016.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively.

In April 2013, GASB Statement No 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The Housing Authority is still evaluating how this reporting standard will affect the reporting entity.

NOTE 13. MERGER

As noted in Note 1, the Dona Ana County Housing Authority (DACHA) operated as a component unit of the Dona County prior to July 1, 2012. However, on July 1, 2012 the operations have merged into the Housing Authority and the net position of DACHA were transferred into the Housing Authority as of July 1, 2012. The following schedule represents the equity transfers presented within the financial statements at the beginning of the year:

	HUD Public Housing	HUD Section 8 Housing	New Construction Housing	Local Housing Projects	Total
Net Assets as of June 30, 2012	$ 3,121,063	$ 607,363	$ 1,079,764	$ 6,007,081	$ 10,815,271
Amounts from DACHA					
Cash and cash equivalents	304,499	1,294,770	-	631,695	2,230,964
Receivables	133	-	-	7,269	7,402
Deposits	-	-	-	17,450	17,450
Mortgages receivable	-	-	-	74,876	74,876
Capital assets, net	40,758	-	-	-	40,758
Tenant security deposits	(679)	-	-	-	(679)
Total Net Assets Transferred	344,711	1,294,770	-	731,290	2,370,771
Net Position as of July 1, 2012	$ 3,465,774	$ 1,902,133	$ 1,079,764	$ 6,738,371	$ 13,186,042

NOTE 14. CAPITAL FUND PROGRAM OR ARRA FUND PROGRAM CLOSEOUTS

The following Capital Fund Programs or ARRA Fund Programs were completed and closed out during the year:

Statement of Actual Modernization Costs
Capital Fund Program or ARRA Fund Program
Annual Contributions Contract NM02P003501-06
June 30, 2013

1. The Actual Modernization Costs for the project are as follows:

Funds approved	$ 421,103
Funds expended	421,103
Excess (deficiency) of funds approved	$ - 0 -
HUD grants	$ 421,103
Funds expended	421,103
Excess (deficiency) of funds expended	$ - 0 -

2. The distribution of costs shows as the Final Statements of Modernization Costs dated April 4, 2013, accompanying the Actual Modernization Cost Certificate submitted to HUD are in agreement with the Housing Authority's records.

3. All modernization costs have been paid and all related liabilities have been discharged through payment.

NOTE 14. CAPITAL FUND PROGRAM OR ARRA FUND PROGRAM CLOSEOUTS (continued)

Statement of Actual Modernization Costs
Capital Fund Program or ARRA Fund Program
Annual Contributions Contract NM02P003501-07
June 30, 2013

1. The Actual Modernization Costs for the project are as follows:

Funds approved	$ 355,272
Funds expended	355,272
Excess (deficiency) of funds approved	$ - 0 -
HUD grants	$ 355,272
Funds expended	355,272
Excess (deficiency) of funds expended	$ - 0 -

2. The distribution of costs shows as the Final Statements of Modernization Costs dated April 11, 2011, accompanying the Actual Modernization Cost Certificate submitted to HUD are in agreement with the Housing Authority's records.

3. All modernization costs have been paid and all related liabilities have been discharged through payment.

Statement of Actual Modernization Costs
Capital Fund Program or ARRA Fund Program
Annual Contributions Contract NM02P003501-08
June 30, 2013

1. The Actual Modernization Costs for the project are as follows:

Funds approved	$ 379,462
Funds expended	379,462
Excess (deficiency) of funds approved	$ - 0 -
HUD grants	$ 379,462
Funds expended	379,462
Excess (deficiency) of funds expended	$ - 0 -

2. The distribution of costs shows as the Final Statements of Modernization Costs dated November 9, 2012, accompanying the Actual Modernization Cost Certificate submitted to HUD are in agreement with the Housing Authority's records.

3. All modernization costs have been paid and all related liabilities have been discharged through payment.

NOTE 14. CAPITAL FUND PROGRAM OR ARRA FUND PROGRAM CLOSEOUTS (continued)

Statement of Actual Modernization Costs
Capital Fund Program or ARRA Fund Program
Annual Contributions Contract NM02S003501-09
June 30, 2013

1. The Actual Modernization Costs for the project are as follows:

Funds approved	$ 480,323
Funds expended	479,071
Excess (deficiency) of funds approved	$ 1,252
Amount to be recaptured	$ 1,252
HUD grants	$ 480,323
Funds expended	479,071
Excess (deficiency) of funds expended	$ 1,252
Amount to be recaptured	$ 1,252

2. The distribution of costs shows as the Final Statements of Modernization Costs dated April 11, 2011, accompanying the Actual Modernization Cost Certificate submitted to HUD are in agreement with the Housing Authority's records.

3. All modernization costs have been paid and all related liabilities have been discharged through payment.

Statement of Actual Modernization Costs
Capital Fund Program or ARRA Fund Program
Annual Contributions Contract NM02P062501-08
June 30, 2013

1. The Actual Modernization Costs for the project are as follows:

Funds approved	$ 17,526
Funds expended	17,526
Excess (deficiency) of funds approved	$ - 0 -
HUD grants	$ 17,526
Funds expended	17,526
Excess (deficiency) of funds expended	$ - 0 -

2. The distribution of costs shows as the Final Statements of Modernization Costs dated November 9, 2012, accompanying the Actual Modernization Cost Certificate submitted to HUD are in agreement with the Housing Authority's records.

3. All modernization costs have been paid and all related liabilities have been discharged through payment.

NOTE 14. CAPITAL FUND PROGRAM OR ARRA FUND PROGRAM CLOSEOUTS (continued)

Statement of Actual Modernization Costs
Capital Fund Program or ARRA Fund Program
Annual Contributions Contract NM02P062501-09
June 30, 2013

1. The Actual Modernization Costs for the project are as follows:

Funds approved	$ 12,204
Funds expended	12,204
Excess (deficiency) of funds approved	$ - 0 -
HUD grants	$ 12,204
Funds expended	12,204
Excess (deficiency) of funds expended	$ - 0 -

2. The distribution of costs shows as the Final Statements of Modernization Costs dated November 9, 2012, accompanying the Actual Modernization Cost Certificate submitted to HUD are in agreement with the Housing Authority's records.

3. All modernization costs have been paid and all related liabilities have been discharged through payment.

Statement of Actual Modernization Costs
Capital Fund Program or ARRA Fund Program
Annual Contributions Contract NM02S062501-09
June 30, 2013

1. The Actual Modernization Costs for the project are as follows:

Funds approved	$ 22,184
Funds expended	22,184
Excess (deficiency) of funds approved	$ - 0 -
HUD grants	$ 22,184
Funds expended	22,184
Excess (deficiency) of funds expended	$ - 0 -

2. The distribution of costs shows as the Final Statements of Modernization Costs dated February 28, 2011, accompanying the Actual Modernization Cost Certificate submitted to HUD are in agreement with the Housing Authority's records.

3. All modernization costs have been paid and all related liabilities have been discharged through payment.

NOTE 14. CAPITAL FUND PROGRAM OR ARRA FUND PROGRAM CLOSEOUTS (continued)

Statement of Actual Modernization Costs
Capital Fund Program or ARRA Fund Program
Annual Contributions Contract NM02P062501-10
June 30, 2013

1. The Actual Modernization Costs for the project are as follows:

Funds approved	$ 12,163
Funds expended	12,163
Excess (deficiency) of funds approved	$ - 0 -
HUD grants	$ 12,163
Funds expended	12,163
Excess (deficiency) of funds expended	$ - 0 -

2. The distribution of costs shows as the Final Statements of Modernization Costs dated April 4, 2013, accompanying the Actual Modernization Cost Certificate submitted to HUD are in agreement with the Housing Authority's records.

3. All modernization costs have been paid and all related liabilities have been discharged through payment.

NOTE 15. COMPONENT UNITS

As described in Note 1, the reporting entity consists of several component units as defined under GASB 14, amended by No. 39 and No. 61. The component units have a calendar year end and are comprised of Montana Senior Village, LLC (MSV), MSV II Limited Partnership (MSV II), Stone Mountain Place, LP (SM P), Falcon Ridge, LP (FR), Cimmaron, LP (Cimmaron I), Cimmaron II Apartments, LP (Cimmaron II), Desert Palms Apartments, LP (DP) and Robledo Ridge, LLLP (RR). The Housing Authority is the managing member of MSV, is the sole member of Montana Street, LLC (MSV II's general partner), is the sole member of Stone Mountain Place, LLC (SMP's general partner), is the sole member of Falcon Ridge, LLC (FR's general partner), is the sole member of Cimmaron Apartments I, LLC (Cimmaron I's general partner), is the sole member of Cimmaron Apartments, LLC (Cimmaron II's general partner), is the sole member of Desert Palms Apartments, LLC (DP's general partner) and is a partner of Robledo Ridge, LLLP.

The criteria provided in GASB Statement No. 14, amended by Statements No. 39 and No. 61, has been considered and MSV, MSV II, SMP, FR, Cimmaron I, Cimmaron II, DP and RR meet the criteria for inclusion as component units of the Housing Authority. The component units continued operations for the first six months of 2013 and that financial information is not included within the basic financial statements of the Housing Authority. The last issued audited financial statements of the component units were as of December 31, 2012. MSV, MSV II, SMP, FR, Cimmaron I, Cimmaron II, DP and RR do not meet the requirements for blending and will be reported as discretely-presented component units. The following represent the disclosures from the audited financial statements of each entity:

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.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, 2012.

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 statement 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 2012.

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, 2012, the Partnership's tax years for 2009, 2010 and 2011 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2012, the Partnership is no longer subject to examinations by tax authorities for years before 2009.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 for the period from January 25, 2010 to December 31, 2012:

General Partner:	
CIMMARON APARTMENTS ONE LLC	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 D - LONG-TERM DEBT

	12/31/2012
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 $5,353 as of December 31, 2012. Interest expensed on this loan was $64,468 as of December 31, 2012.	$ 1,000,475

NOTE D - LONG-TERM DEBT *(continued)*

	12/31/2012
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 $1,239 as of December 31, 2012. The long-term accrued interest was $62,816 as of December 31, 2012. Interest expensed on this loan was $14,606 as of December 31, 2012.	240,000
Total	1,240,475
Less: Current Portion	8,511
Long-Term Notes Payable	$ 1,231,964

Aggregate maturities of the notes are approximated as follows:

	Principal	Interest
December 31, 2013	$ 8,511	$ 67,066
2014	9,074	66,626
2015	9,674	66,154
2016	10,314	65,647
2017	10,995	65,103
2018-2022	66,894	315,866
2023-2027	92,135	294,999
2028-2032	126,899	265,550
2033-2037	174,782	224,128
2038-2042	240,732	166,033
2043-2047	490,465	91,791
Total	$ 1,240,475	$ 1,688,963

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 $90,141 as of December 31, 2012.

NOTE E - RESERVE FUNDS *(continued)*

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 $97,384 as of December 31, 2012.

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 $18,986 during 2012. The amount due to the Management Agent related to Management Fees was $360 as of December 31, 2012.

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 $4,179 were recognized during 2012. The amount due to the Limited Partner related to Asset Management Fees was $4,179 as of December 31, 2012.

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 2012.

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, 2012, $579,093 of this fee has been paid. The amount due related to Development Fees was $80,000 as of December 31, 2012.

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 $94 for the year ended December 31, 2012.

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. For example, the properties do not have access to credit cards in order to directly pay necessary items such as seminars and motels. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. The amount due to the Management Agent related to reimbursed expenses is considered negligible as of December 31, 2012.

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, 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 LIABILITIES

The accrued liabilities on the balance sheet contain the following:

Accrued Payroll Expenses	$ 949
Accrued Audit Fees	20,696
Total Accrued Liabilities	$ 21,645

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 20, 2013 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

NOTE A - ORGANIZATION

Cimmaron II Apartments Limited Partnership was organized in 2004 as a Limited Partnership to develop, construct, own, maintain, and operate an 84-unit rental housing project for mixed income tenants with both tax credit and market rate units. Twenty-four of the units were acquired through the purchase of an adjacent apartment complex and the remaining sixty units entered into substantial completion during April of 2011. The Project is located in the city of Anthony, New Mexico, and is currently known as Cimmaron II Apartments. The major activities of the Partnership are governed by the Partnership Agreement and the Internal Revenue Service Code Section 42.

The management of the Partnership and the ongoing management of Cimmaron II Apartments are vested in the Partners. The Partnership has hired JL Gray Company, an affiliate of one of the Partners, 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:

<u>Basis of Accounting</u>

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

<u>Cash and Cash Equivalents</u>

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.

<u>Cash and Other Deposits</u>

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. Cash and cash equivalents in excess of FDIC limits were $347,482 and $299,736 at December 31, 2012 and 2011, respectively. 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.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, 2012 and 2011.

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.

Buildings	40
Site Improvements	20
Furnishings	7-10

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 2012 or 2011.

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, 2012, the Partnership's tax years for 2009, 2010 and 2011 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2012, the Partnership is no longer subject to examinations by tax authorities for years before 2009.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 2011 financial statements have been reclassified to conform to the 2012 presentation.

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

The Partners of Cimmaron II Apartments Limited Partnership and their respective profit and loss percentages were as follows as of December 31, 2012 and 2011:

General Partner:
Cimmaron Apartments LLC to receive Net Income at 100.00%
Limited Partner:
JLG Properties, LLC to receive Net Loss at 100.00%

NOTE D - LONG-TERM DEBT

	12/31/2012	12/31/2011
The Project is financed with a 480-month note payable to New Mexico Mortgage Finance Authority under the 542(c) FHA-Insured Multifamily Loan Program in the original amount of $1,420,000, with an interest rate of 6.7%. The note is payable in monthly installments of $8,221 including interest through the maturity date. The unpaid principal of the loan is due January 2052. The accrued interest was $7,891 and $0 as of December 31, 2012 and 2011, respectively. Interest expensed on this note was $91,377 and $4,493 as of December 31, 2012 and 2011, respectively.	$ 1,413,345	$ 1,420,000
Total	1,413,345	1,420,000
Less: Current Portion	7,740	6,655
Long-Term Notes Payable	$ 1,405,605	$ 1,413,345

Aggregate maturities of the loans are approximated as follows

	Principal	Interest
December 31, 2013	$ 7,740	$ 94,459
2014	8,275	93,924
2015	8,847	93,353
2016	9,458	92,741
2017	10,112	92,088
2018-2022	62,056	448,942
2023-2027	86,669	424,329
2028-2032	121,045	389,952
2033-2037	169,057	341,941
2038-2042	236,111	274,887
2043-2047	329,762	181,236
2048-2052	364,213	53,102
Total	$ 1,413,345	$ 2,580,954

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 - TCEP FUNDS

On December 18, 2009, the Partnership executed a $9,525,110 TCEP Mortgage Note to New Mexico Mortgage Finance Authority. The terms of the loan begin upon its execution and end 180 months after commencement of the Compliance Period. There are no interest or scheduled principal payments due with respect to this loan. The amount subject to recapture shall be reduced by 6.67% of the original loan amount for each compliant year. In the event there is no uncured Recapture Event of Default at the time of termination, this TCEP Mortgage Note shall be forgiven. Due to the fact that the repayment of the loan is considered less than remote, the liability was reclassified to a capital contribution as of December 31, 2011.

NOTE F - RESERVE FUNDS

Developer Fee Holdback Escrow

In accordance with the TCEP Mortgage Note to New Mexico Mortgage Finance Authority, the Partnership shall establish a Developer Fee Holdback for a percentage of the developer fee. The Partnership elected to hold back 25% of the developer fee which will be released in ten equal installments beginning on the first anniversary of Stabilization, and annually thereafter. Stabilization will occur when certain conditions of the note have been met. The Developer Fees in escrow were $275,135 and $275,135 as of December 31, 2012 and 2011, respectively.

Replacement Reserve

In accordance with the TCEP Mortgage Note to New Mexico Mortgage Finance Authority, the Partnership shall establish a Replacement Reserve. The Partnership shall make deposits into the Replacement Reserve fund of $25,200 annually, commencing upon permanent financing. The Partnership made a deposit of $36,474 upon acquiring permanent financing during December 2011. The payments to escrow began in February 2012; therefore the current year deposits were for eleven months. Replacement Reserve balance was $59,583 and $36,474 as of December 31, 2012 and 2011, respectively.

Operating and Operating Deficit Reserve

In accordance with the TCEP Mortgage Note to New Mexico Mortgage Finance Authority, the Partnership funded an Operating Deficit Reserve fund in the amount of $202,883. Funds are to be used for operating and debt service deficits. The Operating Reserve balance was $202,883 and $202,883 as of December 31, 2012 and 2011, respectively.

NOTE G - COMMITMENTS AND CONTINGENCIES

Tax Credit Exchange Program

The Low Income Housing Tax Credit Exchange Program Agreement entered into with New Mexico Mortgage Finance Authority states that no interest or scheduled principal payments are due with respect to the loan listed above. However, the entire principal of the loan will become due and payable if an event of default under the TCEP Agreement is failed to be cured. The Events of Default that would cause the loan to become due and payable include, but are not limited to the following:

NOTE G - COMMITMENTS AND CONTINGENCIES *(continued)*

1. A Recapture Event of Default;
2. Failure to comply with the requirements of Section 42 of the Code;
3. Failure to observe or perform any term, condition or covenant in the TCEP Agreement;
4. A default under any of the Loan Documents;
5. Any representation or warranty made by the Owner or on behalf of Owner becomes materially incorrect or incomplete;
6. Failure by owner to commence construction of the project within the specified time period;
7. The Project is damaged or destroyed and cannot be restored for completion by the Completion Date and within the other terms;
8. Failure by owner to construct the project according to the contract documents;
9. For any cause (other than acts of God) that would suspend construction for a period of 20 consecutive days, construction is not carried on to permit completion by completion date, or construction is not progressing in accordance with the contract documents;
10. Failure by owner to pay the general contractor, mechanic, or supplier;
11. Property, Project or any part thereof are subject to a lien or security agreement except as provided in the TCEP Agreement;
12. Failure by owner to discharge, bond over or obtain title insurance against any mechanics' lien; or
13. The General Contractor or Owner shall become insolvent or be adjudicated bankrupt.

Regulatory Agreement Provisions

On December 14, 2011, 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 H - 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 twenty-four units in operation for the Project. The current year management fee is equal to 6% of gross rental collections. Property Management Fees expensed were $29,121 and $20,198 during 2012 and 2011, respectively. The amounts due to the Management Agent related to Management Fees were $475 and $564 as of December 31, 2012 and 2011, respectively.

Development Fee

The Partnership has incurred a Development Fee of $825,405 due to JL Gray Company and the General Partner, 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, 2012, $550,270 of this fee has been paid. The amounts due related to Development Fees were $275,135 and $275,135 as of December 31, 2012 and 2011, respectively.

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

Reimbursed Expenses

The Management Agent, an affiliate of one of the Partners, 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. For example, the properties do not have access to credit cards in order to directly pay necessary items such as seminars and motels. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. The amounts due to the Management Agent related to reimbursed expenses are considered negligible as of December 31, 2012 and 2011, respectively.

NOTE I - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Cimmaron II 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 J - ACCRUED LIABILITIES

The accrued liabilities on the balance sheet contain the following:

Accrued Payroll Expenses	$	1,476
Accrued Expenses - Audit Fees		10,773
Total Accrued Liabilities	$	12,249

NOTE K - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 20, 2013 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

NOTE A - ORGANIZATION

Desert Palms Apartments Limited Partnership was organized in 2003 as a Limited Partnership to develop, construct, own, maintain, and operate a 101-unit rental housing project for mixed income tenants with both tax credit and market rate units. The Project is located in the city of Las Cruces, New Mexico, and is currently known as Desert Palms 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 Desert Palms 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.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, 2012.

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 statement 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	15
Furnishings	3-7
Maintenance Equipment	5

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 2012.

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, 2012, the Partnership's tax years for 2009, 2010, and 2011 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2012, the Partnership is no longer subject to examinations by tax authorities for years before 2009.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

The Partners of Desert Palms Apartments Limited Partnership and their respective profit and loss percentages are as follows for the period from January 25, 2010 to December 31, 2012:

General Partner:	
Desert Palms Apartments LLC	0.01 %
Limited Partner:	
Freddie Mac Equity Plus II, ESIC	99.99 %
Total	100.00 %

NOTE D - LONG-TERM DEBT

	12/31/2012
The Project is financed with a 35-year mortgage payable to New Mexico Mortgage Finance Authority in the original amount of $1,705,000, with an interest rate of 6.48%. The mortgage is payable in monthly installments of $10,277 through October 1, 2041. The accrued interest was $8,683. Interest expensed on this loan was $104,750 as of December 31, 2012.	$ 1,607,944

NOTE D - LONG-TERM DEBT *(continued)*

	12/31/2012
The Project also has a mortgage payable to City of Las Cruces in the original amount of $342,744. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 4.94% compounded annually. Monthly interest only payments of 1% are to be paid for the first fifteen years. After the end of year fifteen the principal and accrued interest will become due and payable in 179 monthly installments of $4,820. Maturity of the loan occurs at the sale, refinance, and transfer of the property or on September 2034. The short-term accrued interest was $360. The long-term accrued interest was $89,183 as of December 31, 2012. Interest expensed on this loan was $20,608 as of December 31, 2012.	342,744
Total	1,950,688
Less: Current Portion	19,713
Long-Term Notes Payable	$ 1,930,975

Aggregate maturities of the notes are approximated as follows:

	Principal	Interest
December 31, 2013	$ 19,713	$ 107,952
2014	21,029	106,807
2015	22,433	105,581
2016	23,930	104,268
2017	25,528	102,862
2018-2022	180,513	482,856
2023-2027	329,948	401,698
2028-2032	411,938	319,707
2033-2037	525,202	206,443
2038-2042	507,710	55,135
Total	$ 2,067,944	$ 1,993,309

Long-term accrued interest on the HOME loan in the amount of $117,256 becomes principal and is amortized when principal payments begin December of 2021.

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 Partnership shall establish a Replacement Reserve at the time of the fourth installment to fund major repairs or replacements of the Project Property. The Partnership shall make deposits into the Replacement Reserve fund of $29,000 annually commencing with the completion of the Project. The Replacement Reserve balance was $144,245 as of December 31, 2012.

Operating Reserve

The General Partner is required to establish and maintain an Operating Reserve on the date of the fourth capital contribution in the amount of $75,000. The Operating Reserve balance was $59,668 as of December 31, 2012. The Partnership was also required to establish a separate Operating Deficit Reserve with New Mexico Mortgage Finance Authority. The Operating Deficit Reserve balance was $15,418 as of December 31, 2012. The Operating Reserve and Operating Deficit Reserve were reported together in prior years.

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.

Long-term Contract

The Partnership entered into a service agreement and a compensation agreement with Comcast of California XIV LLC (Comcast) on March 13, 2012. The service agreement is for a term of 15 years, and then automatically renews biannually unless either party provides at least 60 days to notice not to renew at the end of the term. Per the compensation agreement, Comcast agreed to pay the Partnership a one-time fee of $12,625 as consideration for entering into a long-term service agreement. The total fee was received by the partnership upon execution of the agreements and is included in miscellaneous income for the year ended December 31, 2012.

NOTE F - COMMITMENTS AND CONTINGENCIES *(continued)*

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.

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, ten units shall be designated as floating HOME assisted units.

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 6% of gross rental collections. Property Management Fees expensed were $26,290 during 2012. The amounts included in accounts payable that are due to the Management Agent related to Management Fees were $47 as of December 31, 2012. The Management Agent also advanced funds to the property during the year due to cash flow issues. The amount included in accrued liabilities that is due to the Management Agent related to this advance was $4,000 as of December 31, 2012.

Owner Distribution - Investor Services Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the Limited Partner an Investor Services Fee in the amount of $4,000 beginning in 2004. The fee shall increase at a rate of 3% per year thereafter. The Investor Services Fee shall be payable from the available cash flows. Any unpaid fees may accrue for payment in subsequent years. Investor Services Fees of $5,067 were recognized during 2012. The amounts due to the Limited Partner related to Investor Services Fees were $36,637 as of December 31, 2012.

Owner Distribution - Partnership Administrative Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the General Partner a Partnership Administrative Fee in the annual amount of $25,000. The fee shall increase at a rate of 3% per year thereafter. The Partnership Administration Fee shall be payable from the available cash flows. Any unpaid fees may accrue for payment in subsequent years. There were no Partnership Administrative Fees accrued during 2012.

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

Development Fee

The Partnership has incurred a Development Fee of $203,230 due to JL Gray Company and the General Partner, 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, 2012, $9,290 of this fee has been paid. The amounts due related to Development Fees were $193,939 as of December 31, 2012.

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 $943 for the year ended December 31, 2012.

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. For example, the properties do not have access to credit cards in order to directly pay necessary items such as seminars and motels. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. The amount due to the Management Agent related to reimbursed expenses is considered negligible as of December 31, 2012.

Operating Deficit Loans

Pursuant to the Partnership Agreement, the General Partner has guaranteed to fund all deficits through the later of Permanent Loan Closing and achievement of a Debt Service Coverage Ratio of 1:15:1 for 90 days, as defined. Subsequent to Permanent Loan Closing or achievement of the Debt Service Coverage Ratio, funding up to an additional $275,000 of operating deficits is guaranteed. 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;
2. The Project has met the required Debt Service Coverage for three years;
3. The balance in the Operating Reserve equals or exceeds the Operating Reserve amount.

The General Partner obligations shall be Guaranteed by the Guarantor (JL Gray Company) as defined in the Guaranty Agreement.

NOTE H - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Desert Palms 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 LIABILITIES

The accrued liabilities on the balance sheet contain the following:

Accrued Payroll Expenses	$ 5,716
Accrued Audit Fees	20,696
Total Accrued Liabilities	$ 26,412

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 20, 2013 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

NOTE A - ORGANIZATION

Falcon Ridge Limited Partnership was organized in 2007 as a Limited Partnership to develop, construct, own, maintain, and operate a 72-unit rental housing project for mixed income tenants with both tax credit and market rate units. The Project is located in the city of Hatch, New Mexico, and is currently known as Falcon Ridge Apartments. The project property assumed loans regulated under Sections 515(b) and 521 of the Housing Act of 1949, as amended, which provides for interest subsidies and is regulated by the USDA Rural Development. In addition the Partnership obtained a loan guarantee and interest credit subsidy under the Guaranteed Rural Rental Housing Section 538 Program which is also regulated by the USDA Rural Development. The major activities of the Partnership are governed by the Partnership Agreement, USDA Rural Development (RD), and the Internal Revenue Service Code Section 42.

In August 2006, three properties known as Los Caballos I, II, & III were destroyed and rendered uninhabitable by a flood in Hatch, NM. The properties were originally funded by three different RD 515 loans. A new project in a different location, but also in Hatch, NM was to be built. On December 22, 2009, the transfer of the loans was made to the new entity, Falcon Ridge Apartments. The total of the loans assumed was $2,259,317. Interest was paid on the loan prior to assumption in the amount of $132,229. In addition, the remaining insurance proceeds in the amount of $1,778,290 received from the Los Caballos property insurance settlement were also transferred, along with the remaining development costs of $414,551 related to this transfer.

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

The Partnership is reported as a component unit of Mesilla Valley Public Housing Authority (MVPHA) because the MVPHA is the sole 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:

<u>Basis of Accounting</u>

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

<u>Cash and Cash Equivalents</u>

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.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. Cash and cash equivalents in excess of FDIC limits were $217,445 and $118,248 at December 31, 2012 and 2011, respectively. Accounts held in escrow for developer fees and the operating deficit reserve are invested without any federal deposit insurance. The amounts held without insurance are $477,810 and $477,718 as of December 31, 2012 and 2011. 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.

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, 2012 and 2011.

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	20
Furnishings	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 2012 or 2011.

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, 2012, the Partnership's tax years for 2009, 2010 and 2011 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2012, the Partnership is no longer subject to examinations by tax authorities for years before 2009.

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.

Return to Owner

In accordance with the Loan Agreements(s), the maximum annual cash return to owner allowable by RD for the Partnership is $15,000, and is allocated to the Partners as formulated in the Partnership Agreement.

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 2011 financial statements have been reclassified to conform to the 2012 presentation.

Collateralization of Deposits

Even though the Partnership is a component unit of the Mesilla Valley Public Housing Authority (MVPHA), it is not subject to the requirement to secure collateralization on cash deposits.

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

The Partners of Falcon Ridge Limited Partnership and their respective profit and loss percentages were as follows as of December 31, 2012 and 2011:

General Partner:
Falcon Ridge LLC to receive Net Income at 100.00%.
Limited Partner:
JLG Properties, LLC to receive Net Loss at 100.00%.

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS *(continued)*

Capital Contributions and Allocations of Profit, Loss, and Cash Flow

There were no contributions from the Partners as of December 31, 2012. The General Partner made a contribution of $24,036 as of December 31, 2011.

NOTE D - LONG-TERM DEBT

	12/31/2012	12/31/2011
The Project is financed with a 40-year mortgage payable dated December, 2011, to Lancaster Pollard Mortgage Company in the original amount of $1,332,000, with an interest rate of 4.58%. The loan is under the USDA Section 538 Guaranteed Rural Rental Housing Program and has been awarded an interest credit by USDA to reduce the effective interest rate on the loan to 2.08% per annum. The mortgage is payable in monthly installments of $6,061 including interest through the maturity date. The unpaid principal of the loan is due December 1, 2051. The accrued interest was $5,042 and $0 as of December 31, 2012 and 2011, respectively. Interest expensed on this loan was $60,756 and $1,864 as of December 31, 2012 and 2011, respectively.	1,321,040	1,332,000
On December 22, 2009, Falcon Ridge Limited Partnership assumed the unpaid principal balance of the Rural Development Section 515 loans originally issued to Los Caballos I, Los Caballos II and Los Caballos III. The amount assumed and related interest and maturity dates were $726,506 at 9.00% matures February 1, 2037; $690,892 at 8.75% matures August 1, 2041; $839,902 at 7.75% matures July 1, 2043. The assumed loans are payable in monthly installments of $7,173, net of interest subsidy. The accrued interest was $15,547 and $15,684 as of December 31, 2012 and 2011, respectively. Interest expensed on these loans was $187,329 and $196,095 as of December 31, 2012 and 2011, respectively.	2,206,146	2,225,459
Total	3,527,186	3,557,459
Less: Current Portion	33,516	30,272
Long-Term Notes Payable	$ 3,493,670	$ 3,527,187

NOTE D - LONG-TERM DEBT *(continued)*

Aggregate maturities of the loans are approximated as follows:

	Principal	Interest*
December 31, 2013	$ 33,516	$ 245,998
2014	35,965	243,549
2015	38,607	240,907
2016	41,459	238,055
2017	44,538	234,976
2018-2022	278,249	1,205,514
2023-2027	402,439	1,103,457
2028-2032	586,866	946,847
2033-2037	794,085	708,890
2038-2042	695,622	472,439
2043-2047	310,449	364,685
2048-2052	265,391	290,941
Total	$ 3,527,186	$ 6,296,258

*The Rural Development loans assumed by the Partnership are Section 515. Interest Subsidy from Rural Development should reduce the interest paid to 1% over the term of the loan (See Interest Credit and Rental Assistance Agreement Footnote). The project also received interest subsidy from Rural Development Section 538 loan. Interest subsidy payments of $151,224 and $120,699 were recognized as other income during 2012 and 2011, respectively.

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

Developer Fee Holdback Escrow

In accordance with the TCEP Mortgage Note to New Mexico Mortgage Finance Authority, the Partnership shall establish a Developer Fee Holdback for a percentage of the developer fee. The Partnership elected to hold back 25% of the developer fee which will be released in ten equal installments beginning on the first anniversary of Stabilization, and annually thereafter. Stabilization will occur when certain conditions of the note have been met. The Developer Fees in escrow were $276,837 and $276,837 as of December 31, 2012 and 2011, respectively.

Replacement Reserve

In accordance with the Partnership Agreement, the Partnership shall establish a Replacement Reserve at the time of the fourth installment to fund major repairs or replacements of the Project Property. The Partnership shall make deposits into the Replacement Reserve fund in the amount of $25 per year for each residential unit in the Project, totaling $1,800 annually. The Replacement Reserve balance was $260,041 and $237,253 as of December 31, 2012 and 2011, respectively.

NOTE E - RESERVE FUNDS *(continued)*

Operating & Operating Deficit Reserve

In accordance with the Partnership Agreement, the Partnership funded an Operating Reserve fund in the amount of $200,640. Funds are to be used for operating and debt service deficits. The Operating Reserve balance was $200,881 and $200,881 as of December 31, 2012 and 2011, respectively.

Lease Up Reserve

On December 18, 2009 at the time of the loan closing, a Lease Up Reserve account was established in the amount of $25,000. The TCEP agreement states that the funds are required to be held by the New Mexico Mortgage Finance Authority (NMMFA) and only to be distributed by their approval. However, NMMFA did not retain these funds from the loan draws. When the project reaches stabilization, any remaining funds shall be applied first to pay any monies owed to NMMFA, then to satisfy and other reserve requirement of the project, then to the owners or any lender with a continuing loan on the project. The Lease Up Reserve balance was $25,022 and $25,000 as of December 31, 2012 and 2011, respectively.

Stabilization has been achieved when all of the following conditions have been met:

1. The project has achieved an occupancy of 93%;
2. The project has met the debt service coverage ratio for three consecutive months;
3. The owner has closed on and received permanent financing;
4. The owner has established and funded all required reserves; and
5. The owner had delivered to NMMFA satisfactory evidence that all low-income units have been occupied by qualifying tenants.

NOTE F - TCEP FUNDS

On December 18, 2009, the Partnership executed a $6,976,074 TCEP Mortgage Note to New Mexico Mortgage Finance Authority. The terms of the loan begin upon its execution and end 180 months after commencement of the Compliance Period. There are no interest or scheduled principal payments due with respect to this loan. The amount subject to recapture shall be reduced by 6.67% of the original loan amount for each compliant year. In the event there is no uncured Recapture Event of Default at the time of termination, this TCEP Mortgage Note shall be forgiven. Due to the fact that the repayment of the loan is considered less than remote, the liability was reclassified to a capital contribution as of December 31, 2011.

NOTE G - COMMITMENTS AND CONTINGENCIES

Tax Credit Exchange Program

The Low Income Housing Tax Credit Exchange Program Agreement entered into with New Mexico Mortgage Finance Authority states that no interest or scheduled principal payments are due with respect to the loan listed above. However, the entire principal of the loan will become due and payable if an event of default under the TCEP Agreement is failed to be cured. The Events of Default that would cause the loan to become due and payable include, but are not limited to the following:

1. A Recapture Event of Default;
2. Failure to comply with the requirements of Section 42 of the Code;
3. Failure to observe or perform any term, condition or covenant in the TCEP Agreement;
4. A default under any of the Loan Documents;
5. Any representation or warranty made by the Owner or on behalf of Owner becomes materially incorrect or incomplete;
6. Failure by owner to commence construction of the project within the specified time period;
7. The Project is damaged or destroyed and cannot be restored for completion by the Completion Date and within the other terms;
8. Failure by owner to construct the project according to the contract documents;
9. For any cause (other than acts of God) that would suspend construction for a period of 20 consecutive days, construction is not carried on to permit completion by completion date, or construction is not progressing in accordance with the contract documents;
10. Failure by owner to pay the general contractor, mechanic, or supplier;
11. Property, Project or any part thereof are subject to a lien or security agreement except as provided in the TCEP agreement;
12. Failure by owner to discharge, bond over or obtain title insurance against any mechanics' lien; or
13. The General Contractor or Owner shall become insolvent or be adjudicated bankrupt.

Interest Credit and Rental Assistance Agreement

Under an agreement with Rural Developments 515 loans, a mortgage subsidy is provided which reduces the effective interest rate on the mortgage to 1% over the life of the Loan Agreement. Rural Development may terminate the agreement if it determines that no subsidy is necessary or if the Partnership is determined to be in violation of the Loan Agreement(s) or Rural Development rules or regulations.

Rental Assistance Agreement

The Partnership has entered into a Rental Assistance Agreement with Rural Development providing rental assistance for 67 units. The Agreement provides for a maximum rental assistance commitment that expires automatically upon total disbursement, but is renewable under contract with Rural Development pending congressional approval of budget authority.

Interest Credit Agreement

Under the Guaranteed Rural Rental Housing Program the Partnership receives interest credit subsidy. The program is regulated by the USDA Rural Development Section 538.

NOTE H - 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 $38,134 and $35,558 during 2012 and 2011, respectively. The amounts due to the Management Agent related to Management Fees were $0 and $49 as of December 31, 2012 and 2011, respectively.

Development Fee

The Partnership has incurred a Development Fee of $1,107,346 due to JL Gray Company and the Mesilla Valley Public Housing Authority, 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, 2012, $830,510 of this fee has been paid. The amounts due related to Development Fees were $276,836 and $276,836 as of December 31, 2012 and 2011, 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 $3,849 and $1,971 for the years ended December 31, 2012 and 2011, respectively.

Reimbursed Expenses

The Management Agent, an affiliate of one of the Partners, 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. For example, the properties do not have access to credit cards in order to directly pay necessary items such as seminars and motels. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. The amounts due to the Management Agent related to reimbursed expenses are considered negligible as of December 31, 2012 and 2011, respectively.

NOTE I - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Falcon Ridge 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.

The Project's major source of revenue is from rental assistance received from Rural Development. Rural Development may terminate the interest subsidy or rental assistance agreement if it determines that no subsidy is necessary or if the project is determined to be in violation of Rural Development rules or regulations.

NOTE J - ACCRUED LIABILITIES

The accrued liabilities on the balance sheet as of December 31, 2012 contain the following:

Accrued Payroll Expenses	$ 1,317
Accrued Audit Fees	12,127
Total Accrued Liabilities	$ 13,444

NOTE K - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 20, 2013 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

NOTE A - ORGANIZATION

Montana Senior Village, LLC was organized in 1998 as a Limited Liability Company to develop, construct, own, maintain, and operate a 49-unit rental housing project for mixed income tenants with both tax credit and market rate units. The Project is located in the city of Las Cruces, New Mexico, and is currently known as Montana Senior Village Apartments. The Managing Member is the Mesilla Valley Public Housing Authority (MVPHA), previously Housing Authority of the City of Las Cruces, (the "Managing Member") and the Investor Member is The Banc of America Housing Fund II Limited Partnership (the "Investor Member"). The major activities of the Company are governed by the Management and Operating Agreements and the Internal Revenue Code Section 42.

The management of the Company and the ongoing management of Montana Senior Village Apartments are vested in the Members. The Company has hired JL Gray Company to provide day to day management for the property. Compensation for such services is as determined under the 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 Company is reported as a component unit of Mesilla Valley Public Housing Authority (MVPHA), previously Housing Authority of the City of Las Cruces, because the MVPHA is the Managing Member of the Company. The Company has no component units.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

The Project 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.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and Other Deposits

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

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, 2012 and 2011.

Tenant Receivable and Bad Debt Policy

Tenant rent charges for the current month are due on the first of the month. The Project does not accrue interest on the tenant receivable balances. The Project 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.
For financial statement purposes the following estimate useful lives are used:

	Estimated Life
Buildings	27.5
Site Improvements	15-27.5
Furnishings	3-7

The Project 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 2012 or 2011.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income Taxes

No federal income taxes are payable by the Company and none have been provided in the accompanying financial statements. The Members are to include their respective share of Company income or loss in their separate tax returns. As of December 31, 2012, the Company's tax years for 2009, 2010 and 2011 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2012, the Company is no longer subject to examinations by tax authorities for years before 2009.

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 Company and the tenants of the property are operating leases.

Amortization

Permanent loan fees are amortized on a straight-line basis over the life of the respective loan.

Reclassifications

Certain items in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

NOTE C - MEMBERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

The Members of Montana Senior Village, LLC and their respective profit and loss percentages are as follows as of December 31, 2012 and 2011:

Managing Member:	
Mesilla Valley Public Housing Authority	0.01 %
Investor Member:	
The Banc of America Housing Fund II LP	99.99 %
Total	100.00 %

NOTE C - MEMBERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS *(continued)*

Capital Contributions and Allocations of Profit, Loss, Tax Credits, and Cash Flow

The Investor Member has contributed $1,235,342 for a 99.99% interest in the Company. The Managing Member contributed $170,000 for a 0.01% interest in the Company. The final Investor Member contribution of $64,342 was made during 2003 upon achievement of breakeven operations, as defined.

Profits, losses, and Tax Credits generally are to be allocated to the Members in accordance with their ownership interests. In the event the Managing Member makes an operating deficit contribution, the Managing Member receives a special allocation equal to the amount of the contribution.

Net cash flow from operations, as defined, is to be distributed annually as follows:

1) To the Managing Member to pay the Deferred Development Fee in accordance with the Development Services Agreement;
2) To the Managing Member to pay the annual Company Management Fee in accordance with the Company Administration Agreement;
3) To the Managing Member to pay the Incentive Management Fee in accordance with the Company Administration Agreement;
4) To the Managing Member to repay any Operating Deficit Contribution;
5) The balance, .01% to the Managing Member and 99.99% to the Investor Member.

NOTE D - LONG-TERM DEBT

	12/31/2012	12/31/2011
The Project is financed with a 39-year mortgage payable to New Mexico Mortgage Finance Authority under the 542(c) FHA-Insured Multifamily Loan Program in the original amount of $1,030,000, with an interest rate of 8.15%. The mortgage is payable in monthly installments of $7,303 including interest through the maturity date. The unpaid principal of the loan is due February 2040. The accrued interest was $6,499 and $6,562 as of December 31, 2012 and 2011, respectively. Interest expensed on this loan was $78,338 and $79,063 as of December 31, 2012 and 2011, respectively.	$ 956,908	$ 966,142
The Project also has a 15-year mortgage payable to Mesilla Valley Public Housing Authority (MVPHA), previously Housing Authority of the City of Las Cruces, in the original amount of $99,000. The loan is subordinate to the First Mortgage Loan and payment is subject to available cash flow. During 2004, the terms of the Land Loan were changed and previously paid interest was applied to principal. The loan is now a non-interest bearing loan and is payable in full on December 1, 2015.	66,730	69,479

NOTE D - LONG-TERM DEBT *(continued)*

	12/31/2012	12/31/2011
The Project also has a 17-year mortgage payable to Mesilla Valley Public Housing Authority (MVPHA), previously Housing Authority of the City of Las Cruces, in the original amount of $487,250. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 4% per annum. Maturity of the loan occurs at the sale, refinance, or transfer of the property or on December 2017. The loan is subordinate to the First Mortgage Loan and payment is subject to available cash flow. The long-term accrued interest was $233,880 and $214,390 as of December 31, 2012 and 2011, respectively. Interest expensed on this loan was $19,490 and $19,490 as of December 31, 2012 and 2011, respectively.	487,250	487,250
Total	1,510,888	1,522,871
Less: Current Portion	12,764	11,983
Long-Term Notes Payable	$ 1,498,124	$ 1,510,888

Aggregate maturities of the loans are approximated as follows:

	Principal	Interest
December 31, 2013	$ 12,764	$ 77,619
2014	13,262	76,772
2015	73,711	75,853
2016	12,778	74,856
2017	501,109	405,105
2018-2022	89,003	349,168
2023-2027	133,592	304,579
2028-2032	200,519	237,652
2033-2037	300,976	137,195
2038-2042	173,174	16,352
Total	$ 1,510,888	$ 1,755,151

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

A Replacement Reserve is required to be funded from the Project's gross revenue to fund major repair and capital expenditures. The Replacement Reserve balance was $27,054 and $42,352 as of December 31, 2012 and 2011, respectively.

NOTE E - RESERVE FUNDS *(continued)*

Operating Reserve

In accordance with the Operating Agreement, the Operating Reserve should maintain a balance of at least $60,000. The Managing Member may use funds in the Operating Reserve with the consent of the Investor Member, for any Company purpose, but only to the extent the revenues of the company are insufficient to accomplish such purposes. The Operating Reserve balance was $32,382 and $32,362 as of December 31, 2012 and 2011, respectively.

Operating Deficit Reserve

NMMFA required that an amount equal to three monthly first mortgage payments, or $30,327, be retained in escrow as the Operating Deficit Reserve Account. The Managing Member has establish an Operating Reserve account to accumulate the additional funds required by the Operating Agreement. The Operating Deficit Reserve balance was $35,214 and $35,161 as of December 31, 2012 and 2011, respectively.

NOTE F - COMMITMENTS AND CONTINGENCIES

Guaranty of Tax Credits

Under the terms of the Operating Agreement, the Managing Member has the duty to use its best efforts to ensure that the Company qualifies for the maximum lawful Low Income Housing Tax Credits. In the event that actual Low Income Housing Tax Credits accruing to the benefit of the Investor Member are less than the amount of Credits that were projected at the formation of the Company, the contributions of capital otherwise required of the Investor Member may be reduced, or constructive advances deemed made, in accordance with applicable provisions of the Operating Agreement.

Operating Deficit Contributions

The Managing Member is obligated to make contributions to the Company as necessary to fund operating expenses, debt service payments, reserve and escrow accounts, capital improvements, and maintenance expenses that occur during certain specified periods, as defined. The Managing Member's obligation to make operating deficit contributions after the lease-up date, as defined, is limited to $100,000 and terminates upon achievement of certain operating milestones. Per the Operating Agreement, losses equal to the deficit payments are allocated to the Managing Member.

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 F - COMMITMENTS AND CONTINGENCIES *(continued)*

Housing Tax Credits

As incentive for investment equity, the Company 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 Company 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.

Long-term Contract

The Company entered into a service agreement and a compensation agreement with Comcast of California XIV LLC (Comcast) on March 13, 2012. The service agreement is for a term of 15 years, and then automatically renews biannually unless either party provides at least 60 days notice not to renew at the end of the term. Per the compensation agreement, Comcast agreed to pay the Company a one-time fee of $4,800 as consideration for entering into a long-term service agreement. The total fee was received by the Company upon execution of the agreements and is included in miscellaneous income for the year ended December 31, 2012.

NOTE G - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Property Management Fees

The Company has entered into a Management Agreement with JL Gray Company to manage the rental operations of the apartment community. The compensation for this service is based on the Management Agreement. The Management Fee shall equal 5.25% of monthly gross rental collections excluding any service or laundry income. Property Management Feess expensed were $15,108 and $14,913 during 2012 and 2011, respectively. The amounts due to the Management Agent related to Management Fees were $246 and $272 as of December 31, 2012 and 2011, respectively.

Company Administration Fee

In accordance with the Operating Agreement and the Company Administrative Agreement, the Project shall pay to the Managing Member a non-accruing Company Administration Fee for its services in managing the business of the Project in the amount of $15,000. There were no amounts recognized or due to the Managing Member related to Company Administration Fees as of December 31, 2012 and 2011, respectively.

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

Incentive Management Fee

In accordance with the Operating Agreement and the Company Administrative Agreement, the Project shall pay to the Managing Member an Incentive Management Fee equal to 75% of net cash flow subject to available cash flow, as defined. There were no Incentive Management Fees recognized or due to the Managing Member related to Incentive Management Fee as of December 31, 2012 and 2011, respectively.

Development Fee

The Company incurred a non-interest bearing Development Fee of $250,448 due to Housing Authority of the City of Las Cruces currently known as Mesilla Valley Public Housing Authority (MVPHA), rendered to the Company for overseeing the construction of the Project. This Development Fee has been fully earned and was capitalized into the basis of the building. Payment is subject to available cash flow and shall be repaid no later than December 31, 2011 in accordance with the Agreement. The amounts due related to Development Fees were $32,446 and $57,446 as of December 31, 2012 and 2011, 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. For example, the properties do not have access to credit cards in order to directly pay necessary items such as seminars and motels. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. The amounts due to the Management Agent related to reimbursed expenses are considered negligible as of December 31, 2012 and 2011, respectively.

NOTE H - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Company's sole asset is Montana Senior Village Apartments. The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company 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 an act of Congress or administrative change mandated by HUD. 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 LIABILITIES

The accrued liabilities on the balance sheet contain the following:

Accrued Payroll Expenses	$ 797
Accrued Audit Fees	10,773
Total Accrued Liabilities	$ 11,570

NOTE J - SUBSEQUENT EVENTS

The project has evaluated the subsequent events through May 20, 2013 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

NOTE A - ORGANIZATION

MSV II Limited Partnership was organized in January 2001 as a Limited Partnership to develop, construct, own, maintain, and operate a 84-unit rental housing project for low income senior tenants. The Project is located in the city of Las Cruces, New Mexico, and is currently known as Montana Senior Village II 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 Montana Senior Village II 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 Partnership is reported as a component unit of Mesilla Valley Public Housing Authority, previously known as Housing Authority of the City of Las Cruces. Mesilla Valley Public Housing Authority has an interest as 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:

<u>Basis of Accounting</u>

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

<u>Cash and Cash Equivalents</u>

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.

<u>Cash and Other Deposits</u>

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. Cash and cash equivalents in excess of FDIC limits were $250,843 and $159,708 at December 31, 2012 and 2011, respectfully. 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.

<u>Tenants' Security Deposits</u>

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, 2012 and 2011.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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	27.5
Site Improvements	15-20
Furnishings	3-7

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 2012 or 2011.

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, 2012, the Partnership's tax years for 2009, 2010, and 2011 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2012, the Partnership is no longer subject to examinations by tax authorities for years before 2009 .

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.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Amortization

Permanent loan financing fees are amortized on a straight-line basis over the life of the respective loan.

Reclassifications

Certain items in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

Concentrations of Risk

The Partnership deposits cash in financial institutions. At times, the account balances may exceed the institution's federally insured limits. The Partnership has not experienced any losses on such accounts.

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

The Partners of MSV II Limited Partnership and their respective profit and loss percentages are as follows as of December 31, 2012 and 2011:

General Partner:	
Montana Street, LLC	0.01 %
Limited Partner:	
The Housing Outreach Fund IX, LP	99.99 %
Total	100.00 %

Capital Contributions and Allocations of Profit, Loss, Tax Credits, and Cash Flow

The Limited Partner contributed $2,285,313 for a 99.99% interest in the Partnership. The General Partner contributed $300,000 for a 0.01% interest in the Partnership.

Profits, losses, and Tax Credits generally are to be allocated to the Partners in accordance with their ownership interests. In the event the General Partner makes an operating deficit contribution, the General Partner receives a special allocation equal to the amount of the contribution.

NOTE D - LONG-TERM DEBT

	12/31/2012	12/31/2011
The Project is financed with a 18-year mortgage payable to Enterprise Mortgage Investments, Inc., an affiliate of the Limited Partner, in the original amount of $1,790,000, with an interest rate of 7.03%. The mortgage is payable in monthly installments of $11,945 including interest through the maturity date. The unpaid principal of the loan is due October 2022. The accrued interest was $8,547 and $8,707 as of December 31, 2012 and 2011, respectively. Interest expensed on this loan was $103,459 and $105,317 as of December 31, 2012 and 2011, respectively.	$ 1,597,643	$ 1,627,519
The Project also has a 32-year mortgage payable to the City of Las Cruces, NM in the original amount of $275,000 with an interest rate of 1% for 17 years. Beginning in year 18, the outstanding interest becomes principal and the balance accrues interest at the rate of 3% per year payable in 180 monthly installments of $2,243. The loan matures at the end of year 32 . The accrued interest was $28,058 and $25,308 as of December 31, 2012 and 2011, respectively. Interest expensed on this loan was $2,750 and $2,750 as of December 31, 2012 and 2011, respectively.	275,000	275,000
The Project is financed with a 32-year promissory note with MVPHA, previously known as HACLC, an affiliate of the General Partner, in the original amount of $700,000, with an interest rate of 0.25%, to partially finance the predevelopment and construction costs. The mortgage payment is subject to available cash flow. During 2004, $100,000 of development advances were added to this loan balance. The unpaid principal and interest of the loan are due November 2034. The accrued interest was $19,861 and $17,861 as of December 31, 2012 and 2011, respectively. Interest expensed on this loan was $2,000 and $2,000 as of December 31, 2012 and 2011, respectively.	800,000	800,000
The Project is financed with a 32-year promissory note with MVPHA, previously known as HACLC, an affiliate of the General Partner, in the original amount of $500,000, with an interest rate of 0.25%, to partially finance the predevelopment and construction costs. The mortgage payment is subject to available cash flow. The unpaid principal of the loan is due November 2034. The accrued interest was $12,709 and $11,459 as of December 31, 2012 and 2011, respectively. Interest expensed on this loan was $1,250 and $1,250 as of December 31, 2012 and 2011, respectively.	500,000	500,000
Total	3,172,643	3,202,519
Less: Current Portion	32,045	29,876
Long-Term Notes Payable	$ 3,140,598	$ 3,172,643

NOTE D - LONG-TERM DEBT *(continued)*

Aggregate maturities of the loans are approximated as follows:

	Principal	Interest
December 31, 2013	$ 32,045	$ 111,650
2014	33,991	109,349
2015	36,459	106,881
2016	39,107	104,233
2017	41,946	101,394
2018-2022*	316,978	487,725
2023-2027	470,832	380,478
2028-2032	642,240	209,070
2033-2036	1,609,833	125,770
Total	$ 3,223,431	$ 1,736,550

Long-term accrued interest on the HOME loan in the amount of $50,789 becomes principal in 2019.

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 Partnership shall establish a Replacement Reserve at the time of the fourth installment to fund major repairs or replacements of the Project Property. The Partnership shall make deposits into the Replacement Reserve fund of $16,800 annually (to be increased annually by 3%) commencing with the completion of the Project. The Replacement Reserve balance was $84,734 and $115,205 as of December 31, 2012 and 2011, respectively.

Operating Reserve

In accordance with the Partnership Agreement, the Partnership funded an Operating Reserve fund in the amount of $89,000. Funds are to be used for operating and debt service deficits. The Operating Reserve balance was $94,466 and $94,371 as of December 31, 2012 and 2011, respectively.

Guaranty Reserve

The General Partner is required to fund a Guaranty Reserve in the amount of $300,000 in order to guarantee its construction, operating deficit, and Partnership obligations. Upon termination and winding-up of the Partnership, this Reserve shall be disbursed to the General Partner. The Guaranty Reserve balance was $315,257 and $315,234 as of December 31, 2012 and 2011, respectively.

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.

Guaranty of Tax Credits

Under the terms of the Operating Agreement, the General Partner has the duty to use its best efforts to ensure that the Partnership qualifies for the maximum lawful Low Income Housing Tax Credits. In the event that actual Low Income Housing Tax Credits accruing to the benefit of the Limited Partner are less than the amount of Credits that were projected at the formation of the Partnership, the contributions of capital otherwise required of the Limited Partner may be reduced, or constructive advances deemed made, in accordance with applicable provisions of the Operating Agreement.

Operating Deficit Contributions

The General Partner is obligated to make contributions to the Partnership as necessary to fund operating expenses, debt service payments, reserve and escrow accounts, capital improvements, and maintenance expenses that occur during certain specified periods, as defined. The General Partner's obligation to make operating deficit contributions after the lease-up date, as defined, is limited to \$250,000 and terminates upon achievement of certain operating milestones. Per the Operating Agreement, losses equal to the deficit payments are allocated to the General Partner.

Long-term Contract

The Partnership entered into a service agreement and a compensation agreement with Comcast of California XIV LLC (Comcast) on March 13, 2012. The service agreement is for a term of 15 years, and then automatically renews biannually unless either party provides at least 60 days notice not to renew at the end of the term. Per the compensation agreement, Comcast agreed to pay the Partnership a one-time fee of \$10,500 as consideration for entering into a long-term service agreement. The total fee was received by the Partnership upon execution of the agreements and is included in miscellaneous income for the year ended December 31, 2012.

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 5.25% of gross rental collections. Property Management Fees expensed were $24,118 and $23,414 during 2012 and 2011, respectively. The amounts due to the Management Agent related to Management Fees were $417 and $546 as of December 31, 2012 and 2011, respectively.

Investor Services Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the Limited Partner an Investor Services Fee in the amount of $3,000, beginning in 2003, increasing at a rate of 3% each year. The Investor Services Fee is payable subject to available cash flow. If cash flow is insufficient in any year, the unpaid fees shall be deferred and shall be payable out of the next available cash flow. Investor Services Fees of $3,915 and $3,801 were recognized during 2012 and 2011, respectively. The amounts due to the Limited Partner related to Investor Services Fees were $3,915 and $3,802 as of December 31, 2012 and 2011, respectively.

Partnership Administration Fee

In accordance with the Partnership Agreement, the Partnership shall pay to MVPHA, previously known as HACLC, an affiliate of the General Partner, a non-cumulative Partnership Administration Fee in the amount of $20,000 for the managing of the Partnerships assets and operations. There were no Partnership Administration Fees accrued during 2012 and 2011, respectively.

Tenant Services Fee

The Partnership executed a Tenant Services Agreement with an affiliate of the General Partner, MVPHA, previously known as HACLC, for social services provided to tenants of the Project. An annual non-cumulative Tenant Services Fee of $20,000 beginning in 2003, increasing at a rate of 3% each year, is payable subject to available cash flow. There were no Tenant Services Fees recognized during 2012 and 2011, respectively.

Development Fee

The Partnership has incurred a Development Fee of $382,752 due to Mesilla Valley Public Housing Authority (MVPHA), previously known as Housing Authority of the City of Las Cruces (HACLC), an affiliate of the General Partner, for services rendered to the Partnership for overseeing the construction of the Project. This Development Fee has been capitalized into the basis of the building. The amounts due related to Development Fees were $40,157 and $90,157 as of December 31, 2012 and 2011, respectively.

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

Operating Advances – General Partner

The Partnership received operating advances for the payment of various operating and financing expenses. The amount due to the General Partner related to these Operating Advances was $8,783 and $8,783 as of December 31, 2012 and 2011, respectively.

Reimbursed Expenses

The Management Agent, an affiliate of one of the Partners, 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. For example, the properties do not have access to credit cards in order to directly pay necessary items such as seminars and motels. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. The amounts due to the Management Agent related to reimbursed expenses are considered negligible as of December 31, 2012 and 2011, respectively.

NOTE H - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Montana Senior Village II 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 LIABILITIES

The accrued liabilities on the balance sheet contain the following:

Accrued Payroll Expenses	$ 982
Accrued Audit Fees	10,773
Total Accrued Liabilities	$ 11,755

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 20, 2013 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

NOTE A - ORGANIZATION

Robledo Ridge Limited Liability Limited Partnership was organized in 2011 as a Limited Partnership to develop, construct, own, maintain, and operate a 71-unit rental housing project for mixed income tenants with both tax credit and market rate units. The Project is located in the city of Las Cruces, New Mexico, and is currently known as Robledo Ridge Apartments. The Partnership provides housing to low income families and receives payments from the Department of Housing and Urban Development (HUD) in the form of housing assistance payments pursuant to a Section 8 Housing Assistance Payment Contract. The Project is regulated by the Department of Housing and Urban Development (HUD) as to rent charges and operating methods pursuant to the provisions of the mortgage, Housing Assistance Program Contract, and related Regulatory Agreement. 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 Robledo Ridge Apartments are vested in the Partners. The Partnership has hired Mesilla Valley Public Housing Authority (MVPHA) to provide management functions for the property. MVPHA has hired a subcontractor, UAH Property Management, to provide day to day management for the property. Compensation for such services is as determined under the Partnership Agreement, Management Agreement, and Management Subcontractor Agreement.

The Project is in the process of obtaining permanent financing under Section 542(c) of the Housing and Community Development Act, as amended, 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 the Mesilla Valley Public Housing Authority because the 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.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and Other Deposits

The Project maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. Cash and cash equivalents in excess of FDIC limits were $1,904 at December 31, 2012. The Project has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

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, 2012. This account is held at a bank in which cash and cash equivalents are in excess of FDIC limits at December 31, 2012.

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 statement 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

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 2012.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Schedule of Changes in Fixed Assets

	Balance 12/31/2011	Additions	Deductions	Balance 12/31/2012
Land	$ 586,168	$ 0	$ 0	$ 586,168
Existing Building	228,954	0	0	228,954
Construction in Progress	167,109	5,931,678	0	6,098,787
Totals	$ 982,231	$ 5,931,678	$ 0	$ 6,913,909
Accumulated Depreciation	$ 2,037	$ 4,880	$ 0	$ 6,917
Net Book Value	$ 980,194			$ 6,906,992

Schedule of Additions to Fixed Assets:

	12/31/2012
Rehabilitation Project	5,931,678
Totals:	$ 5,931,678

Property Taxes

The General Partner is owned 49% by a 501(c)(3) organization and 51% by the public housing authority which qualifies the Partnership for full exemption for property taxes. The owner of the General Partner is required to maintain in good standing its 501(c)(3) non-profit status. The tax-exemption is subject to change by an act of State Legislature. Such change may occur with little notice and would materially impact the rental operations of the Project.

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, 2012, the Partnership's tax year for 2011, the year of formation, is subject to examination by the federal and state tax authorities.

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.

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

The Partners of Robledo Ridge, LLLP and their respective profit and loss percentages are as follows as of December 31, 2012:

General Partner:	
Robledo Ridge, LLC	0.01 %
Limited Partner:	
Thomas G. Hassell through 4/19/2012	99.99 %
Wincopin Circle, LLLP 4/19/2012 - 5/2/2012	
UnitedHealthCare Fund 1, LLLP after 5/2/2012	
Total	100.00 %

As of December 31, 2012, the general partner has not made capital contributions. The limited partner is required to make capital contributions of $6,778,399. During 2012 $2,711,360 was contributed and $4,067,039 will become payable upon meeting certain construction milestones.

NOTE D - LONG-TERM DEBT

	12/31/2012
The Project is financed by a mortgage payable to New Mexico Mortgage Finance Authority in the original amount of $500,000. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 3.00%. Monthly payments of interest only are payable during the construction period not to exceed eighteen months. Beginning on October 1, 2013, principal and accrued interest, paid in arrears, are due and payable in 360 monthly installments. Maturity of the loan occurs at the sale, refinance, and transfer of the property or on September 1, 2043. Accrued interest was $1,250 as of December 31, 2012. Interest is capitalized during the construction period. Amounts capitalized for interest are included in construction in progress and are $7,042 as of December 31, 2012.	
Total	500,000
Less: Current Portion	2,581
Long-Term Notes Payable	$ 497,419

NOTE D - LONG-TERM DEBT *(continued)*

Aggregate maturities of the notes are approximated as follows:

	Principal		Interest	
December 31, 2013	$	2,581	$	14,994
2014		10,517		14,779
2015		10,837		14,459
2016		11,167		14,129
2017		11,507		13,790
2018-2022		63,001		63,480
2023-2027		73,183		53,298
2028-2032		85,011		41,471
2033-2037		98,750		27,731
2038-2042		114,709		11,772
2043		18,737		235
Total	$	500,000	$	270,138

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 - LINE OF CREDIT

The Project obtained a line of credit with Citizens Bank of Las Cruces on April 18, 2012. The line is secured by real property of the Project, and is guaranteed by the Mesilla Valley Public Housing Authority and the New Mexico Housing Corporation. The amount available on the line is $5,700,000. Interest is accrued at 6.5% and is payable in monthly installments. The amounts due related to outstanding principal and interest are payable in full at maturity on October 18, 2013. The amount due related to outstanding principal drawn is $3,220,449 as of December 31, 2012. Accrued interest was $14,537 as of December 31, 2012. Interest is capitalized during the construction period. Amounts capitalized for interest are included in construction in progress and are $122,983 as of December 31, 2012.

NOTE F - RESERVE FUNDS

Replacement Reserve

In accordance with the Partnership Agreement, the Partnership shall establish a Replacement Reserve at the time of the fourth installment to fund major repairs or replacements of the Project Property. The Replacement Reserve funding amount of $85,329 is from the limited partner's fourth capital contribution installment. The Partnership shall make deposits into the Replacement Reserve fund of $31,630, increasing 3% annually, commencing on the second full month after completion of the Project. The Replacement Reserve balance was $1,305 as of December 31, 2012.

NOTE F - RESERVE FUNDS *(continued)*

Operating Reserve

The General Partner is required to establish and maintain an Operating Reserve on the date of the fourth capital contribution in the amount of $208,910. The Operating Reserve has not been established or funded as of December 31, 2012.

NOTE G - 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.

Construction Contract

The Partnership entered into a Construction Contract Agreement dated December 7, 2011 in the amount of $7,227,730, including change orders for construction services in connection with the Project. As of December 31, 2012, the construction amount of $4,954,079 has been completed and billed. As of December 31, 2012, $438,232 remains payable.

Housing Assistance Agreement

The Partnership receives a significant portion of its rental income from the Department of Housing and Urban Development pursuant to a Section 8 Housing Assistance Payment Contract (HAP) for the 71 units in the project. Under the Section 8 Program a tenant is required to pay 30% of their adjusted income toward housing with the Federal Government subsidizing the difference between what the tenant pays and the fair market rent established by the Department of Housing and Urban Development.

Operating Deficit Contribution

If at any time after the completion date, an Operating Deficit exists, the General Partner shall contribute funds (an "Operating Deficit Contribution") to the Partnership as a contribution to capital in an amount equal to the amount of the Operating Deficit which is unlimited through the stabilization date, and after limited to $228,000.

NOTE H - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Management Fee

In accordance with the Management Agreement and Subcontractor 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 6% of gross rental collections. Property Management Fees expensed were $11,049 during 2012. The amounts included in accounts payable that are due to UAH Property Management LP related to Management Fees were $1,340 as of December 31, 2012.

Owner Distribution - Investor Services Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the Limited Partner an Investor Services Fee in the amount of $4,000. The fee shall increase at a rate of 3% per year. The Investor Services Fee shall be payable from the available cash flows. Any unpaid fees may accrue for payment in subsequent years. Investor Services Fees of $4,000 were recognized during 2012. The amounts due to the Limited Partner related to Investor Services Fees were $4,000 as of December 31, 2012.

Owner Distribution - Partnership Administrative Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the General Partner a Partnership Administrative Fee in the annual amount of $13,000. The fee shall increase at a rate of 3% per year thereafter. The Partnership Administration Fee shall be payable from the available cash flows. Any unpaid fees may accrue for payment in subsequent years. Partnership Administrative Fees of $13,000 were recognized during 2012. The amounts due to the General Partner related to Partnership Administrative Fees were $13,000 as of December 31, 2012.

Development Fee

The Partnership has incurred a Development Fee of $339,792 due to Mesilla Valley Public Housing Authority, rendered to the Partnership for overseeing the construction of the Project. The full development fee amount for the project is $1,132,639. This Development Fee has been capitalized into the basis of the building. As of December 31, 2012, $175,896 of this fee has been paid. The amounts due related to Development Fees were $163,896 as of December 31, 2012. Additional fees of $792,847 will be incurred upon meeting certain milestones of construction and upon receipt of scheduled capital contributions. The deferred portion of the development fee will accrue interest of 1% of the unpaid balance per the developer service agreement. Any unpaid amounts of the development fees are due on or before December 31, 2028.

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

Reimbursed Expenses

The Management Agent and Subcontractor are reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent and Subcontractor, some expenses are incurred for the property by the Management Agent and Subcontractor. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee.

NOTE I - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Robledo Ridge 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.

The Project's major source of revenue is from subsidy received through Section 8 Housing Assistance Payment Contract (HAP). HUD may terminate the rental assistance agreement if it determines that no subsidy is necessary or if the Project is determined to be in violation of HUD rules or regulations.

NOTE J - ACCRUED LIABILITIES

The accrued liabilities on the balance sheet contain the following:

Accrued Payroll Expenses	$ 121
Accrued Telephone Fees	392
Accrued Reimbursement	1,560
Total Accrued Liabilities	$ 2,073

NOTE K - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through June 6, 2013 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

NOTE A - ORGANIZATION

Stone Mountain Place Limited Partnership was organized in August 4, 2005 as a Limited Partnership to develop, construct, own, maintain, and operate an 84-unit rental housing project for mixed income tenants with both tax credit and market rate units. The Project is located in the city of Las Cruces, New Mexico, and is currently known as Stone Mountain Place 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 Stone Mountain Place 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 Project maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. Cash and cash equivalents in excess of FDIC limits were $40,616 as of December 31, 2012. Cash and cash equivalents did not exceed the FDIC limit as of December 31, 2011. The Project has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, 2012 and 2011.

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	10-15
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 2012 or 2011.

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, 2012, the Partnership's tax years for 2009, 2010, and 2011 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2012, the Partnership is no longer subject to examinations by tax authorities for years before 2009.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Amortization

Organization costs are expensed as incurred. Permanent loan fees are amortized on a straight-line basis over the life of the respective loan.

Reclassifications

Certain items in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

The Partners of Stone Mountain Place Limited Partnership and their respective profit and loss percentages are as follows as of December 31, 2012 and 2011:

General Partner:	
Stone Mountain Place, LLC	0.01 %
Limited Partner:	
TGIG Tax Credit Fund II, LLC	99.99 %
Total	100.00 %

Partner Contribution

The General Partner is to contribute $10 for a .01% interest in the Partnership. The Limited Partner is to contribute, subject to certain Tax-Credit adjustment terms, $6,689,469 for a 99.99% interest in the Partnership. As of December 31, 2012 and 2011, the Limited Partner had contributed a cumulative total of $6,637,708. Future Limited Partner capital contributions are contingent upon the achievement of certain financing, operating, and reporting milestones, as defined in the Partnership Agreement.

NOTE D - LONG-TERM DEBT

	12/31/2012	12/31/2011
The Project is financed with a 40-year mortgage payable to New Mexico Mortgage Finance Authority in the original amount of \$2,305,000, with an interest rate of 6.10%. The mortgage is payable in monthly installments of \$12,843 including interest through the maturity date. The loan will be secured by a first lien position on the Project. The unpaid principal of the loan is due May 2048. The accrued interest was \$11,370 and \$11,457 as of December 31, 2012 and 2011, respectively. Interest expensed on this loan was \$136,921 and \$137,937 as of December 31, 2012 and 2011, respectively.	$ 2,236,684	$ 2,253,796
The Project also has a 45-year mortgage payable to City of Las Cruces in the original amount of \$419,116. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 1.00% per annum. Interest only payments shall be made monthly in the amount of \$349 for the first 15 years; in year sixteen the note will be payable in 360 monthly installments of \$1,348. Maturity of the loan occurs at the sale, refinance, or transfer of the property or on August 2051. The short-term accrued interest was \$349 and \$349 as of December 31, 2012 and 2011, respectively. Interest expensed on this loan was \$4,191 and \$4,191 as of December 31, 2012 and 2011, respectively.	419,116	419,116
Total	2,655,800	2,672,912
Less: Current Portion	18,187	17,113
Long-Term Notes Payable	$ 2,637,613	$ 2,655,799

Aggregate maturities of the loans are approximated as follows:

	Principal	Interest
December 31, 2013	$ 18,187	$ 140,126
2014	19,328	138,985
2015	20,540	137,772
2016	21,829	136,484
2017	23,198	135,114
2018-2022	142,734	651,826
2023-2027	251,000	600,491
2028-2032	321,510	529,981
2033-2037	416,131	435,359
2038-2042	543,389	308,102
2043-2047	714,834	136,657
2048-2052	163,120	3,623
Total	$ 2,655,800	$ 3,354,520

NOTE D - LONG-TERM DEBT *(continued)*

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 Partnership shall establish and maintain a Replacement Reserve. The Partnership shall make monthly deposits into the Replacement Reserve fund of $16,800 annually. The Replacement Reserve balance was $74,270 and $58,201 as of December 31, 2012 and 2011, respectively.

Operating Reserve

In accordance with the Partnership Agreement, the Partnership shall establish and maintain an Operating Reserve fund in an amount not less than $205,000. The Operating Reserve balance was $209,512 and $209,113 as of December 31, 2012 and 2011, respectively.

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.

Housing Finance Agency Risk-Sharing Program - Section 542(c)

The Project is financed and operated under Section 542(c) of the Housing and Community Development Act, as amended, administrated 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.

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, eight units shall be designated as floating HOME assisted units.

NOTE F - COMMITMENTS AND CONTINGENCIES *(continued)*

Long-term Contract

The Partnership entered into a service agreement and a compensation agreement with Comcast of California XIV LLC (Comcast) on March 13, 2012. The service agreement is for a term of 15 years, and then automatically renews biannually unless either party provides at least 60 days notice not to renew at the end of the term. Per the compensation agreement, Comcast agreed to pay the Partnership a one-time fee of $10,500 as consideration for entering into a long-term service agreement. The total fee was received by the Partnership upon execution of the agreements and is included in miscellaneous income for the year ended December 31, 2012.

NOTE G - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Property 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 6% of gross rental income. Property Management Fees expensed were $32,734 and $31,182 during 2012 and 2011, respectively. The amounts due to the Management Agent related to Management Fees were $596 and $562 as of December 31, 2012 and 2011, respectively.

Asset Management Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the Limited Partner an Asset Management Fee in the annual, cumulative amount of $3,500. The fee will increase by three percent (3%) each year. The fee is payable out of available cash flow as further detailed in the Partnership Agreement. Asset Management Fees of $4,057 and $3,939 were recognized during 2012 and 2011, respectively. The amounts due to the Limited Partner related to Asset Management Fees were $4,057 and $7,764 as of December 31, 2012 and 2011, respectively.

Incentive Management Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the General Partner a noncumulative Incentive Management Fee. The fee shall equal 90% of cash flow remaining after the priorities set forth in the Partnership Agreement. In no event, shall the Incentive Management Fee and the Property Management Fee exceed, in the aggregate, 12% of the gross revenues of the Project in any fiscal year. There were no Incentive Management Fees accrued during 2012 and 2011, respectively. There were no amounts due to the General Partner related to Incentive Management Fees as of December 31, 2012 and 2011, respectively.

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

Development Fee

The Partnership entered into a Development Services Agreement with the Housing Authority of the City of Las Cruces currently known as Mesilla Public Housing Authority (MVPHA), an affiliate of the General Partner and JL Gray Company. The Development Fee is payable 30% to the Owner and 70% to the Developer. The fee is payable out of available cash flow as further detailed in the Partnership Agreement. This Development Fee has been capitalized into the basis of the building. The amounts due related to Development Fees were $421,780 and $421,780 as of December 31, 2012 and 2011, 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-one percent (51%) 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 $0 and $153 for the years ended December 31, 2012 and 2011, respectively.

Reimbursed Expenses

The Management Agent, an affiliate of one of the Partners, 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. For example, the properties do not have access to credit cards in order to directly pay necessary items such as seminars and motels. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. The amounts due to the Management Agent related to reimbursed expenses are considered negligible as of December 31, 2012 and 2011, respectively.

Guaranty of Tax Credits

Under the terms of the Partnership Agreement, the General Partner has the duty to use its best efforts to ensure that the Partnership qualifies for the maximum lawful Low-Income-Housing Tax Credits. In the event that actual Low-Income-Housing Tax Credits accruing to the benefit of the Limited Partner are less than the amount of credits that were projected at the formation of the Partnership, the contributions of capital otherwise required of the Limited Partner may be reduced, or constructive advances deemed made, in accordance with applicable provisions of the Partnership Agreement.

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

Operating Deficit and Completion Guarantees

The General Partner is obligated to make contributions to the Partnership as necessary to fund operating expenses, debt service payments, reserve and escrow accounts, capital improvements and maintenance expenses that occur during certain specified periods, as defined. The General Partner's obligation to make operating deficits is unlimited prior to the later of (1) permanent loan closing and (2) the achievement of debt service coverage ratio of 1.15:1 for ninety consecutive days. Subsequently, the General Partner's obligation to make operating deficit contributions is limited to $205,000 and terminates upon the achievement of certain operating milestones. Operating deficit loans bear interest at 10% per annum and are repayable subject to distributable cash flow, as defined. There are no outstanding liabilities reported as operating deficit loans as of December 31, 2012 and 2011, respectively.

Additionally, the General Partner has guaranteed to fund any cost overruns necessary to complete the Project. The Developer has guaranteed the operating deficit and construction completion obligations.

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 H - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's sole asset is Stone Mountain Place 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 LIABILITIES

The accrued liabilities on the balance sheet contain the following:

Accrued Payroll Expenses	$ 1,297
Accrued Audit Fees	10,773
Total Accrued Liabilities	$ 12,070

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 20, 2013 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

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SUPPLEMENTARY INFORMATION

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MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Statement A-1

Statement of Revenues, Expenses and Changes in
Net Position - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
Operating revenues				
Rental revenue (tenants)	$ 801,424	$ 864,501	$ 731,267	$ (133,234)
Other tenant revenue	41,395	44,695	47,498	2,803
Operating subsidies and grants	5,283,023	6,544,938	6,762,409	217,471
Total operating revenues	6,125,842	7,454,134	7,541,174	87,040
Operating expenses				
Housing assistance payments	3,931,010	6,364,212	6,220,095	144,117
Administration	1,508,234	1,465,566	1,697,300	(231,734)
Maintenance and operations	574,364	689,311	516,614	172,697
Utilities	182,459	195,266	184,587	10,679
Depreciation	366,882	373,610	373,607	3
Miscellaneous	18,677	28,471	70,776	(42,305)
Total operating expenses	6,581,625	9,116,436	9,062,979	53,457
Operating income (loss)	(455,783)	(1,662,302)	(1,521,805)	33,583
Non-operating revenues (expenses)				
Capital outlay funding	-	-	-	-
Interest income	71,476	89,071	89,055	(16)
Interest expense	(104,427)	(122,748)	(118,314)	4,434
Developer fees	47,500	163,896	163,896	-
Management fees and other income	77,074	41,561	42,528	967
Insurance reimbursement	-	1,080	1,080	-
Loss on disposal of assets	225,000	-	44,601	44,601
Total non-operating revenues	316,623	172,860	222,846	49,986
Transfers	-	(15,000)	-	15,000
Change in net position	$ (139,160)	$ (1,504,442)	$ (1,298,959)	$ 98,569

The accompanying notes are an integral part of these financial statements

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COMBINING FINANCIAL STATEMENTS

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Net Position - Detail
June 30, 2013

	HUD Public Housing	HUD Section 8 Housing
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,389,402	$ 538,513
Restricted cash and cash equivalents	57,451	83,294
Accounts receivable - tenants, net of allowance for doubtful accounts	(2,682)	-
Accounts receivable - Other	-	2,297
Grants receivable	38,709	-
Prepaid expenses and other assets	21,220	8,534
Total current assets	1,504,100	632,638
Noncurrent Assets		
Capital assets, net	1,984,425	3,057
Receivables from component units, net	-	-
Mortgage receivables, noncurrent	-	-
Other noncurrent assets	-	-
Total assets	$ 3,488,525	$ 635,695
LIABILITIES AND NET POSITION		
Current liabilities		
Book overdraft	$ 35,573	$ -
Accounts payable	14,685	146
Prepaid tenant rent	-	-
Accrued payroll	15,344	1,755
Notes payable, current portion	-	-
Total current liabilities	65,602	1,901
Current liabilities (payable from restricted assets)		
Tenant deposits	57,451	-
FSS deposits	-	5,822
Total current liabilities (payable from restricted assets)	57,451	5,822
Non-current liabilities		
Compensated absences, noncurrent portion	35,193	5,093
Notes payable, net of current portion	-	-
Total non-current liabilities	35,193	5,093
Total liabilities	158,246	12,816
Net position:		
Net investment in capital assets	1,984,425	3,057
Restricted for program activities	-	77,472
Unrestricted	1,345,854	542,350
Total net position	3,330,279	622,879
Total liabilities and net position	$ 3,488,525	$ 635,695

The accompanying notes are an integral part of these financial statements

New Construction Housing	Local Housing Projects	Total
$ 332,284	$ 2,113,450	$ 4,373,649
7,724	13,040	161,509
-	3,407	725
-	-	2,297
-	31,776	70,485
2,018	6,120	37,892
342,026	2,167,793	4,646,557
1,486,784	2,449,223	5,923,489
-	1,450,144	1,450,144
-	1,281,431	1,281,431
-	488,867	488,867
$ 1,828,810	$ 7,837,458	$ 13,790,488
$ -	$ 34,584	$ 70,157
2,610	7,862	25,303
343	-	343
1,133	4,978	23,210
32,117	45,377	77,494
36,203	92,801	196,507
7,724	13,040	78,215
-	-	5,822
7,724	13,040	84,037
2,091	13,010	55,387
659,679	907,795	1,567,474
661,770	920,805	1,622,861
705,697	1,026,646	1,903,405
794,988	1,496,051	4,278,521
-	-	77,472
328,125	5,314,761	7,531,090
1,123,113	6,810,812	11,887,083
$ 1,828,810	$ 7,837,458	$ 13,790,488

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position - Detail
For the Year Ended June 30, 2013

	HUD Public Housing	HUD Section 8 Housing
Operating revenues		
Rental revenue (tenants)	$ 368,250	$ -
Other tenant revenue	28,452	2,816
Operating subsidies and grants	862,038	5,574,600
Total operating revenues	1,258,740	5,577,416
Operating expenses		
Housing assistance payments	-	6,220,096
Administration	736,129	639,284
Maintenance and operations	261,996	-
Utilities	140,305	70
Depreciation	262,589	132
Miscellaneous	4,104	18
Total operating expenses	1,405,123	6,859,600
Operating income (loss)	(146,383)	(1,282,184)
Non-operating revenues (expenses)		
Interest income	6,312	2,930
Interest expense	-	-
Developer fees	-	-
Management fees and other income	2,995	-
Insurance reimbursement	1,080	-
Loss on disposal of assets	-	-
Total non-operating revenues (expenses)	10,387	2,930
Income before transfers	(135,996)	(1,279,254)
Transfers in	356,184	-
Transfers out	(355,683)	-
Change in net position	(135,495)	(1,279,254)
Total net position - beginning of year	3,121,063	607,363
Equity transfers in - Dona Ana County Housing Authority	344,711	1,294,770
Total net position - end of year	$ 3,330,279	$ 622,879

The accompanying notes are an integral part of these financial statements

New Construction Housing	Local Housing Projects	Total
$ 70,497	$ 292,520	$ 731,267
959	15,271	47,498
142,779	182,992	6,762,409
214,235	490,783	7,541,174
-	-	6,220,096
30,520	291,367	1,697,300
46,934	207,684	516,614
19,899	24,313	184,587
26,244	84,642	373,607
-	66,653	70,775
123,597	674,659	9,062,979
90,638	(183,876)	(1,521,805)
655	79,158	89,055
(45,720)	(72,594)	(118,314)
-	163,896	163,896
-	39,533	42,528
-	-	1,080
(2,224)	46,825	44,601
(47,289)	256,818	222,846
43,349	72,942	(1,298,959)
-	65,000	421,184
-	(65,501)	(421,184)
43,349	72,441	(1,298,959)
1,079,764	6,007,081	10,815,271
-	731,290	2,370,771
$ 1,123,113	$ 6,810,812	$ 11,887,083

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Cash Flows - Detail
For the Year Ended June 30, 2013

	HUD Public Housing	HUD Section 8 Housing
Cash flows from operating activities:		
Cash received from tenant rents	$ 405,237	$ 2,816
Cash payments to employees for services	(803,606)	(49,058)
Cash payments to suppliers for goods and services	(473,910)	(6,817,914)
Subsidy grants and other receipts	965,340	5,572,303
Net cash provided (used) by operating activities	93,061	(1,291,853)
Cash flows from noncapital financing activities:		
Miscellaneous income (expense)	4,075	-
Transfers	-	-
Net cash provided (used) by noncapital financing activities	4,075	-
Cash flows from capital and related financing activities:		
Proceeds from sale of assets	-	-
Acquisition of capital assets	(257,891)	-
Principal payments on long-term debt	-	-
Interest payments on long-term debt	-	-
Net cash provided (used) by capital and related financing activities	(257,891)	-
Cash flows from investing activities:		
Interest on investments	6,312	2,930
Net cash provided (used) by investing activities	6,312	2,930
Net increase (decrease) in cash and cash equivalents	(154,443)	(1,288,923)
Cash and cash equivalents - beginning of year	1,261,224	615,960
Cash and cash equivalents - transfer from Dona Ana County Housing Authority	304,499	1,294,770
Cash and cash equivalents - end of year	$ 1,411,280	$ 621,807

The accompanying notes are an integral part of these financial statements

New Construction Housing	Local Housing Projects	Total
$ 71,522	$ 402,158	$ 881,733
(24,344)	(354,987)	(1,231,995)
(70,714)	(227,545)	(7,590,083)
142,779	166,410	6,846,832
119,243	(13,964)	(1,093,513)
(2,224)	44,735	46,586
-	1,087	1,087
(2,224)	45,822	47,673
-	46,825	46,825
-	(16,629)	(274,520)
(23,417)	(9,101)	(32,518)
(45,720)	(72,594)	(118,314)
(69,137)	(51,499)	(378,527)
655	79,158	89,055
655	79,158	89,055
48,537	59,517	(1,335,312)
291,471	1,400,694	3,569,349
-	631,695	2,230,964
$ 340,008	$ 2,091,906	$ 4,465,001

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Statement of Cash Flows - Detail

For the Year Ended June 30, 2013

	HUD Public Housing	HUD Section 8 Housing
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (146,383)	$ (1,282,184)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	262,589	132
Change in estimate	(29,222)	-
Changes in assets and liabilities		
Accounts receivable	118,738	(2,297)
Prepaid expenses	3,280	2,509
Accounts payable	(57,732)	(10,431)
Accrued payroll expenses	(49,154)	(1,897)
Accrued compensated absences	(9,793)	333
Tenant deposits	738	1,982
Net cash provided (used) by operating activities	$ 93,061	$ (1,291,853)

The accompanying notes are an integral part of these financial statements

New Construction Housing	Local Housing Projects	Total
$ 90,638	$ (183,876)	$ (1,521,805)
26,244	84,642	373,607
-	-	(29,222)
66	77,785	194,292
(1,078)	1,475	6,186
2,393	6,393	(59,377)
344	(4,894)	(55,601)
666	4,919	(3,875)
(30)	(408)	2,282
$ 119,243	$ (13,964)	$ (1,093,513)

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HUD PUBLIC HOUSING PROGRAMS

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Net Position - HUD Public Housing Programs
June 30, 2013

	Public Housing Operations	2009 Capital Fund Program
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,389,402	$ -
Restricted cash and cash equivalents	57,451	-
Accounts receivable - tenants, net of allowance for doubtful accounts	(2,682)	-
Grants receivable	-	-
Prepaid expenses and other assets	21,220	-
Total current assets	1,465,391	-
Noncurrent Assets		
Capital assets, net	1,984,425	-
Total assets	$ 3,449,816	$ -
LIABILITIES AND NET POSITION		
Current liabilities		
Book overdraft	$ -	$ -
Accounts payable	12,611	-
Accrued payroll	14,282	-
Total current liabilities	26,893	-
Current liabilities (payable from restricted assets)		
Tenant deposits	57,451	-
Total current liabilities (payable from restricted assets)	57,451	-
Non-current liabilities		
Compensated absences, noncurrent portion	35,193	-
Total non-current liabilities	35,193	-
Total liabilities	119,537	-
Net position:		
Net investment in capital assets	1,984,425	-
Unrestricted	1,345,854	-
Total net position	3,330,279	-
Total liabilities and net position	$ 3,449,816	$ -

The accompanying notes are an integral part of these financial statements

2010 Capital Fund Program	2011 Capital Fund Program	2012 Capital Fund Program	Total
$ -	$ -	$ -	$ 1,389,402
-	-	-	57,451
-	-	-	(2,682)
-	24,148	14,561	38,709
-	-	-	21,220
-	24,148	14,561	1,504,100
-	-	-	1,984,425
$ -	$ 24,148	$ 14,561	$ 3,488,525
$ -	$ 24,148	$ 11,425	$ 35,573
-	-	2,074	14,685
-	-	1,062	15,344
-	24,148	14,561	65,602
-	-	-	57,451
-	-	-	57,451
-	-	-	35,193
-	-	-	35,193
-	24,148	14,561	158,246
-	-	-	1,984,425
-	-	-	1,345,854
-	-	-	3,330,279
$ -	$ 24,148	$ 14,561	$ 3,488,525

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Net Position - HUD Public Housing Programs
For the Year Ended June 30, 2013

	Public Housing Operations	2009 Capital Fund Program
Operating revenues		
Rental revenue (tenants)	$ 368,250	$ -
Other tenant revenue	28,452	-
Operating subsidies and grants	391,183	154,200
Total operating revenues	787,885	154,200
Operating expenses		
Administration	688,606	-
Maintenance and operations	220,162	-
Utilities	140,305	-
Depreciation	262,589	-
Miscellaneous	4,104	-
Total operating expenses	1,315,766	-
Operating income (loss)	(527,881)	154,200
Non-operating revenues (expenses)		
Interest income	6,312	-
Other income	2,995	-
Insurance reimbursement	1,080	-
Total non-operating revenues	10,387	-
Income before transfers	(517,494)	154,200
Transfers in	356,184	-
Transfers out	-	(154,200)
Change in net position	(161,310)	-
Total net position - beginning of year	3,146,878	-
Equity transfers in - Dona Ana County Housing Authority	344,711	-
Total net position - end of year	$ 3,330,279	$ -

The accompanying notes are an integral part of these financial statements

2010 Capital Fund Program	2011 Capital Fund Program	2012 Capital Fund Program	Total
$ -	$ -	$ -	$ 368,250
-	-	-	28,452
55,002	225,303	36,350	862,038
55,002	225,303	36,350	1,258,740
-	20,197	27,326	736,129
8,207	24,603	9,024	261,996
-	-	-	140,305
-	-	-	262,589
-	-	-	4,104
8,207	44,800	36,350	1,405,123
46,795	180,503	-	(146,383)
-	-	-	6,312
-	-	-	2,995
-	-	-	1,080
-	-	-	10,387
46,795	180,503	-	(135,996)
-	-	-	356,184
(20,980)	(180,503)	-	(355,683)
25,815	-	-	(135,495)
(25,815)	-	-	3,121,063
-	-	-	344,711
$ -	$ -	$ -	$ 3,330,279

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Cash Flows - HUD Public Housing Programs
For the Year Ended June 30, 2013

	Public Housing Operations	2009 Capital Fund Program
Cash flows from operating activities:		
Cash received from tenant rents	$ 405,237	$ -
Cash payments to employees for services	(705,107)	-
Cash payments to suppliers for goods and services	(441,051)	-
Subsidy grants	391,183	154,200
Net cash provided (used) by operating activities	(349,738)	154,200
Cash flows from noncapital financing activities:		
Insurance reimbursement and other income	4,075	-
Transfers	355,683	(154,200)
Net cash provided (used) by noncapital financing activities	359,758	(154,200)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(257,891)	-
Net cash provided (used) by capital and related financing activities	(257,891)	-
Cash flows from investing activities:		
Interest on investments	6,312	-
Net cash provided (used) by investing activities	6,312	-
Net increase (decrease) in cash and cash equivalents	(241,559)	-
Cash and cash equivalents - beginning of year	1,383,913	-
Cash and cash equivalents - transfer from Dona Ana County Housing Authority	304,499	-
Cash and cash equivalents - end of year	$ 1,446,853	$ -

Note: Non cash items transferred from Public Housing Capital Fund Program to Low Rent Public Housing Program.

	2010 Capital Fund Program	2011 Capital Fund Program	2012 Capital Fund Program	Total
	$ -	$ -	$ -	$ 405,237
	(51,630)	(20,605)	(26,264)	(803,606)
	(1,306)	(24,603)	(6,950)	(473,910)
	153,072	245,096	21,789	965,340
	100,136	199,888	(11,425)	93,061
	-	-	-	4,075
	(20,980)	(180,503)	-	-
	(20,980)	(180,503)	-	4,075
	-	-	-	(257,891)
	-	-	-	(257,891)
	-	-	-	6,312
	-	-	-	6,312
	79,156	19,385	(11,425)	(154,443)
	(79,156)	(43,533)	-	1,261,224
	-	-	-	304,499
	$ -	$ (24,148)	$ (11,425)	$ 1,411,280

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Cash Flows - HUD Public Housing Programs
For the Year Ended June 30, 2013

	Public Housing Operations	2009 Capital Fund Program
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (527,881)	$ 154,200
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and change in estimate	262,589	-
Change in estimate	(29,222)	-
Changes in assets and liabilities		
Accounts receivable	8,535	-
Prepaid expenses	3,280	-
Accounts payable	(59,806)	-
Accrued payroll expenses	1,822	-
Accrued compensated absences	(9,793)	-
Tenant deposits	738	-
Net cash provided (used) by operating activities	$ (349,738)	$ 154,200

The accompanying notes are an integral part of these financial statements

2010 Capital Fund Program	2011 Capital Fund Program	2012 Capital Fund Program	Total
$ 46,795	$ 180,503	$ -	$ (146,383)
-	-	-	262,589
-	-	-	(29,222)
104,971	19,793	(14,561)	118,738
-	-	-	3,280
-	-	2,074	(57,732)
(51,630)	(408)	1,062	(49,154)
-	-	-	(9,793)
-	-	-	738
$ 100,136	$ 199,888	$ (11,425)	$ 93,061

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NEW CONSTRUCTION HOUSING

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Combining Statement of Net Position - New Construction Housing Programs

June 30, 2013

		New Construction Operations
ASSETS		
Current assets		
Cash and cash equivalents	$	332,284
Restricted cash and cash equivalents		7,724
Prepaid expenses and other assets		2,018
Total current assets		342,026
Noncurrent Assets		
Capital assets, net		1,486,784
Total assets	$	1,828,810
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	$	2,610
Prepaid tenant rent		343
Accrued payroll		1,133
Notes payable, current portion		32,117
Total current liabilities		36,203
Current liabilities (payable from restricted assets)		
Tenant deposits		7,724
Total current liabilities (payable from restricted assets)		7,724
Non-current liabilities		
Compensated absences, noncurrent portion		2,091
Notes payable, net of current portion		659,679
Total non-current liabilities		661,770
Total liabilities		705,697
Net position:		
Net investment in capital assets		794,988
Unrestricted		328,125
Total net position		1,123,113
Total liabilities and net position	$	1,828,810

The accompanying notes are an integral part of these financial statements

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Combining Statement of Revenues, Expenses and Changes in Net Position - New Construction Housing Programs

For the Year Ended June 30, 2013

	New Construction Operations
Operating revenues	
Rental revenue (tenants)	$ 70,497
Other tenant revenue	959
Operating subsidies and grants	142,779
Total operating revenues	214,235
Operating expenses	
Administration	30,520
Maintenance and operations	46,934
Utilities	19,899
Depreciation	26,244
Total operating expenses	123,597
Operating income (loss)	90,638
Non-operating revenues (expenses)	
Interest income	655
Interest expense	(45,720)
Cost of sale on disposal of assets	(2,224)
Total non-operating revenues	(47,289)
Income before transfers	43,349
Transfers in	-
Transfers out	-
Change in net position	43,349
Total net position - beginning of year	1,079,764
Total net position - end of year	$ 1,123,113

The accompanying notes are an integral part of these financial statements

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Combining Statement of Cash Flows - New Construction Housing Programs

For the Year Ended June 30, 2013

	New Construction Operations
Cash flows from operating activities:	
Cash received from tenant rents	$ 71,522
Cash payments to employees for services	(24,344)
Cash payments to suppliers for goods and services	(70,714)
Subsidy grants	142,779
Net cash provided (used) by operating activities	119,243
Cash flows from noncapital financing activities:	
Miscellaneous (expense)	(2,224)
Net cash provided (used) by noncapital financing activities	(2,224)
Cash flows from capital and related financing activities:	
Principal payments on long-term debt	(23,417)
Interest payments on long-term debt	(45,720)
Net cash provided (used) by capital and related financing activities	(69,137)
Cash flows from investing activities:	
Interest earned	655
Net cash provided by investing activities	655
Net increase in cash and cash equivalents	48,537
Cash and cash equivalents - beginning of year	291,471
Cash and cash equivalents - end of year	$ 340,008

The accompanying notes are an integral part of these financial statements

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Combining Statement of Cash Flows - New Construction Housing Programs

For the Year Ended June 30, 2013

		New Construction Operations
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	90,638
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		26,244
Changes in assets and liabilities		
Accounts receivable		66
Prepaid expenses		(1,078)
Accounts payable		2,393
Accrued payroll expenses		344
Accrued compensated absences		666
Tenant deposits		(30)
Net cash provided (used) by operating activities	$	119,243

The accompanying notes are an integral part of these financial statements

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LOCAL HOUSING PROJECTS

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Net Position - Local Housing Projects
June 30, 2013

	Conventional Home Choice II	Shelter Plus Care
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,768,896	$ -
Restricted cash and cash equivalents	13,040	-
Accounts receivable - tenants, net of allowance for doubtful accounts	3,407	-
Grants receivable	-	31,776
Prepaid expenses and other assets	6,120	-
Total current assets	1,791,463	31,776
Noncurrent Assets		
Capital assets, net	2,449,223	-
Receivables from component units, net	1,078,427	-
Mortgage receivables, noncurrent	1,281,431	-
Other noncurrent assets	-	-
Total assets	$ 6,600,544	$ 31,776
LIABILITIES AND NET POSITION		
Current liabilities		
Book overdraft	$ -	$ 34,584
Accounts payable	7,847	-
Accrued payroll	3,040	-
Notes payable, current portion	45,377	-
Total current liabilities	56,264	34,584
Current liabilities (payable from restricted assets)		
Tenant deposits	13,040	-
Total current liabilities (payable from restricted assets)	13,040	-
Non-current liabilities		
Compensated absences, noncurrent portion	8,920	-
Notes payable, net of current portion	907,795	-
Total non-current liabilities	916,715	-
Total liabilities	986,019	34,584
Net position:		
Net investment in capital assets	1,496,051	-
Unrestricted	4,118,474	(2,808)
Total net position	5,614,525	(2,808)
Total liabilities and net position	$ 6,600,544	$ 31,776

The accompanying notes are an integral part of these financial statements

Dona Ana County Housing Authority	Developer Fees	Total
$ -	$ 344,554	$ 2,113,450
-	-	13,040
-	-	3,407
-	-	31,776
-	-	6,120
-	344,554	2,167,793
-	-	2,449,223
-	371,717	1,450,144
-	-	1,281,431
-	488,867	488,867
$ -	$ 1,205,138	$ 7,837,458
$ -	$ -	$ 34,584
-	15	7,862
-	1,938	4,978
-	-	45,377
-	1,953	92,801
-	-	13,040
-	-	13,040
-	4,090	13,010
-	-	907,795
-	4,090	920,805
-	6,043	1,026,646
-	-	1,496,051
-	1,199,095	5,314,761
-	1,199,095	6,810,812
$ -	$ 1,205,138	$ 7,837,458

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Combining Statement of Revenues, Expenses and Changes in Net Position - Local Housing Projects

For the Year Ended June 30, 2013

	Conventional Home Choice II	Shelter Plus Care
Operating revenues		
Rental revenue (tenants)	$ 292,520	$ -
Other tenant revenue	15,271	-
Operating subsidies and grants	-	155,069
Total operating revenues	307,791	155,069
Operating expenses		
Administration	219,836	10,944
Maintenance and operations	63,302	144,212
Utilities	24,313	-
Depreciation	84,642	-
Miscellaneous	61,563	-
Total operating expenses	453,656	155,156
Operating income (loss)	(145,865)	(87)
Non-operating revenues (expenses)		
Interest income	73,639	-
Interest expense	(72,594)	-
Developer fees	-	-
Management fees and other income	223	-
Gain on disposal of assets	46,825	-
Total non-operating revenues	48,093	-
Income before transfers	(97,772)	(87)
Transfers in	-	-
Transfers out	(65,000)	-
Change in net position	(162,772)	(87)
Total net position - beginning of year	5,046,007	(2,721)
Equity transfers in - Dona Ana County Housing Authority	731,290	-
Total net position - end of year	$ 5,614,525	$ (2,808)

Dona Ana County Housing Authority	Developer Fees	Total
$ -	$ -	$ 292,520
-	-	15,271
-	27,923	182,992
-	27,923	490,783
-	60,587	291,367
-	170	207,684
-	-	24,313
-	-	84,642
-	5,090	66,653
-	65,847	674,659
-	(37,924)	(183,876)
-	5,519	79,158
-	-	(72,594)
-	163,896	163,896
-	39,310	39,533
-	-	46,825
-	208,725	256,818
-	170,801	72,942
-	65,000	65,000
(501)	-	(65,501)
(501)	235,801	72,441
501	963,294	6,007,081
-	-	731,290
$ -	$ 1,199,095	$ 6,810,812

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Cash Flows - Local Housing Projects
For the Year Ended June 30, 2013

	Conventional Home Choice II	Shelter Plus Care
Cash flows from operating activities:		
Cash received from tenant rents	$ 402,158	$ -
Cash payments to employees for services	(282,124)	(10,944)
Cash payments to suppliers for goods and services	(78,241)	(144,402)
Subsidy grants and other receipts	-	138,487
Net cash provided (used) by operating activities	41,793	(16,859)
Cash flows from noncapital financing activities:		
Miscellaneous income (expense)	223	-
Transfers	(65,000)	-
Net cash provided (used) by noncapital financing activities	(64,777)	-
Cash flows from capital and related financing activities:		
Proceeds from sale of assets	46,825	-
Acquisition of capital assets	(16,629)	-
Principal payments on long-term debt	(9,101)	-
Interest payments on long-term debt	(72,594)	-
Net cash (used) by capital and related financing activities	(51,499)	-
Cash flows from investing activities:		
Interest on investments	73,639	-
Net cash provided by from investing activities	73,639	-
Net increase (decrease) in cash and cash equivalents	(844)	(16,859)
Cash and cash equivalents - beginning of year	1,151,085	(17,725)
Cash and cash equivalents - transfer from Dona Ana County Housing Authority	631,695	-
Cash and cash equivalents - end of year	$ 1,781,936	$ (34,584)

The accompanying notes are an integral part of these financial statements

Dona Ana County Housing Authority	Developer Fees	Total
$ -	$ -	$ 402,158
-	(61,919)	(354,987)
-	(4,902)	(227,545)
-	27,923	166,410
-	(38,898)	(13,964)
-	44,512	44,735
1,087	65,000	1,087
1,087	109,512	45,822
-	-	46,825
-	-	(16,629)
-	-	(9,101)
-	-	(72,594)
-	-	(51,499)
-	5,519	79,158
-	5,519	79,158
1,087	76,133	59,517
(1,087)	268,421	1,400,694
-	-	631,695
$ -	$ 344,554	$ 2,091,906

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Cash Flows - Local Housing Projects
For the Year Ended June 30, 2013

	Conventional Home Choice II	Shelter Plus Care
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (145,865)	$ (87)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	84,642	-
Changes in assets and liabilities		
Accounts receivable	94,367	(16,582)
Prepaid expenses	1,475	-
Accounts payable	6,568	(190)
Accrued payroll expenses	(6,832)	-
Accrued compensated absences	7,846	-
Tenant deposits	(408)	-
Net cash provided (used) by operating activities	$ 41,793	$ (16,859)

The accompanying notes are an integral part of these financial statements

Dona Ana County Housing Authority	Developer Fees	Total
$ -	$ (37,924)	$ (183,876)
-	-	84,642
-	-	77,785
-	-	1,475
-	15	6,393
-	1,938	(4,894)
-	(2,927)	4,919
-	-	(408)
$ -	$ (38,898)	$ (13,964)

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SUPPORTING SCHEDULES

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Schedule I

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2013

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP No.	Market Value June 30, 2013
Wells Fargo Bank	FG G08525	05/01/43	3128MJSP6	$ 331,861
Wells Fargo Bank	FH-30	01/01/42	3138E55Q7	3,907,610
			Total	$ 4,239,471

Note:

Pledged collateral is held in safekeeping by Wells Fargo Bank

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Schedule of Deposits and Investments
June 30, 2013

Financial Institution/Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Wells Fargo Bank				
Operating Account - Demand	$ 550,000	$ -	$ 13,260	$ 536,740
Repurchase Agreement - Investment	3,830,990	-	-	3,830,990
Rent Account - Demand	51,739	-	-	51,739
Family Self-Sufficiency Account - Demand	5,822	-	-	5,822
Total Wells Fargo Bank	4,438,551	-	13,260	4,425,291
Citizen's Bank of Las Cruces				
Certificate of Deposit	38,710	-	-	38,710
Total Citizen's Bank of Las Cruces	38,710	-	-	38,710
Total deposits and investments	$ 4,477,261	$ -	$ 13,260	4,464,001
Petty cash				1,000
Total cash and cash equivalents				$ 4,465,001

See independent auditors' report

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
June 30, 2013

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
111	Cash - Unrestricted	$ 1,389,402	$ 538,513
113	Cash - Other Restricted	-	83,294
114	Cash - Tenant Security Deposits	57,451	-
100	Total Cash	1,446,853	621,807
122	Accounts Receivable - HUD Other Projects	-	-
124	Accounts Receivable - Other Government	-	-
125	Accounts Receivable - Miscellaneous	-	2,297
126	Accounts Receivable - Tenants - Dwelling Rents	1,530	-
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(4,212)	-
126.2	Allowance for Doubtful Accounts - Other	-	-
129	Accrued Interest Receivable	-	-
120	Total Receivables, Net of Allowance for Doubtful Accounts	(2,682)	2,297
142	Prepaid Expenses and Other Assets	21,220	8,534
143	Inventories	921	-
143.1	Allowance for Obsolete Inventories	(921)	-
150	Total Current Assets	1,465,391	632,638
161	Land	519,426	-
162	Buildings	5,892,822	4,108
163	Furniture, Equipment & Machinery - Dwellings	-	-
164	Furniture, Equipment & Machinery - Administration	600,902	-
165	Leasehold Improvements	1,912,380	433
166	Accumulated Depreciation	(6,941,105)	(1,484)
167	Construction in progress	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	1,984,425	3,057
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-
174	Other Assets	-	-
180	Total Non-Current Assets	1,984,425	3,057
190	Total Assets	$ 3,449,816	$ 635,695

See independent auditors' report

Public Housing Capital Fund Program 14.872	N/C S/R Section 8 Programs	Business Activities	State/Local	Total	Component Units (December 31, 2012)
$ -	$ 332,284	$ 2,113,450	$ -	$ 4,373,649	$ 597,882
-	-	-	-	83,294	2,774,498
-	7,724	13,040	-	78,215	213,457
-	340,008	2,126,490	-	4,535,158	3,585,837
38,709	-	-	-	38,709	-
-	-	-	31,776	31,776	87,910
-	-	2,590,292	-	2,592,589	-
-	-	3,407	-	4,937	18,392
-	-	-	-	(4,212)	-
-	-	(1,308,861)	-	(1,308,861)	-
-	-	291,970	-	291,970	-
38,709	-	1,576,808	31,776	1,646,908	106,302
-	2,018	6,120	-	37,892	108,852
-	-	-	-	921	-
-	-	-	-	(921)	-
38,709	342,026	3,709,418	31,776	6,219,958	3,800,991
-	872,000	343,802	-	1,735,228	2,834,182
-	1,055,334	2,582,303	-	9,534,567	39,807,859
-	-	-	-	-	1,801,200
-	-	-	-	600,902	609
-	-	31,620	-	1,944,433	4,959,937
-	(440,550)	(508,502)	-	(7,891,641)	(8,182,087)
-	-	-	-	-	6,098,787
-	1,486,784	2,449,223	-	5,923,489	47,320,487
-	-	1,647,041	-	1,647,041	-
-	-	-	-	-	803,891
-	1,486,784	4,096,264	-	7,570,530	48,124,378
$ 38,709	$ 1,828,810	$ 7,805,682	$ 31,776	$ 13,790,488	$ 51,925,369

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Financial Data Schedule

June 30, 2013

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
311	Bank Overdraft	$ -	$ -
312	Accounts Payable <= 90 Days	12,611	146
321	Accrued Wage/Payroll Taxes Payable	14,282	1,755
341	Tenant Security Deposits	57,451	-
342	Deferred Revenues	-	-
343	Current Portion of Long-term Debt - Capital Projects	-	-
345	Other Current Liabilities	-	5,822
346	Accrued Liabilities - Other	-	-
310	Total Current Liabilities	84,344	7,723
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-
353	Non-current Liabilities - Other	-	-
354	Accrued Compensated Absences - Non-Current	35,193	5,093
355	Loan liability - Noncurrent	-	-
350	Total Non-Current Liabilities	35,193	5,093
300	Total Liabilities	119,537	12,816
508.1	Net Investment in Capital Assets	1,984,425	3,057
511	Restricted Net Position	-	77,472
512.1	Unrestricted Net Position	1,345,854	542,350
513	Total Equity/Net Position	3,330,279	622,879
600	Total Liabilities and Equity/Net Position	$ 3,449,816	$ 635,695

See independent auditors' report

Public Housing Capital Fund Program 14.872	N/C S/R Section 8 Programs	Business Activities	State/Local	Total	Component Units (December 31, 2012)
$ 35,573	$ -	$ -	$ 34,584	$ 70,157	$ -
2,074	2,610	7,862	-	25,303	42,723
1,062	1,133	4,978	-	23,210	121
-	7,724	13,040	-	78,215	213,457
-	-	-	-	-	13,509
-	32,117	45,377	-	77,494	219,143
-	-	-	-	5,822	1,559
-	343	-	-	343	682,136
38,709	43,927	71,257	34,584	280,544	1,172,648
-	659,679	907,795	-	1,567,474	16,285,054
-	-	-	-	-	1,509,502
-	2,091	13,010	-	55,387	-
-	-	-	-	-	3,220,449
-	661,770	920,805	-	1,622,861	21,015,005
38,709	705,697	992,062	34,584	1,903,405	22,187,653
-	794,988	1,496,051	-	4,278,521	30,816,290
-	-	-	-	77,472	2,767,438
-	328,125	5,317,569	(2,808)	7,531,090	(3,846,012)
-	1,123,113	6,813,620	(2,808)	11,887,083	29,737,716
$ 38,709	$ 1,828,810	$ 7,805,682	$ 31,776	$ 13,790,488	$ 51,925,369

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
For the Year Ended June 30, 2013

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
70300	Net Tenant Rental Revenue	$ 368,250	$ -
70400	Tenant Revenue - Other	28,452	-
70500	Total Tenant Revenue	396,702	-
70600	HUD PHA Operating Grants	392,178	5,574,600
70610	Capital Grants	-	-
70800	Other Governmental Grants	-	-
71100	Investment Income - Unrestricted	6,312	2,930
71400	Fraud Recovery	-	5,112
71500	Other Revenue	3,080	260
71600	Gain or Loss on Sale of Capital Assets	-	-
72000	Investment Income - Restricted	-	-
70000	Total Revenue	798,272	5,582,902
91100	Administrative Salaries	276,653	61,346
91200	Auditing Fees	22,233	14,014
91300	Outside Management Fees	-	-
91400	Advertising and Marketing	-	-
91500	Employee Benefit Contributions - Administrative	117,434	21,490
91600	Office Expenses	22,581	35,567
91700	Legal Expense	34,484	3,452
91800	Travel	2,162	220
91900	Other Operating - Administrative	100,513	472,070
91000	Total Operating - Administrative	576,060	608,159
92000	Asset Management Fee	-	-
92200	Relocation Costs	245	-
92400	Tenant Services- Other	-	-
92500	Total Tenant Services	245	-

See independent auditors' report

Public Housing Capital Fund Program 14.872	N/C S/R Section 8 Programs	Business Activities	State/Local	Total	Component Units (December 31, 2012)
$ -	$ 70,497	$ 292,520	$ -	$ 731,267	$ 2,136,152
-	940	15,271	-	44,663	135,759
-	71,437	307,791	-	775,930	2,271,911
182,265	142,779	-	-	6,291,822	1,262,629
288,590	-	-	-	288,590	-
-	-	-	155,069	155,069	-
-	655	79,158	-	89,055	1,372
-	-	-	-	5,112	-
-	-	231,352	-	234,692	-
-	-	46,825	-	46,825	-
-	-	-	-	-	151,224
470,855	214,871	665,126	155,069	7,887,095	3,687,136
42,279	8,944	93,500	-	482,722	201,697
5,000	1,000	49,773	-	92,020	94,217
-	-	-	9,502	9,502	195,541
-	-	-	-	-	13,697
243	10,993	35,904	-	186,064	53,174
-	3,290	10,193	-	71,631	6,989
-	1	22,989	-	60,926	7,947
-	219	8,179	-	10,780	2,677
-	3,801	61,637	1,442	639,463	115,844
47,522	28,248	282,175	10,944	1,553,108	691,783
-	-	-	-	-	17,219
66	-	-	-	311	-
-	-	(1)	144,212	144,211	19,990
66	-	(1)	144,212	144,522	19,990

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
For the Year Ended June 30, 2013

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
93100	Water	62,219	-
93200	Electricity	16,355	70
93300	Gas	3,981	-
93600	Sewer	49,702	-
93800	Other Utilities	8,048	-
93000	Total Utilities	140,305	70
94100	Ordinary Maintenance & Operation - Labor	134,866	-
94200	Ordinary Maintenance & Operation - Materials & Other	70,810	2
94300	Ordinary Maintenance & Operation Contracts	-	-
94500	Employee Benefit Contributions - Ordinary Maintenance	57,533	-
94000	Total Maintenance	263,209	2
95200	Protective Services- Other Contract Costs	956	-
	Total Protective Services	956	-
96110	Property Insurance	26,801	12,078
96120	Liability Insurance	14,742	6,650
96130	Workmen's Compensation	10,094	4,603
96140	All Other Insurance	17,488	7,478
96100	Total Insurance Premiums	69,125	30,809
96200	Other General Expenses	3,635	-
96210	Compensated Absences	(9,793)	332
96400	Bad Debt - Tenant Rents	4,104	-
96000	Total Other General	(2,054)	332
96710	Interest of Mortgage (or Bonds) Payable	-	-
96900	Total Operating Expenses	1,047,846	639,372
97000	Excess Operating Revenue Over Operating Expenses	(249,574)	4,943,530
97100	Extraordinary Maintenance	5,331	-
97300	Housing Assistance Payments	-	6,220,663
97350	HAP - Portability In	-	1,989
97400	Depreciation Expense	262,589	132
90000	Total Expenses	$ 1,315,766	$ 6,862,156

See independent auditors' report

Public Housing Capital Fund Program 14.872	N/C S/R Section 8 Programs	Business Activities	State/Local	Total	Component Units (December 31, 2012)
-	8,823	4,117	-	75,159	91,289
-	2,373	8,819	-	27,617	117,505
-	389	1,770	-	6,140	6,841
-	8,044	5,756	-	63,502	94,769
-	-	3,851	-	11,899	-
-	19,629	24,313	-	184,317	310,404
-	15,744	28,002	-	178,612	182,996
-	25,327	32,199	-	128,338	76,242
41,768	-	-	-	41,768	284,783
-	-	11,069	-	68,602	48,244
41,768	41,071	71,270	-	417,320	592,265
-	110	300	-	1,366	6,097
-	110	300	-	1,366	6,097
-	360	3,946	-	43,185	67,278
1	196	2,162	-	23,751	67,278
-	276	1,786	-	16,759	10,914
-	2,623	10,460	-	38,049	4,973
1	3,455	18,354	-	121,744	150,443
-	3,860	33,613	-	41,108	330,072
-	666	6,317	-	(2,478)	-
-	2,519	(1,480)	-	5,143	31,613
-	7,045	38,450	-	43,773	361,685
-	45,720	72,594	-	118,314	892,294
89,357	145,278	507,455	155,156	2,584,464	3,042,180
381,498	69,593	157,671	(87)	5,302,631	644,956
-	-	-	-	5,331	-
-	-	-	-	6,220,663	-
-	-	-	-	1,989	-
-	26,244	84,642	-	373,607	1,508,635
$ 89,357	$ 171,522	$ 592,097	$ 155,156	$ 9,186,054	$ 4,550,815

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
For the Year Ended June 30, 2013

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
10010	Operating Transfers In	$ 356,184	$ -
10020	Operating Transfers Out	-	-
10100	Total Other Financing Sources (Uses)	356,184	-
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(161,310)	(1,279,254)
11030	Beginning Equity	3,146,878	607,363
11040-070	Equity Transfers	344,711	1,294,770
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	344,711	1,294,770
	Ending Equity (deficit)	$ 3,330,279	$ 622,879
11170	Administrative Fee Equity	$ -	$ 544,140
11180	Housing Assistance Payments Equity	$ -	$ 77,472
11190	Unit Months Available	-	19,284
11210	Number of Unit Months Leased	-	14,765
11270	Excess Cash	$ -	$ -
11620	Building Purchases	$ -	$ -

Public Housing Capital Fund Program 14.872	N/C S/R Section 8 Programs	Business Activities	State/Local	Total	Component Units (December 31, 2012)
$ -	$ -	$ 65,000	$ -	$ 421,184	$ -
(355,683)	-	(65,501)	-	(421,184)	-
(355,683)	-	(501)	-	-	-
25,815	43,349	72,528	(87)	(1,298,959)	(863,679)
(25,815)	1,079,764	6,009,802	(2,721)	10,815,271	29,289,124
-	-	731,290	-	2,370,771	1,312,271
-	-	731,290	-	2,370,771	1,312,271
$ -	$ 1,123,113	$ 6,813,620	$ (2,808)	$ 11,887,083	$ 29,737,716
$ -	$ -	$ -	$ -	$ 544,140	$ -
$ -	$ -	$ -	$ -	$ 77,472	$ -
-	480	756	-	20,520	6,396
-	468	603	-	15,836	5,964
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -

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COMPLIANCE SECTION

Accounting & Consulting Group, LLP
Certified Public Accountants

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

Hector H. Balderas
New Mexico State Auditor
The Board of Commissioners of
Mesilla Valley Public Housing Authority
and
The Office of Management and Budget

We have audited, 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, the financial statements and budgetary comparison of the Mesilla Valley Public Housing Authority (the "Housing Authority") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements and have issued our report thereon dated September 17, 2013. Other auditors audited the financial statements of component units of the Housing Authority, as described in our report on the Housing Authority's financial statements. We did not test internal controls, compliance and other matters of the component units of the Housing Authority.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority'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 Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority'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*.

We noted a certain matter that is required to be reported under *Government Auditing Standards December 2011 Revision*, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as finding FS 2013-001. In addition, the auditors of the component units reported a certain matter which is described as finding FS 2012-1.

Housing Authority's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
September 17, 2013

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FEDERAL FINANCIAL ASSISTANCE

Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Hector H. Balderas
New Mexico State Auditor
The Board of Commissioners of
Mesilla Valley Public Housing Authority
and
The Office of Management and Budget

Report on Compliance for Each Major Federal Program

We have audited Mesilla Valley Public Housing Authority's (the "Housing Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended June 30, 2013. The Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility for compliance for each of the Housing Authority's major federal programs based on our audit of the types of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority'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 federal program. However, our audit does not provide a legal determination of the Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority 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 federal programs for the year ended June 30, 2013.

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Report on Internal Control Over Compliance

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the Housing Authority'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 type of compliance requirement of a federal 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 type of compliance requirement of a federal 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 type of compliance requirement of a federal 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, as defined above. However, material weaknesses may exist that have not been identified.

This report relates to our audit of the Housing Authority, excluding its other component units.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
September 17, 2013

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor Program Title	Grant or State Number	Federal CFDA Number	Federal Expenditures	
U.S. Department of Housing and Urban Development				
Direct Programs:				
Section 8 New Construction and Substantial Rehabilitation	NM02-0002-004	14.182	$ 142,779	
Shelter Plus Care		14.238	155,069	
Public and Indian Housing	NM003000001	14.850	392,178	*
Section 8 Housing Choice Vouchers	NM003V0	14.871	6,859,468	*
Public Housing Capital Fund (CFP)	NM02S003501-09	14.872	154,200	
	NM02P003501-10	14.872	22,286	
	NM02P062501-10	14.872	6,901	
	NM02P003501-11	14.872	216,695	
	NM02P062501-11	14.872	8,608	
	NM02P062501-12	14.872	35,686	
	NM02P062501-12	14.872	664	
			445,040	*
Total U.S. Department of Housing and Urban Development			7,994,534	
Total Expenditures of Federal Awards			$ 7,994,534	

* Major Program

See independent auditors' report
See accompanying notes to schedule of expenditures of federal awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Mesilla Valley Public Housing Authority (The Authority) and is presented on the accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* .

Sub-recipients

The Authority did not provide any federal awards to sub-recipients during the year.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
June 30, 2013

A. SUMMARY OF AUDIT RESULTS

Financial Statements:

1.	Type of auditors' report issued	Unqualified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies identified not considered to be material weaknesses?	No
	c. Noncompliance material to the basic financial statements noted?	No

Federal Awards:

1.	Internal control over major programs:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies identified not considered to be material weaknesses?	No
2.	Type of auditors' report issued on compliance for major programs	Unqualified
3.	Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
4.	Identification of major programs:	

CFDA Number	Federal Program
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers
14.872	Public Housing Capital Fund (CFP)

5.	Dollar threshold used to distinguish between type A and type B programs:	$300,000
6.	Auditee qualified as low-risk auditee?	No

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
June 30, 2013

B. FINDINGS-FINANCIAL STATEMENT AUDIT

FS 2013-001 – Travel and Per Diem Advance Payments – Other Matter

Condition: During our test work performed over travel and per diem expenses and compliance with state statutes, it was noted that one out of the five travel and per diem expenditures reviewed showed that a travel advance had been paid out at a 100% of estimated costs instead of the statutory 80% amount of estimated costs.

Criteria: According to the State Statute Section 2.42.2.10(A) NMAC "Upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMAC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under 2.42.2.12 NMAC."

Effect: By paying out the entire travel advance the Housing Authority was exposed to the possibility that the individual would not participate in the actual reason for the travel.

Cause: The Housing Authority was unaware that they could not advance 100% of the estimated travel costs.

Auditors' Recommendation: We recommend that the Housing Authority follow state statute and only advance 80% of the estimated costs of the travel, with the remaining 20% being advanced within five working days of when the individual returns from the trip.

Views of Responsible Officials and Planned Corrective Actions: Mesilla Valley Public Housing Authority will revise its travel policy to comply with State Statute Section 2.42.2.10 (A) NMAC governing travel and per diem advance payments.

FS 2012-1 – Completion of Audit Report (CU – Robledo Ridge) – Other Matter

Condition: The audit report was not completed and forwarded to the New Mexico State Auditor in a timely manner. The audit report was submitted to the Office of the State Auditor on June 14, 2013.

Criteria: As per SAO 2.2.2.9(A) NMAC, the New Mexico State Audit contract calls for this audit report to be delivered by June 1, 2013.

Effect: Violation of the State Auditor's Rule. Audited financial information is not available for the management to use and distribute as necessary.

Cause: Additional time was necessary to acquire documents and verification for the new construction.

Auditors' Recommendation: The owners and management, along with the auditor, must implement procedures and reviews that would facilitate in the production of a timely and materially accurate audit.

Views of Responsible Officials and Planned Corrective Actions: The owners, management, and developers will implement a review process that will facilitate in the production of accurate financial statements in a timely manner.

C. FINDINGS – FEDERAL AWARDS

NONE

D. PRIOR YEAR AUDIT FINDINGS

FA 11-1 — Reporting - Resolved
FS 2012-01 — Information Technology – Resolved
FS 2012-02 — Unsupported Timesheet Corrections – Resolved

AUDITOR PREPARED FINANCIAL STATEMENTS

Accounting and Consulting, Group, LLP prepared the GAAP-basis financial statements and footnotes of Mesilla Valley Public Housing Authority from the original books and records provided to them by the management of the Authority. The responsibility for the financial statements remains with the Authority.

EXIT CONFERENCE

The contents of this report were discussed on September 17, 2013. The following individuals were in attendance and the meeting was held in closed session.

Mesilla Valley Public Housing Authority

Arturo Marrujo, Commissioner
Felix Cordero, Commissioner
Theresa Olguin-Fisher, Commissioner
Robbie Levey, Executive Director
Jesse Padilla, Deputy Director
Sharon Hansen, Accountant
Lee Montague, Modernization/Maintenance Manager
Christina Quinones, AMA
Patty Avalos
Glenn Barnett

Accounting & Consulting Group, LLP

Ray Roberts, CPA, Managing Partner

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