Mesilla Valley Public Housing Authority

Financial Statements and Independent Auditors' Report

Year Ended June 30, 2014

Accounting & Consulting Group, LLP
Certified Public Accountants

Alamogordo ¤ Albuquerque ¤ Carlsbad ¤ Clovis ¤ Hobbs ¤ Roswell ¤ Lubbock, TX

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INTRODUCTORY SECTION

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Directory of Officials
June 30, 2014

Board of Commissioners

Chairman	Felix C. Cordero
Vice Chairman	Theresa Olguin-Fisher
Commissioner	Beth Bardwell
Commissioner	Shelly Sanders
Resident Commissioner	Annaliza Gourneau

Administrative Officials

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

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
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June 30, 2014

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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 component units as of and for the year ended June 30, 2014, 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 statement 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 LP (DP), Falcon Ridge, LP (FR), Montana Senior Village, LLC (MSV), MSV II LP (MSV II) and Stone Mountain Place, LP (SMP) for the year ended December 31, 2013, which are 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 solely 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.

Opinions

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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, 2014, 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 III 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 III 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 Awards, the combining financial statements and Supporting Schedules I through III 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 16, 2014 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 16, 2014

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's (the "Housing Authority's") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Housing Authority's financial statements, which follow this section.

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 2013 calendar year in the fiscal year 2014 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, "Is the Housing Authority as a whole better off or worse off as a result of the year's activities?" 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 non-financial 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.

The Housing Authority's total assets increased during the year ended June 30, 2014 by a minimal amount of $39,546 due primarily to a few xeriscaping projects at some of the Housing Authority's Public Housing sites.

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

	June 30, 2014
Current assets	$ 4,306,462
Restricted assets	597,870
Non-current assets	8,925,702
Total assets	$ 13,830,034
Current liabilities	$ 279,845
Non-current liabilities	1,556,550
Total liabilities	1,836,395
Net position	
Net investment in capital assets	3,996,672
Restricted	512,901
Unrestricted	7,484,066
Total net position	11,993,639
Total liabilities and net position	$ 13,830,034

The majority of operating revenues for the year ended June 30, 2014 were generated from HUD operating subsidies and grants, which accounted for $8,103,268 (92.68%) of total operating revenues. The remainder of the operating revenues was generated from tenant rental revenue in the amount of $569,414 (6.51%) and other tenant revenues in the amount of $70,788 (.81%).

The largest contributing factor to operating expenses came in the form of Housing Assistance Payments, which made up $5,642,253 (65.78%) of all operating expenses. This was followed by administration costs of $1,511,497 (17.62%) and maintenance and operations costs of $829,292 (9.67%).

Changes in net position are summarized as follows:

	For the Year Ended June 30, 2014
Total operating revenues	$ 8,743,470
Total operating expenses	(8,577,290)
Operating income	166,180
Total non-operating revenues (expenses)	(59,624)
Change in net position	106,556
Beginning net position	11,887,083
Ending net position	$ 11,993,639

Budgetary Highlights

The Housing Authority made two revisions to its budget during fiscal year 2014.These revisions adjusted the budget for fluctuations in HUD funding of the Section 8 Housing Choice Voucher (HCV) and Public Housing programs, as well as adjusted for the increase in total operating expenditures for the year. Total operating revenues were over budget by $201,330 due primarily to the Housing Authority receiving more funding from the Department of Housing and Urban Development (HUD) than anticipated for Housing Assistance Payments (HAP). The amount of HUD funding fluctuates considerably during the fiscal year. Total operating expenses increased from the original budgeted amounts, but not to the extent projected in subsequent revisions, and ended the fiscal year at $104,767 under budget, due mainly to the result of lower Housing Assistance Payment (HAP) expenditures than projected for the Section 8 Housing Choice Voucher program. The Housing Authority bases their budget on the expenditure rate for the previous fiscal year and incorporates any anticipated changes in fiscal year 2014.

Capital Assets
For the year ended June 30, 2014, the Housing Authority had $5,565,482, 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 $1,568,810 in 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 2014 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 20.2% in 2010-2011 compared with 18.8% in 2009-2010, while the national poverty rate was 15.9% in 2011. For the same time period, the median household income in New Mexico was $44,270, while the national median income was $48,169. It is important to keep in mind that the actual HUD Section 8 Housing Choice Voucher (HCV) 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 2013 was 81.86% of total eligibility. Additionally, both Section 8 Housing Choice Voucher and Public Housing excess reserves are subject to recapture by the Department of Housing and Urban Development (HUD). 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, 2014

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
ASSETS			
Current assets			
Cash and cash equivalents	$ 4,112,144	$ 196,174	$ 18,150
Restricted cash and cash equivalents	597,870	18,716	234,968
Accounts receivable - tenants, net of allowance for doubtful accounts (allowance - $678)	9,269	3,402	9,472
Grants receivable	39,375	-	-
Inventory	7,386	-	-
Prepaid expenses and other assets	138,288	15,494	13,493
Total current assets	4,904,332	233,786	276,083
Noncurrent assets			
Capital assets, net	5,565,482	10,014,291	4,735,284
Receivables from component units, net	1,691,488	-	-
Mortgage receivables, noncurrent	1,254,251	-	-
Other noncurrent assets	414,481	83,750	122,063
Total assets	$ 13,830,034	$ 10,331,827	$ 5,133,430
LIABILITIES AND NET POSITION			
Current liabilities			
Book overdraft	$ 42,386	$ -	$ -
Accounts payable	40,820	130,438	34,247
Prepaid tenant rent	-	-	844
Accrued payroll	30,048	-	-
Notes payable, current portion	81,145	10,517	9,074
Total current liabilities	194,399	140,955	44,165
Current liabilities (payable from restricted assets)			
Tenant deposits	77,924	17,664	27,306
FSS deposits	7,522	-	-
Total current liabilities (payable from restricted assets)	85,446	17,664	27,306
Non-current liabilities			
Compensated absences, noncurrent portion	68,885	-	-
Development fees/asset management fees	-	800,883	84,305
Notes payable, net of current portion	1,487,665	5,067,662	1,297,761
Total non-current liabilities	1,556,550	5,868,545	1,382,066
Total liabilities	1,836,395	6,027,164	1,453,537
Net position:			
Net investment in capital assets	3,996,672	4,936,112	3,428,449
Restricted for program activities	512,901	1,052	207,662
Unrestricted	7,484,066	(632,501)	43,782
Total net position	11,993,639	4,304,663	3,679,893
Total liabilities and net position	$ 13,830,034	$ 10,331,827	$ 5,133,430

The accompanying notes are an integral part of these financial statements

Component Units as of December 31, 2013

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ 34,996	$ 7,718	$ 159,802	$ 13,700	$ 40,602	$ 55,263
613,734	288,028	868,839	124,023	530,177	326,444
2,104	5,278	67,498	2,444	3,665	3,887
-	-	-	-	-	-
-	-	-	-	-	-
22,817	14,761	8,983	7,811	2,104	17,986
673,651	315,785	1,105,122	147,978	576,548	403,580
9,854,570	3,038,247	8,449,075	1,739,946	3,540,243	7,790,615
-	-	-	-	-	-
-	-	-	-	-	-
62,599	52,224	348,627	38,227	30,511	98,111
$ 10,590,820	$ 3,406,256	$ 9,902,824	$ 1,926,151	$ 4,147,302	$ 8,292,306
$ -	$ -	$ -	$ -	$ -	$ -
24,460	64,403	59,342	41,427	41,022	45,061
1,496	4,601	711	451	1,128	3,889
12,301	-	-	-	-	-
8,275	21,029	35,965	13,611	34,372	19,328
46,532	90,033	96,018	55,489	76,522	68,278
38,425	34,494	41,860	16,184	27,128	39,213
-	-	-	-	-	-
38,425	34,494	41,860	16,184	27,128	39,213
-	-	-	-	-	-
247,604	230,795	249,146	8,293	22,972	375,959
1,397,330	2,016,037	3,457,705	1,737,883	3,172,853	2,618,284
1,644,934	2,246,832	3,706,851	1,746,176	3,195,825	2,994,243
1,729,891	2,371,359	3,844,729	1,817,849	3,299,475	3,101,734
8,448,965	1,001,181	4,955,405	(11,548)	333,018	5,153,003
575,309	253,504	826,979	108,290	502,685	286,739
(163,345)	(219,788)	275,711	11,560	12,124	(249,170)
8,860,929	1,034,897	6,058,095	108,302	847,827	5,190,572
$ 10,590,820	$ 3,406,256	$ 9,902,824	$ 1,926,151	$ 4,147,302	$ 8,292,306

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
Operating revenues			
Rental revenue (tenants)	$ 569,414	$ 364,045	$ 338,594
Other tenant revenue	70,788	2,104	14,717
Operating subsidies and grants and other receipts	8,103,268	7,834	4,443
Total operating revenues	8,743,470	373,983	357,754
Operating expenses			
Housing assistance payments	5,642,253	-	-
Administration	1,511,497	109,894	69,649
Maintenance and operations	829,292	103,598	79,947
Utilities	180,174	28,969	47,922
Depreciation	350,555	92,695	148,539
Miscellaneous	63,519	328,470	141,703
Total operating expenses	8,577,290	663,626	487,760
Operating income (loss)	166,180	(289,643)	(130,006)
Non-operating revenues (expenses)			
Bad debt - non-tenant	(259,227)	-	-
Interest income	66,593	-	-
Interest expense	(101,641)	-	-
Developer fees	184,063	-	-
Management fees and other income	29,767	-	-
Gain (loss) on disposal of assets	20,821	-	-
Total non-operating revenues (expenses)	(59,624)	-	-
Change in net position	106,556	(289,643)	(130,006)
Total net position - beginning of year	11,887,083	2,828,706	3,809,899
Equity transfers in (out) and capital contributions	-	1,765,600	-
Total net position - end of year	$ 11,993,639	$ 4,304,663	$ 3,679,893

Component Units as of December 31, 2013

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ 477,963	$ 463,084	$ 490,811	$ 269,371	$ 453,109	$ 531,178
20,500	16,445	15,255	3,350	4,768	14,841
12	298	155,014	127	119	341
498,475	479,827	661,080	272,848	457,996	546,360
-	-	-	-	-	-
104,304	121,233	111,510	56,999	87,906	100,925
73,243	93,486	113,699	51,503	78,902	83,883
74,296	34,575	30,249	19,131	32,797	36,371
297,609	120,931	266,734	112,985	211,325	275,355
198,311	203,137	327,783	146,742	185,631	233,519
747,763	573,362	849,975	387,360	596,561	730,053
(249,288)	(93,535)	(188,895)	(114,512)	(138,565)	(183,693)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(249,288)	(93,535)	(188,895)	(114,512)	(138,565)	(183,693)
9,125,217	1,128,432	6,261,990	222,814	986,392	5,374,265
(15,000)	-	(15,000)	-	-	-
$ 8,860,929	$ 1,034,897	$ 6,058,095	$ 108,302	$ 847,827	$ 5,190,572

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2014

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
Cash flows from operating activities:			
Cash received from tenant rents	$ 717,081	$ 364,704	$ 336,933
Cash payments to employees for services	(1,241,411)	(44,202)	(74,288)
Cash payments to suppliers for goods and services	(7,056,188)	(438,764)	(262,598)
Subsidy grants and other receipts	8,016,101	9,938	19,160
Net cash provided (used) by operating activities	435,583	(108,324)	19,207
Cash flows from noncapital financing activities:			
Miscellaneous income	36,972	-	-
Net cash provided (used) by noncapital financing activities	36,972	-	-
Cash flows from capital and related financing activities:			
Capital contributions (distributions)	-	1,765,600	-
Proceeds from debt and deferred fees	22,742	3,272,398	-
Proceeds from sale of assets	(192,457)	-	-
Acquisition of capital assets	-	(3,285,607)	(3,898)
Principal payments on long-term debt	(76,158)	(1,715,913)	(8,511)
Interest payments on long-term debt	(101,641)	-	12,055
Net cash provided (used) by capital and related financing activities	(347,514)	36,478	(354)
Cash flows from investing activities:			
Reserves	-	-	(14,257)
Deposits	-	46	-
Interest on investments	77,586	-	-
Net cash provided (used) by investing activities	77,586	46	(14,257)
Net increase (decrease) in cash and cash equivalents	202,627	(71,800)	4,596
Cash and cash equivalents - beginning of year	4,465,001	267,974	13,554
Cash and cash equivalents - end of year	$ 4,667,628	$ 196,174	$ 18,150

The accompanying notes are an integral part of these financial statements

Component Units as of December 31, 2013

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ 484,536	$ 464,548	$ 490,782	$ 268,928	$ 451,730	$ 537,957
(107,931)	(112,006)	(109,213)	(56,288)	(70,621)	(97,978)
(341,385)	(328,896)	(442,081)	(215,805)	(292,140)	(348,435)
20,512	16,743	170,246	3,477	4,887	15,182
55,732	40,389	109,734	312	93,856	106,726
-	-	-	-	-	-
-	-	-	-	-	-
(15,000)	-	(15,000)	-	-	-
-	-	(27,690)	(20,000)	(30,000)	(49,878)
-	-	-	-	-	-
(13,819)	(26,280)	-	(10,437)	(60,099)	(52,261)
(7,740)	(19,713)	(33,516)	(12,764)	(32,046)	(18,188)
-	16,908	-	19,490	-	-
(36,559)	(29,085)	(76,206)	(23,711)	(122,145)	(120,327)
(5,526)	(26,283)	(4,978)	(6,358)	1,248	31,603
-	-	-	-	-	-
-	-	-	-	6,000	-
(5,526)	(26,283)	(4,978)	(6,358)	7,248	31,603
13,647	(14,979)	28,550	(29,757)	(21,041)	18,002
21,349	22,697	131,252	43,457	61,643	37,261
$ 34,996	$ 7,718	$ 159,802	$ 13,700	$ 40,602	$ 55,263

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2014

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 166,180	$ (289,643)	$ (130,006)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	350,555	92,695	148,539
Amortization	-	1,879	6,780
Changes in assets and liabilities			
Accounts receivable	(10,288)	659	1,014
Prepaid expenses	(100,740)	(656)	(389)
Inventory	(7,386)	-	-
Accounts payable	15,517	(1,826)	5,695
Accrued interest	-	2,825	3
Accrued expenses	-	85,684	(10,360)
Accrued payroll expenses	6,838	-	-
Accrued compensated absences	13,498	-	-
Tenant deposits	1,409	59	(2,069)
Net cash provided (used) by operating activities	$ 435,583	$ (108,324)	$ 19,207

The accompanying notes are an integral part of these financial statements

Component Units as of December 31, 2013

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ (249,288)	$ (93,535)	$ (188,895)	$ (114,512)	$ (138,565)	$ (183,693)
297,609	120,931	266,734	112,985	211,325	275,355
3,082	2,209	29,691	1,466	5,306	2,886
6,181	411	(112)	(625)	(1,138)	5,939
(3,849)	(327)	(339)	(1,212)	12,717	(523)
-	-	-	-	-	-
532	22,971	968	1,835	4,162	3,177
(43)	(93)	(198)	(68)	(171)	(93)
178	(13,201)	1,825	189	659	475
-	-	-	-	-	-
-	-	-	-	-	-
1,330	1,023	60	254	(439)	3,203
$ 55,732	$ 40,389	$ 109,734	$ 312	$ 93,856	$ 106,726

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 (GASB). 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, 2014.

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.

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)	1,607 units

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely-Presented Component Units

Montana Senior Village, LLC (MSV), MSV II LP (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 Statement No. 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 calendar year of 2014 of the financial operations of the component units. See note 14 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.

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 Statement of Net Position. 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.

Cash flow statements for the component units reconcile to operating cash only and do not include changes in restricted cash and cash equivalents. The Housing Authority's cash flow statement includes changes in both operating cash and restricted cash and cash equivalents.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position (continued)

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 site improvements	40 yrs – 50 yrs
Machinery and equipment	5 yrs – 10 yrs
Vehicles	5 yrs – 10 yrs

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, the employee is eligible to receive 1/8 of accumulated sick leave between 160 to 1,000 hours. If the employee has accumulated less than 160 hours, they are not entitled to any pay out of sick leave at separation of employment. Any 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position (continued)

Net Position

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 does not meet the definition of "restricted" or "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.

New Accounting Standards Adopted

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"), establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB 65 is not expected to have a significant impact on the Housing Authority's financial statements.

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, 2014.

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 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, 2014, $360,372 of the Housing Authority’s bank balance of $649,198 was exposed to custodial credit risk. Although the $360,372 was uninsured, $314,626 was collateralized by collateral held by the pledging bank’s trust department, not in the Housing Authority’s name. $45,746 of the Housing Authority’s deposits were uninsured and uncollateralized at June 30, 2014.

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	$ 610,372	$ 38,826	$ 649,198
FDIC Coverage	(250,000)	(38,826)	(288,826)
Total uninsured public funds	360,372	-	360,372
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the Housing Authority's name	314,626	-	314,626
Uninsured and uncollateralized	$ 45,746	$ -	$ 45,746
Collateral requirement			
(50% of uninsured public funds)	$ 180,186	$ -	$ 180,186
Pledged securities	314,626	-	314,626
Over (under) collateralization	$ 134,440	$ -	$ 134,440

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).

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – Investments (continued)

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, 2014, 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	$ 4,053,397
FDIC Coverage	-
Total uninsured public funds	4,053,397
Securities underlying an overnight repurchase agreement held by investment's counterparty not in Housing Authority's name	4,053,397
Total investments subject to custodial credit risk	$ -
Collateral requirement (102% of value of underlying securities)	$ 4,134,465
Pledged securities	4,141,695
Over (under) collateralization	$ 7,230

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	$ 4,098,054
Restricted cash and cash equivalents	604,915
Less: Book Overdraft	(42,386)
Add: outstanding checks and other reconciling items	35,967
Less: repurchase agreement	(4,053,397)
	643,153
Less: petty cash	(1,000)
Bank balance of deposits	$ 642,153

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, 2013 (component units' year-end) to June 30, 2014 (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, 2013)	
Note payable	$ 487,250
Deferred developer fees	12,446
Land note payable	63,981
Other	8,293
	571,970
MSV II payables to Housing Authority (December 31, 2013)	
Deferred developer fees	10,157
Authority loan payable	800,000
Authority AHP loan payable	500,000
Other	8,783
	1,318,940
SMP payables to Housing Authority (December 31, 2013)	
Developer fees payable	223,574
Falcon Ridge payables to Housing Authority (December 31, 2013)	
Developer fees payable	27,490
Cimmaron I payables to Housing Authority (December 31, 2013)	
Developer fees payable	80,000
Cimmaron II payables to Housing Authority (December 31, 2013)	
Developer fees payable	49,524
Desert Palms payables to Housing Authority (December 31, 2013)	
Developer fees payable	50,807
Robledo Ridge payables to Housing Authority (December 31, 2013)	
Note payable	145,000
Developer fees payable	286,749
Net payables to Housing Authority at December 31, 2013	2,754,054
Reconciling items:	
Allowance for doubtful accounts	(1,317,076)
Payments received from January 1, 2014 through June 30, 2014	(46,250)
Accrued interest from January 1, 2014 through June 30, 2014	300,560
Reconciling items	200
Housing Authority net receivable from component units, at June 30, 2014	$ 1,691,488

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	$ 12,749
Non-current receivables:	
New Mexico Housing Corporation (NMHC)	
Note payable , net of allowance	$ 200,773

See Note 7 for additional information.

NOTE 4. CAPITAL ASSETS

The following summarizes changes in capital assets activity during fiscal year 2014.

	Balance June 30, 2013	Transfers	Additions	Deletions	Balance June 30, 2014
Public housing	$ 8,925,529	$ -	$ 67,146	$ (56,490)	$ 8,936,185
Less accumulated depreciation	(6,941,104)	-	(259,249)	54,569	(7,145,784)
Net public housing	1,984,425	-	(192,103)	(1,921)	1,790,401
Section 8 housing	4,542	-	3,740	-	8,282
Less accumulated depreciation	(1,485)	-	(163)	-	(1,648)
Net Section 8 housing	3,057	-	3,577	-	6,634
Section 8 new construction	1,927,334	-	-	-	1,927,334
Less accumulated depreciation	(440,550)	-	(26,245)	-	(466,795)
Net Section 8 new construction	1,486,784	-	(26,245)	-	1,460,539
Local housing projects	2,957,724	(197,988)	121,571	-	2,881,307
Less accumulated depreciation	(508,501)	-	(64,898)	-	(573,399)
Net local housing projects	2,449,223	(197,988)	56,673	-	2,307,908
Net capital assets	$ 5,923,489	$ (197,988)	$ (158,098)	$ (1,921)	$ 5,565,482

The assets that were transferred are comprised of properties that have been moved from capital assets to other assets - assets held for sale. See additional information at Note 7.

NOTE 4. CAPITAL ASSETS (continued)

Summary Totals Capital assets	Balance June 30, 2013	Transfers	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:					
Land	$ 1,735,227	$ (112,700)	$ -	$ -	$ 1,622,527
Total capital assets not being depreciated	1,735,227	(112,700)	-	-	1,622,527
Other capital assets					
Site improvements	2,434,540	-	61,145	-	2,495,685
Structures	9,044,460	(85,288)	116,357	-	9,075,529
Equipment	600,904	-	14,955	(56,490)	559,369
Total other capital assets at cost	12,079,904	(85,288)	192,457	(56,490)	12,130,583
Less accumulated depreciation:					
Site improvements	(1,379,409)	-	(92,476)	-	(1,471,885)
Structures	(6,024,130)	-	(195,947)	-	(6,220,077)
Equipment	(488,103)	-	(62,132)	54,569	(495,666)
Subtotal	(7,891,642)	-	(350,555)	54,569	(8,187,628)
Net capital assets being depreciated	4,188,262	(85,288)	(158,098)	(1,921)	3,942,955
Net capital assets	$ 5,923,489	$ (197,988)	$ (158,098)	$ (1,921)	$ 5,565,482

Depreciation expense for the year ended June 30, 2014 totaled $350,555.

NOTE 5. LONG-TERM LIABILITIES

The following summarizes changes in long-term debt activity during fiscal year 2014.

Description	Issue Date	Interest Rates (%)	Maturity Date	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Amount Due Within One Year
Note payable Wells Fargo Bank	9/10/2012	6.00%	9/15/2027	$ 339,239	$ -	$ 15,474	$ 323,765	$ 16,446
Note payable Wells Fargo Bank	4/15/2005	8.13%	4/15/2025	302,926	-	14,925	288,001	16,243
Note payable Wells Fargo Bank	8/15/2013	6.00%	11/15/2027	244,277	-	10,896	233,381	11,579
Note payable Wells Fargo Bank	8/15/2013	6.00%	7/15/2027	691,796	-	32,114	659,682	34,128
Note payable Land	12/02/1998	0.00%	11/02/2015	66,730	-	2,749	63,981	2,749
Total				$ 1,644,968	$ -	$ 76,158	$ 1,568,810	$ 81,145

Collateral for these liabilities is the property purchased with the funds.

Compensated absences liability at year end was $68,885.

NOTE 5. LONG-TERM LIABILITIES (continued)

Debt service requirements on long-term debt at June 30, 2014, are as follows:

Year Ending June 30,	Notes Payable Principal	Notes Payable Interest
2015	$ 81,145	$ 95,344
2016	144,659	90,313
2017	89,299	84,441
2018	95,327	78,413
2019	101,469	71,971
2020-2024	621,856	246,844
2025-2028	435,055	178,780
	$ 1,568,810	$ 846,106

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, in the amount of $2,563,112, 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, leaving a net receivable of $1,254,251.

Other assets consist of the other receivables (SNAP note payable - $12,749) and non-current receivables (NMHC note payable, net - $200,773) listed in Note 3. Additionally, the Housing Authority has assets held for sale in the amount of $197,988 and accrued interest receivable in the amount of $2,971, for a total of $414,481 in noncurrent assets.

During the year under audit, the Housing Authority determined that a portion of the NMHC note payable would be uncollectible and calculated the allowance amount to be $259,227. The original note was for $460,000, less the allowance amount of $259,227, leaves a net receivable of $200,773. The Housing Authority recognized the allowance as a bad debt expense in the current fiscal year.

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.

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

Funding Policy. Plan members are required to contribute 10.65% of their gross salary (9.15% of their gross salary, if it is less than $20,000). 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, 2014, 2013 and 2012 were $69,065, $59,723, and $64,517, 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, 2014, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is September 16, 2014 which is the date on which the financial statements were available to be issued.

The Housing Authority filed a Notice of Default on a real estate installment contract just prior to year end and attempted to work with the purchaser to amend the contract so that the purchaser would be able to make the required payments on the property. The purchaser failed to sign the amendment and filed a Chapter 7 Voluntary Petition in the United States Bankruptcy Court on June 25, 2014. A hearing was held on July 22, 2014, at which the purchaser agreed to turn the property back over to the Housing Authority. The bankruptcy proceeding has now been completed and the Housing Authority is in the process of submitting an affidavit of default to the escrow company to take back unencumbered legal title to the property. The Housing Authority expects that this property will be returned to them unencumbered, but is uncertain of whether it will produce any future revenue. The Housing Authority believes any current loss potential is limited to maintenance of the property.

NOTE 12. SUBSEQUENT PRONOUNCEMENTS

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 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, 2015 and is expected to impact the Housing Authority's financial statements.

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.

NOTE 12. SUBSEQUENT PRONOUNCEMENTS (continued)

In November 2013, GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement 68. The standard will be implemented during fiscal year June 30, 2015.

NOTE 13. 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 NM02P062501-11
June 30, 2014

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

Funds approved	$ 8,608
Funds expended	8,608
Excess (deficiency) of funds approved	$ -
HUD grants	$ 8,608
Funds expended	8,608
Excess (deficiency) of funds expended	$ -

2. The distribution of costs shown on the Final Statement of Modernization Costs dated August 28, 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.

Statement of Actual Modernization Costs
Capital Fund Program or ARRA Fund Program
Annual Contributions Contract NM02P003501-12
June 30, 2014

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

Funds approved	$ 281,860
Funds expended	281,860
Excess (deficiency) of funds approved	$ -
HUD grants	$ 281,860
Funds expended	281,860
Excess (deficiency) of funds expended	$ -

2. The distribution of costs shown on the Final Statement of Modernization Costs dated June 5, 2014, 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 13. CAPITAL FUND PROGRAM OR ARRA FUND PROGRAM CLOSEOUTS (continued)

Statement of Actual Modernization Costs
Capital Fund Program or ARRA Fund Program
Annual Contributions Contract NM02P062501-12
June 30, 2014

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

Funds approved	$ 6,640
Funds expended	6,640
Excess (deficiency) of funds approved	$ -
HUD grants	$ 6,640
Funds expended	6,640
Excess (deficiency) of funds expended	$ -

2. The distribution of costs shown on the Final Statement of Modernization Costs dated June 5, 2014, 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. COMPONENT UNITS

As described in Note 1, the reporting entity consists of several component units as defined under GASB Statement No. 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 LP (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 GASB 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 2014 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, 2013. 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)*

Collateralization of Deposits

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

Tenants' Security Deposits

Tenants' security deposits are held in a separate bank account. This account was funded in an amount greater than the security deposit liability as of December 31, 2013 and 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 statements of operations. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

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

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the moment by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2013 or 2012.

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, 2013, the Partnership's tax years for 2010, 2011 and 2012 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2013, the Partnership is no longer subject to examinations by tax authorities for years before 2010.

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 2012 financial statements have been reclassified to conform to the 2013 presentation.

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

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

	12/31/2013	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 $5,307 and $5,353 as of December 31, 2013 and 2012, respectively. Interest expensed on this loan was $63,937 and $64,468 as of December 31, 2013 and 2012, respectively.	$ 991,964	$ 1,000,475
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 $1,288 and $1,239 as of December 31, 2013 and 2012, respectively. The long-term accrued interest was $74,871 and $62,816 as of December 31, 2013 and 2012, respectively. Interest expensed on this loan was $15,187 and $14,606 as of December 31, 2013 and 2012, respectively.	240,000	240,000
Total	1,231,964	1,240,475
Less: Current Portion	9,074	8,511
Long-Term Notes Payable	$ 1,222,890	$ 1,231,964

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

Aggregate maturities of the mortgage notes in each of the next five years are approximated as follows:

	Principal	Interest
December 31, 2014	$ 9,074	$ 66,626
2015	9,674	66,154
2016	10,314	65,647
2017	10,995	65,103
2018	11,723	64,519
2019-2023	71,317	312,251
2024-2028	98,227	289,888
2029-2033	135,290	258,352
2034-2038	186,339	214,022
2039-2043	256,650	151,878
2044-2048	432,361	49,463
Total	$ 1,231,964	$ 1,603,903

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 $103,719 and $90,141 as of December 31, 2013 and 2012, respectively.

Operating Reserve

In accordance with the Partnership Agreement, the General Partner shall establish an Operating Reserve fund in the amount of $92,284. Funds are to be used for operating and debt service deficits. The Operating Reserve balance was $97,439 and $97,384 as of December 31, 2013 and 2012, 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.

HOME Investment Partnerships Program

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

Regulatory Agreement Provisions

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

NOTE G - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Management Fee

In accordance with the Management Agreement, the Partnership has incurred Management Fee expenses for services rendered in connection with the leasing and operation of the Project. The current year management fee is equal to 5.5% of gross rental collections. Property Management Fees expensed were $19,277 and $18,986 during 2013 and 2012, respectively. The amounts due to the Management Agent related to Management Fees were $353 and $360 as of December 31, 2013 and 2012, respectively.

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 $4,305 and $4,179 were recognized during 2013 and 2012, respectively. The amounts due to the Limited Partner related to Asset Management Fees were $4,305 and $4,179 as of December 31, 2013 and 2012, respectively.

Owner Distribution - Partnership Management Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the General Partner a Partnership Management Fee in the amount of $25,000 for the managing of the Partnerships assets and operations and coordinating the preparation of the required State Housing Finance Agency, federal, state, and local tax and other required filings and reports. There were no Partnership Management Fees accrued during 2013 and 2012, respectively.

Development Fee

The Partnership has incurred a Development Services Agreement with CAASNM and JL Gray Company. Fees for these services are based on a percentage of the Total Development Cost, as defined by the Agreement, for a total projected Development Fee of $659,093 rendered to the Partnership for overseeing the construction of the Project. This Development Fee has been capitalized into the basis of the building. As of December 31, 2013, $579,093 of this fee has been paid. The amounts due related to Development Fees were $80,000 and $80,000 as of December 31, 2013 and 2012, 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 $27 and $94 for the years ended December 31, 2013 and 2012, respectively.

Reimbursed Expenses

The Management Agent is reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent, some expenses are incurred for the property by the Management Agent. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. The amounts due to the Management Agent related to reimbursed expenses are considered negligible as of December 31, 2013 and 2012, respectively.

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

Operating Deficit Guaranty

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

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

NOTE H - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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

NOTE I - ACCRUED EXPENSES

The accrued expenses on the balance sheet contain the following:

	12/31/2013	**12/31/2012**
Accrued Payroll Expenses	$ 927	$ 949
Accrued Audit Fees	10,773	20,696
Total Accrued Expenses	$ 11,700	$ 21,645

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 28, 2014 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:

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 Partnership maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. 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 $450,718 and $478,154 as of December 31, 2013 and 2012. In the prior year, it was reported the funds exceeded the FDIC limit; however, the escrow amounts are not not covered by FDIC as mentioned in the previous sentence. Therefore, amounts insured by FDIC do not exceed federally insured limits as of December 31, 2013 and 2012. 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.

Collateralization of Deposits

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

Tenants' Security Deposits

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 2013 or 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, 2013, the Partnership's tax years for 2010, 2011 and 2012 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2013, the Partnership is no longer subject to examinations by tax authorities for years before 2010.

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 B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Reclassifications

Certain items in the 2012 financial statements have been reclassified to conform to the 2013 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, 2013 and 2012:

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

	12/31/2013	12/31/2012
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 $8,517 including interest through the maturity date. The unpaid principal of the loan is due January 2052. The accrued interest was $7,848 and $7,891 as of December 31, 2013 and 2012, respectively. Interest expensed on this note was $94,416 and $91,377 as of December 31, 2013 and 2012, respectively.	$ 1,405,605	$ 1,413,345
Total	1,405,605	1,413,345
Less: Current Portion	8,275	7,740
Long-Term Notes Payable	$ 1,397,330	$ 1,405,605

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

Aggregate maturities of the loans are approximated as follows

	Principal	Interest
December 31, 2014	$ 8,275	$ 93,924
2015	8,847	93,353
2016	9,458	92,741
2017	10,112	92,088
2018	10,810	91,389
2019-2023	66,343	444,654
2024-2028	92,658	418,340
2029-2033	129,409	381,589
2034-2038	180,738	330,260
2039-2043	252,426	258,572
2044-2048	352,547	158,451
2049-2053	283,982	31,133
Total	$ 1,405,605	$ 2,486,494

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 $247,605 and $275,135 as of December 31, 2013 and 2012, 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 2012 deposits were for eleven months. Replacement Reserve balance was $71,984 and $59,583 as of December 31, 2013 and 2012, 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, 2013 and 2012, 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 $29,159 and $29,121 during 2013 and 2012, respectively. The amounts due to the Management Agent related to Management Fees were $551 and $475 as of December 31, 2013 and 2012, 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, 2013, $577,801 of this fee has been paid. The amounts due related to Development Fees were $247,604 and $275,135 as of December 31, 2013 and 2012, 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. 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, 2013 and 2012, 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 EXPENSES

The accrued expenses on the balance sheet contain the following:

	12/31/2013	12/31/2012
Accrued Payroll Expenses	$ 1,528	$ 1,476
Accrued Expenses - Audit Fees	10,773	10,773
Total Accrued Liabilities	$ 12,301	$ 12,249

NOTE K - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 28, 2014 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:

<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. 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)*

Collateralization of Deposits

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

Tenants' Security Deposits

Tenants' security deposits are held in a separate bank account. This account was funded in an amount greater than the security deposit liability as of December 31, 2013 and 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 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	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 2013 or 2012.

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, 2013, the Partnership's tax years for 2010, 2011 and 2012 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2013, the Partnership is no longer subject to examinations by tax authorities for years before 2010.

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 2012 financial statements have been reclassified to conform to the 2013 presentation.

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 as of December 31, 2013 and 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

	12/31/2013	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 $8,576 and $8,683 as of December 31, 2013 and 2012, respectively. Interest expensed on this loan was $103,510 and $104,750 as of December 31, 2013 and 2012, respectively.	$ 1,588,231	$ 1,607,944
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 $374 and $360 as of December 31, 2013 and 2012, respectively. The long-term accrued interest was $106,091 and $89,183 as of December 31, 2013 and 2012, respectively. Interest expensed on this loan was $21,258 and $20,608 as of December 31, 2013 and 2012, respectively.	342,744	342,744
Total	1,930,975	1,950,688
Less: Current Portion	21,029	19,713
Long-Term Notes Payable	$ 1,909,946	$ 1,930,975

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

Aggregate maturities of the mortgage notes in each of the next five years are approximated as follows:

	Principal	Interest
December 31, 2014	$ 21,029	$ 106,807
2015	22,433	105,581
2016	23,930	104,268
2017	25,528	102,862
2018	27,232	101,357
2019-2023	213,901	467,208
2024-2028	344,297	387,348
2029-2033	431,761	299,884
2034-2038	552,587	179,058
2039-2043	385,533	30,984
Total	$ 2,048,231	$ 1,885,357

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 $169,657 and $144,245 as of December 31, 2013 and 2012, respectively.

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 $59,701 and $59,668 as of December 31, 2013 and 2012, respectively. The Partnership was also required to establish a separate Operating Deficit Reserve with New Mexico Mortgage Finance Authority. The Operating Deficit Reserve balance was $15,441 and $15,418 as of December 31, 2013 and 2012, 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.

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 $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.

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 $30,668 and $26,290 during 2013 and 2012, respectively. An amount of $2,769 was included in the current year expense as a correction of previously underpaid management fees. The amounts included in accounts payable that are due to the Management Agent related to Management Fees were $475 and $47 as of December 31, 2013 and 2012, respectively. The Management Agent also advanced funds to the property during 2012 due to cash flow issues. The amount included in accrued liabilities due to the Management Agent related to this advance as of December 31, 2012 was $4,000. The advance was paid in full during 2013 and there are no amounts due to the Management Agent as of December 31, 2013.

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 $5,219 and $5,067 were recognized during 2013 and 2012, respectively. The amounts due to the Limited Partner related to Investor Services Fees were $36,856 and $36,637 as of December 31, 2013 and 2012, respectively.

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 2013 and 2012, respectively.

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, 2013, $9,291 of this fee has been paid. The amounts due related to Development Fees were $193,939 and $193,939 as of December 31, 2013 and 2012, respectively.

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

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 $795 and $943 for the years ended December 31, 2013 and 2012, respectively.

Reimbursed Expenses

The Management Agent is reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent, some expenses are incurred for the property by the Management Agent. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. The amounts due to the Management Agent related to reimbursed expenses are considered negligible as of December 31, 2013 and 2012, respectively.

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 EXPENSES

The accrued expenses on the balance sheet contain the following:

	12/31/2013	12/31/2012
Accrued Payroll Expenses	$ 2,128	$ 5,716
Accrued Audit Fees	10,773	20,696
Total Accrued Expenses	$ 12,901	$ 26,412

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 28, 2014 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 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 the 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:

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 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 $250,936 and $217,445 at December 31, 2013 and 2012, 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 $450,205 and $477,810 as of December 31, 2013 and 2012. 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.

Collateralization of Deposits

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

Tenants' Security Deposits

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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	10-20
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 2013 or 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, 2013, the Partnership's tax years for 2010, 2011 and 2012 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2013, the Partnership is no longer subject to examinations by tax authorities for years before 2010.

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 Agreement(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.

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.

Reclassifications

Certain items in the 2012 financial statements have been reclassified to conform to the 2013 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 are as follows as of December 31, 2013 and 2012:

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

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

There were no contributions from the Partners as of December 31, 2013 and 2012.

NOTE D - LONG-TERM DEBT

	12/31/2013	12/31/2012
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 $4,994 and $5,042 as of December 31, 2013 and 2012, respectively. Interest expensed on this loan was $60,196 and $60,756 as of December 31, 2013 and 2012, respectively.	$ 1,308,549	$ 1,321,040

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

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 $15,397 and $15,547 as of December 31, 2013 and 2012, respectively. Interest expensed on these loans was $185,605 and $187,329 as of December 31, 2013 and 2012, respectively.	2,185,121	2,206,146
Total	3,493,670	3,527,186
Less: Current Portion	35,965	33,516
Long-Term Notes Payable	$ 3,457,705	$ 3,493,670

Aggregate maturities of the loans are approximated as follows:

	Principal	Interest*
December 31, 2014	$ 35,965	$ 243,549
2015	38,607	240,907
2016	41,459	238,055
2017	44,538	234,976
2018	47,863	231,651
2019-2023	299,356	1,098,214
2024-2028	433,702	963,869
2029-2033	633,447	764,123
2034-2038	782,758	477,442
2039-2043	649,549	209,558
2044-2048	282,905	80,771
2049-2053	203,521	14,684
Total	$ 3,493,670	$ 4,797,799

*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. Interest subsidy payments of $153,886 and $151,224 were recognized as other income during 2013 and 2012, 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 $249,146 and $276,837 as of December 31, 2013 and 2012, respectively.

Replacement Reserve

In accordance with the Partnership Agreement, the Partnership shall establish a Replacement Reserve 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 $284,863 and $260,041 as of December 31, 2013 and 2012, respectively.

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, 2013 and 2012, 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 $25,036 and $25,022 as of December 31, 2013 and 2012, 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.

NOTE G - COMMITMENTS AND CONTINGENCIES *(continued)*

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 $36,938 and $38,134 during 2013 and 2012, respectively. The amounts due to the Management Agent related to Management Fees were $148 and $0 as of December 31, 2013 and 2012, respectively.

General Partner Distributions

In accordance with the Partnership Agreement, the General Partner shall receive 99.99% of Distributable Cash. Distributions of $15,000 and $15,000 were recognized during 2013 and 2012, 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, 2013, $858,200 of this fee has been paid. The amounts due related to Development Fees were $249,146 and $276,836 as of December 31, 2013 and 2012, respectively. Current year payments were made from the Developer Fee Holdback Escrow. See Note E.

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 $2,976 and $3,849 for the years ended December 31, 2013 and 2012, 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. 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, 2013 and 2012, 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 interest subsidy and 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 EXPENSES

The accrued expenses on the balance sheet contain the following:

	12/31/2013	12/31/2012
Accrued Payroll Expenses	$ 1,714	$ 1,317
Accrued Audit Fees	13,398	12,127
Total Accrued Expenses	$ 15,112	$ 13,444

NOTE K - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 28, 2014 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.

Collateralization of Deposits

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

Tenants' Security Deposits

Tenants' security deposits are held in a separate bank account. This account was funded in an amount greater than the security deposit liability as of December 31, 2013 and 2012.

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.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 2013 or 2012.

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, 2013, the Company's tax years for 2010, 2011, and 2012 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2013, the Company is no longer subject to examinations by tax authorities for years before 2010.

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.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Amortization

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

Reclassifications

Certain items in the 2012 financial statements have been reclassified to conform to the 2013 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, 2013 and 2012:

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

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

The Investor Member 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

	12/31/2013	12/31/2012
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 $6,431 and $6,499 as of December 31, 2013 and 2012, respectively. Interest expensed on this loan was $77,551 and $78,338 as of December 31, 2013 and 2012, respectively.	$ 946,893	$ 956,908
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.	63,981	66,730
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 $253,370 and $233,880 as of December 31, 2013 and 2012, respectively. Interest expensed on this loan was $19,490 and $19,490 as of December 31, 2013 and 2012, respectively.	487,250	487,250
Total	1,498,124	1,510,888
Less: Current Portion	13,611	12,764
Long-Term Notes Payable	$ 1,484,513	$ 1,498,124

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

Aggregate maturities of the mortgage notes in each of the next five years are approximated as follows:

	Principal	Interest
December 31, 2014	$ 13,611	$ 76,772
2015	73,362	75,853
2016	12,778	74,856
2017	501,109	405,105
2018	15,032	72,602
2019-2023	96,533	341,638
2024-2028	144,895	293,276
2029-2033	217,486	220,685
2034-2038	326,443	111,728
2039-2043	96,875	5,018
2044-2048	0	0
2049-2053	0	0
Total	$ 1,498,124	$ 1,677,533

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 $32,857 and $27,054 as of December 31, 2013 and 2012, respectively.

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 $32,398 and $32,382 as of December 31, 2013 and 2012, respectively. The additional accumulation of funds required are held in the Operating Deficit Reserve account.

NOTE E - RESERVE FUNDS *(continued)*

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 established an Operating Deficit Reserve account to accumulate the additional funds required by the Operating Agreement. The Operating Deficit Reserve balance was $35,267 and $35,214 as of December 31, 2013 and 2012, respectively.

The combined balance for the Operating Reserve and the Operating Deficit Reserve was $67,665 and $67,596 as of December 31, 2013 and 2012, 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 Fee

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 Fees expensed were $14,196 and $15,108 during 2013 and 2012, respectively. The amounts due to the Management Agent related to Management Fees were $325 and $246 as of December 31, 2013 and 2012, 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, 2013 and 2012, 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, 2013 and 2012, 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. Due to the maturity of the liability, it was reclassified to short-term on the Balance Sheet. The amounts due related to Development Fees were $12,446 and $32,446 as of December 31, 2013 and 2012, respectively.

Reimbursed Expenses

The Management Agent is reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent, some expenses are incurred for the property by the Management Agent. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. The amounts due to the Management Agent related to reimbursed expenses are considered negligible as of December 31, 2013 and 2012, 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 EXPENSES

The accrued expenses on the balance sheet contain the following:

	12/31/2013	12/31/2012
Accrued Payroll Expenses	$ 885	$ 797
Accrued Audit Fees	10,773	10,773
Total Accrued Expenses	$ 11,658	$ 11,570

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 28, 2014 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:

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. Cash and cash equivalents in excess of FDIC limits were $228,076 and $250,843 at December 31, 2013 and 2012, 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.

Collateralization of Deposits

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

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, 2013 and 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 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 2013 or 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, 2013, the Partnership's tax years for 2010, 2011, and 2012 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2013, the Partnership is no longer subject to examinations by tax authorities for years before 2010.

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

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

Reclassifications

Certain items in the 2012 financial statements have been reclassified to conform to the 2013 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, 2013 and 2012:

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

	12/31/2013	12/31/2012
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 $8,376 and $8,547 as of December 31, 2013 and 2012, respectively. Interest expensed on this loan was $101,466 and $103,459 as of December 31, 2013 and 2012, respectively.	$ 1,565,597	$ 1,597,643
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 long-term accrued interest was $30,808 and $28,058 as of December 31, 2013 and 2012, respectively. Interest expensed on this loan was $2,750 and $2,750 as of December 31, 2013 and 2012, respectively.	275,000	275,000

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

	12/31/2013	12/31/2012
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 of the loan is due November 2034. The long-term accrued interest was $21,861 and $19,861 as of December 31, 2013 and 2012, respectively. Interest expensed on this loan was $2,000 and $2,000 as of December 31, 2013 and 2012, 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 long-term accrued interest was $13,959 and $12,709 as of December 31, 2013 and 2012, respectively. Interest expensed on this loan was $1,250 and $1,250 as of December 31, 2013 and 2012, respectively.	500,000	500,000
Total	3,140,597	3,172,643
Less: Current Portion	34,372	32,045
Long-Term Notes Payable	$ 3,106,225	$ 3,140,598

Aggregate maturities of the mortgage notes in each of the next five years are approximated as follows:

	Principal	Interest
December 31, 2014	$ 34,372	$ 109,349
2015	36,459	106,881
2016	39,107	104,233
2017	41,946	101,394
2018	44,992	98,348
2019-2023	354,980	549,904
2024-2028	500,733	455,243
2029-2033	683,895	288,997
2034-2038	1,454,902	133,590
Total	$ 3,191,386	$ 1,947,939

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

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 $67,644 and $84,734 as of December 31, 2013 and 2012, 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 $94,519 and $94,466 as of December 31, 2013 and 2012, 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 $315,280 and $315,257 as of December 31, 2013 and 2012, 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.

NOTE F - COMMITMENTS AND CONTINGENCIES *(continued)*

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 $23,810 and $24,118 during 2013 and 2012, respectively. The amounts due to the Management Agent related to Management Fees were $410 and $417 as of December 31, 2013 and 2012, respectively.

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

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 $4,032 and $3,915 were recognized during 2013 and 2012, respectively. The amounts due to the Limited Partner related to Investor Services Fees were $4,032 and $3,915 as of December 31, 2013 and 2012, 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 2013 and 2012, 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 2013 and 2012, 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 $10,157 and $40,157 as of December 31, 2013 and 2012, respectively.

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, 2013 and 2012, respectively.

NOTE G - 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. 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, 2013 and 2012, 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 EXPENSES

The accrued expenses on the balance sheet contain the following:

	12/31/2013	12/31/2012
Accrued Payroll Expenses	$ 1,361	$ 982
Accrued Expenses - Audit Fees	10,773	10,773
Total Accrued Liabilities	$ 12,134	$ 11,755

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 28, 2014 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.

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 $55,551 and $40,616 as of December 31, 2013 and 2012, respectively. 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.

Collateralization of Deposits

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

Tenants' Security Deposits

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 2013 or 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, 2013, the Partnership's tax years for 2010, 2011 and 2012 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2013, the Partnership is no longer subject to examinations by tax authorities for years before 2010.

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 B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 2012 financial statements have been reclassified to conform to the 2013 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, 2013 and 2012:

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, 2013 and 2012, 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

	12/31/2013	12/31/2012
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 $11,277 and $11,370 as of December 31, 2013 and 2012, respectively. Interest expensed on this loan was $135,842 and $136,921 as of December 31, 2013 and 2012, respectively.	$ 2,218,496	$ 2,236,684

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

	12/31/2013	12/31/2012
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, 2013 and 2012, respectively. Interest expensed on this loan was $4,191 and $4,191 as of December 31, 2013 and 2012, respectively.	419,116	419,116
Total	2,637,612	2,655,800
Less: Current Portion	19,328	18,187
Long-Term Notes Payable	$ 2,618,284	$ 2,637,613

Aggregate maturities of the mortgage notes in each of the next five years are approximated as follows:

	Principal	Interest
December 31, 2014	$ 19,328	$ 138,985
2015	20,540	137,772
2016	21,829	136,484
2017	23,198	135,114
2018	24,654	133,659
2019-2023	163,571	642,974
2024-2028	263,502	587,989
2029-2033	338,269	513,221
2034-2038	438,652	382,065
2039-2043	573,709	277,782
2044-2048	690,847	96,426
2049-2053	59,513	1,147
Total	$ 2,637,612	$ 3,183,618

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 deposits into the Replacement Reserve fund of $16,800 annually. The Replacement Reserve balance was $60,706 and $74,270 as of December 31, 2013 and 2012, respectively.

NOTE E - RESERVE FUNDS *(continued)*

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 $209,737 and $209,512 as of December 31, 2013 and 2012, 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.

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)*

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 $32,328 and $32,734 during 2013 and 2012, respectively. The amounts due to the Management Agent related to Management Fees were $698 and $596 as of December 31, 2013 and 2012, 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 $4,179 and $4,057 were recognized during 2013 and 2012, respectively. The amounts due to the Limited Partner related to Asset Management Fees were $4,179 and $4,057 as of December 31, 2013 and 2012, 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 2013 and 2012, respectively. There were no amounts due to the General Partner related to Incentive Management Fees as of December 31, 2013 and 2012, 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, (Developer). The Development Fee of $855,247 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. As of December 31, 2013, $483,467 of this fee has been paid. Development Fees of $50,000 and $0 were paid during 2013 and 2012, respectively. The amounts due related to Development Fees were $371,780 and $421,780 as of December 31, 2013 and 2012, 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 $146 and $0 for the years ended December 31, 2013 and 2012, 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. 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, 2013 and 2012, 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, 2013 and 2012, 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.

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 EXPENSES

The accrued expenses on the balance sheet contain the following:

	12/31/2013	12/31/2012
Accrued Payroll Expenses	$ 1,590	$ 1,297
Accrued Audit Fees	10,773	10,773
Total Accrued Expenses	$ 12,363	$ 12,070

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 28, 2014 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 of Revenues, Expenses and Changes in
Net Position - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
Operating revenues				
Rental revenue (tenants)	$ 861,468	$ 561,021	$ 569,414	$ 8,393
Other tenant revenue	39,125	80,277	70,788	(9,489)
Operating subsidies and grants	6,466,070	7,895,876	8,103,268	207,392
Total operating revenues	7,366,663	8,537,174	8,743,470	206,296
Operating expenses				
Housing assistance payments	5,183,613	5,783,742	5,642,253	141,489
Administration	1,457,972	1,410,025	1,511,497	(101,472)
Maintenance and operations	575,224	696,758	829,292	(132,534)
Utilities	185,025	180,154	180,174	(20)
Depreciation	319,200	350,555	350,555	-
Miscellaneous	11,170	260,823	63,519	197,304
Total operating expenses	7,732,204	8,682,057	8,577,290	104,767
Operating income (loss)	(365,541)	(144,883)	166,180	311,063
Non-operating revenues (expenses)				
Interest income	59,545	66,428	66,593	165
Interest expense	(126,900)	(101,643)	(101,641)	2
Developer fees	152,914	184,063	184,063	-
Management fees and other income	65,000	22,935	29,767	6,832
Gain (Loss) on disposal of assets	-	12,580	20,821	8,241
Total non-operating revenues	150,559	184,363	199,603	15,240
Transfers in (out)	-	67,144	-	(67,144)
Non budgeted reconciling item				
Bad debt expense - non-tenant	-	-	(259,227)	(259,227)
Change in net position	$ (214,982)	$ 106,624	$ 106,556	$ (68)

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, 2014

	HUD Public Housing	HUD Section 8 Housing
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,559,608	$ 592,077
Restricted cash and cash equivalents	58,430	481,120
Accounts receivable - tenants, net of allowance for doubtful accounts	3,428	-
Accounts receivable - Other	-	-
Grants receivable	14,055	-
Inventory	7,386	-
Prepaid expenses and other assets	73,278	36,631
Total current assets	1,716,185	1,109,828
Noncurrent assets		
Capital assets, net	1,790,401	6,634
Receivables from component units, net	-	-
Mortgage receivables, noncurrent	-	-
Other noncurrent assets	-	-
Total assets	$ 3,506,586	$ 1,116,462
LIABILITIES AND NET POSITION		
Current liabilities		
Book overdraft	$ 12,472	$ -
Accounts payable	23,515	11,160
Accrued payroll	16,341	6,683
Notes payable, current portion	-	-
Total current liabilities	52,328	17,843
Current liabilities (payable from restricted assets)		
Tenant deposits	58,430	-
FSS deposits	-	7,522
Total current liabilities (payable from restricted assets)	58,430	7,522
Non-current liabilities		
Compensated absences, noncurrent portion	41,547	6,961
Notes payable, net of current portion	-	-
Total non-current liabilities	41,547	6,961
Total liabilities	152,305	32,326
Net position:		
Net investment in capital assets	1,790,401	6,634
Restricted for program activities	-	474,075
Unrestricted	1,563,880	603,427
Total net position	3,354,281	1,084,136
Total liabilities and net position	$ 3,506,586	$ 1,116,462

New Construction Housing		Local Housing Projects		Total	
$	359,859	$	1,600,600	$	4,112,144
	8,124		50,196		597,870
	171		5,670		9,269
	-		-		-
	-		25,320		39,375
	-		-		7,386
	6,858		21,521		138,288
	375,012		1,703,307		4,904,332
	1,460,539		2,307,908		5,565,482
	-		1,691,488		1,691,488
	-		1,254,251		1,254,251
	-		414,481		414,481
$	1,835,551	$	7,371,435	$	13,830,034

$	-	$	29,914	$	42,386
	1,589		4,556		40,820
	1,344		5,680		30,048
	34,128		47,017		81,145
	37,061		87,167		194,399
	8,124		11,370		77,924
	-		-		7,522
	8,124		11,370		85,446
	2,012		18,365		68,885
	625,554		862,111		1,487,665
	627,566		880,476		1,556,550
	672,751		979,013		1,836,395
	800,857		1,398,780		3,996,672
	-		38,826		512,901
	361,943		4,954,816		7,484,066
	1,162,800		6,392,422		11,993,639
$	1,835,551	$	7,371,435	$	13,830,034

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position - Detail
For the Year Ended June 30, 2014

	HUD Public Housing	HUD Section 8 Housing
Operating revenues		
Rental revenue (tenants)	$ 340,480	$ -
Other tenant revenue	30,243	10,832
Operating subsidies and grants	1,087,437	6,603,962
Total operating revenues	1,458,160	6,614,794
Operating expenses		
Housing assistance payments	-	5,642,253
Administration	634,761	503,216
Maintenance and operations	519,080	16
Utilities	129,929	62
Depreciation	259,248	163
Miscellaneous	1,459	8,549
Total operating expenses	1,544,477	6,154,259
Operating income (loss)	(86,317)	460,535
Non-operating revenues (expenses)		
Bad debt - non-tenant	-	-
Interest income	1,520	722
Interest expense	-	-
Developer fees	-	-
Management fees and other income	-	-
Gain (loss) on disposal of assets	20,579	-
Total non-operating revenues (expenses)	22,099	722
Income before transfers	(64,218)	461,257
Transfers in	192,871	-
Transfers out	(192,871)	-
Change in net position	(64,218)	461,257
Total net position - beginning of year, prior to net position reclassification	3,330,279	622,879
Net position reclassification	88,220	-
Total net position - beginning of year, after net position reclassification	3,418,499	622,879
Total net position - end of year	$ 3,354,281	$ 1,084,136

New Construction Housing	Local Housing Projects	Total
$ 70,337	$ 158,597	$ 569,414
2,009	27,704	70,788
143,490	268,379	8,103,268
215,836	454,680	8,743,470
-	-	5,642,253
43,181	330,339	1,511,497
40,235	269,961	829,292
25,407	24,776	180,174
26,245	64,899	350,555
-	53,511	63,519
135,068	743,486	8,577,290
80,768	(288,806)	166,180
-	(259,227)	(259,227)
124	64,227	66,593
(41,205)	(60,436)	(101,641)
-	184,063	184,063
-	29,767	29,767
-	242	20,821
(41,081)	(41,364)	(59,624)
39,687	(330,170)	106,556
-	37,686	230,557
-	(37,686)	(230,557)
39,687	(330,170)	106,556
1,123,113	6,810,812	11,887,083
-	(88,220)	-
1,123,113	6,722,592	11,887,083
$ 1,162,800	$ 6,392,422	$ 11,993,639

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Cash Flows - Detail
For the Year Ended June 30, 2014

	HUD Public Housing	HUD Section 8 Housing
Cash flows from operating activities:		
Cash received from tenant rents	$ 364,613	$ 10,832
Cash payments to employees for services	(631,805)	(204,475)
Cash payments to suppliers for goods and services	(695,708)	(5,958,209)
Subsidy grants and other receipts	1,112,091	6,606,259
Net cash provided (used) by operating activities	149,191	454,407
Cash flows from noncapital financing activities:		
Miscellaneous income (expense)	-	-
Net cash provided (used) by noncapital financing activities	-	-
Cash flows from capital and related financing activities:		
Proceeds from sale of assets	22,500	-
Acquisition of capital assets	21,075	(3,739)
Principal payments on long-term debt	-	-
Interest payments on long-term debt	-	-
Net cash provided (used) by capital and related financing activities	43,575	(3,739)
Cash flows from investing activities:		
Interest on investments	1,520	722
Net cash provided (used) by investing activities	1,520	722
Net increase (decrease) in cash and cash equivalents	194,286	451,390
Cash and cash equivalents - beginning of year	1,411,280	621,807
Cash and cash equivalents - end of year	$ 1,605,566	$ 1,073,197

The accompanying notes are an integral part of these financial statements

New Construction Housing	Local Housing Projects	Total
$ 72,175	$ 269,461	$ 717,081
(24,603)	(380,528)	(1,241,411)
(89,892)	(312,379)	(7,056,188)
143,490	154,261	8,016,101
101,170	(269,185)	435,583
-	36,972	36,972
-	36,972	36,972
-	242	22,742
-	(209,793)	(192,457)
(32,114)	(44,044)	(76,158)
(41,205)	(60,436)	(101,641)
(73,319)	(314,031)	(347,514)
124	75,220	77,586
124	75,220	77,586
27,975	(471,024)	202,627
340,008	2,091,906	4,465,001
$ 367,983	$ 1,620,882	$ 4,667,628

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Cash Flows - Detail
For the Year Ended June 30, 2014

	HUD Public Housing	HUD Section 8 Housing
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (86,317)	$ 460,535
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	259,248	163
Changes in assets and liabilities		
Accounts receivable	18,544	2,297
Prepaid expenses	(52,058)	(28,098)
Inventory	(7,386)	-
Accounts payable	8,830	11,014
Accrued payroll expenses	997	4,928
Accrued compensated absences	6,354	1,868
Tenant deposits	979	1,700
Net cash provided (used) by operating activities	$ 149,191	$ 454,407

New Construction Housing		Local Housing Projects		Total	
$	80,768	$	(288,806)	$	166,180
	26,245		64,899		350,555
	(171)		(30,958)		(10,288)
	(5,183)		(15,401)		(100,740)
	-		-		(7,386)
	(1,021)		(3,306)		15,517
	211		702		6,838
	(79)		5,355		13,498
	400		(1,670)		1,409
$	101,170	$	(269,185)	$	435,583

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HUD PUBLIC HOUSING PROGRAMS

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Net Position - HUD Public Housing Programs
June 30, 2014

	Public Housing Operations	2011 Capital Fund Program
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,559,608	$ -
Restricted cash and cash equivalents	58,430	-
Accounts receivable - tenants, net of allowance for doubtful accounts	3,428	-
Grants receivable	-	-
Inventory	7,386	-
Prepaid expenses and other assets	73,278	-
Total current assets	1,702,130	-
Noncurrent assets		
Capital assets, net	1,790,401	-
Total assets	$ 3,492,531	$ -
LIABILITIES AND NET POSITION		
Current liabilities		
Book overdraft	$ -	$ -
Accounts payable	22,179	-
Accrued payroll	16,094	-
Total current liabilities	38,273	-
Current liabilities (payable from restricted assets)		
Tenant deposits	58,430	-
Total current liabilities (payable from restricted assets)	58,430	-
Non-current liabilities		
Compensated absences, noncurrent portion	41,547	-
Total non-current liabilities	41,547	-
Total liabilities	138,250	-
Net position:		
Net investment in capital assets	1,790,401	-
Unrestricted	1,563,880	-
Total net position	3,354,281	-
Total liabilities and net position	$ 3,492,531	$ -

2012 Capital Fund Program	2013 Capital Fund Program	2014 Capital Fund Program	Total
$ -	$ -	$ -	$ 1,559,608
-	-	-	58,430
-	-	-	3,428
-	12,401	1,654	14,055
-	-	-	7,386
-	-	-	73,278
-	12,401	1,654	1,716,185
-	-	-	1,790,401
$ -	$ 12,401	$ 1,654	$ 3,506,586
$ -	$ 10,866	$ 1,606	$ 12,472
-	1,336	-	23,515
-	199	48	16,341
-	12,401	1,654	52,328
-	-	-	58,430
-	-	-	58,430
-	-	-	41,547
-	-	-	41,547
-	12,401	1,654	152,305
-	-	-	1,790,401
-	-	-	1,563,880
-	-	-	3,354,281
$ -	$ 12,401	$ 1,654	$ 3,506,586

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, 2014

	Public Housing Operations	2011 Capital Fund Program
Operating revenues		
Rental revenue (tenants)	$ 340,480	$ -
Other tenant revenue	30,243	-
Operating subsidies and grants	706,095	20,737
Total operating revenues	1,076,818	20,737
Operating expenses		
Administration	602,582	-
Maintenance and operations	303,122	7,835
Utilities	129,929	-
Depreciation	259,248	-
Miscellaneous	1,459	-
Total operating expenses	1,296,340	7,835
Operating income (loss)	(219,522)	12,902
Non-operating revenues (expenses)		
Interest income	1,520	-
Gain (loss) on disposal of assets	20,579	-
Total non-operating revenues	22,099	-
Income before transfers	(197,423)	12,902
Transfers in	192,871	-
Transfers out	(59,666)	(12,902)
Change in net position	(64,218)	-
Total net position - beginning of year, prior to net position reclassification	3,330,279	-
Net position reclassification	88,220	-
Total net position - beginning of year, after net position reclassification	3,418,499	-
Total net position - end of year	$ 3,354,281	$ -

2012 Capital Fund Program	2013 Capital Fund Program	2014 Capital Fund Program	Total
$ -	$ -	$ -	$ 340,480
-	-	-	30,243
252,149	103,950	4,506	1,087,437
252,149	103,950	4,506	1,458,160
1,525	26,148	4,506	634,761
190,095	18,028	-	519,080
-	-	-	129,929
-	-	-	259,248
-	-	-	1,459
191,620	44,176	4,506	1,544,477
60,529	59,774	-	(86,317)
-	-	-	1,520
-	-	-	20,579
-	-	-	22,099
60,529	59,774	-	(64,218)
-	-	-	192,871
(60,529)	(59,774)	-	(192,871)
-	-	-	(64,218)
-	-	-	3,330,279
-	-	-	88,220
-	-	-	3,418,499
$ -	$ -	$ -	$ 3,354,281

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Cash Flows - HUD Public Housing Programs
For the Year Ended June 30, 2014

	Public Housing Operations	2011 Capital Fund Program
Cash flows from operating activities:		
Cash received from tenant rents	$ 364,613	$ -
Cash payments to employees for services	(598,811)	-
Cash payments to suppliers for goods and services	(479,012)	(7,835)
Subsidy grants	706,095	44,885
Net cash provided (used) by operating activities	(7,115)	37,050
Cash flows from noncapital financing activities:		
Transfers in (out)	133,205	(12,902)
Net cash provided (used) by noncapital financing activities	133,205	(12,902)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	21,075	-
Proceeds from sale of assets	22,500	-
Net cash provided (used) by capital and related financing activities	43,575	-
Cash flows from investing activities:		
Interest on investments	1,520	-
Net cash provided (used) by investing activities	1,520	-
Net increase (decrease) in cash and cash equivalents	171,185	24,148
Cash and cash equivalents - beginning of year	1,446,853	(24,148)
Cash and cash equivalents - end of year	$ 1,618,038	$ -

Note: Non cash items transferred from Public Housing Capital Fund Program to Low Rent Public Housing Program were $133,205.

2012 Capital Fund Program	2013 Capital Fund Program	2014 Capital Fund Program	Total
$ -	$ -	$ -	$ 364,613
(2,587)	(25,949)	(4,458)	(631,805)
(192,169)	(16,692)	-	(695,708)
266,710	91,549	2,852	1,112,091
71,954	48,908	(1,606)	149,191
(60,529)	(59,774)	-	-
(60,529)	(59,774)	-	-
-	-	-	21,075
-	-	-	22,500
-	-	-	43,575
-	-	-	1,520
-	-	-	1,520
11,425	(10,866)	(1,606)	194,286
(11,425)	-	-	1,411,280
$ -	$ (10,866)	$ (1,606)	$ 1,605,566

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Cash Flows - HUD Public Housing Programs
For the Year Ended June 30, 2014

	Public Housing Operations	2011 Capital Fund Program
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (219,522)	$ 12,902
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	259,248	-
Changes in assets and liabilities		
Accounts receivable	(6,110)	24,148
Prepaid expenses	(52,058)	-
Inventory	(7,386)	-
Accounts payable	9,568	-
Accrued payroll expenses	1,812	-
Accrued compensated absences	6,354	-
Tenant deposits	979	-
Net cash provided (used) by operating activities	$ (7,115)	$ 37,050

The accompanying notes are an integral part of these financial statements

2012 Capital Fund Program	2013 Capital Fund Program	2014 Capital Fund Program	Total
$ 60,529	$ 59,774	$ -	$ (86,317)
-	-	-	259,248
14,561	(12,401)	(1,654)	18,544
-	-	-	(52,058)
-	-	-	(7,386)
(2,074)	1,336	-	8,830
(1,062)	199	48	997
-	-	-	6,354
-	-	-	979
$ 71,954	$ 48,908	$ (1,606)	$ 149,191

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NEW CONSTRUCTION HOUSING

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Net Position - New Construction Housing Programs
June 30, 2014

	New Construction Operations
ASSETS	
Current assets	
Cash and cash equivalents	$ 359,859
Restricted cash and cash equivalents	8,124
Accounts receivable - tenants, net of allowance for doubtful accounts	171
Prepaid expenses and other assets	6,858
Total current assets	375,012
Noncurrent Assets	
Capital assets, net	1,460,539
Total assets	$ 1,835,551
LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payable	$ 1,589
Accrued payroll	1,344
Notes payable, current portion	34,128
Total current liabilities	37,061
Current liabilities (payable from restricted assets)	
Tenant deposits	8,124
Total current liabilities (payable from restricted assets)	8,124
Non-current liabilities	
Compensated absences, noncurrent portion	2,012
Notes payable, net of current portion	625,554
Total non-current liabilities	627,566
Total liabilities	672,751
Net position:	
Net investment in capital assets	800,857
Unrestricted	361,943
Total net position	1,162,800
Total liabilities and net position	$ 1,835,551

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, 2014

	New Construction Operations
Operating revenues	
Rental revenue (tenants)	$ 70,337
Other tenant revenue	2,009
Operating subsidies and grants	143,490
Total operating revenues	215,836
Operating expenses	
Administration	43,181
Maintenance and operations	40,235
Utilities	25,407
Depreciation	26,245
Total operating expenses	135,068
Operating income (loss)	80,768
Non-operating revenues (expenses)	
Interest income	124
Interest expense	(41,205)
Total non-operating revenues	(41,081)
Income before transfers	39,687
Transfers in	-
Transfers out	-
Change in net position	39,687
Total net position - beginning of year	1,123,113
Total net position - end of year	$ 1,162,800

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, 2014

	New Construction Operations
Cash flows from operating activities:	
Cash received from tenant rents	$ 72,175
Cash payments to employees for services	(24,603)
Cash payments to suppliers for goods and services	(89,892)
Subsidy grants	143,490
Net cash provided (used) by operating activities	101,170
Cash flows from noncapital financing activities:	
Miscellaneous (expense)	-
Net cash provided (used) by noncapital financing activities	-
Cash flows from capital and related financing activities:	
Principal payments on long-term debt	(32,114)
Interest payments on long-term debt	(41,205)
Net cash provided (used) by capital and related financing activities	(73,319)
Cash flows from investing activities:	
Interest earned	124
Net cash provided by investing activities	124
Net increase in cash and cash equivalents	27,975
Cash and cash equivalents - beginning of year	340,008
Cash and cash equivalents - end of year	$ 367,983

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Cash Flows - New Construction Housing Programs
For the Year Ended June 30, 2014

	New Construction Operations
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ 80,768
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	26,245
Changes in assets and liabilities	
Accounts receivable	(171)
Prepaid expenses	(5,183)
Accounts payable	(1,021)
Accrued payroll expenses	211
Accrued compensated absences	(79)
Tenant deposits	400
Net cash provided (used) by operating activities	$ 101,170

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, 2014

	Conventional Home Choice II	Shelter Plus Care
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,348,348	$ -
Restricted cash and cash equivalents	50,196	-
Accounts receivable - tenants, net of allowance for doubtful accounts	5,670	-
Grants receivable	-	25,320
Inventory	-	-
Prepaid expenses and other assets	21,521	-
Total current assets	1,425,735	25,320
Noncurrent Assets		
Capital assets, net	2,307,908	-
Receivables from component units, net	1,140,758	-
Mortgage receivables, noncurrent	1,254,251	-
Other noncurrent assets	197,988	-
Total assets	$ 6,326,640	$ 25,320
LIABILITIES AND NET POSITION		
Current liabilities		
Book overdraft	$ -	$ 29,914
Accounts payable	4,497	-
Accrued payroll	4,188	-
Notes payable, current portion	47,017	-
Total current liabilities	55,702	29,914
Current liabilities (payable from restricted assets)		
Tenant deposits	11,370	-
Total current liabilities (payable from restricted assets)	11,370	-
Non-current liabilities		
Compensated absences, noncurrent portion	9,456	-
Notes payable, net of current portion	862,111	-
Total non-current liabilities	871,567	-
Total liabilities	938,639	29,914
Net position:		
Net investment in capital assets	1,398,780	-
Restricted	38,826	-
Unrestricted	3,950,395	(4,594)
Total net position	5,388,001	(4,594)
Total liabilities and net position	$ 6,326,640	$ 25,320

The accompanying notes are an integral part of these financial statements

Developer Fees	Total
$ 252,252	$ 1,600,600
-	50,196
-	5,670
-	25,320
-	-
-	21,521
252,252	1,703,307
-	2,307,908
550,730	1,691,488
-	1,254,251
216,493	414,481
$ 1,019,475	$ 7,371,435
$ -	$ 29,914
59	4,556
1,492	5,680
-	47,017
1,551	87,167
-	11,370
-	11,370
8,909	18,365
-	862,111
8,909	880,476
10,460	979,013
-	1,398,780
-	38,826
1,009,015	4,954,816
1,009,015	6,392,422
$ 1,019,475	$ 7,371,435

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Net Position - Local Housing Projects
For the Year Ended June 30, 2014

	Conventional Home Choice II	Shelter Plus Care
Operating revenues		
Rental revenue (tenants)	$ 158,597	$ -
Other tenant revenue	27,704	-
Operating subsidies and grants	120,574	147,805
Total operating revenues	306,875	147,805
Operating expenses		
Administration	159,964	5,921
Maintenance and operations	126,219	143,670
Utilities	24,758	-
Depreciation	64,899	-
Miscellaneous	53,511	-
Total operating expenses	429,351	149,591
Operating income (loss)	(122,476)	(1,786)
Non-operating revenues (expenses)		
Bad debt - non-tenant	-	-
Interest income	75,220	-
Interest expense	(60,436)	-
Developer fees	-	-
Management fees and other income	7,074	-
Total non-operating revenues	21,858	-
Income before transfers	(100,618)	(1,786)
Transfers in	-	-
Transfers out	(37,686)	-
Change in net position	(138,304)	(1,786)
Total net position - beginning of year, prior to net position reclassification	5,614,525	(2,808)
Net position reclassification	(88,220)	-
Total net position - beginning of year, after net position reclassification	5,526,305	(2,808)
Total net position - end of year	$ 5,388,001	$ (4,594)

Developer Fees	Total
$ -	$ 158,597
-	27,704
-	268,379
-	454,680
164,454	330,339
72	269,961
18	24,776
-	64,899
-	53,511
164,544	743,486
(164,544)	(288,806)
(259,227)	(259,227)
(10,993)	64,227
-	(60,436)
184,063	184,063
22,935	30,009
(63,222)	(41,364)
(227,766)	(330,170)
37,686	37,686
-	(37,686)
(190,080)	(330,170)
1,199,095	6,810,812
-	(88,220)
1,199,095	6,722,592
$ 1,009,015	$ 6,392,422

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Cash Flows - Local Housing Projects
For the Year Ended June 30, 2014

	Conventional Home Choice II	Shelter Plus Care
Cash flows from operating activities:		
Cash received from tenant rents	$ 269,461	$ -
Cash payments to employees for services	(284,499)	(5,921)
Cash payments to suppliers for goods and services	(98,690)	(143,670)
Subsidy grants and other receipts	-	154,261
Net cash provided (used) by operating activities	(113,728)	4,670
Cash flows from noncapital financing activities:		
Miscellaneous income (expense)	6,833	-
Transfers in (out)	(37,686)	-
Net cash provided (used) by noncapital financing activities	(30,853)	-
Cash flows from capital and related financing activities:		
Proceeds from sale of assets	242	-
Acquisition of capital assets	(209,793)	-
Principal payments on long-term debt	(44,044)	-
Interest payments on long-term debt	(60,436)	-
Net cash provided (used) by capital and related financing activities	(314,031)	-
Cash flows from investing activities:		
Interest on investments	75,220	-
Net cash provided (used) from investing activities	75,220	-
Net increase (decrease) in cash and cash equivalents	(383,392)	4,670
Cash and cash equivalents - beginning of year	1,781,936	(34,584)
Cash and cash equivalents - end of year	$ 1,398,544	$ (29,914)

Developer Fees	Total
$ -	$ 269,461
(90,108)	(380,528)
(70,019)	(312,379)
-	154,261
(160,127)	(269,185)
30,139	36,972
37,686	-
67,825	36,972
-	242
-	(209,793)
-	(44,044)
-	(60,436)
-	(314,031)
-	75,220
-	75,220
(92,302)	(471,024)
344,554	2,091,906
$ 252,252	$ 1,620,882

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Cash Flows - Local Housing Projects
For the Year Ended June 30, 2014

	Conventional Home Choice II	Shelter Plus Care
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (122,476)	$ (1,786)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	64,899	-
Changes in assets and liabilities		
Accounts receivable	(37,414)	6,456
Prepaid expenses	(15,401)	-
Accounts payable	(3,350)	-
Accrued payroll expenses	1,148	-
Accrued compensated absences	536	-
Tenant deposits	(1,670)	-
Net cash provided (used) by operating activities	$ (113,728)	$ 4,670

The accompanying notes are an integral part of these financial statements

Developer Fees	Total
$ (164,544)	$ (288,806)
-	64,899
-	(30,958)
-	(15,401)
44	(3,306)
(446)	702
4,819	5,355
-	(1,670)
$ (160,127)	$ (269,185)

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SUPPORTING SCHEDULES

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Schedule I

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2014

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP No.	Market Value June 30, 2014
Wells Fargo Bank	FG G08525	05/01/43	3128MJSP6	$ 314,626
Wells Fargo Bank	GN-II	10/01/43	36179NQ43	4,141,695
			Total	$ 4,456,321

Note:

Pledged collateral is held in safekeeping by Wells Fargo Bank

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Schedule of Deposits and Investments
June 30, 2014

Financial Institution/Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Wells Fargo Bank				
Operating Account - Demand	$ 550,107	$ -	$ 35,967	$ 514,140
Repurchase Agreement - Investment	4,053,397	-	-	4,053,397
Rent Account - Demand	53,220	-	-	53,220
Family Self-Sufficiency Account - Demand	7,045	-	-	7,045
Total Wells Fargo Bank	4,663,769	-	35,967	4,627,802
Citizen's Bank of Las Cruces				
Certificate of Deposit	38,826	-	-	38,826
Total Citizen's Bank of Las Cruces	38,826	-	-	38,826
Total deposits and investments	$ 4,702,595	$ -	$ 35,967	4,666,628
Petty cash				1,000
Total cash and cash equivalents				$ 4,667,628

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
June 30, 2014

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
111	Cash - Unrestricted	$ 1,559,608	$ 592,077
112	Cash - Restricted - Modernization and Development	-	-
113	Cash - Other Restricted	-	481,120
114	Cash - Tenant Security Deposits	58,430	-
100	Total Cash	1,618,038	1,073,197
121	Accounts Receivable - PHA projects	-	-
122	Accounts Receivable - HUD Other Projects	-	-
124	Accounts Receivable - Other Government	-	-
125	Accounts Receivable - Miscellaneous	-	-
126	Accounts Receivable - Tenants - Dwelling Rents	4,043	-
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(615)	-
126.2	Allowance for Doubtful Accounts - Other	-	-
129	Accrued Interest Receivable	-	-
120	Total Receivables, Net of Allowance for Doubtful Accounts	3,428	-
142	Prepaid Expenses and Other Assets	73,278	36,631
143	Inventories	8,307	-
143.1	Allowance for Obsolete Inventories	(921)	-
145	Assets Held for Sale	-	-
150	Total Current Assets	1,702,130	1,109,828
161	Land	519,426	-
162	Buildings	5,920,197	4,108
163	Furniture, Equipment & Machinery - Dwellings	-	-
164	Furniture, Equipment & Machinery - Administration	555,627	3,739
165	Leasehold Improvements	1,940,932	433
166	Accumulated Depreciation	(7,145,781)	(1,646)
160	Total Capital Assets, Net of Accumulated Depreciation	1,790,401	6,634
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-
174	Other Assets	-	-
180	Total Non-Current Assets	1,790,401	6,634
190	Total Assets	$ 3,492,531	$ 1,116,462

Public Housing Capital Fund Program 14.872	N/C S/R Section 8 Programs	Business Activities	State/Local	Total	Component Units (December 31, 2013)
$ -	$ 359,859	$ 1,600,600	$ -	$ 4,112,144	$ 492,575
-	-	-	-	-	33,830
-	-	38,826	-	519,946	2,764,460
-	8,124	11,370	-	77,924	240,469
-	367,983	1,650,796	-	4,710,014	3,531,334
-	-	-	-	-	17,681
14,055	-	-	-	14,055	-
-	-	-	25,320	25,320	26,311
-	-	2,563,112	-	2,563,112	-
-	171	5,733	-	9,947	14,077
-	-	(63)	-	(678)	-
-	-	(1,308,861)	-	(1,308,861)	-
-	-	303,731	-	303,731	39,681
14,055	171	1,563,652	25,320	1,606,626	97,750
-	6,858	21,521	-	138,288	103,449
-	-	-	-	8,307	-
-	-	-	-	(921)	-
-	-	197,988	-	197,988	-
14,055	375,012	3,433,957	25,320	6,660,302	3,732,533
-	872,000	231,102	-	1,622,528	2,834,182
-	1,055,334	2,613,371	-	9,593,010	48,456,997
-	-	-	-	-	1,955,118
-	-	-	-	559,366	5,661
-	-	36,837	-	1,978,202	5,618,574
-	(466,795)	(573,402)	-	(8,187,624)	(9,708,261)
-	1,460,539	2,307,908	-	5,565,482	49,162,271
-	-	1,604,250	-	1,604,250	-
-	-	-	-	-	836,112
-	1,460,539	3,912,158	-	7,169,732	49,998,383
$ 14,055	$ 1,835,551	$ 7,346,115	$ 25,320	$ 13,830,034	$ 53,730,916

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
June 30, 2014

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	22,179	11,160
321	Accrued Wage/Payroll Taxes Payable	16,094	6,683
325	Accrued Interest Payable	-	-
341	Tenant Security Deposits	58,430	-
342	Unearned Revenues	-	-
343	Current Portion of Long-term Debt - Capital Projects	-	-
345	Other Current Liabilities	-	7,522
346	Accrued Liabilities - Other	-	-
310	Total Current Liabilities	96,703	25,365
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-
352	Long-Term Debt, Net of Current - Operating Borrowings	-	-
353	Non-current Liabilities - Other	-	-
354	Accrued Compensated Absences - Non-Current	41,547	6,961
355	Loan liability - Noncurrent	-	-
350	Total Non-Current Liabilities	41,547	6,961
300	Total Liabilities	138,250	32,326
508.4	Net Investment in Capital Assets	1,790,401	6,634
511.4	Restricted Net Position	-	474,075
512.4	Unrestricted Net Position	1,563,880	603,427
513	Total Equity/Net Position	3,354,281	1,084,136
600	Total Liabilities and Equity/Net Position	$ 3,492,531	$ 1,116,462

Public Housing Capital Fund Program 14.872	N/C S/R Section 8 Programs	Business Activities	State/Local	Total	Component Units (December 31, 2013)
$ 12,472	$ -	$ -	$ 29,914	$ 42,386	$ -
1,336	1,589	4,556	-	40,820	61,322
247	1,344	5,680	-	30,048	12,301
-	-	-	-	-	88,829
-	8,124	11,370	-	77,924	242,274
-	-	-	-	-	13,120
-	34,128	47,017	-	81,145	219,516
-	-	-	-	7,522	3,983
-	-	-	-	-	169,568
14,055	45,185	68,623	29,914	279,845	810,913
-	625,554	862,111	-	1,487,665	16,204,586
-	-	-	-	-	17,076
-	-	-	-	-	2,032,403
-	2,012	18,365	-	68,885	-
-	-	-	-	-	4,580,760
-	627,566	880,476	-	1,556,550	22,834,825
14,055	672,751	949,099	29,914	1,836,395	23,645,738
-	800,857	1,398,780	-	3,996,672	28,244,585
-	-	38,826	-	512,901	2,762,220
-	361,943	4,959,410	(4,594)	7,484,066	(921,627)
-	1,162,800	6,397,016	(4,594)	11,993,639	30,085,178
$ 14,055	$ 1,835,551	$ 7,346,115	$ 25,320	$ 13,830,034	$ 53,730,916

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
For the Year Ended June 30, 2014

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
70300	Net Tenant Rental Revenue	$ 340,480	$ -
70400	Tenant Revenue - Other	30,243	201
70500	Total Tenant Revenue	370,723	201
70600	HUD PHA Operating Grants	706,096	6,603,962
70610	Capital Grants	-	-
70800	Other Governmental Grants	-	-
71100	Investment Income - Unrestricted	1,519	722
71400	Fraud Recovery	-	5,287
71500	Other Revenue	-	5,344
71600	Gain or Loss on Sale of Capital Assets	20,579	-
72000	Investment Income - Restricted	-	-
70000	Total Revenue	1,098,917	6,615,516
91100	Administrative Salaries	296,104	154,984
91200	Auditing Fees	14,750	18,750
91300	Outside Management Fees	-	-
91400	Advertising and Marketing	-	-
91500	Employee Benefit Contributions - Administrative	116,097	54,418
91600	Office Expenses	27,914	69,038
91700	Legal Expense	988	10,277
91800	Travel	1,836	739
91900	Other Operating - Administrative	24,472	98,118
91000	Total Operating - Administrative	482,161	406,324
92000	Asset Management Fee	-	-
92200	Relocation Costs	546	-
92400	Tenant Services- Other	1,310	-
92500	Total Tenant Services	1,856	-

Public Housing Capital Fund Program 14.872	N/C S/R Section 8 Programs	Business Activities	State/Local	Total	Component Units (December 31, 2013)
$ -	$ 70,337	$ 158,597	$ -	$ 569,414	$ 2,131,033
-	2,009	27,704	-	60,157	91,980
-	72,346	186,301	-	629,571	2,223,013
212,458	143,490	120,574	-	7,786,580	1,256,928
168,884	-	-	-	168,884	-
-	-	-	147,805	147,805	-
-	124	64,227	-	66,592	93
-	-	-	-	5,287	-
-	-	214,072	-	219,416	13,413
-	-	-	-	20,579	-
-	-	-	-	-	154,876
381,342	215,960	585,174	147,805	9,044,714	3,648,323
32,126	13,425	122,120	1,033	619,792	234,529
5,000	2,505	35,500	-	76,505	90,080
-	-	-	-	-	208,837
-	-	-	-	-	17,435
(243)	5,849	45,409	249	221,779	55,032
-	5,486	11,554	-	113,992	63,814
-	-	17,802	-	29,067	4,007
-	43	1,173	-	3,791	5,402
-	3,243	100,045	4,639	230,517	86,904
36,883	30,551	333,603	5,921	1,295,443	766,040
-	-	-	-	-	17,735
832	-	879	-	2,257	-
-	-	2,200	143,248	146,758	2,315
832	-	3,079	143,248	149,015	2,315

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
For the Year Ended June 30, 2014

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
93100	Water	58,845	-
93200	Electricity	15,725	62
93300	Gas	3,589	-
93600	Sewer	45,401	-
93800	Other Utilities	6,369	-
93000	Total Utilities	129,929	62
94100	Ordinary Maintenance & Operation - Labor	137,359	-
94200	Ordinary Maintenance & Operation - Materials & Other	54,060	18
94300	Ordinary Maintenance & Operation Contracts	90,654	-
94500	Employee Benefit Contributions - Ordinary Maintenance	51,063	-
94000	Total Maintenance	333,136	18
95200	Protective Services- Other Contract Costs	1,107	-
	Total Protective Services	1,107	-
96110	Property Insurance	28,429	12,163
96120	Liability Insurance	14,211	6,476
96130	Workmen's Compensation	15,280	4,586
96140	All Other Insurance	14,051	8,807
96100	Total Insurance Premiums	71,971	32,032
96200	Other General Expenses	-	71,538
96210	Compensated Absences	6,354	1,869
96400	Bad Debt - Tenant Rents	1,459	-
96600	Bad Debt - Other	-	-
96000	Total Other General	7,813	73,407
96710	Interest of Mortgage (or Bonds) Payable	-	-
96900	Total Operating Expenses	1,027,973	511,843
97000	Excess Operating Revenue Over Operating Expenses	70,944	6,103,673
97100	Extraordinary Maintenance	9,119	-
97300	Housing Assistance Payments	-	5,593,184
97350	HAP - Portability In	-	49,069
97400	Depreciation Expense	259,248	163
90000	Total Expenses	$ 1,296,340	$ 6,154,259

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, 2013)
-	12,063	2,793	-	73,701	88,248
-	2,333	11,952	-	30,072	120,332
-	313	1,781	-	5,683	11,629
-	10,544	4,087	-	60,032	84,101
-	-	-	-	6,369	-
-	25,253	20,613	-	175,857	304,310
-	11,389	34,018	-	182,766	185,664
-	9,593	37,216	422	101,309	142,057
210,422	16,269	55,792	-	373,137	257,808
-	4,595	9,923	-	65,581	43,591
210,422	41,846	136,949	422	722,793	629,120
-	151	338	-	1,596	7,106
-	151	338	-	1,596	7,106
-	1,351	7,516	-	49,459	97,789
-	720	3,547	-	24,954	48,894
-	510	2,513	-	22,889	13,405
-	4,347	7,500	-	34,705	5,211
-	6,928	21,076	-	132,007	165,299
-	3,527	430	-	75,495	332,731
-	(79)	5,354	-	13,498	-
-	(206)	7,138	-	8,391	37,816
-	-	259,227	-	259,227	-
-	3,242	272,149	-	356,611	370,547
-	41,205	60,436	-	101,641	1,194,516
248,137	149,176	848,243	149,591	2,934,963	3,456,988
133,205	66,784	(263,069)	(1,786)	6,109,751	191,335
-	852	416	-	10,387	-
-	-	-	-	5,593,184	-
-	-	-	-	49,069	-
-	26,245	64,899	-	350,555	1,579,472
$ 248,137	$ 176,273	$ 913,558	$ 149,591	$ 8,938,158	$ 5,036,460

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
For the Year Ended June 30, 2014

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
10010	Operating Transfers In	$ 192,871	$ -
10020	Operating Transfers Out	(59,666)	-
10100	Total Other Financing Sources (Uses)	133,205	-
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(64,218)	461,257
11030	Beginning Equity	3,330,279	622,879
11040-010	Prior Period Adjustments and Correction of Errors	88,220	-
11040-070	Equity Transfers	-	-
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	88,220	-
	Ending Equity (deficit)	$ 3,354,281	$ 1,084,136
11170	Administrative Fee Equity	$ -	$ 563,375
11180	Housing Assistance Payments Equity	$ -	$ 520,761
11190	Unit Months Available	3,036	19,284
11210	Number of Unit Months Leased	2,945	13,405
11270	Excess Cash	$ 1,439,099	$ -
11610	Land Purchases	$ 55,927	$ -
11620	Building Purchases	$ -	$ -
11640	Furniture and Equipment - Administrative Purchases	$ 3,739	$ -

Public Housing Capital Fund Program 14.872	N/C S/R Section 8 Programs	Business Activities	State/Local	Total	Component Units (December 31, 2013)
$ -	$ -	$ 37,686	$ -	$ 230,557	$ -
(133,205)	-	(37,686)	-	(230,557)	-
(133,205)	-	-	-	-	-
-	39,687	(328,384)	(1,786)	106,556	(1,388,137)
-	1,123,113	6,813,620	(2,808)	11,887,083	29,737,715
-	-	(88,220)	-	-	-
-	-	-	-	-	1,735,600
-	-	(88,220)	-	-	1,735,600
$ -	$ 1,162,800	$ 6,397,016	$ (4,594)	$ 11,993,639	$ 30,085,178
$ -	$ -	$ -	$ -	$ 563,375	$ -
$ -	$ -	$ -	$ -	$ 520,761	$ -
-	480	756	-	23,556	76,815
-	474	561	-	17,385	60,404
$ -	$ -	$ -	$ -	$ 1,439,099	$ -
$ -	$ -	$ -	$ -	$ 55,927	$ -
$ 152,901	$ -	$ -	$ -	$ 152,901	$ -
$ 15,983	$ -	$ -	$ -	$ 19,722	$ -

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COMPLIANCE SECTION

Accounting & Consulting Group, LLP
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

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, 2014, 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 16, 2014. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors who audited the financial statements of the 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. 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*.

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 16, 2014

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FEDERAL FINANCIAL ASSISTANCE

Accounting & Consulting Group, LLP
Certified Public Accountants

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

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 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 the Housing Authority's major federal program for the year ended June 30, 2014. The Housing Authority's major federal program is 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 is to express an opinion on 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 its major federal program for the year ended June 30, 2014.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item FAHA 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

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

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 an 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of finding and questioned costs as item FAHA 2014-001 to be a material weakness.

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

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 16, 2014

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Schedule IV

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

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	$ 143,490	
Shelter Plus Care		14.238	147,805	
Public and Indian Housing	NM003000001	14.850	706,095	
Section 8 Housing Choice Vouchers	NM003V0	14.871	6,154,259	*
Public Housing Capital Fund (CFP)	NM02P003501-11	14.872	20,737	
	NM02P003501-12	14.872	246,173	
	NM02P062501-12	14.872	5,976	
	NM02P003501-13	14.872	95,082	
	NM02P062501-13	14.872	4,050	
			372,018	
Total U.S. Department of Housing and Urban Development			7,523,667	
Total Expenditures of Federal Awards			$ 7,523,667	

* Major Program

See Independent Auditors' Report

See Accompanying Notes to Schedule of Expenditures of Federal Awards

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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, 2014

A. SUMMARY OF AUDIT RESULTS

Financial Statements:

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

CFDA Number	Federal Program
14.871	Section 8 Housing Choice Vouchers

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, 2014

B. FINDINGS-FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS – FEDERAL AWARDS

FAHA 2014-001 – Lack of Proper Documentation in Tenant Files – Section 8 – Internal Control Deficiencies/Noncompliance

Federal Program Information:

Funding agency: U.S. Department of Housing and Urban Development
Title: Section 8 Housing Choice Vouchers
CFDA number: 14.871

Condition: During testwork the following documentation was found to be missing from tenant files:

- In 1 out of 60 tenant files selected for testwork, no third party income verification could be located for recertification required in August 2013.
- In 1 out of 60 tenant files selected for testwork, unit failed HQS inspection on 7/16/13. Issues were not resolved by 8/29/13 and a Notice of Abatement sent with rent abated 9/1/13; however, rent payments continued to landlord for the month of September 2013. Amount overpaid $440
- In 1 out of 60 tenant files selected for testwork, wages calculated in July 2013 for tenant were input incorrectly resulting in an approximate underpayment of $18 for HAP for the year. There was also no documentation included in this file for a change made to HAP payment in February 2014 from $551 to $558.
- In 1 out of 60 tenant files selected for testwork, wages calculated in October 2013 for tenant did not match amounts input on form 50058, resulting in an approximate underpayment of $96 for HAP for the year.
- In 1 out of 60 tenant files selected for testwork, recertification done in January 2014 showed child care expenses of $765 claimed. No documentation located in file to support the child care claimed resulted in overpayment of HAP of approximately $228.
- In 1 out of 60 tenant files selected for testwork, no documentation was located in file for recertification in May 2014 supporting HAP payment changing from $338 to $335.
- In 1 out of 60 tenant files selected for testwork, documentation in file showed landlord evicted tenant for non-payment in July 2013. HAP contract was not terminated until October 2013 and HAP payments continued through January 2014. This resulted in an overpayment of HAP of approximately $1,704.
- In 1 out of 60 tenant files selected for testwork, recertification documentation for December 2013 in file showed SSI received for an "other adult" living in household was not included in the rent calculation or on the form 50058. This resulted in an overpayment of HAP of approximately $1,956. Documentation in file showed 3 adults living in household, but only 2 had signed consent forms in file.
- In 1 out of 60 tenant files selected for testwork, documentation showed annual inspection performed on April 7, 2014 noted that property was vacant and notification was provided to landlord on April 8, 2014 that no further payments would be made. However, review of payments noted that landlord was sent payment in May 2014 for rent and no documentation to show that repayment was requested or received. There are also 2 separate form 50058's in digital file. One matches the HAP and one does not. However, the only notice in file of contract rent adjustment does not match the amount paid for the HAP or the tenant rent amount.
- In 1 out of 60 tenant files selected for testwork, there was no documentation showing a re-inspection after an inspection failure on August 8, 2013. HAP payments and utility reimbursements continued for the remainder of the year for a total amount of $5,575 paid.
- In 1 out of 60 tenant files selected for testwork, documentation in file shows benefits are being prorated due to immigration status of a certain household member. However, calculation of this prorated amount was conducted incorrectly resulting in an overpayment of HAP in the approximate amount of $326.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
June 30, 2014

- In 1 out of 60 tenant files selected for testwork, documentation showed tenant took portability on 10/25/13 and voucher was issued on that date. However, payment of $716 was made to landlord for November 2013, even though, tenant was not living in unit.
- In 1 out of 60 tenant files selected for testwork, documentation in file showed tenant notified Housing Authority on 8/24/13 of intent to move from property on 9/24/13. However, review of payments notes that landlord received payment in October 2013 of $314. No documentation in file showing that reimbursement was requested or received.
- In 1 out of 60 tenant files selected for testwork, documentation in file noted assistance being provided to tenant by relative for 2 months while tenant out of work. Rent calculation showed this assistance at $4,000 a year without further verification, but support in the file does not equal $4,000 a year, if prorated to a full year it would be $3,000 a year. Documentation in file showed tenant became employed, but no documentation to verify whether assistance continued from family member or not.
- In 1 out of 60 tenant files selected for testwork, form 50058 reflects food stamp income of $4,320, but verification calculates out to $2,916 annual food stamp income. Form 50058 is filed incorrectly.

Criteria: In accordance with 24 CFR section 5.230, 5.609, and 982.516, as a condition of admission or continued occupancy, the Housing Authority must require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility. The Housing Authority is also required to re-examine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payments as necessary using the documentation from third-party verification.

Questioned Costs: $11,145

Effect: The Housing Authority could be providing services to tenants who are not eligible for the program and/or continuing to pay landlords. As a result, it could affect funding for the program.

Cause: The Housing Authority contracted out for these services and then attempted to bring them back in house. This resulted in multiple systems being used to track this information without sufficient monitoring to ensure that tenant files and eligibility determinations were being performed timely and that the appropriate documentation to support the determinations were retained within the tenant files.

Auditors' Recommendation: Management should implement an internal control structure to ensure that all files have the necessary supporting documentation to comply with eligibility and re-examinations of the eligibility as identified by the Department of Housing and Urban Development.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the conclusion. The Housing Authority retained Eastern Regional Housing Authority (ERHA) to serve as management agent on its behalf in March, 2014. In the scope of work, ERHA is to perform a review of tenant files for completeness and to remedy any deficiencies noted. While our most recent SEMAP report indicates that the task is not yet complete, substantial progress on full compliance is been made. Files will be reviewed and corrected, as necessary, as annual recertifications are processed.

D. PRIOR YEAR AUDIT FINDINGS

FS 2013-001 — Travel and Per Diem Advance Payments – Resolved
FS 2012-1 — Completion of Audit Report (CU – Robledo Ridge) – Resolved

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Other Disclosures
June 30, 2014

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 25, 2014. The following individuals were in attendance and the meeting was held in closed session.

Mesilla Valley Public Housing Authority	Accounting & Consulting Group, LLP
Theresa Olguin-Fisher, Vice-Chairman	Robert "Bobby" Cordova, CPA, Partner
Beth Bardwell, Commissioner	
Shelly Sanders, Commissioner	
Annaliza Gourneau, Commissioner	
Robbie Levey, Executive Director	
Jesse Padilla, Deputy Director	
Sharon Hansen, Accountant	
Lee Montague, Modernization/Maintenance Manager	
Christine Gonzalez, Office Manager	
John Tellez, General Engineer HUD Field Office – Albuquerque	
Irene Andazola, ERHA HCV Manager	