Mesilla Valley Public Housing Authority

Financial Statements and
Independent Auditors' Report
For the Year Ended June 30, 2015

Accounting & Consulting Group, LLP
Certified Public Accountants

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

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INTRODUCTORY SECTION

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MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Directory of Officials
June 30, 2015

Board of Commissioners

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

Administrative Officials

Executive Director	Juan Olvera
Deputy Director	Jesse Padilla
Accountant	Sharon Hansen

FINANCIAL SECTION

Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Timothy Keller
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 Mesilla Valley Public Housing Authority (the "Housing Authority") and its component units as of and for the year ended June 30, 2015, 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 and the supplementary information 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, 2014, 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

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 financial position of the Housing Authority and its component units as of June 30, 2015, and the 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.

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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 and Schedules I and II on pages page 114 and 115, respectively, 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 Program Detail Financial Statements, Supporting Schedules III and IV required by 2.2.2 NMAC, and Schedule VI Financial Data Schedule (primary government amounts only) as required by the U.S Department of Housing and Urban Development are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the Program Detail Financial Statements, and Supporting Schedules III, IV, and VI (primary government amounts only) 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 Program Detail Financial Statements and Supporting Schedules III, IV, and VI (primary government amounts only) are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory section, Schedule V and the component unit section of Schedule VI 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 22, 2015 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 22, 2015

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") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the Housing Authority's financial statements, which follow this section.

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

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 Assets and the Statement of Revenues, Expenses and Changes in Net Assets 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 assets at year-end and changes in net assets during the year.

You can think of the Housing Authority's net assets, 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 assets 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 decreased during the year ended June 30, 2015 by $456,159 due primarily to the sale of a few properties, including land owned in Hatch, New Mexico, a dwelling unit at Villa Sereno Unit #7 in Anthony, New Mexico and two properties located in Las Cruces, New Mexico which include a single family home at 975 Poplar and a mobile home at 3825 Rancher's Road.

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

	June 30, 2015
Current assets	$ 4,710,715
Restricted assets	202,940
Non-Current assets	8,365,220
Total Assets	13,278,875
Deferred Outflows	134,333
Total Assets and Deferred Outflows	$ 13,413,208
Current Liabilities	$ 402,328
Non-Current Liabilities	2,121,535
Total Liabilities	1,798,362
Deferred Inflows	284,327
Net Position	
Net investment in capital assets	3,641,540
Restricted	110,457
Unrestricted	6,853,021
Total Net Position	10,605,018
Total liabilities, deferred inflows and net position	$ 13,413,208

The majority of operating revenues for the year ended June 30, 2015 were generated from HUD operating subsidies and grants, which accounted for $6,748,173 (90.49%) of total operating revenues. The remainder of the operating revenues was generated from tenant rental revenue in the amount of $673,317 (9.03%) and other tenant revenues in the amount of $36,248 (.49%).

The largest contributing factor to operating expenses came in the form of Housing Assistance Payments, which made up $5,499,384 (67.39%) of all operating expenses. This was followed by administration costs of $1,530,139 (18,75%) and maintenance and operations costs of $540,053 (6.62%).

Changes in net assets are summarized as follows:

	For the Year Ended June 30, 2015
Total operating revenues	$ 7,457,738
Total operating expenses	8,160,837
Operating Income (loss)	(703,099)
Total non-operating revenues (expenses)	242,268
Change in net position	(460,831)
Beginning net position, as restated (GASB 68)	11,065,849
Ending net position	$ 10,605,018

See note 1 and note 12 for disclosures on the implementation of GASB Statement No. 68 pension standard

Budgetary Highlights

The Housing Authority made one revision to its budget during fiscal year 2015 to adjust the budget for fluctuations in HUD funding of the Section 8 Housing Choice Voucher (HCV) and Public Housing programs, as well as to adjust for the decrease in total operating expenditures for the year. Total operating revenues were over budget by $240,445 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 decreased from the original budgeted amounts and ended the fiscal year at just $69,101 under budget, due to a variety of factors, including $16,403 lower Housing Assistance Payment (HAP) expenditures than projected for the Section 8 Housing Choice Voucher program and a net $3,500 increase in administrative and maintenance costs. The Housing Authority based their budget on the expenditure rate for the previous fiscal year and incorporated any anticipated changes in fiscal year 2015.

Capital Assets

For the year ended June 30, 2015, the Housing Authority had $5,129,329, 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 $1,487,789 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 2015 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, New Mexico maintained the nation's second-highest poverty rate in 2013 with a spike in its poverty level to 21.9%, which was an increase from 20.8% in 2012. Nationally, the rate was 15.8% in 2013 and 15.9% in 2012. In 2013, the median household income in New Mexico was $43,423 while the national median income was $52,250. It is important to keep in mind that the 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 2014 was 88.79% of total eligibility with an initial calendar year 2015 proration calculation of 85.46%. 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, 2015

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
ASSETS			
Current assets			
Cash and cash equivalents	$ 4,540,149	$ 56,530	$ 6,978
Restricted cash and cash equivalents	202,940	-	-
Accounts receivable, net of allowance for doubtful accounts	9,225	5,475	1,113
Accounts receivable - other	-	-	-
Grants receivable	31,330	-	-
Inventory	14,123	-	-
Prepaid expenses and other assets	115,888	21,503	13,723
Total current assets	4,913,655	83,508	21,814
Noncurrent assets			
Capital assets, net	5,129,329	9,912,115	4,586,608
Receivables from component units, net	1,608,914	-	-
Mortgage receivables, noncurrent	1,209,821	-	-
Restricted deposits and funded reserves	-	43,767	255,591
Other noncurrent assets	417,156	115,785	115,283
Total assets	13,278,875	10,155,175	4,979,296
DEFERRED OUTFLOWS OF RESOURCES			
Employer contributions subsequent to the measurement date	134,333	-	-
Total deferred outflows of resources	134,333	-	-
Total assets and deferred outflows of resources	$ 13,413,208	$ 10,155,175	$ 4,979,296

The accompanying notes are an integral part of these financial statements

Component Units as of December 31, 2014					
Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ 60,389	$ 11,000	$ 93,468	$ 18,099	$ 43,634	$ 41,970
-	-	-	-	-	-
2,624	5,824	66,201	3,448	1,704	7,216
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
23,242	14,964	9,228	6,574	8,083	18,346
86,255	31,788	168,897	28,121	53,421	67,532
9,561,431	3,023,842	8,188,273	1,635,336	3,341,131	7,553,145
-	-	-	-	-	-
-	-	-	-	-	-
567,688	186,138	980,932	62,770	542,748	352,663
59,518	50,015	318,937	104,474	25,204	95,226
10,274,892	3,291,783	9,657,039	1,830,701	3,962,504	8,068,566
-	-	-	-	-	-
-	-	-	-	-	-
$ 10,274,892	$ 3,291,783	$ 9,657,039	$ 1,830,701	$ 3,962,504	$ 8,068,566

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Net Position
June 30, 2015

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
LIABILITIES			
Current liabilities			
Book overdraft	$ 29,306	$ -	$ -
Accounts payable	93,655	41,354	29,131
Prepaid tenant rent	39	-	126
Accrued payroll	42,186	-	-
Notes payable, current portion	144,659	30,343	9,673
Total current liabilities	309,845	71,697	38,930
Current liabilities (payable from restricted assets)			
Tenant deposits	79,081	16,095	24,305
FSS deposits	13,402	-	-
Total current liabilities (payable from restricted assets)	92,483	16,095	24,305
Non-current liabilities			
Compensated absences, noncurrent portion	52,904	-	-
Development fees/asset management fees	-	800,883	84,434
Notes payable, net of current portion	1,343,130	3,083,867	1,300,622
Net pension liability	725,501	-	-
Total non-current liabilities	2,121,535	3,884,750	1,385,056
Total liabilities	2,523,863	3,972,542	1,448,291
DEFERRED INFLOWS OF RESOURCES			
Actuarial experience	492	-	-
Investment experience	283,835	-	-
Total deferred inflows of resources	284,327	-	-
NET POSITION			
Net investment in capital assets	3,641,540	6,797,905	3,276,313
Restricted for program activities	110,457	27,672	231,286
Unrestricted	6,853,021	(642,944)	23,406
Total net position	10,605,018	6,182,633	3,531,005
Total liabilities, deferred inflows of resources and net position	$ 13,413,208	$ 10,155,175	$ 4,979,296

The accompanying notes are an integral part of these financial statements

Component Units as of December 31, 2014

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ -	$ -	$ -	$ -	$ -	$ -
37,694	84,515	65,502	27,685	34,930	44,097
332	2,611	542	3,401	3,434	2,053
	-	-	-	-	-
8,847	22,432	38,606	73,013	36,868	20,540
46,873	109,558	104,650	104,099	75,232	66,690
36,858	32,442	37,146	17,625	28,658	39,705
-	-	-	-	-	-
36,858	32,442	37,146	17,625	28,658	39,705
-	-	-	-	-	-
220,074	236,171	221,455	281,153	4,153	284,324
1,388,483	2,011,419	3,419,096	1,411,499	3,141,985	2,597,745
-	-	-	-	-	-
1,608,557	2,247,590	3,640,551	1,692,652	3,146,138	2,882,069
1,692,288	2,389,590	3,782,347	1,814,376	3,250,028	2,988,464
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,164,101	989,991	4,730,571	150,824	162,278	4,934,860
530,830	153,696	943,786	108,290	514,090	312,868
(112,327)	(241,494)	200,335	(242,789)	36,108	(167,626)
8,582,604	902,193	5,874,692	16,325	712,476	5,080,102
$ 10,274,892	$ 3,291,783	$ 9,657,039	$ 1,830,701	$ 3,962,504	$ 8,068,566

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
Operating revenues			
Rental revenue (tenants)	$ 673,317	$ 467,462	$ 340,911
Other tenant revenue	36,248	8,405	22,464
Operating subsidies and grants and other receipts	6,748,173	-	-
Total operating revenues	7,457,738	475,867	363,375
Operating expenses			
Housing assistance payments	5,499,384	-	-
Administration	1,530,139	137,448	71,571
Maintenance and operations	540,053	108,562	123,765
Utilities	182,279	22,847	71,974
Depreciation	275,592	92,695	149,028
Amortization	-	1,879	6,780
Miscellaneous	133,390	151,555	10,052
Total operating expenses	8,160,837	514,986	433,170
Operating income (loss)	(703,099)	(39,119)	(69,795)
Non-operating revenues (expenses)			
Other expenses	(24,622)	-	-
Interest income	77,071	31	71
Interest expense	(95,468)	(35,590)	(79,164)
Developer fees	23,138	-	-
Management fees and other income	129,833	-	-
Insurance reimbursement	40,332	-	-
Gain (loss) on disposal of assets	91,984	-	-
Total non-operating revenues (expenses)	242,268	(35,559)	(79,093)
Change in net position	(460,831)	(74,678)	(148,888)
Total net position - beginning of year	11,993,639	4,304,663	3,679,893
Net position restatement	(927,790)	-	-
Total net position - beginning of year, after net position restatement	11,065,849		
Equity transfers in (out) and capital contributions	-	1,952,648	-
Total net position - end of year	$ 10,605,018	$ 6,182,633	$ 3,531,005

The accompanying notes are an integral part of these financial statements

Component Units as of December 31, 2014

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ 488,297	$ 449,841	$ 492,755	$ 279,656	$ 443,696	$ 542,984
20,438	22,111	14,718	3,592	6,987	11,490
-	-	155,890	-	-	-
508,735	471,952	663,363	283,248	450,683	554,474
-	-	-	-	-	-
100,615	115,870	103,654	56,160	80,598	99,020
177,583	183,430	151,204	85,377	135,861	163,074
76,447	39,174	30,492	17,377	33,864	39,417
298,469	126,399	266,948	114,049	214,699	258,376
3,082	2,209	29,691	1,466	5,306	2,886
7,002	13,251	162,443	4,701	4,153	15,337
663,198	480,333	744,432	279,130	474,481	578,110
(154,463)	(8,381)	(81,069)	4,118	(23,798)	(23,636)
-	-	-	-	-	-
16	201	112	93	103	292
(93,878)	(124,524)	(87,446)	(96,188)	(111,656)	(138,887)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(93,862)	(124,323)	(87,334)	(96,095)	(111,553)	(138,595)
(248,325)	(132,704)	(168,403)	(91,977)	(135,351)	(162,231)
8,860,929	1,034,897	6,058,095	108,302	847,827	5,190,572
-	-	-	-	-	-
(30,000)	-	(15,000)	-	-	51,761
$ 8,582,604	$ 902,193	$ 5,874,692	$ 16,325	$ 712,476	$ 5,080,102

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2015

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
Cash flows from operating activities:			
Cash received from tenant rents	$ 744,477	$ 465,969	$ 347,103
Cash payments to employees for services	(1,317,681)	(228,552)	(71,504)
Cash payments to suppliers for goods and services	(6,548,128)	(279,539)	(210,979)
Subsidy grants and other receipts	6,756,218	7,825	22,464
Net cash provided (used) by operating activities	(365,114)	(34,297)	87,084
Cash flows from noncapital financing activities:			
Miscellaneous income	78,420	-	-
Net cash provided (used) by noncapital financing activities	78,420	-	-
Cash flows from capital and related financing activities:			
Capital contributions (distributions)	-	1,952,648	-
Proceeds from debt and deferred fees	-	2,638,476	-
Proceeds from sale of assets	493,035	-	-
Acquisition of capital assets	(60,768)	(21,796)	(1,522)
Principal payments on long-term debt	(81,021)	(4,602,447)	(9,075)
Interest payments on long-term debt	(95,468)	(43,843)	(66,625)
Net cash provided (used) by capital and related financing activities	255,778	(76,962)	(77,222)
Cash flows from investing activities:			
Reserves	-	(28,417)	(21,105)
Deposits	-	-	-
Interest on investments	77,071	31	71
Net cash provided (used) by investing activities	77,071	(28,386)	(21,034)
Net increase (decrease) in cash and cash equivalents	46,155	(139,645)	(11,172)
Cash and cash equivalents - beginning of year	4,667,628	196,175	18,150
Cash and cash equivalents - end of year	$ 4,713,783	$ 56,530	$ 6,978

The accompanying notes are an integral part of these financial statements

Component Units as of December 31, 2014

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ 486,580	$ 447,305	$ 494,371	$ 281,122	$ 447,972	$ 541,372
(99,807)	(112,254)	(97,551)	(56,171)	(89,400)	(100,298)
(262,352)	(214,060)	(344,423)	(107,997)	(175,365)	(220,929)
20,438	22,111	168,275	3,592	6,987	11,490
144,859	143,102	220,672	120,546	190,194	231,635
-	-	-	-	-	-
-	-	-	-	-	-
(30,000)	-	(15,000)	-		51,761
-	-	(27,691)	(12,446)	(18,940)	(91,635)
-	-	-	-	-	-
(5,330)	(111,992)	(6,146)	(9,439)	(15,587)	(20,906)
(8,275)	(21,030)	(35,968)	(13,612)	(34,372)	(19,327)
(93,924)	(106,805)	(87,658)	(76,772)	(108,968)	(138,984)
(137,529)	(239,827)	(172,463)	(112,269)	(177,867)	(219,091)
18,047	99,806	(114,655)	(3,971)	(9,398)	(26,129)
-	-	-	-	-	-
16	201	112	93	103	292
18,063	100,007	(114,543)	(3,878)	(9,295)	(25,837)
25,393	3,282	(66,334)	4,399	3,032	(13,293)
34,996	7,718	159,802	13,700	40,602	55,263
$ 60,389	$ 11,000	$ 93,468	$ 18,099	$ 43,634	$ 41,970

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2015

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (703,099)	$ (39,119)	$ (69,795)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	275,592	94,574	155,808
Gain on sale of assets	(91,984)	-	-
Changes in assets and liabilities			
Accounts receivable	134,941	(2,073)	6,910
Prepaid expenses	22,439	(5,279)	251
Inventory	(6,737)	-	-
Accounts payable	52,835	719	(1,951)
Accrued interest	-	-	-
Accrued expenses	-	(81,550)	(1,869)
Accrued payroll expenses	12,138		-
Accrued compensated absences	(15,981)		-
Net pension liability	(52,295)		-
Tenant deposits	7,037	(1,569)	(2,270)
Net cash provided (used) by operating activities	$ (365,114)	$ (34,297)	$ 87,084

The accompanying notes are an integral part of these financial statements

Component Units as of December 31, 2014					
Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ (154,463)	$ (8,381)	$ (81,069)	$ 4,118	$ (23,798)	$ (23,636)
301,551	128,608	296,639	115,515	220,005	261,262
-	-	-	-	-	-
(553)	(546)	(548)	(1,484)	1,970	(3,308)
43	1,879	2,317	(1,253)	(9,152)	(450)
-	-	-	-	-	-
2,278	20,703	(973)	(170)	(2,439)	(419)
-	-	-	-	-	-
(1,299)	4,881	7,344	(1,051)	(219)	(449)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(2,698)	(4,042)	(3,038)	4,871	3,827	(1,365)
$ 144,859	$ 143,102	$ 220,672	$ 120,546	$ 190,194	$ 231,635

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, 2015.

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 2015 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position (continued)

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

Deferred Outflows of Resources
In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Authority has only one type of item that qualifies for reporting in this category. Accordingly, the item, contributions subsequent to measurement date, is reported in the Statement of Net Position. This amount is deferred and recognized as an outflow of resources the next period. The Authority has recorded $134,333 related to contributions subsequent to the measurement date.

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.

Deferred Inflows of Resources
In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position (continued)

Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflows of resources. The Authority has two types of items, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, net difference between expected and actual earnings and change in assumptions, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Authority has recorded $492 related to change in assumptions and $283,835 related to the net difference between expected and actual earnings.

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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
During the year ended June 30, 2015, the Housing Authority adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* ("GASB 68"), and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* ("GASB 71"). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Net Position (continued)

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the implementation of GASB 68, the government recognized a net pension liability (“NPL”) measured as of a date no later than the end of its prior fiscal year. If the government employer makes a contribution to the pension plan subsequent to the measurement date but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources. In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate. At transition to Statement 68, Statement 71 requires the employer or nonemployer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government’s fiscal year, thus avoiding possible understatement of an employer or nonemployer contributing entity’s beginning net position and expense in the initial period of implementation. This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects.

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, 2015.

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.

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.

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.

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

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, 2015, $4,474,496 of the Housing Authority's bank balance of $4,724,496 was exposed to custodial credit risk. Although the $4,474,496 was uninsured, all of this amount was collateralized by collateral held by the pledging bank's trust department, not in the Housing Authority's name.

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.
Total amount of deposits	$ 4,724,496
FDIC Coverage	(250,000)
Total uninsured public funds	4,474,496
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the Housing Authority's name	5,062,398
Uninsured and uncollateralized	$ (587,902)
Collateral requirement	
(50% of uninsured public funds)	$ 2,237,248
Pledged securities	5,062,398
Over (under) collateralization	$ 2,825,150

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	$ 4,540,149
Restricted cash and cash equivalents	202,940
Less: Book Overdraft	(29,306)
Add: outstanding checks and other reconciling items	11,713
	4,725,496
Less: petty cash	(1,000)
Bank balance of deposits	$ 4,724,496

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, 2014 (component units' year-end) to June 30, 2015 (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:

NOTE 3. COMPONENT UNIT AND OTHER RECEIVABLES (continued)

MSV payables to Housing Authority (December 31, 2014)		
Note payable	$	487,250
Land note payable		61,232
Other		8,293
		556,775
MSV II payables to Housing Authority (December 31, 2014)		
Authority loan payable		800,000
Authority AHP loan payable		500,000
		1,300,000
SMP payables to Housing Authority (December 31, 2014)		
Developer fees payable		185,546
Falcon Ridge payables to Housing Authority (December 31, 2014)		
Developer fees payable		21,365
Cimmaron I payables to Housing Authority (December 31, 2014)		
Developer fees payable		80,000
Cimmaron II payables to Housing Authority (December 31, 2014)		
Developer fees payable		38,519
Desert Palms payables to Housing Authority (December 31, 2014)		
Developer fees payable		50,807
Robledo Ridge payables to Housing Authority (December 31, 2014)		
Line of credit payable		688,476
Developer fees payable		309,887
Net payables to Housing Authority at December 31, 2014		3,231,375
Reconciling items:		
Allowance for doubtful accounts		(1,946,769)
Payments received from January 1, 2015 through June 30, 2015		14,054
Accrued interest from January 1, 2015 through June 30, 2015		320,050
Reconciling items		(9,796)
Housing Authority net receivable from component units, at June 30, 2015	$	1,608,914

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

Spay and Neuter Animal Program (SNAP)		
Note payable	$	10,767
Non-current receivables:		
New Mexico Housing Corporation (NMHC)		
Note payable , net of allowance	$	297,735

See Note 7 for additional information.

NOTE 4. CAPITAL ASSETS

The following summarizes changes in capital assets activity during fiscal year 2015.

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Public housing	$ 8,936,187	$ 53,212	$ (74,668)	$ 8,914,731
Less accumulated depreciation	(7,145,786)	(174,038)	69,188	(7,250,636)
Net public housing	1,790,401	(120,826)	(5,480)	1,664,095
Section 8 housing	8,282	-	-	8,282
Less accumulated depreciation	(1,648)	(880)	-	(2,528)
Net Section 8 housing	6,634	(880)	-	5,754
Section 8 new construction	1,927,334	7,556	-	1,934,890
Less accumulated depreciation	(466,795)	(26,497)	-	(493,292)
Net Section 8 new construction	1,460,539	(18,941)	-	1,441,598
Local housing projects	2,881,307	-	(219,581)	2,661,726
Less accumulated depreciation	(573,399)	(74,177)	3,732	(643,844)
Net local housing projects	2,307,908	(74,177)	(215,849)	2,017,882
Net capital assets	$ 5,565,482	$ (214,824)	$ (221,329)	$ 5,129,329

NOTE 4. CAPITAL ASSETS (continued)

Summary Totals Capital assets	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	$ 1,622,527	$ -	$ (223,466)	$ 1,399,061
Total capital assets not being depreciated	1,622,527	-	(223,466)	1,399,061
Other capital assets				
Site improvements	2,495,685	49,975	(3,581)	2,549,241
Structures	9,075,529	10,793	(67,202)	9,153,524
Equipment	559,369	-	-	559,369
Total other capital assets at cost	12,130,583	60,768	(70,783)	12,120,568
Less accumulated depreciation:				
Site improvements	(1,471,885)	(166,139)	70,935	(1,567,089)
Structures	(6,220,077)	(63,523)	1,985	(6,281,615)
Equipment	(495,666)	(45,930)	-	(541,596)
Subtotal	(8,187,628)	(275,592)	72,920	(8,390,300)
Net capital assets being depreciated	3,942,955	(214,824)	2,137	3,730,268
Net capital assets	$ 5,565,482	$ (214,824)	$ (221,329)	$ 5,129,329

Depreciation expense for the year ended June 30, 2015 totaled $436,153.

NOTE 5. LONG-TERM LIABILITIES

The following summarizes changes in long-term debt activity during fiscal year 2015.

Description	Issue Date	Interest Rates (%)	Maturity Date	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Amount Due Within One Year
Note payable Wells Fargo Bank	9/10/2012	6.00%	9/15/2027	$ 323,765	$ -	$ 16,444	$ 307,321	$ 17,424
Note payable Wells Fargo Bank	4/15/2005	8.13%	4/15/2025	288,001	-	16,125	271,876	17,574
Note payable Wells Fargo Bank	8/15/2013	6.00%	11/15/2027	233,381	-	11,578	221,803	12,268
Note payable Wells Fargo Bank	8/15/2013	6.00%	7/15/2027	659,682	-	34,125	625,557	36,161
Note payable Land	12/02/1998	0.00%	11/02/2015	63,981	-	2,749	61,232	61,232
Total				$ 1,568,810	$ -	$ 81,021	$ 1,487,789	$ 144,659

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

Compensated absences liability at year end was $52,904.

NOTE 5. LONG-TERM LIABILITIES (continued)

Debt service requirements on long-term debt at June 30, 2015, are as follows:

Year Ending June 30,	Notes Payable Principal	Notes Payable Interest
2016	$ 144,659	$ 90,313
2017	89,299	84,441
2018	95,327	78,413
2019	101,769	71,971
2020	157,582	16,158
2021-2025	724,320	162,278
2026-2029	174,833	104,398
	$ 1,487,789	$ 607,972

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 $2,512,560, 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 $1,302,739, leaving a net receivable of $1,209,821.

Other assets consist of the other receivables (SNAP note payable - $10,767) and non-current receivables (NMHC note payable, net - $297,735) listed in Note 3. Additionally, the Housing Authority has assets held for sale in the amount of $100,500 and accrued interest receivable in the amount of $8,154, for a total of $417,156 in noncurrent assets.

During the year under audit, the Housing Authority determined that the non-recourse loans made to Robledo Ridge would be uncollectible and calculated the allowance for the total amount to be $638,476. The original note was for $638,476, less the allowance amount of $638,476, leaves a net receivable of $0.

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

Plan Description. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-

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

11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund. PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at http://saonm.org/ using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Contributions. The contribution requirements of defined benefit plan members and the Mesilla Valley Public Housing Authority are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage option that applies to Mesilla Valley Public Housing Authority is: Municipal General Division. Statutorily required contributions to the pension plan from Mesilla Valley Public Housing Authority were $134,333 for the year ended June 30, 2015 and there were no employer paid members benefits that were “picked up” by the employer for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were preformed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Mesilla Valley Public Housing Authority’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2015, the Mesilla Valley Public Housing Authority reported a liability of $725,501 for its proportionate share of the net pension liability. At June 30, 2014, the Housing Authority’s proportion was 0.0930 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

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

For the year ended June 30, 2015, the Mesilla Valley Public Housing Authority recognized PERA Fund Division Municipal General pension expense of $82,038. At June 30, 2015, the Mesilla Valley Public Housing Authority reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 492
Net difference between projected and actual earnings on pension plan investments	-	283,835
Mesilla Valley Housing Authority contributions subsequent to the measurement date	134,333	-
Total	$ 134,333	$ 284,327

$134,333 reported as deferred outflows of resources related to pensions resulting from Mesilla Valley Public Housing Authority contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	$71,081
2017	71,081
2018	71,081
2019	71,081
2020	3
Thereafter	-

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

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

Actuarial valuation date		June 30, 2013
Actuarial cost method		Entry age normal
Amortization method		Level percentage of pay
Amortization period		Solved for based on statutory rates
Asset valuation method		Fair value
Actuarial assumptions:		
• Investment rate of return		7.75% annual rate, net of investment expense
• Payroll growth		3.50% annual rate
• Projected salary increases		3.50% to 14.25% annual rate
• Includes inflation at		3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	4.0	4.15
Total	100.0%	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Housing Authority's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the (name of employer)'s net pension liability in each PERA Fund Division that (name of employer) participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

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

PERA Fund Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Mesilla Valley's proportionate share of the net pension liability	$1,367,730	$ 725,500	$229,346

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at http://www.pera.state.nm.us/publications.html.

Payables to the pension plan. Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASBS 68, paragraphs 122 and 124.

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, 2015, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is September 22, 2015 which is the date on which the financial statements were available to be issued. No issues were noted for disclosure at September 22, 2015.

NOTE 12. NET POSITION RESTATEMENT

The Housing Authority has restated net position in the amount of $927,790 (a reduction) for the implementation of GASB Statement No. 68, which requires the inclusion of the Housing Authority's proportionate share of the net pension liability related to the Housing Authority's participation in the Public Employees Retirement Association.

NOTE 13. SUBSEQUENT PRONOUNCEMENTS

In February 2015, GASB Statement No. 72 Fair Value Measurement and Application, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The Housing Authority will implement this standard during the fiscal year ended June 30, 2016. The Housing Authority is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The Housing Authority is still evaluating how this pronouncement will affect the financial statements.

NOTE 13. SUBSEQUENT PRONOUNCEMENTS (continued)

In June 2015, GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not effect the Housing Authority's financial statements.

In June 2015, GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The Housing Authority expects this pronouncement to have a material effect on the financial statements.

In June 2015, GASB Statement No. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The Housing Authority will implement this standard during the fiscal year ended June 30, 2016. The Housing Authority expects the pronouncement to have a material effect on the financial statements.

In August 2015, GASB Statement No. 77 Tax Abatement Disclosures, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Housing Authority will implement this standard during the fiscal year ended June 30, 2017. The Housing Authority is still evaluating how this pronouncement will effect the financial statements.

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, 2014. 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, however there were some financial statements in "draft form" as they were not released by the New Mexico State Auditor and, thus, "Draft" may show up on certain disclosures from the component unit auditors:

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:

<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, 2014 and 2013.

Tenant Receivable and Bad Debt Policy

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

Property and Equipment

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

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

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income Taxes

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Rental Income

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

Reclassifications

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

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

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

General Partner:	
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

	12/31/2014	12/31/2013
The Project is financed with a 40-year mortgage payable to New Mexico Mortgage Finance Authority in the original amount of $1,042,000, with an interest rate of 6.42%. The mortgage is payable in monthly installments of $6,041 including interest through the maturity date. The loan payments are based on a 40-year amortization schedule. The unpaid principal of the loan is due November 2046. In addition, monthly deposits for taxes, insurance and replacement of depreciable assets are required. The accrued interest was $5,259 and $5,307 as of December 31, 2014 and 2013, respectively. Interest expensed on this loan was $63,372 and $63,937 as of December 31, 2014 and 2013, respectively.	$ 982,889	$ 991,964
The Project also has a 40-year mortgage payable to New Mexico Mortgage Finance Authority Home Program in the original amount of $240,000. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 4.91% per annum. Interest only payments shall be made monthly in the amount of 1% of the outstanding principal plus accrued and unpaid interest (per amortization schedule) beginning in 2006. Principal and unpaid interest are due November 2046. The short-term accrued interest was $1,340 and $1,288 as of December 31, 2014 and 2013, respectively. The long-term accrued interest was $87,406 and $74,871 as of December 31, 2014 and 2013, respectively. Interest expensed on this loan was $15,792 and $15,187 as of December 31, 2014 and 2013, respectively.	240,000	240,000
Total	1,222,889	1,231,964
Less: Current Portion	9,673	9,074
Long-Term Notes Payable	$ 1,213,216	$ 1,222,890

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

Aggregate maturities of the mortgage notes are approximated as follows:

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

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

NOTE E - RESERVE FUNDS

Replacement Reserve

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

Operating Reserve

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

NOTE F - COMMITMENTS AND CONTINGENCIES

Housing Tax Credits

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

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

HOME Investment Partnerships Program

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

Regulatory Agreement Provisions

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

NOTE G - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Management Fee

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

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

Owner Distribution - Asset Management Fee

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

Owner Distribution - Partnership Management Fee

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

Development Fee

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

Laundry Lease

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

Reimbursed Expenses

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

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

Operating Deficit Guaranty

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

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

NOTE H - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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

NOTE I - ACCRUED EXPENSES

The accrued expenses on the balance sheet contain the following:

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

NOTE J - SUBSEQUENT EVENTS

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

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 $423,275 and $450,718 as of December 31, 2014 and 2013. 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, 2014 and 2013.

Tenant Receivable and Bad Debt Policy

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

Property and Equipment

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

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 2014 or 2013.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income Taxes

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Rental Income

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

Reclassifications

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

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

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

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

	12/31/2014	12/31/2013
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 $7,802 and $7,848 as of December 31, 2014 and 2013, respectively. Interest expensed on this note was $93,878 and $94,416 as of December 31, 2014 and 2013, respectively.	$ 1,397,330	$ 1,405,605
Total	1,397,330	1,405,605
Less: Current Portion	8,847	8,275
Long-Term Notes Payable	$ 1,388,483	$ 1,397,330

Aggregate maturities of the loans are approximated as follows

	Principal	Interest
December 31, 2015	$ 8,847	$ 93,353
2016	9,458	92,741
2017	10,112	92,088
2018	10,810	91,389
2019	11,557	90,642
2020-2024	70,928	440,070
2025-2029	99,060	411,938
2030-2034	138,351	372,647
2035-2039	193,226	317,772
2040-2044	269,867	241,131
2045-2049	376,907	134,091
2050-2054	198,207	14,709
Total	$ 1,397,330	$ 2,392,571

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 $220,074 and $247,605 as of December 31, 2014 and 2013, 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 $89,869 and $71,984 as of December 31, 2014 and 2013, 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, 2014 and 2013, 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 $29,922 and $29,159 during 2014 and 2013, respectively. The amounts due to the Management Agent related to Management Fees were $588 and $551 as of December 31, 2014 and 2013, 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, 2014, $605,331 of this fee has been paid. The amounts due related to Development Fees were $220,074 and $247,604 as of December 31, 2014 and 2013, 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 were $0 and $12 as of December 31, 2014 and 2013, 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:

	12/31/2014	12/31/2013
Accrued Payroll Expenses	$ 2,311	$ 1,528
Accrued Expenses - Audit Fees	8,683	10,773
Total Accrued Liabilities	$ 10,994	$ 12,301

NOTE K - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through Audit Report Date - TC OSA which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

NOTE A - ORGANIZATION

Desert Palms Apartments Limited Partnership was organized in 2003 as a Limited Partnership to develop, construct, own, maintain, and operate a 101-unit rental housing project for mixed income tenants with both tax credit and market rate units. The Project is located in the city of Las Cruces, New Mexico, and is currently known as Desert Palms Apartments. The major activities of the Partnership are governed by the Partnership Agreement and the Internal Revenue Code Section 42.

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

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

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Cash and Other Deposits

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Collateralization of Deposits

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

Tenants' Security Deposits

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

Tenant Receivable and Bad Debt Policy

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

Property and Equipment

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

	Estimated Life
Buildings	40
Site Improvements	5-15
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 2014 or 2013.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income Taxes

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Rental Income

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

Reclassifications

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

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

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

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

	12/31/2014	12/31/2013
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 $8,464 and $8,576 as of December 31, 2014 and 2013, respectively. Interest expensed on this loan was $102,187 and $103,510 as of December 31, 2014 and 2013, respectively.	$ 1,567,201	$ 1,588,231
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 $390 and $374 as of December 31, 2014 and 2013, respectively. The long-term accrued interest was $123,906 and $106,091 as of December 31, 2014 and 2013, respectively. Interest expensed on this loan was $22,337 and $21,258 as of December 31, 2014 and 2013, respectively.	342,744	342,744
Total	1,909,945	1,930,975
Less: Current Portion	22,432	21,029
Long-Term Notes Payable	$ 1,887,513	$ 1,909,946

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

Aggregate maturities of the mortgage notes are approximated as follows:

	Principal	Interest
December 31, 2015	$ 22,432	$ 105,581
2016	23,930	104,268
2017	25,528	102,862
2018	27,232	101,357
2019	29,050	99,746
2020-2024	247,982	450,660
2025-2029	359,605	372,040
2030-2034	452,908	278,737
2035-2039	581,801	149,845
2040-2044	256,733	13,454
Total	$ 2,027,201	$ 1,778,550

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 $88,751 and $169,657 as of December 31, 2014 and 2013, 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 $39,876 and $59,701 as of December 31, 2014 and 2013, 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 $15,458 and $15,441 as of December 31, 2014 and 2013, 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.

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 $27,108 and $30,668 during 2014 and 2013, respectively. An amount of $2,769 was included in the 2013 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 $16,691 and $475 as of December 31, 2014 and 2013, respectively. The Management Agent also advanced funds to the property during 2012 due to cash flow issues. The advance of $4,000 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 $5,376 and $5,219 were recognized during 2014 and 2013, respectively. The amounts due to the Limited Partner related to Investor Services Fees were $42,232 and $36,856 as of December 31, 2014 and 2013, 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 2014 and 2013, 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, 2014, $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, 2014 and 2013, 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 $1,244 and $795 for the years ended December 31, 2014 and 2013, respectively.

Reimbursed Expenses

The Management Agent is reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent, some expenses are incurred for the property by the Management Agent. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. The amounts due to the Management Agent related to reimbursed expenses were $161 and $0 as of December 31, 2014 and 2013, 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:

	12/31/2014	12/31/2013
Accrued Payroll Expenses	$ 3,917	$ 2,128
Accrued Audit Fees	8,683	10,773
Total Accrued Expenses	$ 12,600	$ 12,901

NOTE J - SUBSEQUENT EVENTS

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

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 $301,600 and $250,936 at December 31, 2014 and 2013, 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 $422,606 and $450,205 as of December 31, 2014 and 2013, respectively. The Partnership has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

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.

Tenants' Security Deposits

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

Tenant Receivable and Bad Debt Policy

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

Property and Equipment

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

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Income Taxes

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Rental Income

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

Reclassifications

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

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

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

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, 2014 and 2013.

NOTE D - LONG-TERM DEBT

	12/31/2014	12/31/2013
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 $4,944 and $4,994 as of December 31, 2014 and 2013, respectively. Interest expensed on this loan was $59,609 and $60,196 as of December 31, 2014 and 2013, respectively.	$ 1,295,472	$ 1,308,549
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 $15,235 and $15,397 as of December 31, 2014 and 2013, respectively. Interest expensed on these loans was $183,727 and $185,605 as of December 31, 2014 and 2013, respectively.	2,162,230	2,185,121
Total	3,457,702	3,493,670
Less: Current Portion	38,606	35,965
Long-Term Notes Payable	$ 3,419,096	$ 3,457,705

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

Aggregate maturities of the loans are approximated as follows:

	Principal	Interest*
December 31, 2015	$ 38,606	$ 240,907
2016	41,459	238,055
2017	44,538	234,976
2018	47,863	231,651
2019	51,454	228,060
2020-2024	322,177	1,075,393
2025-2029	467,544	930,026
2030-2034	683,929	713,641
2035-2039	769,739	418,789
2040-2044	555,497	168,502
2045-2049	296,137	67,539
2050-2054	138,759	6,711
Total	$ 3,457,702	$ 4,554,250

*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 $155,890 and $153,886 were recognized as other income during 2014 and 2013, 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 $221,455 and $249,146 as of December 31, 2014 and 2013, 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 $435,963 and $284,863 as of December 31, 2014 and 2013, respectively.

NOTE E - RESERVE FUNDS *(continued)*

Operating & Operating Deficit Reserve

In accordance with the Partnership Agreement, the Partnership funded an Operating Reserve fund in the amount of $200,640. Funds are to be used for operating and debt service deficits. The Operating Reserve balance was $200,881 and $200,881 as of December 31, 2014 and 2013, 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 $25,048 and $25,036 as of December 31, 2014 and 2013, respectively.

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

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

NOTE F - TCEP FUNDS

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

NOTE G - COMMITMENTS AND CONTINGENCIES

Tax Credit Exchange Program

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

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

Interest Credit and Rental Assistance Agreement

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

Rental Assistance Agreement

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

NOTE G - COMMITMENTS AND CONTINGENCIES *(continued)*

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 compensation for these services are based on the Management Certification. Property Management Fees expensed were $36,754 and $36,938 during 2014 and 2013, respectively. The amounts due to the Management Agent related to Management Fees were $99 and $148 as of December 31, 2014 and 2013, 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 2014 and 2013, respectively. There were no amounts due to the General Partner related to Distributions as of December 31, 2014 or 2013.

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, 2014, $885,891 of this fee has been paid. The amounts due related to Development Fees were $221,455 and $249,146 as of December 31, 2014 and 2013, 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 $3,734 and $2,976 for the years ended December 31, 2014 and 2013, 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. There were no amounts due to the Management Agent related to reimbursed expenses as of December 31, 2014 and 2013, 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:

	12/31/2014	12/31/2013
Accrued Payroll Expenses	$ 2,216	$ 1,714
Accrued Audit Fees	11,417	13,398
Accrued Fees - Miscellaneous	8,800	0
Total Accrued Expenses	$ 22,433	$ 15,112

NOTE K - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through Audit Report Date - TC OSA 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, 2014 and 2013.

Tenant Receivable and Bad Debt Policy

Tenant rent charges for the current month are due on the first of the month. The 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 2014 or 2013.

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, 2014, the Company's tax years for 2011, 2012, and 2013 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2014, the Company is no longer subject to examinations by tax authorities for years before 2011.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Rental Income

Rental Income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the 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 2013 financial statements have been reclassified to conform to the 2014 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, 2014 and 2013:

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

	12/31/2014	12/31/2013
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 $6,357 and $6,431 as of December 31, 2014 and 2013, respectively. Interest expensed on this loan was $76,698 and $77,551 as of December 31, 2014 and 2013, respectively.	$ 936,030	$ 946,893
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; therefore, the remaining balance is included in the current maturities of long-term debts.	61,232	63,981
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 $272,860 and $253,370 as of December 31, 2014 and 2013, respectively. Interest expensed on this loan was $19,490 and $19,490 as of December 31, 2014 and 2013, respectively.	487,250	487,250
Total	1,484,512	1,498,124
Less: Current Portion	73,013	13,611
Long-Term Notes Payable	$ 1,411,499	$ 1,484,513

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, 2015	$ 73,013	$ 75,853
2016	12,778	74,856
2017	501,109	405,105
2018	15,032	72,602
2019	16,304	71,330
2020-2024	104,702	333,469
2025-2029	157,156	281,015
2030-2034	235,888	202,283
2035-2039	354,065	84,106
2040-2044	14,465	141
Total	$ 1,484,512	$ 1,600,760

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 $43,898 and $32,857 as of December 31, 2014 and 2013, 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 $32,407 and $32,398 as of December 31, 2014 and 2013, 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 $35,305 and $35,267 as of December 31, 2014 and 2013, respectively.

The combined balance for the Operating Reserve and the Operating Deficit Reserve was $67,712 and $67,665 as of December 31, 2014 and 2013, 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 $14,796 and $14,196 during 2014 and 2013, respectively. The amounts due to the Management Agent related to Management Fees were $343 and $325 as of December 31, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, 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 $0 and $12,446 as of December 31, 2014 and 2013, respectively.

Reimbursed Expenses

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

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:

	12/31/2014	12/31/2013
Accrued Payroll Expenses	$ 1,897	$ 885
Accrued Audit Fees	8,683	10,773
Total Accrued Expenses	$ 10,580	$ 11,658

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through Audit Report Date - TC OSA 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 ownership interest in 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 $236,643 and $228,076 at December 31, 2014 and 2013, 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, 2014 and 2013.

Tenant Receivable and Bad Debt Policy

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

Property and Equipment

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

	Estimated Life
Buildings	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 2014 or 2013.

Income Taxes

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

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 2013 financial statements have been reclassified to conform to the 2014 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, 2014 and 2013:

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

	12/31/2014	12/31/2013
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 $5,064 and $8,376 as of December 31, 2014 and 2013, respectively. Interest expensed on this loan was $99,329 and $101,466 as of December 31, 2014 and 2013, respectively.	$ 1,531,225	$ 1,565,597
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 $33,558 and $30,808 as of December 31, 2014 and 2013, respectively. Interest expensed on this loan was $2,750 and $2,750 as of December 31, 2014 and 2013, respectively.	275,000	275,000

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

	12/31/2014	12/31/2013
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 $23,861 and $21,861 as of December 31, 2014 and 2013, respectively. Interest expensed on this loan was $2,000 and $2,000 as of December 31, 2014 and 2013, 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 $15,209 and $13,959 as of December 31, 2014 and 2013, respectively. Interest expensed on this loan was $1,250 and $1,250 as of December 31, 2014 and 2013, respectively.	500,000	500,000
Total	3,106,225	3,140,597
Less: Current Portion	36,868	34,372
Long-Term Notes Payable	$ 3,069,357	$ 3,106,225

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

	Principal	Interest
December 31, 2015	$ 36,868	$ 109,631
2016	39,107	106,983
2017	41,946	104,144
2018	44,992	101,098
2019	51,120	99,457
2020-2024	392,072	459,238
2025-2029	532,675	318,635
2030-2034	2,018,234	227,365
Total	$ 3,157,014	$ 1,526,551

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 $93,963 and $67,644 as of December 31, 2014 and 2013, 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 $94,547 and $94,519 as of December 31, 2014 and 2013, 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 $315,303 and $315,280 as of December 31, 2014 and 2013, 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 $23,428 and $23,810 during 2014 and 2013, respectively. The amounts due to the Management Agent related to Management Fees were $467 and $410 as of December 31, 2014 and 2013, 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 $4,153 and $4,032 were recognized during 2014 and 2013, respectively. The amounts due to the Limited Partner related to Investor Services Fees were $4,153 and $4,032 as of December 31, 2014 and 2013, 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 2014 and 2013, 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 2014 and 2013, 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 and should be paid in full by December 31, 2018. The amounts due related to Development Fees were $0 and $10,157 as of December 31, 2014 and 2013, 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 $0 and $8,783 as of December 31, 2014 and 2013, 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. There were no amounts due to the Management Agent related to reimbursed expenses as of December 31, 2014 and 2013, 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:

	12/31/2014	12/31/2013
Accrued Payroll Expenses	$ 3,067	$ 1,361
Accrued Expenses - Audit Fees	8,683	10,773
Total Accrued Liabilities	$ 11,750	$ 12,134

NOTE J - SUBSEQUENT EVENTS

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

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 $44,524 and $55,551 as of December 31, 2014 and 2013, 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, 2014 and 2013.

Tenant Receivable and Bad Debt Policy

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

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 2014 or 2013.

Income Taxes

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Rental Income

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

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 2013 financial statements have been reclassified to conform to the 2014 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, 2014 and 2013:

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, 2014 and 2013, the Limited Partner had contributed a cumulative total of $6,689,469 and $6,637,708, respectively.

NOTE D - LONG-TERM DEBT

	12/31/2014	12/31/2013
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 $11,180 and $11,277 as of December 31, 2014 and 2013, respectively. Interest expensed on this loan was $134,696 and $135,842 as of December 31, 2014 and 2013, respectively.	$ 2,199,169	$ 2,218,496

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

	12/31/2014	12/31/2013
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 accrued interest was $349 and $349 as of December 31, 2014 and 2013, respectively. Interest expensed on this loan was $4,191 and $4,191 as of December 31, 2014 and 2013, respectively.	419,116	419,116
Total	2,618,285	2,637,612
Less: Current Portion	20,540	19,328
Long-Term Notes Payable	$ 2,597,745	$ 2,618,284

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

	Principal	Interest
December 31, 2015	$ 20,540	$ 137,772
2016	21,829	136,484
2017	23,198	135,114
2018	24,654	133,659
2019	26,200	132,113
2020-2024	185,079	633,452
2025-2029	276,755	574,735
2030-2034	356,045	495,445
2035-2039	462,549	388,942
2040-2044	605,893	245,598
2045-2049	571,680	61,472
2050-2054	43,863	624
Total	$ 2,618,285	$ 3,075,410

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 and the New Mexico Mortgage Finance Authority Loan Agreement, the Partnership shall establish and maintain a Replacement Reserve. The Partnership shall make deposits into the Replacement Reserve fund of $25,200 annually. The Replacement Reserve balance was $85,983 and $60,706 as of December 31, 2014 and 2013, respectively.

Operating Reserve

In accordance with the Partnership Agreement, the Partnership shall establish and maintain an Operating Reserve fund in an amount not less than $205,000. The Operating Reserve balance was $209,946 and $209,737 as of December 31, 2014 and 2013, respectively.

NOTE F - COMMITMENTS AND CONTINGENCIES

Housing Tax Credits

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

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

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

The Project is financed and operated under Section 542(c) of the Housing and Community Development Act, as amended, administrated by the New Mexico Mortgage Finance Authority (MFA). Under this program the Partnership provides housing to low and moderate income tenants, subject to regulation by MFA and the United States Department of Housing and Urban Development (HUD), as to rental charges and operating methods.

HOME Investment Partnerships Program

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

NOTE F - COMMITMENTS AND CONTINGENCIES *(continued)*

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.

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.

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 $32,902 and $32,328 during 2014 and 2013, respectively. The amounts due to the Management Agent related to Management Fees were $519 and $698 as of December 31, 2014 and 2013, 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 $4,305 and $4,179 were recognized during 2014 and 2013, respectively. The amounts due to the Limited Partner related to Asset Management Fees were $4,305 and $4,179 as of December 31, 2014 and 2013, respectively.

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

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 2014 and 2013, respectively. There were no amounts due to the General Partner related to Incentive Management Fees as of December 31, 2014 and 2013, respectively.

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, 2014, $575,228 of this fee has been paid. Development Fees of $91,761 and $50,000 were paid during 2014 and 2013, respectively. The amounts due related to Development Fees were $280,019 and $371,780 as of December 31, 2014 and 2013, respectively.

Laundry Lease

The Partnership leased space for the installation and operation of coin-operated laundry and vending machine equipment to JL Gray Company for fifty-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 $64 and $146 for the years ended December 31, 2014 and 2013, 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. There were no amounts due to the Management Agent related to reimbursed expenses as of December 31, 2014 and 2013, respectively.

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

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.

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, 2014 and 2013, 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:

	12/31/2014	12/31/2013
Accrued Payroll Expenses	$ 3,506	$ 1,590
Accrued Audit Fees	8,358	10,773
Total Accrued Expenses	$ 11,864	$ 12,363

NOTE J - SUBSEQUENT EVENTS

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

NOTE A - ORGANIZATION

Robledo Ridge Limited Liability Limited Partnership was organized in 2011 as a Limited Partnership to develop, construct, own, maintain, and operate a 71-unit rental housing project for mixed income tenants with both tax credit and market rate units. The Project is located in the city of Las Cruces, New Mexico, and is currently known as Robledo Ridge Apartments. The Partnership provides housing to low income families and receives payments from the Department of Housing and Urban Development (HUD) in the form of housing assistance payments pursuant to a Section 8 Housing Assistance Payment Contract. The Project is regulated by the Department of Housing and Urban Development (HUD) as to rent charges and operating methods pursuant to the provisions of the mortgage, Housing Assistance Program Contract, and related Regulatory Agreement. The major activities of the Partnership are governed by the Partnership Agreement and the Internal Revenue Code Section 42.

The management of the Partnership and the ongoing management of Robledo Ridge Apartments are vested in the Partners. The Partnership has hired Mesilla Valley Public Housing Authority (MVPHA) to provide management functions for the property. MVPHA has hired a subcontractor, UAH Property Management, to provide day to day management for the property. Compensation for such services is as determined under the Partnership Agreement, Management Agreement, and Management Subcontractor Agreement.

The Project is in the process of obtaining permanent financing under Section 542(c) of the Housing and Community Development Act, as amended, administered by the New Mexico Mortgage Finance Authority (MFA). The Project obtained permanent financing during 2014. Under this program, the Company provides housing to low and moderate income tenants, subject to regulation by MFA and the United States Department of Housing and Urban Development (HUD), as to rental charges and operating methods. Lower rental charges to tenants are recovered by the Project through rent subsidies provided by the local Public Housing Authority (PHA).

The Partnership is reported as a component unit of the Mesilla Valley Public Housing Authority because the MVPHA is a member of the General Partner of the Partnership. The Partnership has no component units.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and Cash Equivalents

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

Cash and Other Deposits

The Project maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. 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, 2014.

Tenant Receivable and Bad Debt Policy

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

Property and Equipment

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

	Estimated Life
Buildings	40
Site Improvements	20
Furniture for Project/Tenant Use	10

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Schedule of Changes in Fixed Assets

	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014
Land	$ 586,168	$ 0	$ 0	$ 586,168
Buildings	8,799,055	0	24,539	8,774,516
Site Improvements	656,437	15,058	0	671,495
Furniture for Project/Tenant Use	72,243	0	0	72,243
Totals	10,113,903	15,058	24,539	10,104,422
Accumulated Depreciation	99,612	$ 92,695	$ 0	192,307
Net Book Value	$10,014,291			$ 9,912,115

Deferred Fees and Amortization

Financing costs are amortized over the term of the mortgage loan using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Tax credit fees are amortized over fifteen years using the straight-line method.

Property Taxes

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

Income Taxes

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Rental Income

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

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS

The Partners of Robledo Ridge, LLLP and their respective profit and loss percentages are as follows as of December 31, 2014:

General Partner:	
Robledo Ridge, LLC	0.01 %
Limited Partner:	
Enterprise Multi-State LIHTC Fund, LLLP	99.99 %
Total	100.00 %

On the prior year audit, the Limited Partner listed was *Unitedhealthcare Fund 1, LLLP*. During 2013, the partnership executed a name change to *Enterprise Multi-State LIHTC Fund, LLLP*.

As of December 31, 2014, the general partner had made capital contributions of $71,000. In accordance with the partnership agreement, the limited partner is required to make capital contributions of $6,778,399. The limited partner will make additional contributions of $127,800 as a result of the partnership receiving an upward adjuster. Limited partner contributions previously made were $4,405,960. During 2014, $1,952,648 was contributed and $547,591 will become payable upon meeting certain construction milestones.

NOTE D - LONG-TERM DEBT

	12/31/2014
The Project is financed with a mortgage payable to New Mexico Mortgage Finance Authority in the original amount of $2,000,000, with an interest rate of 5.50%. The mortgage is secured by real property of the Project. The mortgage is payable in monthly installments of $10,740 through May 1, 2049 at which time the final payment will be due on all outstanding principal and accrued interest. The accrued interest was $9,116 as of December 31, 2014. Interest expensed on this loan was $81,380 as of December 31, 2014.	$ 1,988,832
The Project is financed by a mortgage payable to New Mexico Mortgage Finance Authority in the original amount of $500,000. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 3.00%. Monthly payments of interest only are payable during the construction period not to exceed eighteen months. Beginning on October 1, 2013, principal and accrued interest, paid in arrears, are due and payable in 360 monthly installments of $2,108. Maturity of the loan occurs at the sale, refinance, and transfer of the property or on September 1, 2043. Accrued interest was $1,217 as of December 31, 2014. Interest was capitalized during the construction period. Interest expensed on this loan was $14,752 as of December 31, 2014.	486,902
On April 3, 2014, the Project obtained a nonrecourse loan from the General Partner, Mesilla Valley Public Housing Authority, in the amount of $543,476. The note is secured by the Mortgage, Assignment of Rents, Security Agreement and Fixture Filing. Interest is accrued at 1% per annum and payments of principal and interest compounded monthly on the outstanding balance are due and payable in arrears from Cash Flow as defined in the partnership agreement. The entire outstanding principal and accrued and unpaid interest are payable in full by the maturity date, which is the earlier of the 35th anniversary date upon which the City of Las Cruces issues a final certificate of occupancy or equivalent for the Project or December 31, 2048.	$ 543,476

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

	12/31/2014
On April 3, 2014, the Project obtained a nonrecourse loan from the General Partner, Mesilla Valley Public Housing Authority, in the amount of $95,000. Interest is accrued at 1% per annum and payments of principal and interest compounded monthly on the outstanding balance are due and payable in arrears from Cash Flow as defined in the partnership agreement. The entire outstanding principal and accrued and unpaid interest are payable in full by the maturity date on April 3, 2049.	95,000
Total	3,114,210
Less: Current Portion	30,343
Long-Term Notes Payable	$ 3,083,867

Aggregate maturities of the notes are approximated as follows:

	Principal	Interest
December 31, 2015	$ 30,343	$ 123,837
2016	31,773	122,407
2017	33,275	120,905
2018	34,853	119,327
2019	36,511	117,669
2020-2024	210,528	560,373
2025-2029	266,685	504,216
2030-2034	338,905	431,996
2035-2039	431,991	338,910
2040-2044	520,037	219,244
2045-2049	1,179,309	77,279
Total	$ 3,114,210	$ 2,736,163

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

NOTE E - LINE OF CREDIT

The Project obtained a line of credit with Citizens Bank of Las Cruces on April 18, 2012. The line was secured by real property of the Project and guaranteed by the Mesilla Valley Public Housing Authority and the New Mexico Housing Corporation. The amount available on the line was $5,700,000. Interest accrued at 6.5% and was payable in monthly installments. This line of credit was paid and closed with permanent financing during 2014. Interest was previously capitalized during the construction period. Interest expensed on this loan prior to permanent financing was $76,092 during 2014.

NOTE F - RESERVE FUNDS

Replacement Reserve

In accordance with the Partnership Agreement, the Partnership shall establish a Replacement Reserve in the amount of $85,329 at the time of the limited partner's fourth capital contribution installment to fund major repairs or replacements. The Partnership shall make deposits into the Replacement Reserve fund of $31,630, increasing 3% annually, commencing on the second full month after completion of the Project. In accordance with the Partnership Agreement, the reserve deposits should have been made October through December 2013 in the amount of $7,908 and January through May in the amount of $13,179. The Replacement Reserve was funded through a mortgage escrow beginning in June, 2014, and the balance was $18,431 as of December 31, 2014.

Operating Reserve

The General Partner is required to establish and maintain an Operating Reserve on the date of the fourth capital contribution in the amount of $208,910. The Operating Reserve balance was $2,590 as of December 31, 2014.

NOTE G - COMMITMENTS AND CONTINGENCIES

Housing Tax Credits

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

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

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 - COMMITMENTS AND CONTINGENCIES *(continued)*

Housing Assistance Agreement

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

Operating Deficit Contribution

If at any time after the completion date, an Operating Deficit exists, the General Partner shall contribute funds (an "Operating Deficit Contribution") to the Partnership as a contribution to capital in an amount equal to the amount of the Operating Deficit which is unlimited through the stabilization date, and after limited to $228,000. The obligation of the General Partner to make Operating Deficit Contributions shall terminate on the date that the following have occurred simultaneously: 1) the Project has operated at the Required Debt Service Coverage for a period of at least twelve consecutive months, which shall have commenced no earlier than four years after the achievement of the Stabilization Date, and 2) the balance in the Operating Reserve equals or exceeds the sum of the Operating Reserve Amount. Operating Deficit Contributions shall be repayable, without interest, solely from Cash Flow or as provided in the partnership agreement.

NOTE H - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Management Fee

In accordance with the Subcontractor Agreement, the Partnership has incurred Management Fee expenses for services rendered in connection with the leasing and operation of the Project. The current year management fee is equal to 6% of gross rental collections. Property Management Fees expensed were $28,023 during 2014. The amounts included in accounts payable that are due to UAH Property Management LP related to Management Fees were $2,065 as of December 31, 2014.

Owner Distribution - Investor Services Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the Limited Partner an Investor Services Fee in the amount of $4,000. The fee shall increase at a rate of 3% per year. The Investor Services Fee shall be payable from the available cash flows. Any unpaid fees may accrue for payment in subsequent years. Investor Services Fees of $4,244 were recognized during 2014. There were no amounts due to the Limited Partner related to Investor Services Fees as of December 31, 2014.

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

Owner Distribution - Partnership Administrative Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the General Partner a Partnership Administrative Fee in the annual amount of $13,000. The fee shall increase at a rate of 3% per year thereafter. The Partnership Administration Fee shall be payable from the available cash flows. Any unpaid fees may accrue for payment in subsequent years. There were no Partnership Administrative Fees accrued during 2014.

Development Fee

The Partnership has incurred a Development Fee due to Mesilla Valley Public Housing Authority, rendered to the Partnership for overseeing the construction of the Project. The full development fee amount for the project is $1,132,639. This Development Fee has been capitalized into the basis of the building. As of December 31, 2014, $331,756 of this fee has been paid. The amount due related to Development Fees was $800,883 as of December 31, 2014. The deferred portion of the development fee is $494,711 and will accrue interest of 1% of the unpaid balance per the developer service agreement. Any unpaid amounts of the development fees are due on or before December 31, 2028.

NOTE I - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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

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

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through Audit Report Date OSA which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

MESILLA VALLEY PUBLIC HOUSING AUTHORITY Schedule I

Schedule of Proportionate Share of the Net Pension Liability of PERA Division
Public Employees Retirement Association (PERA) Plan
PERA Fund Division
Last 10 Fiscal Years*

	2015
Mesilla Valley Public Housing Authority's proportion of the net pension liability	0.0930%
Mesilla Valley Public Housing Authority's proportionate share of the net pension liability	$ 725,501
Mesilla Valley Public Housing Authority's covered-employee payroll	$ 767,883
Mesilla Valley Public Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	94.48%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Mesilla Valley Public Housing Authority will present information for those years for which information is available.

See independent auditors' report
See notes to required supplementary information

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Schedule II

Schedule of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division
Last 10 Fiscal Years*

	2015
Contractually required contribution	$ 134,333
Contributions in relation to the contractually required contribution	134,333
Contribution deficiency (excess)	$ -
Mesilla Valley Public Housing Authority’s covered-employee payroll	$ 767,883
Contributions as a percentage of covered-employee payroll	17%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Mesilla Valley Public Housing Authority will present information for those years for which information is available.

See independent auditors' report
See notes to required supplementary information

Changes of benefit terms . The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes of assumptions. Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf.
The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of $30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

SUPPLEMENTARY INFORMATION

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in
Net Position - Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
Operating revenues				
Rental revenue (tenants)	$ 816,975	$ 554,385	$ 673,317	$ 118,932
Other tenant revenue	40,285	178,141	36,248	(141,893)
Operating subsidies and grants	7,807,532	6,484,767	6,748,173	263,406
Total operating revenues	8,664,792	7,217,293	7,457,738	240,445
Operating expenses				
Housing assistance payments	6,457,898	5,515,787	5,499,384	16,403
Administration	1,392,456	1,401,402	1,530,139	(128,737)
Maintenance and operations	1,376,597	769,435	540,053	229,382
Utilities	193,100	182,274	182,279	(5)
Depreciation	319,200	275,590	275,592	(2)
Miscellaneous	2,175	1,272	49,212	(47,940)
Total operating expenses	9,741,426	8,145,760	8,076,659	69,101
Operating income (loss)	(1,076,634)	(928,467)	(618,921)	309,546
Non-operating revenues (expenses)				
Other expenses	-	-	(9,897)	(9,897)
Interest income	53,580	77,071	77,071	-
Interest expense	(102,600)	(95,468)	(95,468)	-
Developer fees	80,946	34,760	23,138	(11,622)
Management fees and other income	69,950	298,017	129,833	(168,184)
Insurance reimbursement	-	40,332	40,332	-
Gain (Loss) on disposal of assets	-	50,954	91,984	41,030
Total non-operating revenues	101,876	405,666	256,993	(148,673)
Transfers in (out)	-	105,258	-	(105,258)
Change in net position	$ (974,758)	$ (417,543)	(361,928)	$ 55,615
		Less nonbudgeted expenses	(98,903)	
		Change in net position per basic financial statements	$ (460,831)	

COMBINING FINANCIAL STATEMENTS

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Net Position - Detail
June 30, 2015

	HUD Public Housing	HUD Section 8 Housing
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,687,179	$ 501,476
Restricted cash and cash equivalents	58,316	123,859
Accounts receivable, net of allowance for doubtful accounts	2,712	-
Grants receivable	31,330	-
Inventory	14,123	-
Prepaid expenses and other assets	65,410	25,035
Total current assets	1,859,070	650,370
Noncurrent assets		
Capital assets, net	1,664,095	5,754
Receivables from component units, net	-	-
Mortgage receivables, noncurrent	-	-
Other noncurrent assets	-	-
Total noncurrent assets	1,664,095	5,754
Total assets	3,523,165	656,124
DEFERRED OUTFLOWS OF RESOURCES		
Employer contributions subsequent to the measurement date	74,508	31,166
Total deferred outflows of resources	74,508	31,166
Total assets and deferred outflows of resources	$ 3,597,673	$ 687,290

New Construction Housing	Local Housing Projects	Total
$ 376,956	$ 1,974,538	$ 4,540,149
8,386	12,379	202,940
3,126	3,387	9,225
-	-	31,330
-	-	14,123
6,608	18,835	115,888
395,076	2,009,139	4,913,655
1,441,598	2,017,882	5,129,329
-	1,608,914	1,608,914
-	1,209,821	1,209,821
-	417,156	417,156
1,441,598	5,253,773	8,365,220
1,836,674	7,262,912	13,278,875
5,813	22,846	134,333
5,813	22,846	134,333
$ 1,842,487	$ 7,285,758	$ 13,413,208

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Net Position - Detail
June 30, 2015

	HUD Public Housing	HUD Section 8 Housing
LIABILITIES		
Current liabilities		
Book overdraft	$ 29,306	$ -
Accounts payable	48,928	23,799
Prepaid tenant rent	-	-
Accrued payroll	22,540	10,358
Notes payable, current portion	-	-
Total current liabilities	100,774	34,157
Current liabilities (payable from restricted assets)		
Tenant deposits	58,316	-
FSS deposits	-	13,402
Total current liabilities (payable from restricted assets)	58,316	13,402
Non-current liabilities		
Compensated absences, noncurrent portion	35,601	4,711
Notes payable, net of current portion	-	-
Net pension liability	402,397	168,318
Total non-current liabilities	437,998	173,029
Total liabilities	597,088	220,588
DEFERRED INFLOWS OF RESOURCES		
Actuarial experience	273	114
Investment experience	157,429	65,850
Total deferred outflows of resources	157,702	65,964
NET POSITION		
Net investment in capital assets	1,664,095	5,754
Restricted for program activities	-	110,457
Unrestricted	1,178,788	284,527
Total net position	2,842,883	400,738
Total liabilities, deferred inflows of resources and net position	$ 3,597,673	$ 687,290

New Construction Housing	Local Housing Projects	Total
$ -	$ -	$ 29,306
10,505	10,423	93,655
39	-	39
2,778	6,510	42,186
36,161	108,498	144,659
49,483	125,431	309,845
8,386	12,379	79,081
-	-	13,402
8,386	12,379	92,483
2,894	9,698	52,904
589,396	753,734	1,343,130
31,396	123,390	725,501
623,686	886,822	2,121,535
681,555	1,024,632	2,523,863
21	84	492
12,283	48,273	283,835
12,304	48,357	284,327
816,041	1,155,650	3,641,540
-	-	110,457
332,587	5,057,119	6,853,021
1,148,628	6,212,769	10,605,018
$ 1,842,487	$ 7,285,758	$ 13,413,208

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position - Detail
For the Year Ended June 30, 2015

	HUD Public Housing	HUD Section 8 Housing
Operating revenues		
Rental revenue (tenants)	$ 353,497	$ -
Other tenant revenue	18,726	4,408
Operating subsidies and grants	946,853	5,617,616
Total operating revenues	1,319,076	5,622,024
Operating expenses		
Housing assistance payments	-	5,499,384
Administration	636,699	589,507
Maintenance and operations	371,623	252
Utilities	128,015	51
Depreciation	174,039	880
Miscellaneous	40,372	109
Total operating expenses	1,350,748	6,090,183
Operating income (loss)	(31,672)	(468,159)
Non-operating revenues (expenses)		
Other expenses	-	-
Interest income	21	10
Interest expense	-	-
Developer fees	-	-
Management fees and other income	-	-
Insurance reimbursement	40,332	-
Gain (loss) on disposal of assets	-	-
Total non-operating revenues (expenses)	40,353	10
Income before transfers	8,681	(468,149)
Transfers in	99,776	-
Transfers out	(105,258)	-
Change in net position	3,199	(468,149)
Total net position - beginning of year	3,354,281	1,084,136
Net position restatement	(514,597)	(215,249)
Total net position - beginning of year, after net position restatement	2,839,684	868,887
Total net position - end of year	$ 2,842,883	$ 400,738

New Construction Housing	Local Housing Projects	Total
$ 69,927	$ 249,893	$ 673,317
1,605	11,509	36,248
144,744	38,960	6,748,173
216,276	300,362	7,457,738
-	-	5,499,384
57,997	245,936	1,530,139
41,471	126,707	540,053
25,140	29,073	182,279
26,497	74,176	275,592
-	92,909	133,390
151,105	568,801	8,160,837
65,171	(268,439)	(703,099)
-	(24,622)	(24,622)
3	77,037	77,071
(39,196)	(56,272)	(95,468)
-	23,138	23,138
-	129,833	129,833
-	-	40,332
-	91,984	91,984
(39,193)	241,098	242,268
25,978	(27,341)	(460,831)
-	303,339	403,115
-	(297,857)	(403,115)
25,978	(21,859)	(460,831)
1,162,800	6,392,422	11,993,639
(40,150)	(157,794)	(927,790)
1,122,650	6,234,628	11,065,849
$ 1,148,628	$ 6,212,769	$ 10,605,018

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Cash Flows - Detail
For the Year Ended June 30, 2015

	HUD Public Housing	HUD Section 8 Housing
Cash flows from operating activities:		
Cash received from tenant rents	$ 372,939	$ 4,408
Cash payments to employees for services	(665,947)	(267,839)
Cash payments to suppliers for goods and services	(513,085)	(5,802,057)
Subsidy grants and other receipts	929,578	5,617,616
Net cash provided (used) by operating activities	123,485	(447,872)
Cash flows from noncapital financing activities:		
Miscellaneous income (expense)	40,329	-
Transfers	-	-
Net cash provided (used) by noncapital financing activities	40,329	-
Cash flows from capital and related financing activities:		
Proceeds from sale of assets	-	-
Acquisition of capital assets	(53,212)	-
Principal payments on long-term debt	-	-
Interest payments on long-term debt	-	-
Net cash provided (used) by capital and related financing activities	(53,212)	-
Cash flows from investing activities:		
Interest on investments	21	10
Net cash provided (used) by investing activities	21	10
Net increase (decrease) in cash and cash equivalents	110,623	(447,862)
Cash and cash equivalents - beginning of year	1,605,566	1,073,197
Cash and cash equivalents - end of year	$ 1,716,189	$ 625,335

New Construction Housing	Local Housing Projects	Total
$ 68,577	$ 298,553	$ 744,477
(35,553)	(348,342)	(1,317,681)
(79,535)	(153,451)	(6,548,128)
144,744	64,280	6,756,218
98,233	(138,960)	(365,114)
-	38,091	78,420
-	-	-
-	38,091	78,420
-	493,035	493,035
(7,556)	-	(60,768)
(34,125)	(46,896)	(81,021)
(39,196)	(56,272)	(95,468)
(80,877)	389,867	255,778
3	77,037	77,071
3	77,037	77,071
17,359	366,035	46,155
367,983	1,620,882	4,667,628
$ 385,342	$ 1,986,917	$ 4,713,783

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Cash Flows - Detail
For the Year Ended June 30, 2015

	HUD Public Housing	HUD Section 8 Housing
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (31,672)	$ (468,159)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	174,039	880
Gain on sale of assets	-	-
Changes in assets and liabilities		
Accounts receivable	(16,559)	-
Prepaid expenses	7,868	11,596
Inventory	(6,737)	-
Accounts payable	25,413	12,639
Accrued payroll expenses	6,199	3,675
Accrued compensated absences	(5,946)	(2,250)
Net pension liability	(29,006)	(12,133)
Tenant deposits	(114)	5,880
Net cash provided (used) by operating activities	$ 123,485	$ (447,872)

New Construction Housing	Local Housing Projects	Total
$ 65,171	$ (268,439)	$ (703,099)
26,497	74,176	275,592
-	(91,984)	(91,984)
(2,955)	154,455	134,941
289	2,686	22,439
-	-	(6,737)
8,916	5,867	52,835
1,434	830	12,138
882	(8,667)	(15,981)
(2,263)	(8,893)	(52,295)
262	1,009	7,037
$ 98,233	$ (138,960)	$ (365,114)

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HUD PUBLIC HOUSING PROGRAMS

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Net Position - HUD Public Housing Programs
June 30, 2015

	Public Housing Operations	2013 Capital Fund Program
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,684,853	$ 2,224
Restricted cash and cash equivalents	58,316	-
Accounts receivable - tenants, net of allowance for doubtful accounts	2,712	-
Grants receivable	-	1,855
Inventory	14,123	-
Prepaid expenses and other assets	65,410	-
Total current assets	1,825,414	4,079
Noncurrent assets		
Capital assets, net	1,664,095	-
Total noncurrent assets	1,664,095	-
Total assets	3,489,509	4,079
DEFERRED OUTFLOWS OF RESOURCES		
Employer contributions subsequent to the measurement date	74,508	-
Total deferred outflows of resources	74,508	-
Total assets and deferred outflows of resources	$ 3,564,017	$ 4,079

2014 Capital Fund Program	2015 Capital Fund Program	Total
$ -	$ 102	$ 1,687,179
-	-	58,316
-	-	2,712
29,475	-	31,330
-	-	14,123
-	-	65,410
29,475	102	1,859,070
-	-	1,664,095
-	-	1,664,095
29,475	102	3,523,165
-	-	74,508
-	-	74,508
$ 29,475	$ 102	$ 3,597,673

	Public Housing Operations	2013 Capital Fund Program
LIABILITIES AND NET POSITION		
Current liabilities		
Book overdraft	$ -	$ -
Accounts payable	44,849	4,079
Accrued payroll	21,572	-
Total current liabilities	66,421	4,079
Current liabilities (payable from restricted assets)		
Tenant deposits	58,316	-
Total current liabilities (payable from restricted assets)	58,316	-
Non-current liabilities		
Compensated absences, noncurrent portion	35,601	-
Net pension liability	402,397	-
Total non-current liabilities	437,998	-
Total liabilities	562,735	4,079
DEFERRED INFLOWS OF RESOURCES		
Actuarial experience	273	-
Investment experience	157,429	-
Total deferred outflows of resources	157,702	-
NET POSITION		
Net investment in capital assets	1,664,095	-
Unrestricted	1,179,485	-
Total net position	2,843,580	-
Total liabilities, deferred inflows and net position	$ 3,564,017	$ 4,079

2014 Capital Fund Program	2015 Capital Fund Program	Total
$ 29,306	$ -	$ 29,306
-	-	48,928
169	799	22,540
29,475	799	100,774
-	-	58,316
-	-	58,316
-	-	35,601
-	-	402,397
-	-	437,998
29,475	799	597,088
-	-	273
-	-	157,429
-	-	157,702
-	-	1,664,095
-	(697)	1,178,788
-	(697)	2,842,883
$ 29,475	$ 102	$ 3,597,673

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, 2015

	Public Housing Operations	2013 Capital Fund Program
Operating revenues		
Rental revenue (tenants)	$ 353,497	$ -
Other tenant revenue	18,726	-
Operating subsidies and grants	717,090	85,299
Total operating revenues	1,089,313	85,299
Operating expenses		
Administration	611,482	
Maintenance and operations	271,638	74,506
Utilities	128,015	-
Depreciation	174,039	-
Miscellaneous	40,372	-
Total operating expenses	1,225,546	74,506
Operating income (loss)	(136,233)	10,793
Non-operating revenues (expenses)		
Interest income	21	-
Insurance reimbursement	40,332	-
Total non-operating revenues	40,353	-
Income before transfers	(95,880)	10,793
Transfers in	99,776	-
Transfers out	-	(10,793)
Change in net position	3,896	-
Total net position - beginning of year, prior to net position restatement	3,354,281	-
Net position restatement	(514,597)	
Total net position - beginning of year, after net position restatement	2,839,684	-
Total net position - end of year	$ 2,843,580	$ -

2014 Capital Fund Program	2015 Capital Fund Program	Total
$ -	$ -	$ 353,497
-	-	18,726
141,461	3,003	946,853
141,461	3,003	1,319,076
21,517	3,700	636,699
25,479	-	371,623
-	-	128,015
-	-	174,039
-	-	40,372
46,996	3,700	1,350,748
94,465	(697)	(31,672)
-	-	21
-	-	40,332
-	-	40,353
94,465	(697)	8,681
-	-	99,776
(94,465)	-	(105,258)
-	(697)	3,199
-	-	3,354,281
		(514,597)
-	-	2,839,684
$ -	$ (697)	$ 2,842,883

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Cash Flows - HUD Public Housing Programs
For the Year Ended June 30, 2015

	Public Housing Operations	2013 Capital Fund Program
Cash flows from operating activities:		
Cash received from tenant rents	$ 372,939	$ -
Cash payments to employees for services	(636,451)	(5,199)
Cash payments to suppliers for goods and services	(420,843)	(66,763)
Subsidy grants	717,090	95,845
Net cash provided (used) by operating activities	32,735	23,883
Cash flows from noncapital financing activities:		
Other income	40,329	-
Transfers in (out)	105,258	(10,793)
Net cash provided (used) by noncapital financing activities	145,587	(10,793)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(53,212)	-
Proceeds from sale of assets	-	-
Net cash provided (used) by capital and related financing activities	(53,212)	-
Cash flows from investing activities:		
Interest on investments	21	-
Net cash provided (used) by investing activities	21	-
Net increase (decrease) in cash and cash equivalents	125,131	13,090
Cash and cash equivalents - beginning of year	1,618,038	(10,866)
Cash and cash equivalents - end of year	$ 1,743,169	$ 2,224

2014 Capital Fund Program	2015 Capital Fund Program	Total
$ -	$ -	$ 372,939
(21,396)	(2,901)	(665,947)
(25,479)	-	(513,085)
113,640	3,003	929,578
66,765	102	123,485
-	-	40,329
(94,465)	-	-
(94,465)	-	40,329
-	-	(53,212)
-	-	-
-	-	(53,212)
-	-	21
-	-	21
(27,700)	102	110,623
(1,606)	-	1,605,566
$ (29,306)	$ 102	$ 1,716,189

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Combining Statement of Cash Flows - HUD Public Housing Programs

For the Year Ended June 30, 2015

	Public Housing Operations	2013 Capital Fund Program
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (136,233)	$ 10,793
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	174,039	-
Changes in assets and liabilities		
Accounts receivable	716	10,546
Prepaid expenses	7,868	-
Inventory	(6,737)	-
Accounts payable	22,670	2,743
Accrued payroll expenses	5,478	(199)
Accrued compensated absences	(5,946)	-
Net pension liability	(29,006)	-
Tenant deposits	(114)	-
Net cash provided (used) by operating activities	$ 32,735	$ 23,883

2014 Capital Fund Program	2015 Capital Fund Program	Total
$ 94,465	$ (697)	$ (31,672)
-	-	174,039
(27,821)	-	(16,559)
-	-	7,868
-	-	(6,737)
-	-	25,413
121	799	6,199
-	-	(5,946)
-	-	(29,006)
-	-	(114)
$ 66,765	$ 102	$ 123,485

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NEW CONSTRUCTION HOUSING

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Combining Statement of Net Position - New Construction Housing Programs

June 30, 2015

		New Construction Operations
ASSETS		
Current assets		
Cash and cash equivalents	$	376,956
Restricted cash and cash equivalents		8,386
Accounts receivable - Other		3,126
Prepaid expenses and other assets		6,608
Total current assets		395,076
Noncurrent Assets		
Capital assets, net		1,441,598
Total noncurrent assets		1,441,598
Total assets		1,836,674
DEFERRED OUTFLOWS OF RESOURCES		
Employer contributions subsequent to the measurement date		5,813
Total deferred outflows of resources		5,813
Total assets and deferred outflows of resources	$	1,842,487

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Net Position - New Construction Housing Programs
June 30, 2015

	New Construction Operations
LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payable	$ 10,505
Prepaid tenant rent	39
Accrued payroll	2,778
Notes payable, current portion	36,161
Total current liabilities	49,483
Current liabilities (payable from restricted assets)	
Tenant deposits	8,386
Total current liabilities (payable from restricted assets)	8,386
Non-current liabilities	
Compensated absences, noncurrent portion	2,894
Notes payable, net of current portion	589,396
Net pension liability	31,396
Total non-current liabilities	623,686
Total liabilities	681,555
DEFERRED INFLOWS OF RESOURCES	
Actuarial experience	21
Investment experience	12,283
Total deferred outflows of resources	12,304
Net position:	
Net investment in capital assets	816,041
Unrestricted	332,587
Total net position	1,148,628
Total liabilities, deferred inflows and net position	$ 1,842,487

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, 2015

	New Construction Operations
Operating revenues	
Rental revenue (tenants)	$ 69,927
Other tenant revenue	1,605
Operating subsidies and grants	144,744
Total operating revenues	216,276
Operating expenses	
Administration	57,997
Maintenance and operations	41,471
Utilities	25,140
Depreciation	26,497
Total operating expenses	151,105
Operating income (loss)	65,171
Non-operating revenues (expenses)	
Interest income	3
Interest expense	(39,196)
Total non-operating revenues	(39,193)
Income before transfers	25,978
Transfers in	-
Transfers out	-
Change in net position	25,978
Total net position - beginning of year, prior to net position restatement	1,162,800
Net position restatement	(40,150)
Total net position - beginning of year, after net position restatement	1,122,650
Total net position - end of year	$ 1,148,628

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Cash Flows - New Construction Housing Programs
For the Year Ended June 30, 2015

	New Construction Operations
Cash flows from operating activities:	
Cash received from tenant rents	$ 68,577
Cash payments to employees for services	(35,553)
Cash payments to suppliers for goods and services	(79,535)
Subsidy grants	144,744
Net cash provided (used) by operating activities	98,233
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(7,556)
Principal payments on long-term debt	(34,125)
Interest payments on long-term debt	(39,196)
Net cash provided (used) by capital and related financing activities	(80,877)
Cash flows from investing activities:	
Interest earned	3
Net cash provided by investing activities	3
Net increase in cash and cash equivalents	17,359
Cash and cash equivalents - beginning of year	367,983
Cash and cash equivalents - end of year	$ 385,342

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Combining Statement of Cash Flows - New Construction Housing Programs

For the Year Ended June 30, 2015

		New Construction Operations
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	65,171
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		26,497
Changes in assets and liabilities		
Accounts receivable		(2,955)
Prepaid expenses		289
Accounts payable		8,916
Accrued payroll expenses		1,434
Accrued compensated absences		882
Net pension liability		(2,263)
Tenant deposits		262
Net cash provided (used) by operating activities	$	98,233

LOCAL HOUSING PROJECTS

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Net Position - Local Housing Projects
June 30, 2015

	Conventional Home Choice II	Shelter Plus Care
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,462,502	$ 249
Restricted cash and cash equivalents	12,379	-
Accounts receivable - tenants, net of allowance for doubtful accounts	3,387	-
Grants receivable	-	-
Inventory	-	-
Prepaid expenses and other assets	18,835	-
Total current assets	1,497,103	249
Noncurrent Assets		
Capital assets, net	2,017,882	-
Receivables from component units, net	1,058,336	-
Mortgage receivables, noncurrent	1,209,821	-
Other noncurrent assets	100,500	-
Total noncurrent assets	4,386,539	-
Total assets	5,883,642	249
DEFERRED OUTFLOWS OF RESOURCES		
Employer contributions subsequent to the measurement date	13,671	1,371
Total deferred outflows of resources	13,671	1,371
Total assets and deferred outflows of resources	$ 5,897,313	$ 1,620

Developer Fees	Total
$ 511,787	$ 1,974,538
-	12,379
-	3,387
-	-
-	-
-	18,835
511,787	2,009,139
-	2,017,882
550,578	1,608,914
-	1,209,821
316,656	417,156
867,234	5,253,773
1,379,021	7,262,912
7,804	22,846
7,804	22,846
$ 1,386,825	$ 7,285,758

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Net Position - Local Housing Projects
June 30, 2015

	Conventional Home Choice II	Shelter Plus Care
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	$ 10,219	$ -
Accrued payroll	3,821	924
Notes payable, current portion	108,498	-
Total current liabilities	122,538	924
Current liabilities (payable from restricted assets)		
Tenant deposits	12,379	-
Total current liabilities (payable from restricted assets)	12,379	-
Non-current liabilities		
Compensated absences, noncurrent portion	7,192	-
Notes payable, net of current portion	753,734	-
Net pension liability	73,836	7,405
Total non-current liabilities	834,762	7,405
Total liabilities	969,679	8,329
DEFERRED INFLOWS OF RESOURCES		
Actuarial experience	50	5
Investment experience	28,886	2,897
Total deferred inflows of resources	28,936	2,902
Net position:		
Net investment in capital assets	1,155,650	-
Restricted	-	-
Unrestricted	3,743,048	(9,611)
Total net position	4,898,698	(9,611)
Total liabilities, deferred intflows and net position	$ 5,897,313	$ 1,620

Developer Fees	Total
$ 204	$ 10,423
1,765	6,510
-	108,498
1,969	125,431
-	12,379
-	12,379
2,506	9,698
-	753,734
42,149	123,390
44,655	886,822
46,624	1,024,632
29	84
16,490	48,273
16,519	48,357
-	1,155,650
-	-
1,323,682	5,057,119
1,323,682	6,212,769
$ 1,386,825	$ 7,285,758

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

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

For the Year Ended June 30, 2015

	Conventional Home Choice II	Shelter Plus Care
Operating revenues		
Rental revenue (tenants)	$ 249,893	$ -
Other tenant revenue	11,509	-
Operating subsidies and grants	-	38,960
Total operating revenues	261,402	38,960
Operating expenses		
Administration	166,192	10,764
Maintenance and operations	92,666	27,978
Utilities	29,068	-
Depreciation	74,176	-
Miscellaneous	92,909	-
Total operating expenses	455,011	38,742
Operating income (loss)	(193,609)	218
Non-operating revenues (expenses)		
Other income (expenses)	-	-
Interest income	71,728	-
Interest expense	(56,272)	-
Developer fees	-	-
Management fees and other income	(20,711)	-
Gain on disposal of assets	91,984	-
Total non-operating revenues	86,729	-
Income before transfers	(106,880)	218
Transfers in	5,482	4,305
Transfers out	(293,482)	(70)
Change in net position	(394,880)	4,453
Total net position - beginning of year, prior to net position reclassification	5,388,001	(4,594)
Net position restatement	(94,423)	(9,470)
Total net position - beginning of year, after net position restatement	5,293,578	(14,064)
Total net position - end of year	$ 4,898,698	$ (9,611)

Developer Fees		Total
$ -		$ 249,893
-		11,509
-		38,960
-		300,362
68,980		245,936
6,063		126,707
5		29,073
-		74,176
-		92,909
75,048		568,801
(75,048)		(268,439)
(24,622)		(24,622)
5,309		77,037
-		(56,272)
23,138		23,138
150,544		129,833
-		91,984
154,369		241,098
79,321		(27,341)
293,552		303,339
(4,305)		(297,857)
368,568		(21,859)
1,009,015		6,392,422
(53,901)		(157,794)
955,114		6,234,628
$ 1,323,682		$ 6,212,769

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Cash Flows - Local Housing Projects
For the Year Ended June 30, 2015

	Conventional Home Choice II	Shelter Plus Care
Cash flows from operating activities:		
Cash received from tenant rents	$ 298,553	$ -
Cash payments to employees for services	(266,811)	(10,374)
Cash payments to suppliers for goods and services	(112,560)	(27,978)
Subsidy grants and other receipts	-	64,280
Net cash provided (used) by operating activities	(80,818)	25,928
Cash flows from noncapital financing activities:		
Miscellaneous income (expense)	(10,958)	-
Transfers in (out)	(293,482)	4,235
Net cash provided (used) by noncapital financing activities	(304,440)	4,235
Cash flows from capital and related financing activities:		
Proceeds from sale of assets	493,035	-
Principal payments on long-term debt	(46,896)	-
Interest payments on long-term debt	(56,272)	-
Net cash provided (used) by capital and related financing activities	389,867	-
Cash flows from investing activities:		
Interest on investments	71,728	-
Net cash provided (used) from investing activities	71,728	-
Net increase (decrease) in cash and cash equivalents	76,337	30,163
Cash and cash equivalents - beginning of year	1,398,544	(29,914)
Cash and cash equivalents - end of year	$ 1,474,881	$ 249

Developer Fees	Total
$ -	$ 298,553
(71,157)	(348,342)
(12,913)	(153,451)
-	64,280
(84,070)	(138,960)
49,049	38,091
289,247	-
338,296	38,091
-	493,035
-	(46,896)
-	(56,272)
-	389,867
5,309	77,037
5,309	77,037
259,535	366,035
252,252	1,620,882
$ 511,787	$ 1,986,917

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Cash Flows - Local Housing Projects
For the Year Ended June 30, 2015

	Conventional Home Choice II	Shelter Plus Care
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (193,609)	$ 218
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	74,176	-
Gain on sale of assets	(91,984)	-
Changes in assets and liabilities		
Accounts receivable	129,135	25,320
Prepaid expenses	2,686	-
Accounts payable	5,722	-
Accrued payroll expenses	(367)	924
Accrued compensated absences	(2,264)	-
Net pension liability	(5,322)	(534)
Tenant deposits	1,009	-
Net cash provided (used) by operating activities	$ (80,818)	$ 25,928

Developer Fees	Total
$ (75,048)	$ (268,439)
-	74,176
-	(91,984)
-	154,455
-	2,686
145	5,867
273	830
(6,403)	(8,667)
(3,037)	(8,893)
-	1,009
$ (84,070)	$ (138,960)

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SUPPORTING SCHEDULES

MESILLA VALLEY PUBLIC HOUSING AUTHORITY Schedule III

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2015

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP No.	Market Value June 30, 2015
Wells Fargo Bank	FG G08525	05/01/43	3128MJSP6	$ 2,371,411
Wells Fargo Bank	FH 1B8632	09/01/41	3128UG6U6	711,490
Wells Fargo Bank	FG V80024	04/01/43	3132L5AZ6	51,985
Wells Fargo Bank	FHR 3950 QF	08/15/40	3137AHRW0	177,899
Wells Fargo Bank	FHR 3735 DA	10/15/28	3137GAFK8	1,552,977
Wells Fargo Bank	FHR 3312 HF	08/15/33	31397HB72	196,636
			Total	$ 5,062,398

Note:

Pledged collateral is held in safekeeping by Wells Fargo Bank

See independent auditors' report

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Schedule of Deposits and Investments
June 30, 2015

Financial Institution/Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Wells Fargo Bank				
Operating Account - Demand	$ 4,659,769	$ -	$ 11,713	$ 4,648,056
Rent Account - Demand	53,153	-	-	53,153
Family Self-Sufficiency Account - Demand	11,574	-	-	11,574
Total Wells Fargo Bank	4,724,496	-	11,713	4,712,783
Total deposits and investments	$ 4,724,496	$ -	$ 11,713	$ 4,712,783
Petty cash				1,000
Total cash and cash equivalents				$ 4,713,783

See independent auditors' report

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MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Schedule of Vendor Information for Purchases Exceeding $60,000 (excluding GRT)

For the Year Ended June 30, 2015

Bid/RFP #	Respondent Vendor	Awarded? (Yes/No)	In-State Vendor (Yes/No)	Did In-State Vendor Choose Veterans' Preference Instaed of In-State Preference?	Scope of Work	Dollar Amount Awarded to this Vendor
RFP 15-9010	Accounting & Consulting Group, LLP	Yes	Yes	No	Fiscal Year-End Independent Audit	$ 62,000
RFP 15-9010	REDW, LLC	No	Yes	No	Fiscal Year-End Independent Audit	-
RFP 15-9010	Strickler & Prieto, LLP	No	No	N/A	Fiscal Year-End Independent Audit	-

See independent auditors' report

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
June 30, 2015

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
111	Cash - Unrestricted	$ 1,684,853	$ 501,476
112	Cash - Restricted - Modernization and Development	-	-
113	Cash - Other Restricted	-	123,859
114	Cash - Tenant Security Deposits	58,316	-
100	Total Cash	1,743,169	625,335
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	5,185	-
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(2,473)	-
126.2	Allowance for Doubtful Accounts - Other	-	-
129	Accrued Interest Receivable	-	-
120	Total Receivables, Net of Allowance for Doubtful Accounts	2,712	-
142	Prepaid Expenses and Other Assets	65,410	25,035
143	Inventories	15,044	-
143.1	Allowance for Obsolete Inventories	(921)	-
145	Assets Held for Sale	-	-
150	Total Current Assets	1,825,414	650,370
161	Land	515,541	-
162	Buildings	5,863,787	4,108
163	Furniture, Equipment & Machinery - Dwellings	-	-
164	Furniture, Equipment & Machinery - Administration	555,627	3,739
165	Leasehold Improvements	1,979,772	433
166	Accumulated Depreciation	(7,250,632)	(2,526)
160	Total Capital Assets, Net of Accumulated Depreciation	1,664,095	5,754
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-
174	Other Assets	-	-
180	Total Non-Current Assets	1,664,095	5,754
190	Total Assets	3,489,509	656,124
200	Deferred Outflows	74,508	31,166
290	Total Assets and Deferred Outflows	$ 3,564,017	$ 687,290

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, 2014)
$ (26,980)	$ 376,956	$ 1,974,289	$ 249	$ 4,510,843	$ 103,582
-	-	-	-	-	-
-	-	-	-	123,859	1,208,827
-	8,386	12,379	-	79,081	128,313
(26,980)	385,342	1,986,668	249	4,713,783	1,440,722
-	-	-	-	-	-
31,330	-	-	-	31,330	-
-	-	-	-	-	5,114
-	3,126	2,512,560	-	2,515,686	3,532
-	-	4,616	-	9,801	7,211
-	-	(1,229)	-	(3,702)	-
-	-	(1,383,014)	-	(1,383,014)	-
-	-	332,462	-	332,462	-
31,330	3,126	1,465,395	-	1,502,563	15,857
-	6,608	18,835	-	115,888	55,116
-	-	-	-	15,044	-
-	-	-	-	(921)	-
-	-	100,500	-	100,500	-
4,350	395,076	3,571,398	249	6,446,857	1,511,695
-	872,000	11,520	-	1,399,061	1,214,972
-	1,055,334	2,613,371	-	9,536,600	23,478,092
-	-	-	-	-	1,170,678
-	-	-	-	559,366	609
-	7,556	36,837	-	2,024,598	-
-	(493,292)	(643,846)	-	(8,390,296)	(7,536,650)
-	1,441,598	2,017,882	-	5,129,329	18,327,701
-	-	1,673,383	-	1,673,383	-
-	-	-	-	-	462,753
-	1,441,598	3,691,265	-	6,802,712	18,790,454
4,350	1,836,674	7,262,663	249	13,249,569	20,302,149
-	5,813	21,475	1,371	134,333	-
$ 4,350	$ 1,842,487	$ 7,284,138	$ 1,620	$ 13,383,902	$ 20,302,149

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
June 30, 2015

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
312	Accounts Payable <= 90 Days	$ 44,849	$ 23,799
321	Accrued Wage/Payroll Taxes Payable	21,572	10,358
325	Accrued Interest Payable	-	-
341	Tenant Security Deposits	58,316	-
342	Unearned Revenues	-	-
343	Current Portion of Long-term Debt - Capital Projects	-	-
345	Other Current Liabilities	-	13,402
346	Accrued Liabilities - Other	-	-
310	Total Current Liabilities	124,737	47,559
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	35,601	4,711
355	Loan liability - Noncurrent	-	-
357	Accrued Pension	402,397	168,318
350	Total Non-Current Liabilities	437,998	173,029
300	Total Liabilities	562,735	220,588
400	Deferred Inflows	157,702	65,964
508.4	Net Investment in Capital Assets	1,664,095	5,754
511.4	Restricted Net Position	-	110,457
512.4	Unrestricted Net Position	1,179,485	284,527
513	Total Equity/Net Position	2,843,580	400,738
600	Total Liabilities, Deferred Inflows and Equity/Net Position	$ 3,564,017	$ 687,290

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, 2014)
$ 4,079	$ 10,505	$ 10,423	$ -	$ 93,655	$ 50,850
968	2,778	5,586	924	42,186	-
-	-	-	-	-	32,046
-	8,386	12,379	-	79,081	127,067
-	39	-	-	39	8,224
-	36,161	108,498	-	144,659	89,513
-	-	-	-	13,402	21,848
-	-	-	-	-	84,449
5,047	57,869	136,886	924	373,022	413,997
-	589,396	753,734	-	1,343,130	8,767,831
-	-	-	-	-	-
-	-	-	-	-	893,022
-	2,894	9,698	-	52,904	-
-	-	-	-	-	-
-	31,396	115,985	7,405	725,501	-
-	623,686	879,417	7,405	2,121,535	9,660,853
5,047	681,555	1,016,303	8,329	2,494,557	10,074,850
-	12,304	45,455	2,902	284,327	-
-	816,041	1,155,650	-	3,641,540	9,470,357
-	-	-	-	110,457	1,337,140
(697)	332,587	5,066,730	(9,611)	6,853,021	(580,198)
(697)	1,148,628	6,222,380	(9,611)	10,605,018	10,227,299
$ 4,350	$ 1,842,487	$ 7,284,138	$ 1,620	$ 13,383,902	$ 20,302,149

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
For the Year Ended June 30, 2015

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
70300	Net Tenant Rental Revenue	$ 353,497	$ -
70400	Tenant Revenue - Other	18,726	-
70500	Total Tenant Revenue	372,223	-
70600	HUD PHA Operating Grants	711,696	5,617,616
70610	Capital Grants	-	-
70800	Other Governmental Grants	-	-
71100	Investment Income - Unrestricted	21	10
71200	Mortgage Interest Income	-	-
71300	Proceeds from Disposition of Assets Held for Sale	-	-
71310	Cost of Sale of Assets	-	-
71400	Fraud Recovery	-	8,568
71500	Other Revenue	45,726	124
71600	Gain or Loss on Sale of Capital Assets	-	-
72000	Investment Income - Restricted	-	-
70000	Total Revenue	1,129,666	5,626,318
91100	Administrative Salaries	302,399	193,139
91200	Auditing Fees	20,500	22,505
91300	Outside Management Fees	-	-
91400	Advertising and Marketing	-	-
91500	Employee Benefit Contributions - Administrative	95,670	54,109
91600	Office Expenses	26,830	51,128
91700	Legal Expense	9,715	2,249
91800	Travel	151	767
91900	Other Operating - Administrative	22,698	226,372
91000	Total Operating - Administrative	477,963	550,269
92000	Asset Management Fee	-	-
92200	Relocation Costs	575	-
92400	Tenant Services- Other	-	-
92500	Total Tenant Services	575	-

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, 2014)
$ -	$ 69,927	$ 249,893	$ -	$ 673,317	$ 1,782,863
-	1,605	11,509	-	31,840	56,956
-	71,532	261,402	-	705,157	1,839,819
176,551	144,744	-	9,719	6,660,326	-
53,212	-	-	-	53,212	-
-	-	-	29,241	29,241	-
-	3	77,037	-	77,071	38
-	-	-	-	-	-
-	-	222,500	-	222,500	-
-	-	(181,470)	-	(181,470)	-
-	-	-	-	8,568	-
-	-	152,971	-	198,821	665
-	-	50,954	-	50,954	-
-	-	-	-	-	629
229,763	216,279	583,394	38,960	7,824,380	1,841,151
25,048	20,584	110,922	8,398	660,490	122,887
5,000	5,000	23,500	-	76,505	34,732
-	-	-	-	-	102,908
-	-	-	-	-	9,031
169	6,593	30,728	1,917	189,186	31,731
-	5,883	9,043	-	92,884	63,182
-	31	22,346	-	34,341	1,841
-	30	1,737	-	2,685	-
-	3,345	23,137	444	275,996	5,214
30,217	41,466	221,413	10,759	1,332,087	371,526
-	-	-	-	-	18,268
105	-	-	-	680	-
-	-	2,400	27,978	30,378	1,893
105	-	2,400	27,978	31,058	1,893

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
For the Year Ended June 30, 2015

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
93100	Water	58,238	-
93200	Electricity	13,358	50
93300	Gas	3,508	-
93600	Sewer	44,938	-
93800	Other Utilities	7,973	1
93000	Total Utilities	128,015	51
94100	Ordinary Maintenance & Operation - Labor	134,858	-
94200	Ordinary Maintenance & Operation - Materials & Other	50,019	5
94300	Ordinary Maintenance & Operation Contracts	77,861	-
94500	Employee Benefit Contributions - Ordinary Maintenance	55,649	-
94000	Total Maintenance	318,387	5
95200	Protective Services- Other Contract Costs	860	-
	Total Protective Services	860	-
96110	Property Insurance	26,072	14,038
96120	Liability Insurance	13,023	7,018
96130	Workmen's Compensation	14,013	7,546
96140	All Other Insurance	32,518	13,242
96100	Total Insurance Premiums	85,626	41,844
96200	Other General Expenses	4,970	-
96210	Compensated Absences	(5,946)	(2,250)
96400	Bad Debt - Tenant Rents	(1,247)	-
96600	Bad Debt - Other	-	-
96000	Total Other General	(2,223)	(2,250)
96710	Interest of Mortgage (or Bonds) Payable	-	-
96900	Total Operating Expenses	1,009,203	589,919
97000	Excess Operating Revenue Over Operating Expenses	120,463	5,036,399
97100	Extraordinary Maintenance	685	-
97200	Casualty Loss	41,619	-
97300	Housing Assistance Payments	-	5,503,668
97400	Depreciation Expense	174,039	880
90000	Total Expenses	$ 1,225,546	$ 6,094,467

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, 2014)
-	12,285	3,947	-	74,470	65,090
-	2,059	11,955	-	27,422	71,323
-	333	3,489	-	7,330	3,118
-	10,197	4,895	-	60,030	44,898
-	-	-	-	7,974	-
-	24,874	24,286	-	177,226	184,429
-	14,140	29,282	-	178,280	90,950
-	8,850	25,182	-	84,056	58,540
94,879	16,027	40,812	-	229,579	181,879
-	6,154	10,326	-	72,129	23,485
94,879	45,171	105,602	-	564,044	354,854
-	126	285	-	1,271	4,008
-	126	285	-	1,271	4,008
-	2,507	7,521	-	50,138	50,339
1	1,253	3,760	-	25,055	25,170
-	1,348	4,042	5	26,954	7,612
-	4,505	10,131	-	60,396	2,142
1	9,613	25,454	5	162,543	85,263
-	1,758	10,828	-	17,556	160,439
-	882	(8,666)	-	(15,980)	-
-	718	-	-	(529)	26,058
-	-	98,903	-	98,903	-
-	3,358	101,065	-	99,950	186,497
-	39,196	56,272	-	95,468	447,904
125,202	163,804	536,777	38,742	2,463,647	1,654,642
104,561	52,475	46,617	218	5,360,733	186,509
-	-	-	-	685	-
-	-	-	-	41,619	-
-	-	-	-	5,503,668	-
-	26,497	74,176	-	275,592	765,683
$ 125,202	$ 190,301	$ 610,953	$ 38,742	$ 8,285,211	$ 2,420,325

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
For the Year Ended June 30, 2015

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
10010	Operating Transfers In	$ 99,776	$ -
10020	Operating Transfers Out	-	-
10100	Total Other Financing Sources (Uses)	99,776	-
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	3,896	(468,149)
11030	Beginning Equity	3,354,281	1,084,136
11040-010	Prior Period Adjustments and Correction of Errors	(514,597)	(215,249)
11040-070	Equity Transfers	-	-
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	(514,597)	(215,249)
	Ending Equity (deficit)	$ 2,843,580	$ 400,738
11170	Administrative Fee Equity	$ -	$ 290,281
11180	Housing Assistance Payments Equity	$ -	$ 110,457
11190	Unit Months Available	3,024	1,614
11210	Number of Unit Months Leased	2,988	1,118
11270	Excess Cash	$ 1,498,327	$ -
11610	Land Purchases	$ -	$ -
11620	Building Purchases	$ -	$ -
11640	Furniture and Equipment - Administrative Purchases	$ -	$ -

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, 2014)
$ -	$ -	$ 299,034	$ 4,305	$ 403,115	$ -
(105,258)	-	(297,787)	(70)	(403,115)	-
(105,258)	-	1,247	4,235	-	-
(697)	25,978	(26,312)	4,453	(460,831)	(579,174)
-	1,162,800	6,397,016	(4,594)	11,993,639	30,085,178
-	(40,150)	(148,324)	(9,470)	(927,790)	-
-	-	-	-	-	(19,278,705)
-	(40,150)	(148,324)	(9,470)	(927,790)	(19,278,705)
$ (697)	$ 1,148,628	$ 6,222,380	$ (9,611)	$ 10,605,018	$ 10,227,299
$ -	$ -	$ -	$ -	$ 290,281	$ -
$ -	$ -	$ -	$ -	$ 110,457	$ -
-	480	732	-	5,850	3,936
-	444	552	-	5,102	3,732
$ -	$ -	$ -	$ -	$ 1,498,327	$ -
$ 42,419	$ -	$ -	$ -	$ 42,419	$ -
$ 10,793	$ -	$ -	$ -	$ 10,793	$ -
$ -	$ -	$ -	$ -	$ -	$ -

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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

Timothy Keller
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 of the business-type activities and budgetary comparison of the Mesilla Valley Public Housing Authority (the "Housing Authority") as of and for the year ended June 30, 2015, 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 22, 2015. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 2015-001 and FAHA 2014-001.

Housing Authority Responses to Findings

The Housing Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Housing Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 22, 2015

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FEDERAL FINANCIAL ASSISTANCE

Accounting & Consulting Group, LLP
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

Timothy Keller
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 Compliance Supplement* that could have a direct and material effect on the Housing Authority's major federal program for the year ended June 30, 2015. 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.

Basis for Qualified Opinion on Section 8 Housing Choice Vouchers

As described in the accompanying schedule of findings and questioned costs, the Housing Authority did not comply with requirements regarding CFDA 14.871 Section 8 Housing Choice Vouchers as described in finding numbers FAHA 2014-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the Housing Authority to comply with the requirements applicable to that program.

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Qualified Opinion on Section 8 Housing Choice Vouchers

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Section 8 Housing Choice Vouchers for the year ended June 30, 2015.

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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings 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 22, 2015

MESILLA VALLEY PUBLIC HOUSING AUTHORITY Schedule VII

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

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	$ 144,744	
Shelter Plus Care		14.238	29,241	
Family Self Sufficiency Fund	NM003FSH457A014	14.896	10,393	
Public and Indian Housing	NM003000001	14.850	717,090	
Section 8 Housing Choice Vouchers	NM003V0	14.871	5,622,035	*
Public Housing Capital Fund (CFP)	NM02P003501-13	14.872	85,299	
	NM02P003501-14	14.872	141,461	
	NM02P003501-15	14.872	3,702	
			230,462	
Total U.S. Department of Housing and Urban Development			6,753,965	
Total Expenditures of Federal Awards			$ 6,753,965	

* 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, 2015

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 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.

Loans

The Authority did not expend federal awards related to loans or loan guarantees during the year.

Noncash

The Authority did not receive noncash federal awards during the year.

Federally Funded Insurance

The Authority has no federally funded insurance.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
June 30, 2015

A. SUMMARY OF AUDIT RESULTS

Financial Statements:

1.	Type of auditors' report issued	Unmodified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified?	None noted
	b. Significant deficiencies identified not considered to be material weaknesses?	None noted
	c. Noncompliance material to the basic financial statements noted?	None noted

Federal Awards:

1.	Internal control over major programs:	
	a. Material weaknesses identified?	Yes
	b. Significant deficiencies identified not considered to be material weaknesses?	None noted
2.	Type of auditors' report issued on compliance for major programs	Qualified
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, 2015

B. FINDINGS-FINANCIAL STATEMENT AUDIT

FS 2015-001 Deficiency in Internal Controls (Finding that does not rise to significant deficiency)

Condition: During our walkthrough and review of significant transaction classes and activity level controls, we noted the following internal control deficiency:

- In 1 out of 10 employee files selected for testwork, the action form for an employee did not have the two authorizing signatures from the Executive Director and the Direct Supervisor.

Criteria: The COSO Internal Control Integrated Framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring. With these elements in place, the Housing Authority can maximize its potential for safeguarding assets and reduce the risk of misstatements within its financial statements.

Effect: Without all of the five elements of the COSO framework present, the Housing Authority is exposing itself to the risk of misappropriation of assets. In addition, errors or fraud present in the accounting records may not be prevented or detected.

Cause: The Housing Authority has experienced turnover within the HCV department departments and there was no contingency plan in place to maintain the general practice of two approvals while the positions were being filled.

Auditors' Recommendations: We recommend that the Housing Authority ensure that the internal controls system is designed to be implemented at all times, specifically contingency plans when positions are vacant.

Views of Responsible Officials and Planned Corrective Actions: We did not have a direct supervisor for the HCV Department at that time. The position has since been filled by management, resolving this issue.

C. FINDINGS – FEDERAL AWARDS AND FINANCIAL STATEMENTS

FAHA 2014-001 – Lack of Proper Documentation in Tenant Files – Section 8 – Material Weakness/Material Noncompliance (Repeated)

Federal Program Information:

Funding agency:	U.S. Department of Housing and Urban Development
Title:	Section 8 Housing Choice Vouchers
CFDA Number:	14.871
Award Number:	PHA NM003
Grant Year:	2015

Condition: During testwork over tenant files, we noted the following deficiencies and management has made progress by bringing the HCV program in-house to implement the corrective action plan and believes the files will be compliant by the end of fiscal year 2016:

- In 1 out of 60 tenant files selected for testwork, assistance was terminated on October 31, 2014. Payments for the months of November and December were made causing an overpayment in the amount of $930 and no documentation to show that repayment was received. This is considered a questioned cost.
- In 11 out of 60 tenant files selected for testwork, no recent HQS inspection was present in the file.
- In 3 out of 60 tenant files selected for testwork, HUD-50058 Family Report was not present in the file.
- In 1 out of 60 tenant files selected for testwork, an incorrect utilities rate was used. The number of bedrooms on form 50058 is three and, in the Allowance for Utilities Form, the rate for a two bedroom dwelling was used.
- In 4 out of 60 tenant files selected for testwork, the contract amendment was not signed by Housing personnel.

- In 1 out of 60 tenant files selected for testwork, the Rent Payment Calculation was not documented in the file.
- In 2 out of 60 tenant files selected for testwork, documents from 2 different tenants were found mixed in the same file.
- In 1 out of 60 tenant files selected for testwork, no documents for the current year were present in the file, and one payment in the amount of $585 was made and could not be verified. This is considered a questioned cost.
- In 2 out of 60 tenant files selected for testwork, the file was not provided for testwork. Monthly payments in the amounts of $498 and $238 respectively, could not be verified. The total questioned costs for these tenant files total $5,976 and $2,856, respectively.
- In 1 out of 60 tenant files selected for testwork, the HAP listed on the contract is $299 per month, but the check register shows monthly HAP payments of $330. The difference of $31 each month is considered a questioned cost and totaled $372 for the year.
- In 1 out of 60 tenant files selected for testwork, no contract for the current year was present in the file, but one payment of $520 was made on 7/1/14. This is considered a questioned cost.
- In 1 out of 60 tenant files selected for testwork, tenant received a check for Utility Reimbursement (URP) in the amount of $65 for the month of March 2015, but no contract in file was present to verify amount approved. The total questioned cost was $65.
- In 1 out of 60 tenant files selected for testwork, the Rent Calculation indicates rent assistance in the amount of $734 monthly, but the contract for the same period shows assistance in the amount of $800 monthly. The total questioned cost was $792.

Criteria: In accordance with 24 CFR sections 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: $12,096

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 was retained within the tenant files and in accordance with program guidelines.

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 eligibility determinations and related calculations as identified by the Department of Housing and Urban Development.

Views of Responsible Officials and Planned Corrective Actions: Effective May 18, 2015, management of the Housing Choice Voucher Program was brought back internally versus contracting out. Since this time, internal control policies and procedures have been implemented to include monthly QC review of all HAP adjustments, repayment/overpayment agreements, income documentation, utility allowances, and utility reimbursements. File quality has increased significantly and will continue to be monitored for consistency on all files. The HCV Specialists have all been certified through Nan McKay to ensure accuracy on income calculations, rent payment calculations, TTP, and deductions. Management has created a review document to be used with all calculations on every file to ensure consistency and the HCV Manager reviews during the monthly QC audits for accuracy. The Utility Allowance has been integrated with Tenmast 2+ software to ensure the correct schedule is being utilized for each unit which is also reviewed by the HCV Manager during monthly QC reviews.

We are currently undergoing a full file review to ensure all documents are printed in all files and most recent information has been merged with all our history files to ensure only one file exists for each tenant. HCV Manager has been designated the role of implementing the corrective action plan immediately and have finding resolved by next year.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
June 30, 2015

D. PRIOR YEAR AUDIT FINDINGS

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

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 22, 2015. The following individuals were in attendance and the meeting was held in closed session.

<u>Mesilla Valley Public Housing Authority</u>

Theresa Olguin-Fisher, Chairman
Beth Bardwell, Vice Chairman
Shelly Sanders, Commissioner
Annaliza Gourneau, Commissioner
Felix Cordero, Commissioner
Juan Olvera, Executive Director
Jesse Padilla, Deputy Director
Sharon Hansen, Accountant
Lee Montague, Modernization/Maintenance Manager
Christine Gonzalez, Office Manager
Jaclyn Leyva, HCV Manager

<u>Accounting & Consulting Group, LLP</u>

Bobby Cordova, CPA, Partner
Roxie Samaniego, CPA, Partner
Gina Banuelos, Staff II