CPAs + CONSULTANTS, LLP
ACHIEVING RESULTS

State of
New Mexico

Mesilla Valley
Public Housing
Authority

Financial Statements and Independent Auditors' Report For the Year Ended June 30, 2016

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

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INTRODUCTORY SECTION

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
June 30, 2016
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MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Directory of Officials
June 30, 2016

Board of Commissioners

Chairman	Elizabeth Bardwell
Vice Chairman-Resident Commissioner	Annaliza Gourneau
Commissioner	Felix Cordero
Commissioner	Shelly Sanders
Commissioner	William Rothengrass

Administrative Officials

Executive Director	Juan Olvera
Deputy Director	Jesse Padilla
Accountant	Laura Ramos

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FINANCIAL SECTION

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, 2016, 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.

Auditors' 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, 2015, 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.

Understanding Your Needs to Provide Solutions that Achieve Results

Opinions

In our opinion, based on our audit and the reports 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, 2016, 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. In addition, in our opinion, the budget comparison schedule presented as supplementary information 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 13 through 17 and Schedules I and II on pages 120 and 121, 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 financial statements that collectively comprise the Housing Authority's basic financial statements and the budgetary comparison schedule. The introductory section, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the Program Detail Financial Statements, Supporting Schedules III through V 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2016 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.

RPC CPAs + Consultants LLP

RPC CPAs + Consultants, LLP
Albuquerque, NM
September 20, 2016

As management of the Mesilla Valley Public Housing Authority (the "Housing Authority") we offer the readers of the Housing Authority's financial statements this narrative overview and analysis of the financial activities of the Housing Authority for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements of the Housing Authority and additional information provided.

Financial Highlights

- The assets and deferred outflows of the Housing Authority exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $10,855,146 (*net position*). Of this amount, $7,078,132 (*unrestricted net position*) may be used to meet the Housing Authority's ongoing obligations to residents and creditors.
- As the end of the current year fiscal year, unrestricted net position of the Housing Authority was $7,078,132 or 80.5% of the total Housing Authority operating expenses.

Authority Financial Statements

The Housing Authority's mission is to lead the public effort in providing safe, affordable housing and associated services that provide opportunities to eligible persons in the City of Las Cruces and Doña Ana County.

The Housing Authority, as of June 30, 2016, manages 291 residential units that are leased to low-income families and individuals. In addition, the Housing Authority also oversees the regulatory portion and subsidizes rent for HUD Section 8 Housing Voucher of 1,627 units.

In view of this mission, the Housing Authority's financial reporting objective under GASB 34 in FY 2016 focuses on the financial activities of the Housing Authority as a whole.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority's basic financial statements comprise two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial Statements Used in Fiscal Year 2016

The Housing Authority is presenting its fiscal year 2016 discussion and analysis based on the financial results of its enterprise programs in four basic financial statements – the statement of net position; the statement of revenues, expenses and changes in net position; the statement of cash flows, and the statement of revenues, expenses and changes in net position – budget and actual.

The statement of net position reports all financial and capital assets of the Housing Authority and is presented in a format where assets plus deferred outflows equal liabilities plus deferred inflows plus net position.

The statement of revenues, expenses and changes in net position (similar to an income statement) includes operating revenues, such as charges for services, operating, grants and miscellaneous revenues. Operating expenses include administration, tenant services, utilities, ordinary maintenance & operations, general, housing assistance payments and depreciation. Non-operating revenues include interest income, capital grants, and gain on disposal of assets. The statement's focus is the change in net position, which is similar to net income or loss.

The statement of cash flows is included, which discloses net cash provided (used) in operating activities, net cash provided (used) in capital and related financing activities, net cash provided (used) in noncapital and related financing activities, and net cash provided (used) in investing activities, if applicable.

Financial Statements Used in Fiscal Year 2016 (continued)

The statement of revenues, expenses and changes in net position – budget and actual compares actual amounts spent to the Housing Authority's budgeted amounts for the fiscal year.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Housing Authority's net position and changes in net position in full compliance with GASB 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period when they are incurred.

Housing Authority's Programs

The Housing Authority maintains five federal programs within its operations. The detailed program financial statements provide separate information for the Low-Rent Public Housing, the Section 8 Housing Choice Vouchers Program, the Section 8 New Construction and Substantial Rehabilitation Program, the Resident Opportunity and Supportive Services of the Housing Authority, and the Capital Fund Projects. The Family Self Sufficiency program, is maintained in both the Section 8 program.

Individual program financial statements can be found at Statements A-1 through A-3 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 31-118 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Housing Authority assets and deferred outflows exceeded liabilities and deferred inflows by $10,855,146 at the close of the most recent fiscal year.

A portion of the Housing Authority's net position (34 percent) reflects its investment in capital assets (e.g., land, buildings, and dwelling and administrative equipment), less any related debt used to acquire those assets that is still outstanding. The Housing Authority use these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the Housing Authority's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis (continued)

Condensed Statement of Net Position

	June 30, 2016	June 30, 2015
Assets		
Current assets	$ 4,856,159	$ 4,710,715
Restricted assets	317,007	202,940
Capital assets, net of accumulated depreciation	4,969,711	5,129,329
Other noncurrent assets	3,282,244	3,235,891
Total assets	13,425,121	13,278,875
Deferred outflows	92,995	134,333
Total assets and deferred outflows	$ 13,518,116	$13,413,208
Liabilities and Net Position		
Current liabilities (payble from current assets)	$ 217,537	$ 309,845
Current liabilities (payable from restricted assets)	105,209	92,483
Non-current liabilities	2,300,236	2,121,535
Total liabilities	2,622,982	2,523,863
Deferred inflows	39,988	284,327
Net investment in capital assets	3,565,216	3,641,540
Restricted for program activities	211,798	110,457
Unrestricted	7,078,132	6,853,021
Total net position	10,855,146	10,605,018
Total liabilities, deferred inflows, and net position	$ 13,518,116	$13,413,208

The remaining balance of *unrestricted net position* $7,078,132 may be used to meet the Housing Authority's ongoing obligations to residents and creditors.

There was an increase of $225,111 (3.2 percent) in unrestricted net position reported by the Housing Authority as compared to the prior year.

There was a decrease of $76,324 in net investment in capital assets reported in connection with the Housing Authority's activities. The majority of this decrease is attributable to ongoing utilization of capital assets (depreciation expense) and dispositions of assets being a larger amount than the Housing Authority's additions to capital assets during the fiscal year.

Government-wide Financial Analysis (continued)

Housing Authority activities: Key elements of Housing Authority activities are as follows:

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	June 30, 2016	June 30, 2015
Operating revenues:		
Tenant rent	$ 752,604	$ 709,565
Operating subsidies and grants	7,922,789	6,748,173
Total operating revenues	8,675,393	7,457,738
Operating expenses:		
Housing assistance payments	6,300,546	5,499,384
Administration	1,657,550	1,530,139
Maintenance and operations	437,383	540,053
Utilities	150,786	182,279
Depreciation	232,770	275,592
Miscellaneous	3,283	133,390
Total operating expenses	8,782,318	8,160,837
Operating (loss)	(106,925)	(703,099)
Non-operating revenues (expenses):		
Other expenses	4,250	(24,622)
Interest income	67,094	77,071
Interest expense	(90,445)	(95,468)
Developer fees	74,388	23,138
Management fees and other income	3,600	129,833
Insurance reimbursement	-	40,332
Gain (loss) on disposal of assets	111,526	91,984
Total non-operating revenues (expenses)	170,413	242,268
Capital grants	186,640	-
Change in net position	250,128	(460,831)
Net position, beginning of year	10,605,018	11,993,639
Restatement - GASB 68	-	(927,790)
Net position, end of year	$ 10,855,146	$10,605,018

Total operating revenues increased $1,217,655 (16.32 percent) during the year. Most of this increase is the increase in operating subsidies and grants.

Government-wide Financial Analysis (continued)

Increases in several categories of operating expenses reflect the increases in ongoing residential tenant operations and maintenance. Operating expenses overall increased $621,481 (7.61 percent) from the prior year. The majority of this increase occurred in housing assistance payments.

Capital Assets and Debt Administration

The Housing Authority's net investment in capital assets for its business type activities as of June 30, 2016, amounts to $3,565,216 (net of accumulated depreciation). This investment in capital assets included land, land improvements, buildings, equipment and furnishings.

Major capital asset events during the current fiscal year included the following:

Ongoing tenant dwelling equipment were completed with new structural improvements for the Low Rent Housing Program totaling $133,149 were placed in service during the current fiscal year. There was no construction in progress additions in the current fiscal year.

The Housing Authority's Capital Assets

	June 30, 2016	June 30, 2015
Land	$ 1,395,176	$ 1,399,061
Site Improvements	2,538,500	2,542,079
Structures	9,085,063	9,019,117
Equipment	489,378	559,367
Accumulated depreciation	(8,485,875)	(8,390,295)
Capital assets, net	$ 5,022,242	$ 5,129,329

Additional information on the Housing Authority's capital assets can be found on page 41 of this report.

Long-term debt

At the end of the current fiscal year, Housing Authority had notes payable from Wells Fargo Bank in the amount of $1,404,495, noncurrent compensated absences outstanding in the amount of $55,669 and a net pension liability of $944,137. Additional information of the Housing Authority's long-term debt can be found on pages 42 of this report.

Budgetary Highlights

The original budget for the Housing Authority was amended in the current fiscal year with an overall increase in operating expenditures of $364,782. During the year, operating revenues exceeded budgetary expectations by $24,208. Cost savings were incurred by the Housing Authority creating a favorable budgetary variation of $33,090 in operating expenditures.

Economic Factors

Rental occupancy rates of the Housing Authority's Low-Rent Public Housing Program remains at capacity and has remained stable with slight variations over the past five years. The Housing Authority continues to be High Performers in the Public Housing Assessment System.

Requests for Information

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, 2016

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
ASSETS			
Current assets			
Cash and cash equivalents	$ 4,705,657	$ 84,688	$ 19,036
Restricted cash and cash equivalents	317,007	-	-
Accounts receivable, net of allowance for doubtful accounts	11,984	9,647	537
Accounts receivable - other	-	448	-
Grants receivable	11,713	-	-
Inventory	10,082	-	-
Prepaid expenses and other assets	116,723	22,170	14,229
Total current assets	5,173,166	116,953	33,802
Noncurrent assets			
Capital assets, net	4,969,711	9,475,938	4,437,788
Receivables from component units, net	1,630,736	-	-
Mortgage receivables, noncurrent, net of allowance for doubtful accounts	1,236,284	-	-
Restricted deposits and funded reserves	-	74,524	273,755
Other noncurrent assets	415,224	108,664	108,502
Total assets	13,425,121	9,776,079	4,853,847
DEFERRED OUTFLOWS OF RESOURCES			
Employer contributions subsequent to the measurement date	79,657	-	-
Net difference between projected and actual investment	13,336	-	-
Change in assumptions	2	-	-
Total deferred outflows of resources	92,995	-	-
Total assets and deferred outflows of resources	$ 13,518,116	$ 9,776,079	$ 4,853,847

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

Component Units as of December 31, 2015					
Cimmaron II Apartments, LP	**Desert Palms Apartments, LP**	**Falcon Ridge, LP**	**Montana Senior Village, LLC**	**MSV II, LP**	**Stone Mountain Place, LP**
$ 55,937	$ 10,873	$ 73,050	$ 22,063	$ 41,337	$ 52,125
-	-	-	-	-	-
1,144	8,647	68,626	351	-	4,020
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
24,121	11,409	8,146	7,279	10,025	19,024
81,202	30,929	149,822	29,693	51,362	75,169
9,262,492	2,886,703	7,885,132	1,521,444	3,125,721	7,313,511
-	-	-	-	-	-
-	-	-	-	-	-
552,252	214,163	993,144	82,414	575,477	361,320
56,435	47,806	289,246	103,050	19,898	92,340
9,952,381	3,179,601	9,317,344	1,736,601	3,772,458	7,842,340
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 9,952,381	$ 3,179,601	$ 9,317,344	$ 1,736,601	$ 3,772,458	$ 7,842,340

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

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Net Position
June 30, 2016

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
LIABILITIES			
Current liabilities			
Accounts payable and other accruals	$ 41,655	$ 72,624	$ 30,708
Prepaid tenant rent	748	6,174	2,603
Accrued payroll	70,783	-	-
Notes payable, current portion	104,351	32,292	10,313
Total current liabilities	217,537	111,090	43,624
Current liabilities (payable from restricted assets)			
Tenant deposits	81,960	18,722	26,512
FSS deposits	23,249	-	-
Total current liabilities (payable from restricted assets)	105,209	18,722	26,512
Non-current liabilities			
Compensated absences, noncurrent portion	55,955	-	-
Development fees/asset management fees	-	800,883	84,567
Notes payable, net of current portion	1,300,144	3,051,083	1,202,903
Accrued interest	-	21,600	100,439
Net pension liability	944,137	-	-
Total non-current liabilities	2,300,236	3,873,566	1,387,909
Total liabilities	2,622,982	4,003,378	1,458,045
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual investment	16,323	-	-
Change in assumptions	370	-	-
Actuarial experience	20,913	-	-
Change in proportion	2,382	-	-
Total deferred inflows of resources	39,988	-	-
NET POSITION			
Net investment in capital assets	3,565,216	6,392,563	3,224,572
Restricted for program activities	211,798	55,802	247,243
Unrestricted	7,078,132	(675,664)	(76,013)
Total net position	10,855,146	5,772,701	3,395,802
Total liabilities, deferred inflows of resources and net position	$ 13,518,116	$ 9,776,079	$ 4,853,847

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

Component Units as of December 31, 2015

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ 36,193	$ 98,750	$ 47,104	$ 24,916	$ 34,623	$ 56,908
1,032	3,098	307	5,088	8,153	5,323
	-	-	-	-	-
9,458	23,930	40,389	74,010	39,545	21,828
46,683	125,778	87,800	104,014	82,321	84,059
37,747	35,791	40,221	18,105	30,749	38,840
-	-	-	-	-	-
37,747	35,791	40,221	18,105	30,749	38,840
-	-	-	-	-	-
192,544	241,708	193,765	292,350	4,278	249,453
1,379,025	2,006,005	3,333,994	1,398,721	3,108,440	2,575,916
-	-	-	-	-	-
-	-	-	-	-	-
1,571,569	2,247,713	3,527,759	1,691,071	3,112,718	2,825,369
1,655,999	2,409,282	3,655,780	1,813,190	3,225,788	2,948,268
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,874,009	856,768	4,510,749	48,713	(22,264)	4,715,767
514,505	178,372	952,923	64,309	544,728	322,480
(92,132)	(264,821)	197,892	(189,611)	24,206	(144,175)
8,296,382	770,319	5,661,564	(76,589)	546,670	4,894,072
$ 9,952,381	$ 3,179,601	$ 9,317,344	$ 1,736,601	$ 3,772,458	$ 7,842,340

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

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
Operating revenues			
Rental revenue	$ 715,481	$ 458,703	$ 350,958
Other tenant revenue	37,123	7,645	12,900
Operating subsidies and grants	7,922,789	-	-
Total operating revenues	8,675,393	466,348	363,858
Operating expenses			
Housing assistance payments	6,300,546	-	-
Administration	1,657,550	122,374	63,970
Maintenance and operations	437,383	99,804	138,950
Utilities	150,786	21,060	51,499
Depreciation	232,770	265,159	148,821
Amortization	-	3,791	6,780
Miscellaneous	3,283	47,373	9,899
Total operating expenses	8,782,318	559,561	419,919
Operating income (loss)	(106,925)	(93,213)	(56,061)
Non-operating revenues (expenses)			
Other revenues	4,250	160	-
Interest income	67,094	25	46
Interest expense	(90,445)	(123,465)	(79,188)
Developer fees	74,388	-	-
Management fees and other income	3,600	-	-
Gain (loss) on disposal of assets	111,526	-	-
Total non-operating revenues (expenses)	170,413	(123,280)	(79,142)
Capital grants	186,640	-	-
Change in net position	250,128	(216,493)	(135,203)
Total net position - beginning of year	10,605,018	5,989,194	3,531,005
Equity transfers in (out) and capital contributions	-	-	-
Total net position - end of year	$ 10,855,146	$ 5,772,701	$ 3,395,802

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

Component Units as of December 31, 2015

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ 490,867	$ 426,862	$ 478,899	$ 284,639	$ 448,692	$ 529,009
18,174	30,946	14,542	8,843	18,152	7,747
-	-	153,273	-	-	-
509,041	457,808	646,714	293,482	466,844	536,756
-	-	-	-	-	-
114,278	94,914	100,987	56,067	89,088	95,119
181,396	175,333	167,796	101,576	156,036	178,547
67,323	37,629	31,072	13,578	30,355	35,501
298,939	142,425	268,271	113,892	215,410	258,955
3,082	2,209	29,691	1,466	5,306	2,886
6,959	13,303	159,761	4,643	24,278	15,365
671,977	465,813	757,578	291,222	520,473	586,373
(162,936)	(8,005)	(110,864)	2,260	(53,629)	(49,617)
5	-	-	-	-	-
12	123	140	89	97	298
(93,303)	(123,992)	(87,404)	(95,263)	(112,274)	(137,668)
-	-	-	-	-	-
-	-	-	-	-	957
-	-	-	-	-	-
(93,286)	(123,869)	(87,264)	(95,174)	(112,177)	(136,413)
-	-	-	-	-	-
(256,222)	(131,874)	(198,128)	(92,914)	(165,806)	(186,030)
8,582,604	902,193	5,874,692	16,325	712,476	5,080,102
(30,000)	-	(15,000)	-	-	-
$ 8,296,382	$ 770,319	$ 5,661,564	$ (76,589)	$ 546,670	$ 4,894,072

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

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2016

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
Cash flows from operating activities:			
Cash received from tenant rents	$ 702,227	$ 460,549	$ 354,747
Cash payments to employees for services	(1,298,002)	(98,399)	(68,923)
Cash payments to suppliers for goods and services	(7,240,288)	(199,805)	(194,431)
Subsidy grants and other receipts	7,921,318	7,538	12,900
Net cash provided (used) by operating activities	85,255	169,883	104,293
Cash flows from noncapital financing activities:			
Miscellaneous income	82,238	-	-
Net cash provided (used) by noncapital financing activities	82,238	-	-
Cash flows from capital and related financing activities:			
Capital contributions (distributions)	-	-	-
Proceeds from debt and deferred fees	-	-	-
Proceeds from sale of assets	7,465	-	-
Acquisition of capital assets	(133,149)	-	-
Capital grants	209,660	-	-
Principal payments on long-term debt	(83,294)	(30,835)	(9,673)
Interest payments on long-term debt	(90,445)	(82,395)	(66,154)
Net cash provided (used) by capital and related financing activities	(89,763)	(113,230)	(75,827)
Cash flows from investing activities:			
Reserves collected	-	(28,520)	(16,454)
Proceeds from sale of assets held for sale	164,057	-	-
Interest received on investments	67,094	25	46
Net cash provided (used) by investing activities	231,151	(28,495)	(16,408)
Net increase (decrease) in cash and cash equivalents	308,881	28,158	12,058
Cash and cash equivalents - beginning of year	4,713,783	56,530	6,978
Cash and cash equivalents - end of year	$ 5,022,664	$ 84,688	$ 19,036

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

Component Units as of December 31, 2015

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ 493,047	$ 424,526	$ 476,530	$ 289,423	$ 455,115	$ 531,943
(118,759)	(73,627)	(114,691)	(59,587)	(95,069)	(83,110)
(252,696)	(224,467)	(357,351)	(121,975)	(211,428)	(227,885)
18,179	30,946	167,524	8,843	18,152	8,704
139,771	157,378	172,012	116,704	166,770	229,652
-	-	-	-	-	-
-	-	-	-	-	-
(30,000)	-	(15,000)	-		-
-	-	(27,690)	-	-	(34,871)
-	-	-	(8,293)	-	-
-	(5,286)	(8,774)	-	-	(19,322)
-		-	-	-	-
(8,847)	(22,433)	(39,675)	(11,781)	(36,868)	(20,541)
(93,353)	(105,566)	(92,525)	(75,853)	(102,548)	(137,773)
(132,200)	(133,285)	(183,664)	(95,927)	(139,416)	(212,507)
(12,035)	(24,343)	(8,906)	(16,902)	(29,748)	(7,288)
-	-	-	-	-	-
12	123	140	89	97	298
(12,023)	(24,220)	(8,766)	(16,813)	(29,651)	(6,990)
(4,452)	(127)	(20,418)	3,964	(2,297)	10,155
60,389	11,000	93,468	18,099	43,634	41,970
$ 55,937	$ 10,873	$ 73,050	$ 22,063	$ 41,337	$ 52,125

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

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2016

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (106,925)	$ (93,213)	$ (56,061)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	232,770	268,950	155,601
Net pension expense	(21,246)	-	-
Changes in assets and liabilities			
Accounts receivable	(52,515)	(4,620)	576
Prepaid expenses	(793)	(2,882)	(2,217)
Inventory	4,041	-	-
Accounts payable	(52,000)	(979)	3,491
Accrued expenses	-	-	(1,781)
Accrued payroll expenses	28,597	-	-
Prepaid tenant rent	667		
Accrued compensated absences	3,051	-	-
Deferred outflows	36,882	-	-
Tenant deposits	12,726	2,627	4,684
Net cash provided (used) by operating activities	$ 85,255	$ 169,883	$ 104,293

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

Component Units as of December 31, 2015

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ (162,931)	$ (8,005)	$ (110,864)	$ 2,260	$ (53,629)	$ (48,660)
302,021	144,634	297,962	115,358	220,716	261,841
-	-	-	-	-	-
1,480	(2,823)	(2,425)	3,097	1,704	3,196
(938)	(4,112)	(2,226)	(3,487)	(4,923)	(2,042)
-	-	-	-	-	-
(1,107)	10,923	(2,007)	395	(1,105)	15,684
(343)	12,925	(11,268)	(3,086)	(2,803)	(2,772)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,589	3,836	2,840	2,167	6,810	2,405
$ 139,771	$ 157,378	$ 172,012	$ 116,704	$ 166,770	$ 229,652

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

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NOTE 1. Summary of Significant Accounting Policies

A. *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 Doña 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 indicators that an oversight responsibility exists 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, 2016.

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	248 units
Villa Sereno	3 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)	1,627 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.

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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.

Discretely-Presented Component Units

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), and 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.

RR, Cimmaron I, Cimmaron II, DP, FR, MSV, MSV II, and SMP, 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 2016 of the financial operations of the component units. See note 13 for more information.

B. 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.

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Basis of Accounting and Measurement Focus (continued)

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 operating subsidies and grants, and 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.

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, the net pension liability and related deferred inflows/outflows, and the allowance for uncollectible mortgage and accounts receivable.

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

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

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

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)

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. However, any portion of PHA/IHA funds not insured by a Federal insurance organization shall be fully (100%) and continuously collateralized with specific and identifiable U.S Government or Agency securities prescribed by HUD. 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 fair value.

Fair Value Measurements: The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of June 30, 2016, there are no items are required to be valued using valuation techniques.

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

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

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

Capital Assets: Capital assets, which include property, plant, and equipment, are defined by the Housing Authority as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. The Housing Authority does have an exception for ranges and refrigerators, which are capitalized regardless of the cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included 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
Site improvements	40 – 50
Structures	40 – 50
Equipment	5 – 10

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)

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, 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 Housing Authority has three types of items that qualify for reporting in this category. Accordingly, the items, contributions subsequent to measurement date of $79,657, net difference between projected and actual investment earnings of $13,336, and change in assumptions of $2 are reported in the Statement of Net Position. These amounts are deferred and recognized as an outflow of resources the next period when the outflow occurs.

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 form 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, 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.

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 inflow of resources. The Housing Authority has four types of items that qualify for reporting in this category. Accordingly, the items, net difference between projected and actual investment earnings of $16,323, change in assumptions of $370, actuarial experience of $20,913, and change in proportion of $2,382 are reported in the Statement of Net Position. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

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.

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (continued)

Net Position: Net position is reported in three categories: net investment in capital assets, restricted, and unrestricted:

a. **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.

b. **Restricted net position** – Net position is reported as restricted when constraints placed on net position 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.

c. **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.

D. 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.

E. New Accounting Standards Adopted

During the year ended June 30, 2016, the Housing Authority adopted GASB Statements No. 72, Fair *Value Measurement and Application,* a portion of 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*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* No. 79, *Certain External Investment Pools and Pool Participants and* No. *82 Pension Issues-an amendment of GASB Statement No. 67, No. 68, and No.73.* These five Statements are required to be implemented as of June 30, 2016, if applicable.

GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financials statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

NOTE 1. Summary of Significant Accounting Policies (continued)

E. New Accounting Standards Adopted (continued)

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement is effective for June 30, 2016 year end and a portion is effective for June 30, 2017 year end. Effective for June 30, 2016 are the amendments for Statements 67 and 68 and assets accumulated for pensions not administered as trusts. The amendments of this pronouncement clarifies application of certain provisions of GASB 67 and 68 by (1) clarifying information required to be presented as notes to the 10-year schedules of RSI about investment-related factors that significantly affect trends in reported amounts; (2) Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities; (3) Timing of employer recognition of revenue for the support of nonemployer contributing entities not in special funding situation.

In addition, effective for June 30, 2016 year ends the requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. Effective for June 30, 2017 is the pension provided through pension plans that are not administered trusts which follows principals of Statement No. 68 for employer measurement, financial reporting and disclosure. Key differences include (1) no investment or pension plan related amounts or disclosures, (2) discount using 20-year tax exempt high quality municipal bond index, (3) total pension liability recorded by the employer, (4) no deferral relating to differences between expected and actual earnings on plan investments, (5) no expected return on plan investments component of pension expense, (6) no investment related disclosure, and (7) no discount rate calculation rate disclosure. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities.

The objective of GASB Statement No. 76 objective is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAPP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments.

NOTE 1. Summary of Significant Accounting Policies (continued)

E. New Accounting Standards Adopted (continued)

GASB Statement No. 79 addresses the accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool for measuring all of its investments at amortized cost for financial reporting purposes. Professional judgement is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide for qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

GASB Statement No. 82 objective is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements

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, 2016.

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 asking 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, 2016, $4,868,755 of the Housing Authority's bank balance of $5,118,755 was exposed to custodial credit risk. Although the $4,868,755 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	$ 5,118,755
FDIC Coverage	(250,000)
Total uninsured public funds	4,868,755
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the Housing Authority's name	4,868,755
Uninsured and uncollateralized	$ -
Collateral requirement (100% of uninsured public funds)	$ 4,868,755
Pledged securities	5,328,940
Over (under) collateralization	$ 460,185

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	$ 4,705,657
Restricted cash and cash equivalents	317,007
Add: Outstanding checks and other reconciling items	97,091
	5,119,755
Less: Petty cash	(1,000)
Bank balance of deposits	$ 5,118,755

NOTE 3. Component Unit and Other Receivable

The following is a reconciliation of amounts due to the Housing Authority from its component units from December 31, 2015 (component units' year-end) to June 30, 2016 (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 certain receivables from Robledo Ridge and MSV II:

MSV payables to Housing Authority (December 31, 2015)	
Note payable	$ 487,250
Land note payable	61,232
	548,482
MSV II payables to Housing Authority (December 31, 2015)	
Authority loan payable	800,000
Authority AHP loan payable	500,000
	1,300,000
SMP payables to Housing Authority (December 31, 2015)	
Developer fees payable	185,546
Falcon Ridge payables to Housing Authority (December 31, 2015)	
Developer fees payable	21,365
Cimmaron I payables to Housing Authority (December 31, 2015)	
Developer fees payable	80,000
Cimmaron II payables to Housing Authority (December 31, 2015)	
Developer fees payable	38,519
Desert Palms payables to Housing Authority (December 31, 2015)	
Developer fees payable	50,807
Robledo Ridge payables to Housing Authority (December 31, 2015)	
Line of credit payable	688,476
Developer fees payable	309,887
	998,363
Net payables to Housing Authority at December 31, 2015	3,223,082
Reconciling items:	
Allowance for doubtful accounts	(1,938,476)
Accrued interest through June 30, 2016	346,130
Housing Authority net receivable from component units, at June 30, 2016	$ 1,630,736

NOTE 4. Capital Assets

The following summarizes changes in capital assets activity during fiscal year 2016:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Public housing	$ 8,914,726	$ 133,149	$ (144,656)	$ 8,903,219
Less accumulated depreciation	(7,250,632)	(130,996)	137,191	(7,244,437)
Net public housing	1,664,094	2,153	(7,465)	1,658,782
Section 8 housing	8,280	-	-	8,280
Less accumulated depreciation	(2,526)	(850)	-	(3,376)
Net Section 8 housing	5,754	(850)	-	4,904
Section 8 new construction	1,934,890	-	-	1,934,890
Less accumulated depreciation	(493,292)	(26,748)	-	(520,040)
Net Section 8 new construction	1,441,598	(26,748)	-	1,414,850
Local housing projects	2,661,728	-	(109,595)	2,552,133
Less accumulated depreciation	(643,846)	(74,176)	57,064	(660,958)
Net local housing projects	2,017,882	(74,176)	(52,531)	1,891,175
Net capital assets	$ 5,129,328	$ (99,621)	$ (59,996)	$ 4,969,711

Capital assets	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	$ 1,399,061	$ -	$ (3,885)	$ 1,395,176
Total capital assets not being depreciated	1,399,061	-	(3,885)	1,395,176
Other capital assets				
Site improvements	2,542,081	-	(11,176)	2,530,905
Structures	9,019,116	133,149	(169,202)	8,983,063
Equipment	559,366	-	(69,988)	489,378
Total other capital assets at cost	12,120,563	133,149	(250,366)	12,003,346
Less accumulated depreciation:				
Site improvements	(1,567,089)	(97,644)	4,305	(1,660,428)
Structures	(6,281,614)	(128,058)	119,962	(6,289,710)
Equipment	(541,593)	(7,068)	69,988	(478,673)
Subtotal	(8,390,296)	(232,770)	194,255	(8,428,811)
Net capital assets being depreciated	3,730,267	(99,621)	(56,111)	3,574,535
Net capital assets	$ 5,129,328	$ (99,621)	$ (59,996)	$ 4,969,711

Depreciation expense for the year ended June 30, 2016 totaled $232,770.

Beginning balances of capital assets differ from prior year Note 4 due to typographical errors. Amounts per the Statement of Net Position in the prior year were correct. Currently the beginning balances have been reflected and updated in current year Note 4 above.

NOTE 5. Long-Term Liabilities

The following summarizes changes in long-term debt activity during fiscal year 2016:

Description	Issue Date	Interest Rates (%)	Maturity Date	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Amount Due Within One Year
Note payable Wells Fargo Bank	9/10/2012	6.00%	9/15/2027	$ 307,321	$ -	$ 17,422	$ 289,899	$ 18,564
Note payable Wells Fargo Bank	4/15/2005	8.13%	4/15/2025	271,876	-	17,446	254,430	19,240
Note payable Wells Fargo Bank	8/15/2013	6.00%	11/15/2027	221,803	-	12,268	209,535	13,072
Note payable Wells Fargo Bank	8/15/2013	6.00%	7/15/2027	625,557	-	36,158	589,399	38,525
Note payable Land	12/02/1998	2.00%	12/1/2027	61,232	-	-	61,232	14,950
Total				$ 1,487,789	$ -	$ 83,294	$ 1,404,495	$ 104,351

These liabilities are collateralized by the property purchased with the funds.

Compensated absences liability at year end was $55,669.

Debt service requirements on long-term debt at June 30, 2016, are as follows:

Year Ending June 30,	Notes Payable Principal	Notes Payable Interest
2017	$ 104,351	$ 86,893
2018	99,399	79,340
2019	105,926	73,116
2020	112,719	66,024
2021	120,326	58,413
2022-2026	702,085	165,416
2027-2028	159,689	6,188
	$ 1,404,495	$ 535,390

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 fourteen properties which they sold and originated the mortgage. These mortgages, in the amount of $1,236,284, carry interest rates ranging from 0% to 4.5% and mature during the period 2039 through 2042. They are all collateralized by the mortgaged property. The Housing Authority also owns subordinate mortgages on other properties totaling $1,260,936. The Housing Authority's total mortgages receivable is $2,497,220, and there is a current allowance on the mortgage receivables in the amount of $1,260,936, leaving a net receivable of $1,236,284.

Other assets consist of the other receivables (SNAP note payable - $10,171) 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 $6,818, for a total of $415,224 in noncurrent assets.

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 (10-11A-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, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.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 FY15 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 FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.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 $79,657 for the year ended June 30, 2015 and there was $23,767 employer paid members benefits that were "picked up" by the employer for the year ended June 30, 2016.

NOTE 8. Public Employees Retirement Association (PERA) Pension Plan (continued)

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, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

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, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 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.

Employer Pickup, during March 2016, Governmental Accounting Standards Board (GASB) issued Statement No. 82, Pension Issues, which clarifies that payments made by an employer to satisfy member contribution requirements should be classified as member contributions for purposes of GASB Statement No. 67. For purposes of applying GASBS 68 for fiscal year ending June 30, 2016 amounts paid by the Authority to satisfy member contributions requirements in the previous year totaling $14,370 have been reclassified as pension expense for fiscal year ending June 30, 2016. The amount had been previously classified as a deferred outflow. This amount is not included in pension expense in PERA's Schedule of Employer Pension Amounts for the year ended June 30, 2015.

Reallocation of Deferred Amounts Due to Changes in proportion, in fiscal year 2015 the beginning deferred inflows and outflows were reclassified due to the employer's change in proportion for fiscal year 2015. The total reallocation of deferred inflows and outflows increased pension expense by $1,219 for fiscal year ending June 30, 2016. This amount is not included in pension expense in PERA's Schedule of Employer Pension Amounts for the year ended June 30, 2015.

For PERA Fund Division Municipal General, at June 30, 2016, the Mesilla Valley Public Housing Authority reported a liability of $944,137 for its proportionate share of the net pension liability. At June 30, 2015, the Housing Authority's proportion was 0.0926 percent, which changed from its proportion measured as of June 30, 2014 of 0.0930 percent.

NOTE 8. Public Employees Retirement Association (PERA) Pension Plan (continued)

For the year ended June 30, 2016, the Mesilla Valley Public Housing Authority recognized PERA Fund Division Municipal General pension expense of $15,635. At June 30, 2016, 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	$ 2	$ 370
Net difference between projected and actual earnings on pension plan investments	13,336	16,323
Changes in proportion and differences between Mesilla Valley Public Housing Authority contributions and proportionate share of contributions	-	2,382
Actuarial experience	-	20,913
Mesilla Valley Housing Authority contributions subsequent to the measurement date	79,657	-
Total	$ 92,995	$ 39,988

$79,657 reported as deferred outflows of resources related to pensions resulting from Mesilla Valley Public Housing Authority contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:	
2017	$(25,744)
2018	(25,744)
2019	(25,744)
2020	50,582
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, 2014 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, 2015 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, 2015. These actuarial methods and assumptions were adopted by the PERA's Board of Trustees for use in the June 30, 2014, actuarial valuation.

NOTE 8. Public Employees Retirement Association (PERA) Pension Plan (continued)

Actuarial valuation date		June 30, 2014
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	$1,607,491	$ 944,137	$392,604

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at http://www.pera.state.nm.us/publications.html.

Payables to the pension plan. The Housing Authority had payables to PERA totaling $33,388 as of June 30, 2016.

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 United States Governmental agency.

NOTE 11. Subsequent Events

The date to which events occurring after June 30, 2016, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is September 20, 2016 which is the date on which the financial statements were available to be issued. No issues were noted for disclosure at September 20, 2016.

NOTE 12. Subsequent Pronouncements

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: A portion of this provision 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.

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 affect the Housing Authority's financial statements.

NOTE 12. Subsequent Pronouncements (continued)

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 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.

In December 2015, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The Housing Authority is still evaluating how this pronouncement will effect the financial statements.

In January 2016, GASB Statement No. 80 *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14.* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The Housing Authority is still evaluating how this pronouncement will effect the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements.* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The Housing Authority is still evaluating how this pronouncement will effect the financial statements.

NOTE 13. Component Units

As described in Note 1, the reporting entity includes 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 2016 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, 2015. MSV, MSV II, SMP, FR, Cimmaron I, Cimmaron II, DP and RR do not meet the requirements for blending and will be reported as discretely-presented component units. The following represent the disclosures from the audited financial statements of each entity.

NOTE A - ORGANIZATION

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 obtained permanent financing under Section 542(c) of the Housing and Community Development Act, as amended, administered by the New Mexico Mortgage Finance Authority (MFA) 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, 2015 and 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 established an allowance for doubtful accounts and uses the reserve method for recognizing bad debts. Bad debts are expensed 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	27.5-40
Site Improvements	10-20
Furnishings	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 2015 or 2014.

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. Loan fees are amortized over the life of their respective loans.

Property Taxes

The General Partner is owned by a public housing authority which qualifies the Partnership for full exemption for property taxes. 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, 2015, the Partnership's tax years for 2012, 2013, and 2014 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2015, the Partnership is no longer subject to examinations by tax authorities for years before 2012.

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.

Robledo Ridge, LLLP

Notes to Financial Statements

December 31, 2015 and 2014

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Reclassifications

Certain items in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

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, 2015 and 2014:

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

As of December 31, 2015 and 2014 the General Partner has contributed $71,000. The Limited Partner is required to make capital contributions of $6,778,399. In the prior year an upward adjuster of $127,800 was reported and in the current year a downward Lease-Up Tax Credit Adjuster of $345,800. As of December 31, 2015 and 2014, the Limited Partners have contributed a total of $6,358,608 and $6,358,608. They made capital contributions of $0 and $1,952,648 during the year ended December 31, 2015 and 2014, respectively. As of December 31, 2015, $201,791 is due to the property.

NOTE D - LONG-TERM DEBT

	12/31/2015	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 $9,024 and $9,116 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was $108,795 and $81,380 as of December 31, 2015 and 2014, respectively.	$ 1,968,834	$ 1,988,832

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

	12/31/2015	12/31/2014
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 $1,190 and $1,217 as of December 31, 2015 and 2014, respectively. Interest was capitalized during the construction period. Interest expensed on this loan was $14,432 and $14,752 as of December 31, 2015 and 2014, respectively.	$ 476,065	$ 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. The long-term accrued interest was $9,964 and $4,529 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was $5,435 and $4,529 as of December 31, 2015 and 2014, respectively.	$ 543,476	$ 543,476
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. The long-term accrued interest was $1,742 and $792 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was $950 and $792 as of December 31, 2015 and 2014, respectively.	$ 95,000	$ 95,000
Total	3,083,375	3,114,210
Less: Current Portion	32,292	30,343
Long-Term Notes Payable	$ 3,051,083	$ 3,083,867

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

Aggregate maturities of the notes are approximated as follows:

	Principal	Interest
December 31, 2016	$ 32,292	$ 127,323
2017	33,824	125,791
2018	35,432	124,182
2019	37,123	122,492
2020	38,899	120,716
2021-2025	224,488	573,587
2026-2030	284,739	513,336
2031-2035	362,295	435,780
2036-2040	462,341	335,734
2041-2045	532,852	208,307
2046-2050	1,039,090	57,855
Total	$ 3,083,375	$ 2,745,103

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.

On January 10, 2014, the Project obtained a letter of credit with Citizens Bank of Las Cruces. The letter is secured by a Promissory Note held by the Grantor, Mesilla Valley Public Housing Authority. The letter is held for the Latent Defects Reserve required by New Mexico Mortgage Finance Authority and will be released to MVPHA immediately after the eighteenth month after the first payment of principal and interest on the mortgage. The amount available on the letter of credit was $50,000. Interest was accrued at 3.55% per annum. There are no amounts due as of December 31, 2015 and 2014. Any amounts due related to outstanding principal and interest were payable in full at maturity on October 10, 2015.

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 $50,409 and $18,431 as of December 31, 2015 and 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 $2,591 and $2,590 as of December 31, 2015 and 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. If Operating Deficit Contributions are required, they shall be repayable, without interest, solely from Cash Flow or as provided in the partnership agreement. There are no amounts due related to Operating Deficit Contributions as of December 31, 2015 and 2014.

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 $28,213 and $28,023 during 2015 and 2014. The amounts included in accounts payable that are due to UAH Property Management LP related to Management Fees were $2,592 and $2,065 as of December 31, 2015 and 2014, respectively.

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 $4,371 and $4,244 were recognized during 2015 and 2014. The amounts due to the Limited Partner related to Investor Services Fees were $4,371 and $0 as of December 31, 2015 and 2014, respectively.

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. Partnership Administrative Fees of $14,205 and $13,792 were recognized during 2015 and 2014. The amounts due to the General Partner related to Partnership Administrative Fees were $54,387 and $40,182 as of December 31, 2015 and 2014, respectively.

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, 2015, $331,756 of this fee has been paid. The amounts due related to Development Fees were $800,883 and $800,883 as of December 31, 2015 and 2014, respectively. Per the original agreement the deferred portion of the development fee was expected to be $494,711; however, due to the downward adjuster referenced in the limited partner contribution footnote an additional amount of the fee will be deferred. All deferred development fees 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. The long-term accrued interest was $9,894 and $0 as of December 31, 2015 and 2014, respectively.

Reimbursed Expenses

The Contractor and Subcontractor are reimbursed for some expenses that are directly related to this property. Due to the nature and function of the Subcontractor, some expenses are incurred for the property by the Subcontractor. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. The Subcontractor processes payroll for the property. The Property paid the Subcontractor for all payroll and benefits of $80,628 and $79,927 during 2015 and 2014. The Property also paid the Subcontractor for other fees related to compliance monitoring and payroll processing fees. These other Subcontractor fees were $7,110 and $5,827 during 2015 and 2014. Reimbursements for miscellaneous project expenses not listed separately were $8,544 and $9,013 during 2015 and 2014. The amounts included in accounts payable that are due to UAH Property Management LP related to any of the aforementioned reimbursements were $334 and $164 as of December 31, 2015 and 2014, respectively.

NOTE I - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

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

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

NOTE J - ACCRUED EXPENSES

There were no other accrued expenses as of December 31, 2015 and 2014.

NOTE K - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 12, 2016 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

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, 2015 and 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. Effective January 1, 2015, the Project implemented a new capitalization policy in response to the safe harbor de minimis regulations issued by the Internal Revenue Service. Property and Equipment with a unit cost of $5,000 or more and an estimated useful life greater than one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets. Property and Equipment purchases less than $5,000 or with lives of one year or less, and maintenance and repairs which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Any resulting gains and losses are reflected in the statements of operations. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

	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 2015 or 2014.

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, 2015, the Partnership's tax years for 2012, 2013 and 2014 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2015, the Partnership is no longer subject to examinations by tax authorities for years before 2012.

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 2014 financial statements have been reclassified to conform to the 2015 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, 2015 and 2014:

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.

Cimmaron Limited Partnership

Notes to Financial Statements

December 31, 2015 and 2014

NOTE D - LONG-TERM DEBT

	12/31/2015	12/31/2014
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 $5,207 and $5,259 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was $62,768 and $63,372 as of December 31, 2015 and 2014, respectively.	$ 973,216	$ 982,889
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 $1,393 and $1,340 as of December 31, 2015 and 2014, respectively. The long-term accrued interest was $100,439 and $87,406 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was $16,420 and $15,792 as of December 31, 2015 and 2014, respectively.	240,000	240,000
Total	1,213,216	1,222,889
Less: Current Portion	10,313	9,673
Long-Term Notes Payable	$ 1,202,903	$ 1,213,216

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

Aggregate maturities of the mortgage notes are approximated as follows:

	Principal	Interest
December 31, 2016	$ 10,313	$ 65,647
2017	10,995	65,103
2018	11,723	64,519
2019	12,498	63,893
2020	13,324	63,222
2021-2025	81,060	304,221
2026-2030	111,646	278,551
2031-2035	153,774	242,400
2036-2040	211,797	191,641
2041-2045	291,713	120,555
2046-2050	304,373	11,371
Total	$ 1,213,216	$ 1,471,123

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 $139,757 and $121,742 as of December 31, 2015 and 2014, 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 $97,513 and $97,484 as of December 31, 2015 and 2014, 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 $19,679 and $19,470 during 2015 and 2014, respectively. The amounts due to the Management Agent related to Management Fees were $313 and $188 as of December 31, 2015 and 2014, 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 $4,567 and $4,434 were recognized during 2015 and 2014, respectively. The amounts due to the Limited Partner related to Asset Management Fees were $4,567 and $4,434 as of December 31, 2015 and 2014, 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 2015 and 2014, 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, 2015, $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, 2015 and 2014, 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 $5 and $130 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, 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:

	12/31/2015	12/31/2014
Accrued Payroll Expenses	$ 2,529	$ 1,542
Accrued Audit Fees	5,785	8,683
Total Accrued Expenses	$ 8,314	$ 10,225

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 12, 2016 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

NOTE A - ORGANIZATION

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

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

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

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

<u>Basis of Accounting</u>

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

<u>Cash and Cash Equivalents</u>

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

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 $395,790 and $423,275 as of December 31, 2015 and 2014, 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

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, 2015 and 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. Effective January 1, 2015, the Project implemented a new capitalization policy in response to the safe harbor de minimis regulations issued by the Internal Revenue Service. Property and Equipment with a unit cost of $5,000 or more and an estimated useful life greater than one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets. Property and Equipment purchases less than $5,000 or with lives of one year or less, and maintenance and repairs which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Any resulting gains and losses are reflected in the statements of operations. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

Buildings	40
Site Improvements	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 2015 or 2014.

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, 2015, the Partnership's tax years for 2012, 2013 and 2014 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2015, the Partnership is no longer subject to examinations by tax authorities for years before 2012.

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 2014 financial statements have been reclassified to conform to the 2015 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, 2015 and 2014:

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

	12/31/2015	12/31/2014
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 $7,752 and $7,802 as of December 31, 2015 and 2014, respectively. Interest expensed on this note was $93,303 and $93,878 as of December 31, 2015 and 2014, respectively.	$ 1,388,483	$ 1,397,330
Total	1,388,483	1,397,330
Less: Current Portion	9,458	8,847
Long-Term Notes Payable	$ 1,379,025	$ 1,388,483

Aggregate maturities of the loans are approximated as follows

	Principal	Interest
December 31, 2016	$ 9,458	$ 92,741
2017	10,112	92,088
2018	10,810	91,389
2019	11,557	90,642
2020	12,356	89,844
2021-2025	75,828	435,170
2026-2030	105,905	405,093
2031-2035	147,911	363,087
2036-2040	206,577	304,420
2041-2045	288,514	222,484
2046-2050	402,950	108,048
2051-2055	106,505	4,211
Total	$ 1,388,483	$ 2,299,217

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 $192,544 and $220,074 as of December 31, 2015 and 2014, 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. Replacement Reserve balance was $102,582 and $89,869 as of December 31, 2015 and 2014, 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, 2015 and 2014, 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 $29,711 and $29,922 during 2015 and 2014, respectively. The amounts due to the Management Agent related to Management Fees were $330 and $588 as of December 31, 2015 and 2014, 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, 2015, $632,861 of this fee has been paid. The amounts due related to Development Fees were $192,544 and $220,074 as of December 31, 2015 and 2014, 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, 2015 and 2014, 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:

	12/31/2015	12/31/2014
Accrued Payroll Expenses	$ 4,530	$ 2,311
Accrued Expenses - Audit Fees	5,910	8,683
Total Accrued Liabilities	$ 10,440	$ 10,994

NOTE K - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 12, 2016 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

Desert Palms Apartments Limited Partnership

Notes to Financial Statements

December 31, 2015 and 2014

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, 2015 and 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. Effective January 1, 2015, the Project implemented a new capitalization policy in response to the safe harbor de minimis regulations issued by the Internal Revenue Service. Property and Equipment with a unit cost of $5,000 or more and an estimated useful life greater than one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets. Property and Equipment purchases less than $5,000 or with lives of one year or less, and maintenance and repairs which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Any resulting gains and losses are reflected in the statements of operations. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

	Estimated Life
Buildings	40
Site Improvements	5-15
Furnishings	3-7
Maintenance Equipment	5

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 2015 or 2014.

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, 2015, the Partnership's tax years for 2012, 2013 and 2014 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2015, the Partnership is no longer subject to examinations by tax authorities for years before 2012.

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 2014 financial statements have been reclassified to conform to the 2015 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, 2015 and 2014:

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

	12/31/2015	12/31/2014
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 $8,342 and $8,464 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was $100,775 and $102,187 as of December 31, 2015 and 2014, respectively.	$ 1,544,768	$ 1,567,201
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 $421 and $390 as of December 31, 2015 and 2014, respectively. The long-term accrued interest was $142,423 and $123,906 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was $23,217 and $22,337 as of December 31, 2015 and 2014, respectively.	342,744	342,744
Total	1,887,512	1,909,945
Less: Current Portion	23,930	22,432
Long-Term Notes Payable	$ 1,863,582	$ 1,887,513

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

Aggregate maturities of the mortgage notes are approximated as follows:

	Principal	Interest
December 31, 2016	$ 23,930	$ 104,268
2017	25,527	102,862
2018	27,232	101,357
2019	29,050	99,746
2020	30,990	98,022
2021-2025	282,803	433,156
2026-2030	375,935	355,710
2031-2035	475,467	256,179
2036-2040	612,964	118,681
2041-2045	120,870	2,988
Total	$ 2,004,768	$ 1,672,969

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 $113,554 and $88,751 as of December 31, 2015 and 2014, 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 $39,887 and $39,876 as of December 31, 2015 and 2014, 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 $15,472 and $15,458 as of December 31, 2015 and 2014, 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.

Desert Palms Apartments Limited Partnership

Notes to Financial Statements

December 31, 2015 and 2014

NOTE G - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Management Fee

In accordance with the Management Agreement, the Partnership has incurred Management Fee expenses for services rendered in connection with the leasing and operation of the Project. The current year management fee is equal to 6% of gross rental collections. Property Management Fees expensed were $26,071 and $27,108 during 2015 and 2014, respectively. The amounts included in accounts payable that are due to the Management Agent related to Management Fees were $40,055 and $16,691 as of December 31, 2015 and 2014, respectively.

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 $5,537 and $5,376 were recognized during 2015 and 2014, respectively. The amounts due to the Limited Partner related to Investor Services Fees were $47,769 and $42,232 as of December 31, 2015 and 2014, 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 2015 and 2014, 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, 2015, $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, 2015 and 2014, 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 $940 and $1,244 for the years ended December 31, 2015 and 2014, respectively.

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

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 $322 and $161 as of December 31, 2015 and 2014, 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:

	12/31/2015	12/31/2014
Accrued Payroll Expenses	$ 3,296	$ 3,917
Accrued Audit Fees	16,683	8,683
Total Accrued Expenses	$ 19,979	$ 12,600

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 12, 2016 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

Falcon Ridge Limited Partnership

Notes to Financial Statements

December 31, 2015 and 2014

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 $302,037 and $301,600 at December 31, 2015 and 2014, 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 $394,961 and $422,606 as of December 31, 2015 and 2014, 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, 2015 and 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. Effective January 1, 2015, the Project implemented a new capitalization policy in response to the safe harbor de minimis regulations issued by the Internal Revenue Service. Property and Equipment with a unit cost of $5,000 or more and an estimated useful life greater than one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets. Property and Equipment purchases less than $5,000 or with lives of one year or less, and maintenance and repairs which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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 2015 or 2014.

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, 2015, the Partnership's tax years for 2012, 2013 and 2014 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2015, the Partnership is no longer subject to examinations by tax authorities for years before 2012.

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.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Reclassifications

Certain items in the 2014 financial statements have been reclassified to conform to the 2015 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, 2015 and 2014:

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

NOTE D - LONG-TERM DEBT

	12/31/2015	12/31/2014
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 $0 and $4,944 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was $58,995 and $59,609 as of December 31, 2015 and 2014, respectively.	$ 1,280,715	$ 1,295,472
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 $728,506 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 $15,058 and $15,235 as of December 31, 2015 and 2014, respectively. Interest expensed on these loans was $181,682 and $183,727 as of December 31, 2015 and 2014, respectively.	2,093,668	2,162,230
Total	3,374,383	3,457,702
Less: Current Portion	40,389	38,606
Long-Term Notes Payable	$ 3,333,994	$ 3,419,096

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

Aggregate maturities of the loans are approximated as follows:

	Principal	Interest*
December 31, 2016	$ 40,389	$ 233,922
2017	49,059	230,455
2018	52,808	226,706
2019	56,864	222,650
2020	61,252	218,262
2021-2025	385,883	1,011,687
2026-2030	565,292	832,279
2031-2035	643,661	582,417
2036-2040	681,120	358,092
2041-2045	452,964	135,928
2046-2050	309,989	53,687
2051-2055	75,102	1,767
Total	$ 3,374,383	$ 4,107,852

*The Rural Development loans assumed by the Partnership are Section 515. Interest Subsidy from Rural Development should reduce the interest paid to 1% over the term of the loan (See Interest Credit and Rental Assistance Agreement Footnote). The project also received interest subsidy from Rural Development Section 538. Interest subsidy payments of $153,273 and $155,890 were recognized as other income during 2015 and 2014, 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.

RD Loan and Building Reduction

During 2015, assets were sold that previously were owned by the Los Caballos entities mentioned in the organization footnote. The proceeds from the sale were paid on the RD loans that Falcon assumed from those entities. The original assumption of the acquisition was capitalized with the construction of Falcon; therefore, the fixed asset, Buildings, was reduced for the proceeds of that sale for $43,644.

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 $193,765 and $221,455 as of December 31, 2015 and 2014, respectively.

NOTE E - RESERVE FUNDS *(continued)*

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 $462,954 and $435,963 as of December 31, 2015 and 2014, respectively.

Operating & Operating Deficit Reserve

In accordance with the Partnership Agreement, the Partnership funded an Operating Reserve fund in the amount of $200,640. Funds are to be used for operating and debt service deficits. The Operating Reserve balance was $200,881 and $200,881 as of December 31, 2015 and 2014, 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 $25,055 and $25,048 as of December 31, 2015 and 2014, 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 $37,083 and $36,754 during 2015 and 2014, respectively. The amounts due to the Management Agent related to Management Fees were $50 and $99 as of December 31, 2015 and 2014, 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 2015 and 2014, respectively. There were no amounts due to the General Partner related to Distributions as of December 31, 2015 or 2014, respectively.

Development Fee

The Partnership has incurred a Development Fee of $1,107,346 due to JL Gray Company and the Mesilla Valley Public Housing Authority, rendered to the Partnership for overseeing the construction of the Project. This Development Fee has been capitalized into the basis of the building. As of December 31, 2015, $913,581 of this fee has been paid. The amounts due related to Development Fees were $193,765 and $221,455 as of December 31, 2015 and 2014, 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 $5,166 and $3,734 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, 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:

	12/31/2015	12/31/2014
Accrued Payroll Expenses	$ 2,591	$ 11,016
Accrued Audit Fees	7,036	2,617
Accrued Fees - Miscellaneous	0	8,800
Accrued Unclaimed Resident Property	27	0
Total Accrued Expenses	$ 9,654	$ 22,433

NOTE K - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 12, 2016 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, 2015 and 2014.

Tenant Receivable and Bad Debt Policy

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

Property and Equipment

Property and equipment are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Effective January 1, 2015, the Project implemented a new capitalization policy in response to the safe harbor de minimis regulations issued by the Internal Revenue Service. Property and Equipment with a unit cost of $5,000 or more and an estimated useful life greater than one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets. Property and Equipment purchases less than $5,000 or with lives of one year or less, and maintenance and repairs which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Any resulting gains and losses are reflected in the statements of operations. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 2015 or 2014.

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, 2015, the Company's tax years for 2012, 2013, and 2014 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2015, the Company is no longer subject to examinations by tax authorities for years before 2012.

Estimates

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

Rental Income

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

Amortization

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Reclassifications

Certain items in the 2014 financial statements have been reclassified to conform to the 2015 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, 2015 and 2014:

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.

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

	12/31/2015	12/31/2014
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 $6,277 and $6,357 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was $75,773 and $76,698 as of December 31, 2015 and 2014, respectively.	$ 924,249	$ 936,030
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 was payable in full on December 1, 2015. The amount has not been paid and new terms are being negotiated. See Footnote J for subsequent event. Therefore, the remaining balance is included in the current maturities of long-term debts.	61,232	61,232
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 $292,350 and $272,860 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was $19,490 and $19,490 as of December 31, 2015 and 2014, respectively.	487,250	487,250
Total	1,472,731	1,484,512
Less: Current Portion	74,010	73,013
Long-Term Notes Payable	$ 1,398,721	$ 1,411,499

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, 2016	$ 74,010	$ 74,856
2017	501,109	405,105
2018	15,032	72,602
2019	16,304	71,330
2020	17,684	69,951
2021-2025	113,561	324,610
2026-2030	170,453	267,718
2031-2035	255,848	182,323
2036-2040	308,730	56,412
Total	$ 1,472,731	$ 1,524,907

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 $54,943 and $43,898 as of December 31, 2015 and 2014, 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 $32,417 and $32,407 as of December 31, 2015 and 2014, respectively. The additional accumulation of funds required are held in the Operating Deficit Reserve account.

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 $35,337 and $35,305 as of December 31, 2015 and 2014, respectively.

The combined balance for the Operating Reserve and the Operating Deficit Reserve was $67,754 and $67,712 as of December 31, 2015 and 2014, 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.

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.

NOTE F - COMMITMENTS AND CONTINGENCIES *(continued)*

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.

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 $15,201 and $14,796 during 2015 and 2014, respectively. The amounts due to the Management Agent related to Management Fees were $144 and $343 as of December 31, 2015 and 2014, 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, 2015 and 2014, respectively.

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, 2015 and 2014, 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. It was paid in full as of December 31, 2014.

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

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, 2015 and 2014, 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:

	12/31/2015	12/31/2014
Accrued Payroll Expenses	$ 1,460	$ 1,897
Accrued Audit Fees	5,910	8,683
Total Accrued Expenses	$ 7,370	$ 10,580

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 12, 2016 which is the date the financial statements were available to be issued, and the following subsequent event occurred.

The loan due to Mesilla Valley Public Housing Authority (MVPHA) matured during 2015. MVPHA finalized the new loan terms. The full amount due is $61,232 and is included in current maturities. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 2% per annum from the amendment date, December 1, 2015, until the remaining principal and all interest is paid in full. Per the Amendment, Montana Senior Village Apartments shall pay the total sum of $11,232 by December 1, 2016. Thereafter, Montana Senior Village Apartments shall pay $5,000 annually beginning in 2017 for a period of ten years.

MSV II Limited Partnership

Notes to Financial Statements

December 31, 2015 and 2014

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 $236,482 and $236,643 at December 31, 2015 and 2014, 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, 2015 and 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. Effective January 1, 2015, the Project implemented a new capitalization policy in response to the safe harbor de minimis regulations issued by the Internal Revenue Service. Property and Equipment with a unit cost of $5,000 or more and an estimated useful life greater than one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets. Property and Equipment purchases less than $5,000 or with lives of one year or less, and maintenance and repairs which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Any resulting gains and losses are reflected in the statements of operations. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

	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 2015 or 2014.

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, 2015, the Partnership's tax years for 2012, 2013, and 2014 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2015, the Partnership is no longer subject to examinations by tax authorities for years before 2012.

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 2014 financial statements have been reclassified to conform to the 2015 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, 2015 and 2014:

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

	12/31/2015	12/31/2014
The Project is financed with a 18-year mortgage payable to Enterprise Mortgage Investments, Inc., an affiliate of the Limited Partner, in the original amount of $1,790,000, with an interest rate of 7.03%. The mortgage is payable in monthly installments of $11,945 including interest through the maturity date. The unpaid principal of the loan is due October 2022. The accrued interest was $8,790 and $5,064 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was $97,036 and $99,329 as of December 31, 2015 and 2014, respectively.	$ 1,494,357	$ 1,531,225
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 $36,308 and $33,558 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was $2,750 and $2,750 as of December 31, 2015 and 2014, respectively.	$ 275,000	$ 275,000

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

	12/31/2015	12/31/2014
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 $25,861 and $23,861 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was $2,000 and $2,000 as of December 31, 2015 and 2014, 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 $16,459 and $15,209 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was $1,250 and $1,250 as of December 31, 2015 and 2014, respectively.	$ 500,000	$ 500,000
Total	3,069,357	3,106,225
Less: Current Portion	39,545	36,868
Long-Term Notes Payable	$ 3,029,812	$ 3,069,357

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

	Principal	Interest
December 31, 2016	$ 39,545	$ 106,983
2017	41,946	104,144
2018	44,992	101,098
2019	51,120	99,457
2020	69,236	101,026
2021-2025	416,623	434,687
2026-2030	566,802	284,508
2031-2035	1,889,882	185,017
Total	$ 3,120,146	$ 1,416,920

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 $119,709 and $93,963 as of December 31, 2015 and 2014, 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 $94,575 and $94,547 as of December 31, 2015 and 2014, 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 $315,315 and $315,303 as of December 31, 2015 and 2014, 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.

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 $23,884 and $23,428 during 2015 and 2014, respectively. The amounts due to the Management Agent related to Management Fees were $404 and $467 as of December 31, 2015 and 2014, 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 $4,278 and $4,153 were recognized during 2015 and 2014, respectively. The amounts due to the Limited Partner related to Investor Services Fees were $4,278 and $4,153 as of December 31, 2015 and 2014, 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. Partnership Administration Fees of $20,000 and $0 were recognized during 2015 and 2014, respectively. There were no amounts due to the General Partner related to Partnership Administration Fees as of December 31, 2015 and 2014, 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 2015 and 2014, 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 was paid in full during 2014.

Operating Advances – General Partner

The Partnership received operating advances for the payment of various operating and financing expenses. The operating advances received from the General Partner were paid in full during 2014.

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, 2015 and 2014, 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:

	12/31/2015	12/31/2014
Accrued Payroll Expenses	$ 2,906	$ 3,067
Accrued Expenses - Audit Fees	5,910	8,683
Total Accrued Liabilities	$ 8,816	$ 11,750

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 12, 2016 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

Stone Mountain Place Limited Partnership

Notes to Financial Statements

December 31, 2015 and 2014

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:

<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 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 $54,443 and $44,524 as of December 31, 2015 and 2014, 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.

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, 2015 and 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. Effective January 1, 2015, the Project implemented a new capitalization policy in response to the safe harbor de minimis regulations issued by the Internal Revenue Service. Property and Equipment with a unit cost of $5,000 or more and an estimated useful life greater than one year are capitalized and depreciated based on the straight-line method over the estimated useful lives of the assets. Property and Equipment purchases less than $5,000 or with lives of one year or less, and maintenance and repairs which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Any resulting gains and losses are reflected in the statements of operations. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

	Estimated Life
Buildings	15-40
Site Improvements	5-15
Furnishings	3-10

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 2015 or 2014.

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, 2015, the Partnership's tax years for 2012, 2013 and 2014 are subject to examination by the federal and state tax authorities. With few exceptions, as of December 31, 2015, the Partnership is no longer subject to examinations by tax authorities for years before 2012.

Estimates

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

Rental Income

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

Amortization

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

Reclassifications

Certain items in the 2014 financial statements have been reclassified to conform to the 2015 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, 2015 and 2014:

General Partner:	
Stone Mountain Place, LLC	0.01 %
Limited Partner:	
TCIG 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, these Limited Partner contributions were paid in full.

NOTE D - LONG-TERM DEBT

	12/31/2015	12/31/2014
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 $11,075 and $11,180 as of December 31, 2015 and 2014, respectively. Interest expensed on this loan was $133,477 and $134,696 as of December 31, 2015 and 2014, respectively.	$ 2,178,628	$ 2,199,169
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, 2015 and 2014, respectively. Interest expensed on this loan was $4,191 and $4,191 as of December 31, 2015 and 2014, respectively.	419,116	419,116
Total	2,597,744	2,618,285
Less: Current Portion	21,828	20,540
Long-Term Notes Payable	$ 2,575,916	$ 2,597,745

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, 2016	$ 21,828	$ 136,484
2017	23,198	135,114
2018	24,654	133,659
2019	26,200	132,113
2020	27,844	130,469
2021-2025	207,294	623,222
2026-2030	290,808	560,683
2031-2035	374,902	476,588
2036-2040	487,909	363,582
2041-2045	640,058	211,433
2046-2050	444,997	34,033
2051-2055	28,052	257
Total	$ 2,597,744	$ 2,937,637

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 $93,396 and $85,983 as of December 31, 2015 and 2014, 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 $210,156 and $209,946 as of December 31, 2015 and 2014, respectively.

NOTE F - COMMITMENTS AND CONTINGENCIES

Housing Tax Credits

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

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

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

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

HOME Investment Partnerships Program

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

Regulatory Agreement Provisions

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

NOTE F - COMMITMENTS AND CONTINGENCIES *(continued)*

Long-term Contract

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

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 $32,186 and $32,902 during 2015 and 2014, respectively. The amounts due to the Management Agent related to Management Fees were $720 and $519 as of December 31, 2015 and 2014, 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 $4,434 and $4,305 were recognized during 2015 and 2014, respectively. The amounts due to the Limited Partner related to Asset Management Fees were $4,434 and $4,305 as of December 31, 2015 and 2014, respectively.

Incentive Management Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the General Partner a noncumulative Incentive Management Fee . The fee shall equal 90% of cash flow remaining after the priorities set forth in the Partnership Agreement. In no event, shall the Incentive Management Fee and the Property Management Fee exceed, in the aggregate, 12% of the gross revenues of the Project in any fiscal year. There were no Incentive Management Fees accrued during 2015 and 2014, respectively. There were no amounts due to the General Partner related to Incentive Management Fees as of December 31, 2015 and 2014, respectively.

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

Development Fee

The Partnership entered into a Development Services Agreement with the Housing Authority of the City of Las Cruces currently known as Mesilla Public Housing Authority (MVPHA), an affiliate of the General Partner and JL Gray Company, (Developer). The Development Fee of $855,247 is payable 30% to the Owner and 70% to the Developer. The fee is payable out of available cash flow as further detailed in the Partnership Agreement. This Development Fee has been capitalized into the basis of the building. As of December 31, 2015, $610,228 of this fee has been paid. Development Fees of $35,000 and $91,761 were paid during 2015 and 2014, respectively. The amounts due related to Development Fees were $245,019 and $280,019 as of December 31, 2015 and 2014, respectively.

Laundry Lease

The Partnership leased space for the installation and operation of coin-operated laundry and vending machine equipment to JL Gray Company for fifty-one percent (51%) of the laundry room receipts after Gross Receipts Tax. This lease continues in effect until terminated by either party. The Partnership received rental income of $0 and $64 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, respectively.

Guaranty of Tax Credits

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

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

Operating Deficit and Completion Guarantees

The General Partner is obligated to make contributions to the Partnership as necessary to fund operating expenses, debt service payments, reserve and escrow accounts, capital improvements and maintenance expenses that occur during certain specified periods, as defined. The General Partner's obligation to make operating deficits is unlimited prior to the later of (1) permanent loan closing and (2) the achievement of debt service coverage ratio of 1.15:1 for ninety consecutive days. Subsequently, the General Partner's obligation to make operating deficit contributions is limited to $205,000 and terminates upon the achievement of certain operating milestones. Operating deficit loans bear interest at 10% per annum and are repayable subject to distributable cash flow, as defined. There are no outstanding liabilities reported as operating deficit loans as of December 31, 2015 and 2014, 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:

	12/31/2015	12/31/2014
Accrued Payroll Expenses	$ 3,282	$ 3,506
Accrued Audit Fees	5,585	8,358
Total Accrued Expenses	$ 8,867	$ 11,864

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 12, 2016 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 fund Municipal General Division

Public Employees Retirement Association (PERA) Plan

PERA Fund Division

Last 10 Fiscal Years*

	2016	2015
Mesilla Valley Public Housing Authority's proportion of the net pension liability	0.0926%	0.0930%
Mesilla Valley Public Housing Authority's proportionate share of the net pension liability	$ 944,137	$ 725,501
Mesilla Valley Public Housing Authority's covered-employee payroll	$ 834,110	$ 767,883
Mesilla Valley Public Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	113.19%	94.48%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	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 of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division
Last 10 Fiscal Years*

	2016	2015
Contractually required contribution	$ 79,657	$ 134,333
Contributions in relation to the contractually required contribution	79,657	134,333
Contribution deficiency (excess)	$ -	$ -
Mesilla Valley Public Housing Authority's covered-employee payroll	$ 834,110	$ 767,883
Contributions as a percentage of covered-employee payroll	10%	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 FY15 audit available at http://www.pera.state.nm.us/pdf/AuditFinancial Statements/366 Public Employees Retirement Association 2015.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at http://www.nmpera.org/assets/uploads /downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf. See appendix B on pages 53-61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2014 valuation.

Changes in assumption resulted in a decrease of $91.8 million to the total pension liability for the PERA Fund and an increase of 0.42% to the funded ratio for the year ended June 30, 2015. See more details of actuarial methods and assumptions on Note 2 on page 34 of PERA's Schedule of Employer Allocations and Pension amounts at http://osanm.org/media/audits/366-B PERA Schedule of Employer Allocations FY2015.pdf

SUPPLEMENTARY INFORMATION

MESILLA VALLEY PUBLIC HOUSING AUTHORITY Statement A-1

Statement of Revenues, Expenses and Changes in
Net Position - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	**Final**	**Amounts**	**(Negative)**
Operating revenues				
Rental revenue	$ 742,412	$ 718,888	$ 715,481	$ (3,407)
Other tenant revenue	31,095	42,199	37,123	(5,076)
Operating subsidies and grants	7,437,616	7,890,098	7,922,789	32,691
Total operating revenues	8,211,123	8,651,185	8,675,393	24,208
Operating expenses				
Housing assistance payments	5,960,612	6,300,547	6,300,546	1
Administration	1,607,471	1,569,507	1,657,550	(88,043)
Maintenance and operations	386,619	532,309	437,383	94,926
Utilities	183,000	150,785	150,786	(1)
Depreciation	365,000	365,000	232,770	132,230
Miscellaneous	55,675	5,011	3,283	1,728
Total operating expenses	8,558,377	8,923,159	8,782,318	140,841
Operating income (loss)	(347,254)	(271,974)	(106,925)	165,049
Non-operating revenues (expenses)				
Other income	7,500	7,465	4,250	(3,215)
Interest income	48,950	45,275	67,094	21,819
Interest expense	(98,050)	(90,447)	(90,445)	2
Developer fees	66,565	74,388	74,388	-
Management fees and other income	65,000	65,000	3,600	(61,400)
Gain (loss) on disposal of assets	100,000	100,000	111,526	11,526
Total non-operating revenues (expenses)	189,965	201,681	170,413	(31,268)
Capital Grants	-	-	186,640	
Change in net position	$ (157,289)	$ (70,293)	250,128	$ 133,781
Change in net position per basic financial statements			$ 250,128	

See Independent Auditors' Report.

COMBINING FINANCIAL STATEMENTS

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Net Position - Detail
June 30, 2016

	HUD Public Housing	HUD Section 8 Housing
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,706,577	$ 540,997
Restricted cash and cash equivalents	59,319	235,047
Accounts receivable, net of allowance for doubtful accounts	3,295	-
Grants receivable	8,310	-
Inventory	10,082	-
Prepaid expenses and other assets	64,509	23,126
Total current assets	1,852,092	799,170
Noncurrent assets		
Capital assets, net	1,658,782	4,904
Receivables from component units, net	-	-
Mortgage receivables, noncurrent, net of allowance for doubtful accounts	-	-
Other noncurrent assets	-	-
Total noncurrent assets	1,658,782	4,904
Total assets	3,510,874	804,074
DEFERRED OUTFLOWS OF RESOURCES		
Employer contributions subsequent to the measurement date	40,805	22,047
Net difference between projected and actual investment earnings	-	11,881
Change in assumptions	-	-
Total deferred outflows of resources	40,805	33,928
Total assets and deferred outflows of resources	$ 3,551,679	$ 838,002

See Independent Auditors' Report.

New Construction Housing	Local Housing Projects	Total
$ 379,562	$ 2,087,471	$ 4,714,607
8,323	14,318	317,007
-	8,689	11,984
-	3,403	11,713
-	-	10,082
9,241	19,847	116,723
397,126	2,133,728	5,182,116
1,414,850	1,891,175	4,969,711
-	1,630,736	1,630,736
-	1,236,284	1,236,284
-	415,224	415,224
1,414,850	5,173,419	8,251,955
1,811,976	7,307,147	13,434,071
3,896	12,909	79,657
1,455	-	13,336
-	2	2
5,351	12,911	92,995
$ 1,817,327	$ 7,320,058	$ 13,527,066

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Net Position - Detail
June 30, 2016

	HUD Public Housing	HUD Section 8 Housing
LIABILITIES		
Current liabilities		
Book overdraft	$ 6,817	$ -
Accounts payable	11,111	14,462
Prepaid tenant rent	-	-
Accrued payroll	43,869	15,367
Notes payable, current portion	-	-
Total current liabilities	61,797	29,829
Current liabilities (payable from restricted assets)		
Tenant deposits	59,319	-
FSS deposits	-	23,249
Total current liabilities (payable from restricted assets)	59,319	23,249
Non-current liabilities		
Compensated absences, noncurrent portion	35,345	8,453
Notes payable, net of current portion	-	-
Net pension liability	514,392	228,831
Total non-current liabilities	549,737	237,284
Total liabilities	670,853	290,362
DEFERRED INFLOWS OF RESOURCES		
Net difference between projected and actual investment earnings	13,565	-
Change in assumptions	210	80
Actuarial experience	10,714	5,788
Change in proportion	1,221	659
Total deferred outflows of resources	25,710	6,527
NET POSITION		
Net investment in capital assets	1,658,782	4,904
Restricted for program activities	-	211,798
Unrestricted	1,196,334	324,411
Total net position	2,855,116	541,113
Total liabilities, deferred inflows of resources and net position	$ 3,551,679	$ 838,002

See Independent Auditors' Report.

New Construction Housing	Local Housing Projects	Total
$ -	$ 2,133	$ 8,950
1,767	14,315	41,655
81	667	748
2,787	8,760	70,783
38,525	65,826	104,351
43,160	91,701	226,487
8,323	14,318	81,960
-	-	23,249
8,323	14,318	105,209
2,935	9,222	55,955
550,874	749,270	1,300,144
42,091	158,823	944,137
595,900	917,315	2,300,236
647,383	1,023,334	2,631,932
-	2,758	16,323
15	65	370
1,023	3,388	20,913
117	385	2,382
1,155	6,596	39,988
825,451	1,076,079	3,565,216
-	-	211,798
343,338	5,214,049	7,078,132
1,168,789	6,290,128	10,855,146
$ 1,817,327	$ 7,320,058	$ 13,527,066

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position - Detail
For the Year Ended June 30, 2016

	HUD Public Housing	HUD Section 8 Housing
Operating revenues		
Rental revenue	$ 379,913	$ -
Other tenant revenue	21,257	7,739
Operating subsidies and grants	703,993	7,039,451
Total operating revenues	1,105,163	7,047,190
Operating expenses		
Housing assistance payments	-	6,300,546
Administration	721,191	603,049
Maintenance and operations	314,342	-
Utilities	106,634	58
Depreciation	130,996	850
Miscellaneous	(1,049)	2,312
Total operating expenses	1,272,114	6,906,815
Operating income (loss)	(166,951)	140,375
Non-operating revenues (expenses)		
Other revenues	-	-
Interest income	10	-
Interest expense	-	-
Developer fees	-	-
Management fees and other income	-	-
Gain (loss) on disposal of assets	-	-
Total non-operating revenues (expenses)	10	-
Income before transfers and capital grants	(166,941)	140,375
Capital grants	186,640	-
Transfers in	133,149	-
Transfers out	(140,615)	-
Change in net position	12,233	140,375
Total net position - beginning of year	2,842,883	400,738
Total net position - end of year	$ 2,855,116	$ 541,113

See Independent Auditors' Report.

New Construction Housing	Local Housing Projects	Total
$ 67,152	$ 268,416	$ 715,481
784	7,343	37,123
151,721	27,624	7,922,789
219,657	303,383	8,675,393
-	-	6,300,546
70,624	262,686	1,657,550
45,827	77,214	437,383
19,132	24,962	150,786
26,748	74,176	232,770
-	2,020	3,283
162,331	441,058	8,782,318
57,326	(137,675)	(106,925)
-	4,250	4,250
-	67,084	67,094
(37,165)	(53,280)	(90,445)
-	74,388	74,388
-	3,600	3,600
-	111,526	111,526
(37,165)	207,568	170,413
20,161	69,893	63,488
-	-	186,640
-	7,466	140,615
-	-	(140,615)
20,161	77,359	250,128
1,148,628	6,212,769	10,605,018
$ 1,168,789	$ 6,290,128	$ 10,855,146

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Statement of Cash Flows - Detail
For the Year Ended June 30, 2016

	HUD Public Housing	HUD Section 8 Housing
Cash flows from operating activities:		
Cash received from tenant rents	$ 400,587	$ 7,739
Cash payments to employees for services	(686,411)	(250,066)
Cash payments to suppliers for goods and services	(451,799)	(6,646,415)
Subsidy grants and other receipts	703,993	7,039,451
Net cash provided (used) by operating activities	(33,630)	150,709
Cash flows from noncapital financing activities:		
Miscellaneous income (expense)	-	-
Transfers	(7,466)	-
Net cash provided (used) by noncapital financing activities	(7,466)	-
Cash flows from capital and related financing activities:		
Proceeds from sale of assets	7,465	-
Acquisition of capital assets	(133,149)	-
Capital grants	209,660	-
Principal payments on long-term debt	-	-
Interest payments on long-term debt	-	-
Net cash provided (used) by capital and related financing activities	83,976	-
Cash flows from investing activities:		
Proceeds from the sale of assets held for sale	-	-
Interest received on investments	10	-
Net cash provided (used) by investing activities	10	-
Net increase (decrease) in cash and cash equivalents	42,890	150,709
Cash and cash equivalents - beginning of year	1,716,189	625,335
Cash and cash equivalents - end of year	$ 1,759,079	$ 776,044

See Independent Auditors' Report.

New Construction Housing	Local Housing Projects	Total
$ 71,062	$ 222,839	$ 702,227
(41,772)	(319,753)	(1,298,002)
(105,145)	(36,929)	(7,240,288)
151,721	26,153	7,921,318
75,866	(107,690)	85,255
-	82,238	82,238
-	7,466	-
-	89,704	82,238
-	-	7,465
-	-	(133,149)
	-	209,660
(36,158)	(47,136)	(83,294)
(37,165)	(53,280)	(90,445)
(73,323)	(100,416)	(89,763)
-	164,057	164,057
-	67,084	67,094
-	231,141	231,151
2,543	112,739	308,881
385,342	1,986,917	4,713,783
$ 387,885	$ 2,099,656	$ 5,022,664

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Statement of Cash Flows - Detail

For the Year Ended June 30, 2016

	HUD Public Housing	HUD Section 8 Housing
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (166,951)	$ 140,375
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	130,996	850
Net pension expense	(19,997)	1,076
Changes in assets and liabilities		
Accounts receivable	(583)	-
Prepaid expenses	901	1,909
Inventory	4,041	-
Accounts payable	(37,817)	(9,337)
Accrued payroll expenses	21,329	5,009
Prepaid tenant rent	-	-
Accrued compensated absences	(256)	3,742
Deferred outflows	33,704	(2,762)
Tenant deposits	1,003	9,847
Net cash provided (used) by operating activities	$ (33,630)	$ 150,709

See Independent Auditors' Report.

New Construction Housing	Local Housing Projects	Total
$ 57,326	$ (137,675)	$ (106,925)
26,748	74,176	232,770
(454)	(1,871)	(21,246)
3,126	(55,058)	(52,515)
(2,591)	(1,012)	(793)
-	-	4,041
(8,738)	3,892	(52,000)
9	2,250	28,597
-	667	667
41	(476)	3,051
462	5,478	36,882
(63)	1,939	12,726
$ 75,866	$ (107,690)	$ 85,255

See Independent Auditors' Report.

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HUD PUBLIC HOUSING PROGRAMS

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Net Position - HUD Public Housing Programs
June 30, 2016

	Public Housing Operations	2013 Capital Fund Program
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,706,577	$ -
Restricted cash and cash equivalents	59,319	-
Accounts receivable - net of allowance for doubtful accounts	3,295	-
Grants receivable	-	-
Inventory	10,082	-
Prepaid expenses and other assets	64,509	-
Total current assets	1,843,782	-
Noncurrent assets		
Capital assets, net	1,658,782	-
Mortgage receivables, noncurrent, net of allowance for doubtful accounts	-	-
Total noncurrent assets	1,658,782	-
Total assets	3,502,564	-
DEFERRED OUTFLOWS OF RESOURCES		
Employer contributions subsequent to the measurement date	40,805	-
Total deferred outflows of resources	40,805	-
Total assets and deferred outflows of resources	$ 3,543,369	$ -

See Independent Auditors' Report.

2014 Capital Fund Program	2015 Capital Fund Program	Total
$ -	$ -	$ 1,706,577
-	-	59,319
-	-	3,295
3,417	4,893	8,310
-	-	10,082
-	-	64,509
3,417	4,893	1,852,092
-	-	1,658,782
-	-	-
-	-	1,658,782
3,417	4,893	3,510,874
-	-	40,805
-	-	40,805
$ 3,417	$ 4,893	$ 3,551,679

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Net Position - HUD Public Housing Programs
June 30, 2016

	Public Housing Operations	2013 Capital Fund Program
LIABILITIES AND NET POSITION		
Current liabilities		
Book overdraft	$ -	$ -
Accounts payable	11,111	-
Accrued payroll	42,762	-
Total current liabilities	53,873	-
Current liabilities (payable from restricted assets)		
Tenant deposits	59,319	-
Total current liabilities (payable from restricted assets)	59,319	-
Non-current liabilities		
Compensated absences, noncurrent portion	34,959	-
Net pension liability	514,392	-
Total non-current liabilities	549,351	-
Total liabilities	662,543	-
DEFERRED INFLOWS OF RESOURCES		
Net difference between projected and actual investment earnings	13,565	-
Change in assumptions	210	-
Actuarial experience	10,714	-
Change in proportion	1,221	-
Total deferred outflows of resources	25,710	-
NET POSITION		
Net investment in capital assets	1,658,782	-
Unrestricted	1,196,334	-
Total net position	2,855,116	-
Total liabilities, deferred inflows and net position	$ 3,543,369	$ -

See Independent Auditors' Report.

2014 Capital Fund Program	2015 Capital Fund Program	Total
$ 3,417	$ 3,400	$ 6,817
-	-	11,111
-	1,107	43,869
3,417	4,507	61,797
-	-	59,319
-	-	59,319
-	386	35,345
-	-	514,392
-	386	549,737
3,417	4,893	670,853
-	-	13,565
-	-	210
-	-	10,714
-	-	1,221
-	-	25,710
-	-	1,658,782
-	-	1,196,334
-	-	2,855,116
$ 3,417	$ 4,893	$ 3,551,679

See Independent Auditors' Report.

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, 2016

	Public Housing Operations	2013 Capital Fund Program
Operating revenues		
Rental revenue	$ 379,913	$ -
Other tenant revenue	21,257	-
Operating subsidies and grants	703,993	-
Total operating revenues	1,105,163	-
Operating expenses		
Administration	678,142	-
Maintenance and operations	304,597	2,614
Utilities	106,634	-
Depreciation	130,996	-
Miscellaneous	(1,049)	-
Total operating expenses	1,219,320	2,614
Operating income (loss)	(114,157)	(2,614)
Non-operating revenues (expenses)		
Interest income	10	-
Total non-operating revenues	10	-
Income before transfers and capital grants	(114,147)	(2,614)
Capital grants	-	72,479
Transfers in	133,149	-
Transfers out	(7,466)	(69,865)
Change in net position	11,536	-
Total net position - beginning of year	2,843,580	-
Total net position - end of year	$ 2,855,116	$ -

See Independent Auditors' Report..

2014 Capital Fund Program	2015 Capital Fund Program	Total
$ -	$ -	$ 379,913
-	-	21,257
-	-	703,993
-	-	1,105,163
15,630	27,419	721,191
7,131	-	314,342
-	-	106,634
-	-	130,996
-	-	(1,049)
22,761	27,419	1,272,114
(22,761)	(27,419)	(166,951)
-	-	10
-	-	10
(22,761)	(27,419)	(166,941)
86,045	28,116	186,640
-	-	133,149
(63,284)	-	(140,615)
-	697	12,233
-	(697)	2,842,883
$ -	$ -	$ 2,855,116

See Independent Auditors' Report..

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Cash Flows - HUD Public Housing Programs
For the Year Ended June 30, 2016

	Public Housing Operations	2013 Capital Fund Program
Cash flows from operating activities:		
Cash received from tenant rents	$ 400,587	$ -
Cash payments to employees for services	(643,887)	-
Cash payments to suppliers for goods and services	(437,975)	(6,693)
Subsidy grants	703,993	-
Net cash provided (used) by operating activities	22,718	(6,693)
Cash flows from noncapital financing activities:		
Transfers in (out)	125,683	(69,865)
Net cash provided (used) by noncapital financing activities	125,683	(69,865)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(133,149)	-
Capital grants	-	74,334
Proceeds on sale of capital assets	7,465	-
Net cash provided (used) by capital and related financing activities	(125,684)	74,334
Cash flows from investing activities:		
Interest received on investments	10	-
Net cash provided (used) by investing activities	10	-
Net increase (decrease) in cash and cash equivalents	22,727	(2,224)
Cash and cash equivalents - beginning of year	1,743,169	2,224
Cash and cash equivalents - end of year	$ 1,765,896	$ -

See Independent Auditors' Report.

2014 Capital Fund Program	2015 Capital Fund Program	Total
$ -	$ -	$ 400,587
(15,799)	(26,725)	(686,411)
(7,131)	-	(451,799)
-	-	703,993
(22,930)	(26,725)	(33,630)
(63,284)	-	(7,466)
(63,284)	-	(7,466)
-	-	(133,149)
112,103	23,223	209,660
-	-	7,465
112,103	23,223	83,976
-	-	10
-	-	10
25,889	(3,502)	42,890
(29,306)	102	1,716,189
$ (3,417)	$ (3,400)	$ 1,759,079

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Cash Flows - HUD Public Housing Programs
For the Year Ended June 30, 2016

	Public Housing Operations	2013 Capital Fund Program
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (114,157)	$ (2,614)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	130,996	-
Net pension expense	(19,997)	-
Changes in assets and liabilities		
Accounts receivable	(583)	-
Prepaid expenses	901	-
Inventory	4,041	-
Accounts payable	(33,738)	(4,079)
Accrued payroll expenses	21,190	-
Accrued compensated absences	(642)	-
Deferred outflows	33,704	-
Tenant deposits	1,003	-
Net cash provided (used) by operating activities	$ 22,718	$ (6,693)

See Independent Auditors' Report.

2014 Capital Fund Program	2015 Capital Fund Program	Total
$ (22,761)	$ (27,419)	$ (166,951)
-	-	130,996
-	-	(19,997)
-	-	(583)
-	-	901
-	-	4,041
-	-	(37,817)
(169)	308	21,329
-	386	(256)
-	-	33,704
-	-	1,003
$ (22,930)	$ (26,725)	$ (33,630)

See Independent Auditors' Report.

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NEW CONSTRUCTION HOUSING

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Net Position - New Construction Housing Programs
June 30, 2016

		New Construction Housing
ASSETS		
Current assets		
Cash and cash equivalents	$	379,562
Restricted cash and cash equivalents		8,323
Accounts receivable - tenants, net of allowance for doubtful accounts		-
Prepaid expenses and other assets		9,241
Total current assets		397,126
Noncurrent Assets		
Capital assets, net		1,414,850
Total noncurrent assets		1,414,850
Total assets		1,811,976
DEFERRED OUTFLOWS OF RESOURCES		
Employer contributions subsequent to the measurement date		3,896
Net difference between projected and actual investment earnings		1,455
Total deferred outflows of resources		5,351
Total assets and deferred outflows of resources	$	1,817,327

See Independent Auditors' Report.

	New Construction Housing
LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payable	$ 1,767
Prepaid tenant rent	81
Accrued payroll	2,787
Notes payable, current portion	38,525
Total current liabilities	43,160
Current liabilities (payable from restricted assets)	
Tenant deposits	8,323
Total current liabilities (payable from restricted assets)	8,323
Non-current liabilities	
Compensated absences, noncurrent portion	2,935
Notes payable, net of current portion	550,874
Net pension liability	42,091
Total non-current liabilities	595,900
Total liabilities	647,383
DEFERRED INFLOWS OF RESOURCES	
Change in assumptions	15
Actuarial experience	1,023
Change in proportion	117
Total deferred outflows of resources	1,155
Net position:	
Net investment in capital assets	825,451
Unrestricted	343,338
Total net position	1,168,789
Total liabilities, deferred inflows and net position	$ 1,817,327

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

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

For the Year Ended June 30, 2016

	New Construction Housing
Operating revenues	
Rental revenue	$ 67,152
Other tenant revenue	784
Operating subsidies and grants	151,721
Total operating revenues	219,657
Operating expenses	
Administration	70,624
Maintenance and operations	45,827
Utilities	19,132
Depreciation	26,748
Total operating expenses	162,331
Operating income (loss)	57,326
Non-operating revenues (expenses)	
Interest expense	(37,165)
Total non-operating revenues	(37,165)
Income before transfers	20,161
Transfers in	-
Transfers out	-
Change in net position	20,161
Total net position - beginning of year	1,148,628
Total net position - end of year	$ 1,168,789

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Combining Statement of Cash Flows - New Construction Housing Programs
For the Year Ended June 30, 2016

	New Construction Housing
Cash flows from operating activities:	
Cash received from tenant rents	$ 71,062
Cash payments to employees for services	(41,772)
Cash payments to suppliers for goods and services	(105,145)
Subsidy grants	151,721
Net cash provided by operating activities	75,866
Cash flows from capital and related financing activities:	
Principal payments on long-term debt	(36,158)
Interest payments on long-term debt	(37,165)
Net cash (used) by capital and related financing activities	(73,323)
Net increase in cash and cash equivalents	2,543
Cash and cash equivalents - beginning of year	385,342
Cash and cash equivalents - end of year	$ 387,885
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	$ 57,326
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	26,748
Net pension expense	(454)
Changes in assets and liabilities	
Accounts receivable	3,126
Prepaid expenses	(2,591)
Accounts payable	(8,738)
Accrued payroll expenses	9
Accrued compensated absences	41
Deferred outflows	462
Tenant deposits	(63)
Net cash provided by operating activities	$ 75,866

See Independent Auditors' Report.

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LOCAL HOUSING PROJECTS

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Net Position - Local Housing Projects
June 30, 2016

	Conventional Home Choice II	2014 ROSS	2015 ROSS	Developer Fees	Total
ASSETS					
Current assets					
Cash and cash equivalents	$ 1,561,548	$ -	$ -	$ 525,923	$ 2,087,471
Restricted cash and cash equivalents	14,318	-	-	-	14,318
Accounts receivable - tenants, net of allowance for doubtful accounts	8,689	-	-	-	8,689
Grants receivable	-	-	3,403	-	3,403
Prepaid expenses and other assets	19,847	-	-	-	19,847
Total current assets	1,604,402	-	3,403	525,923	2,133,728
Noncurrent Assets					
Capital assets, net	1,891,175	-	-	-	1,891,175
Receivables from component units, net	1,080,158	-	-	550,578	1,630,736
Mortgage receivables, noncurrent, net of allowance for doubtful accounts	1,236,284	-	-	-	1,236,284
Other noncurrent assets	100,500	-	-	314,724	415,224
Total noncurrent assets	4,308,117	-	-	865,302	5,173,419
Total assets	5,912,519	-	3,403	1,391,225	7,307,147
DEFERRED OUTFLOWS OF RESOURCES					
Employer contributions subsequent to the measurement date	7,238	1,037	1,048	3,586	12,909
Net difference between projected and actual investment earnings	-	761	3,696	-	4,457
Change in assumptions	-	-	2	-	2
Total deferred outflows of resources	7,238	1,798	4,746	3,586	17,368
Total assets and deferred outflows of resources	$ 5,919,757	$ 1,798	$ 8,149	$ 1,394,811	$ 7,324,515

See Independent Auditors' Report.

	Conventional Home Choice II	2014 ROSS	2015 ROSS	Developer Fees	Total
LIABILITIES AND NET POSITION					
Current liabilities					
Book overdraft	$ -	$ 105	$ 2,028	$ -	$ 2,133
Accounts payable	13,076	-	-	1,239	14,315
Prepaid tenant rent	667	-	-	-	667
Accrued payroll	5,503	-	1,087	2,170	8,760
Notes payable, current portion	65,826	-	-	-	65,826
Total current liabilities	85,072	105	3,115	3,409	91,701
Current liabilities (payable from restricted assets)					
Tenant deposits	14,318	-	-	-	14,318
Total current liabilities (payable from restricted assets)	14,318	-	-	-	14,318
Non-current liabilities					
Compensated absences, noncurrent portion	6,299	-	286	2,637	9,222
Notes payable, net of current portion	749,270	-	-	-	749,270
Net pension liability	93,701	10,253	2,877	51,992	158,823
Total non-current liabilities	849,270	10,253	3,163	54,629	917,315
Total liabilities	948,660	10,358	6,278	58,038	1,023,334
DEFERRED INFLOWS OF RESOURCES					
Net difference between projected and actual investment earnings	3,368	-	-	3,847	7,215
Change in assumptions	39	3	-	23	65
Actuarial experience	1,900	272	275	941	3,388
Change in proportion	216	31	31	107	385
Total deferred inflows of resources	5,523	306	306	4,918	11,053
Net position:					
Net investment in capital assets	1,076,079	-	-	-	1,076,079
Unrestricted	3,889,495	(8,866)	1,565	1,331,855	5,214,049
Total net position	4,965,574	(8,866)	1,565	1,331,855	6,290,128
Total liabilities, deferred inflows and net position	$ 5,919,757	$ 1,798	$ 8,149	$ 1,394,811	$ 7,324,515

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Revenues, Expenses and Changes in Net Position - Local Housing Projects
For the Year Ended June 30, 2016

	Conventional Home Choice II	2014 ROSS	2015 ROSS	Developer Fees	Total
Operating revenues					
Rental revenue	$ 268,416	$ -	$ -	$ -	$ 268,416
Other tenant revenue	7,343	-	-	-	7,343
Operating subsidies and grants	-	16,812	10,812	-	27,624
Total operating revenues	275,759	16,812	10,812	-	303,383
Operating expenses					
Administration	164,683	16,067	9,247	72,689	262,686
Maintenance and operations	75,739	-	-	1,475	77,214
Utilities	24,962	-	-	-	24,962
Depreciation	74,176	-	-	-	74,176
Miscellaneous	2,020	-	-	-	2,020
Total operating expenses	341,580	16,067	9,247	74,164	441,058
Operating income (loss)	(65,821)	745	1,565	(74,164)	(137,675)
Non-operating revenues (expenses)					
Other revenue	-	-	-	4,250	4,250
Interest income	66,985	-	-	99	67,084
Interest expense	(53,280)	-	-	-	(53,280)
Developer fees	-	-	-	74,388	74,388
Management fees and other income	-	-	-	3,600	3,600
Gain on sales of homes	111,526	-	-	-	111,526
Total non-operating revenues	125,231	-	-	82,337	207,568
Income before transfers and capital grants	59,410	745	1,565	8,173	69,893
Transfers in	7,466	-	-	-	7,466
Change in net position	66,876	745	1,565	8,173	77,359
Total net position - beginning of year	4,898,698	(9,611)	-	1,323,682	6,212,769
Total net position - end of year	$ 4,965,574	$ (8,866)	$ 1,565	$ 1,331,855	$ 6,290,128

See Independent Auditors' Report.

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MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Combining Statement of Cash Flows - Local Housing Projects
For the Year Ended June 30, 2016

	Conventional Home Choice II	2014 ROSS	2015 ROSS	Developer Fees	Total
Cash flows from operating activities:					
Cash received from tenant rents	$ 222,839	$ -	$ -	$ -	$ 222,839
Cash payments to employees for services	(236,748)	(17,166)	(9,437)	(56,402)	(319,753)
Cash payments to suppliers for goods and services	(23,198)	-	-	(13,731)	(36,929)
Subsidy grants and other receipts	-	16,812	7,409	1,932	26,153
Net cash provided (used) by operating activities	(37,107)	(354)	(2,028)	(68,201)	(107,690)
Cash flows from noncapital financing activities:					
Miscellaneous income (expense)	-	-	-	82,238	82,238
Transfers in (out)	7,466	-	-	-	7,466
Net cash provided (used) by noncapital financing activities	7,466	-	-	82,238	89,704
Cash flows from capital and related financing activities:					
Principal payments on long-term debt	(47,136)	-	-	-	(47,136)
Interest payments on long-term debt	(53,280)	-	-	-	(53,280)
Net cash provided (used) by capital and related financing activities	(100,416)	-	-	-	(100,416)
Cash flows from investing activities:					
Proceeds from sale of assets held for sale	164,057	-	-	-	164,057
Interest received on investments	66,985	-	-	99	67,084
Net cash provided (used) from investing activities	231,042	-	-	99	231,141
Net increase (decrease) in cash and cash equivalents	100,985	(354)	(2,028)	14,136	112,739
Cash and cash equivalents - beginning of year	1,474,881	249	-	511,787	1,986,917
Cash and cash equivalents - end of year	$ 1,575,866	$ (105)	$ (2,028)	$ 525,923	$ 2,099,656

See Independent Auditors' Report.

	Conventional Home Choice II	2014 ROSS	2015 ROSS	Developer Fees	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ (65,821)	$ 745	$ 1,565	$ (74,164)	$ (137,675)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	74,176	-	-	-	74,176
Net pension expense	(3,548)	252	3,183	(1,758)	(1,871)
Changes in assets and liabilities					
Accounts receivable	(53,587)	-	(3,403)	1,932	(55,058)
Prepaid expenses	(1,012)	-	-	-	(1,012)
Accounts payable	2,857	-	-	1,035	3,892
Accrued payroll expenses	1,682	(924)	1,087	405	2,250
Prepaid tenant rent	667	-	-	-	667
Accrued compensated absences	(893)	-	286	131	(476)
Deferred outflows	6,433	(427)	(4,746)	4,218	5,478
Tenant deposits	1,939	-	-	-	1,939
Net cash provided (used) by operating activities	$ (37,107)	$ (354)	$ (2,028)	$ (68,201)	$ (107,690)

See Independent Auditors' Report.

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SUPPORTING SCHEDULES

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2016

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP No.	Market Value June 30, 2016
Wells Fargo Bank	FMAC FGPC	1/1/2034	3128P75B5	$ 4,863,560
Wells Fargo Bank	FMAC FGRM	6/15/2027	3137ATB43	465,380
			Total	$ 5,328,940

Note:
Pledged collateral is held in safekeeping by Bank of New York Mellon, NY, NY

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

Schedule IV

Schedule of Deposits and Investments

June 30, 2016

Financial Institution/Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Wells Fargo Bank				
Operating Account - Demand	$ 5,038,452	$ -	$ 97,091	$ 4,941,361
Rent Account - Demand	56,392	-	-	56,392
Family Self-Sufficiency Account - Demand	23,911	-	-	23,911
Total Wells Fargo Bank	5,118,755	-	97,091	5,021,664
Total deposits and investments	$ 5,118,755	$ -	$ 97,091	$ 5,021,664
Petty cash				1,000
Total cash and cash equivalents				$ 5,022,664

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

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

For the Year Ended June 30, 2016

Prepared by: Mesilla Valley Public Housing Authority

RFB/ RFP #	Type of Procurement	Awarded Vendor	$ Amount of Awarded Contract*	$ Amount of Amended Contract**

None noted for FY 2016.

See Independent Auditors' Report.

Position: Accountant

Date: September 20, 2016

Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	vendor in-state and chose Veteran's preference (Y or N). For federal funds answer N/A	Brief Description of the Scope of Work

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
June 30, 2016

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
111	Cash - Unrestricted	$ 1,706,577	$ 540,997
113	Cash - Other Restricted	-	235,047
114	Cash - Tenant Security Deposits	59,319	-
100	*Total Cash*	1,765,896	776,044
122	Accounts Receivable - HUD Other Projects	-	-
124	Accounts Receivable - Other Government	-	-
125	Accounts Receivable - Miscellaneous	-	-
125-050	Other	-	-
126	Accounts Receivable - Tenants - Dwelling Rents	3,295	-
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	-
126.2	Allowance for Doubtful Accounts - Other	-	-
127	Notes, Loans, & Mortgages Receivables- Current	-	-
128	Fraud Recovery	-	-
128.1	Allowance for Doubtful Accounts - Fraud	-	-
129	Accrued Interest Receivable	-	-
120	*Total Receivables, Net of Allowance for Doubtful Accounts*	3,295	-
142	Prepaid Expenses and Other Assets	64,509	23,126
143	Inventories	11,003	-
143.1	Allowance for Obsolete Inventories	(921)	-
145	Assets Held for Sale	-	-
150	*Total Current Assets*	1,843,782	799,170
161	Land	511,656	-
162	Buildings	5,437,859	4,108
163	Furniture, Equipment & Machinery - Dwellings	-	-
164	Furniture, Equipment & Machinery - Administration	485,639	3,739
165	Leasehold Improvements	2,468,066	433
166	Accumulated Depreciation	(7,244,438)	(3,376)
160	*Total Capital Assets, Net of Accumulated Depreciation*	1,658,782	4,904
171	*Notes, Loans and Mortgages Receivable - Non-Current*	-	-
174	*Other Assets*	-	-
180	*Total Non-Current Assets*	1,658,782	4,904
190	*Total Assets*	3,502,564	804,074
200	Deferred Outflows	40,805	33,928
290	*Total Assets and Deferred Outflows*	$ 3,543,369	$ 838,002

See Independent Auditors' Report.

Public Housing Capital Fund Program 14.872	N/C S/R Section 8 Programs	Business Activities	FSS - ROSS	Total	Component Units (December 31, 2015)
$ -	$ 379,562	$ 2,087,471	$ -	$ 4,714,607	$ 359,109
-	-	-	-	235,047	3,127,049
-	8,323	14,318	-	81,960	-
-	387,885	2,101,789	-	5,031,614	3,486,158
8,310	-	-	3,403	11,713	-
-	-	-	-	-	-
-	-	2,497,220	-	2,497,220	448
-	-	307,906	-	307,906	-
-	-	6,169	-	9,464	92,972
-	-	2,520	-	2,520	-
-	-	(1,341,211)	-	(1,341,211)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	352,948	-	352,948	-
8,310	-	1,825,552	3,403	1,840,560	93,420
-	9,241	19,847	-	116,723	116,403
-	-	-	-	11,003	-
-	-	-	-	(921)	-
-	-	100,500	-	100,500	-
8,310	397,126	4,047,688	3,403	7,099,479	3,695,981
-	872,000	11,520	-	1,395,176	2,834,182
-	1,055,334	2,485,763	-	8,983,064	48,394,334
-	-	-	-	-	2,019,628
-	-	-	-	489,378	609
-	7,556	54,850	-	2,530,905	5,771,788
-	(520,040)	(660,958)	-	(8,428,812)	(13,111,812)
-	1,414,850	1,891,175	-	4,969,711	45,908,729
-	-	1,364,881	-	1,364,881	-
-	-	-	-	-	832,200
-	1,414,850	3,256,056	-	6,334,592	46,740,929
8,310	1,811,976	7,303,744	3,403	13,434,071	50,436,910
-	5,351	10,824	6,544	97,452	-
$ 8,310	$ 1,817,327	$ 7,314,568	$ 9,947	$ 13,531,523	$ 50,436,910

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
June 30, 2016

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
311	Bank Overdraft	$ -	$ -
312	Accounts Payable <= 90 Days	11,111	14,462
321	Accrued Wage/Payroll Taxes Payable	42,762	15,367
325	Accrued Interest Payable	-	-
341	Tenant Security Deposits	59,319	-
342	Unearned Revenues	-	-
343	Current Portion of Long-term Debt - Capital Projects	-	-
345	Other Current Liabilities	-	23,249
310	*Total Current Liabilities*	113,192	53,078
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-
353	Non-current Liabilities - Other	-	-
354	Accrued Compensated Absences - Non-Current	34,959	8,453
357	Accrued Pension	514,392	228,831
350	*Total Non-Current Liabilities*	549,351	237,284
300	*Total Liabilities*	662,543	290,362
400	Deferred Inflows	25,710	6,527
508.4	Net Investment in Capital Assets	1,658,782	4,904
511.4	Restricted Net Position	-	211,798
512.4	Unrestricted Net Position	1,196,334	324,411
513	*Total Equity/Net Position*	2,855,116	541,113
600	*Total Liabilities, Deferred Inflows and Equity/Net Position*	$ 3,543,369	$ 838,002

See Independent Auditors' Report.

Public Housing Capital Fund Program 14.872	N/C S/R Section 8 Programs	Business Activities	FSS - ROSS	Total	Component Units (December 31, 2015)
$ 6,817	$ -	$ -	$ 2,133	$ 8,950	$ -
-	1,767	14,315	-	41,655	401,826
1,107	2,787	7,673	1,087	70,783	-
-	-	-	-	-	122,039
-	8,323	14,318	-	81,960	246,687
-	81	667	-	748	31,778
-	38,525	65,826	-	104,351	251,765
-	-	-	-	23,249	-
7,924	51,483	102,799	3,220	331,696	1,054,095
-	550,874	749,270	-	1,300,144	18,056,087
-	-	-	-	-	2,059,548
386	2,935	8,936	286	55,955	-
-	42,091	145,693	13,130	944,137	-
386	595,900	903,899	13,416	2,300,236	20,115,635
8,310	647,383	1,006,698	16,636	2,631,932	21,169,730
-	1,155	10,441	612	44,445	-
-	825,451	1,076,079	-	3,565,216	27,600,877
-	-	-	-	211,798	2,880,362
-	343,338	5,221,350	(7,301)	7,078,132	(1,214,059)
-	1,168,789	6,297,429	(7,301)	10,855,146	29,267,180
$ 8,310	$ 1,817,327	$ 7,314,568	$ 9,947	$ 13,531,523	$ 50,436,910

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
For the Year Ended June 30, 2016

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
70300	Net Tenant Rental Revenue	$ 379,913	$ -
70400	Tenant Revenue - Other	21,257	-
70500	*Total Tenant Revenue*	401,170	-
70600	HUD PHA Operating Grants	703,993	7,034,384
70610	Capital Grants	-	-
71100	Investment Income - Unrestricted	10	-
71300	Proceeds from Disposition of Assets Held for Sale	-	-
71310	Cost of Sale of Assets	-	-
71400	Fraud Recovery	-	2,149
71500	Other Revenue	-	10,657
72000	Investment Income - Restricted	-	-
70000	*Total Revenue*	1,105,173	7,047,190
91100	Administrative Salaries	317,175	257,413
91200	Auditing Fees	16,420	16,420
91300	Outside Management Fees	-	-
91400	Advertising and Marketing	-	-
91500	Employee Benefit Contributions - Administrative	139,321	85,139
91600	Office Expenses	28,758	55,497
91700	Legal Expense	4,633	4,063
91800	Travel	1,321	2,728
91900	Other Operating - Administrative	26,355	144,288
91000	*Total Operating - Administrative*	533,983	565,548
92000	Asset Management Fee	-	-
92200	Relocation Costs	378	-
92400	Tenant Services- Other	47	-
92500	*Total Tenant Services*	425	-
93100	Water	45,033	-
93200	Electricity	12,440	58
93300	Gas	2,334	-
93600	Sewer	39,970	-
93800	Other Utilities	6,857	-
93000	*Total Utilities*	106,634	58

See Independent Auditors' Report.

Public Housing Capital Fund Program 14.872	N/C S/R Section 8 Programs	Business Activities	ROSS	Total	Component Units (December 31, 2015)
$ -	$ 67,152	$ 268,416	$ -	$ 715,481	$ 3,468,629
-	784	7,343	-	29,384	118,949
-	67,936	275,759	-	744,865	3,587,578
133,149	151,721	-	27,624	8,050,871	153,273
53,491	-	-	-	53,491	-
-	-	67,084	-	67,094	830
-	-	164,057	-	164,057	-
-	-	-	-	-	-
-	-	-	-	2,149	-
-	-	82,238	-	92,895	957
-	-	-	-	-	-
186,640	219,657	536,607	27,624	9,122,891	3,742,638
19,093	22,598	100,584	20,762	737,625	292,608
-	5,000	23,500	-	61,340	69,340
-	-	-	-	-	212,028
-	-	-	-	-	11,417
6,121	12,639	39,457	4,255	286,932	113,630
-	6,516	9,869	-	100,640	28,922
-	37	19,089	-	27,822	8,944
-	534	403	-	4,986	1,834
-	5,169	3,113	-	178,925	92,062
25,214	52,493	196,015	25,017	1,398,270	830,785
-	-	-	-	-	53,021
275	-	-	-	653	-
-	-	800	-	847	19,563
275	-	800	-	1,500	19,563
-	8,993	3,684	-	57,710	97,693
-	1,814	11,373	-	25,685	99,643
-	230	2,443	-	5,007	8,027
-	7,911	3,075	-	50,956	82,606
-	-	-	-	6,857	62,120
-	18,948	20,575	-	146,215	350,089

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
For the Year Ended June 30, 2016

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
94100	Ordinary Maintenance & Operation - Labor	137,782	-
94200	Ordinary Maintenance & Operation - Materials & Other	74,504	-
94300	Ordinary Maintenance & Operation Contracts	82,890	-
94500	Employee Benefit Contributions - Ordinary Maintenance	55,649	-
94000	*Total Maintenance*	350,825	-
95200	Protective Services- Other Contract Costs	1,077	-
	Total Protective Services	1,077	-
96110	Property Insurance	26,072	8,265
96120	Liability Insurance	19,498	7,018
96130	Workmen's Compensation	14,013	7,546
96140	All Other Insurance	32,518	13,242
96100	*Total Insurance Premiums*	92,101	36,071
96200	Other General Expenses	4,970	-
96210	Compensated Absences	(642)	3,742
96400	Bad Debt - Tenant Rents	(1,049)	-
96600	Bad Debt - Other	-	-
96000	*Total Other General*	3,279	3,742
96710	Interest of Mortgage (or Bonds) Payable	-	-
96900	*Total Operating Expenses*	1,088,324	605,419
97000	*Excess Operating Revenue Over Operating Expenses*	16,849	6,441,771
97300	Housing Assistance Payments	-	6,300,546
97400	Depreciation Expense	130,996	850
90000	*Total Expenses*	$ 1,219,320	$ 6,906,815
10010	Operating Transfers In	$ 133,149	$ -
10020	Operating Transfers Out	(7,466)	-
10100	*Total Other Financing Sources (Uses)*	125,683	-

See Independent Auditors' Report.

Public Housing Capital Fund Program 14.872	N/C S/R Section 8 Programs	Business Activities	ROSS	Total	Component Units (December 31, 2015)
-	19,191	25,073	-	182,046	205,097
-	10,598	26,526	-	111,628	175,214
26,908	13,857	26,907	-	150,562	211,271
-	6,154	10,326	-	72,129	-
26,908	49,800	88,832	-	516,365	591,582
-	144	323	-	1,544	7,784
-	144	323	-	1,544	7,784
-	2,507	7,521	-	44,365	168,590
11	5,797	5,644	-	37,968	-
-	1,348	4,042	11	26,960	13,942
-	4,505	10,131	-	60,396	56,864
11	14,157	27,338	11	169,689	239,396
-	-	10,828	-	15,798	167,997
386	41	(762)	286	3,051	-
-	-	-	-	(1,049)	34,916
-	-	(2,381)	-	(2,381)	-
386	41	7,685	286	15,419	202,913
-	37,165	53,280	-	90,445	1,002,739
52,794	172,748	394,848	25,314	2,339,447	3,297,872
133,846	46,909	141,759	2,310	6,783,444	444,766
-	-	-	-	6,300,546	-
-	26,748	74,176	-	232,770	1,827,601
$ 52,794	$ 199,496	$ 469,024	$ 25,314	$ 8,872,763	$ 5,125,473
$ -	$ -	$ 7,466	$ -	$ 140,615	$ -
(133,149)	-	-	-	(140,615)	-
(133,149)	-	7,466	-	-	-

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Financial Data Schedule
For the Year Ended June 30, 2016

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
10000	Excess (Deficiency) of Operating Revenue Over (Under)	11,536	140,375
11030	Beginning Equity	2,842,883	400,738
11040-010	Prior Period Adjustments and Correction of Errors	-	-
11040-070	Equity Transfers	-	-
11040	Prior Period Adjustments, Equity Transfers and Correction	-	-
	Ending Equity (deficit)	$ 2,854,419	$ 541,113
11170	Administrative Fee Equity	$ -	$ 367,631
11180	Housing Assistance Payments Equity	$ -	$ 173,482
11190	Unit Months Available	3,024	14,635
11210	Number of Unit Months Leased	2,950	14,290
11270	Excess Cash		$ -
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	ROSS	Total	Component Units (December 31, 2015)
697	20,161	75,049	2,310	250,128	(1,382,835)
-	1,148,628	6,222,380	(9,611)	10,605,018	30,694,850
-	-	-	-	-	-
-	-	-	-	-	(45,000)
-	-	-	-	-	(45,000)
$ 697	$ 1,168,789	$ 6,297,429	$ (7,301)	$ 10,855,146	$ 29,267,015
$ -	$ -	$ -	$ -	$ 367,631	$ -
$ -	$ -	$ -	$ -	$ 211,798	$ -
-	480	756	-	18,895	7,200
	472	611		18,323	6,914
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
$ 133,149	$ -	$ -	$ -	$ 133,149	$ -
$ -	$ -	$ -	$ -	$ -	$ -

See Independent Auditors' Report.

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COMPLIANCE SECTION

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 and budget comparison schedule of the Mesilla Valley Public Housing Authority (the "Housing Authority") as of and for the year ended June 30, 2016, 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 20, 2016. Our report includes a reference to other auditors who audited the financial statements of the component units as described in our report on the Housing Authority's financial statements. 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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described them in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as items FS 2016-001, FS 2016-002 and FS 2016-003.

Housing Authority's 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.

RPC CPAs + Consultants LLP

RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
September 20, 2016

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FEDERAL FINANCIAL ASSISTANCE

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 each of the Housing Authority's major federal programs for the year ended June 30, 2016. The Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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 the Uniform Guidance, 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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as FA 2016-001, that we consider to be a significant deficiency.

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.

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

RPC CPAs + Consultants LLP

RPC CPAs + Consultants, LLP
Albuquerque, NM
September 20, 2016

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor Program Title	Grant or State Number	Federal CFDA Number	Federal Expenditures		Funds provided to Subreceipts	Noncash Assistance
U.S. Department of Housing and Urban Development						
Direct Programs:						
Section 8 New Construction and Substantial Rehabilitation	NM02-0002-004	14.182	$ 151,721		$ -	$ -
Public Housing Family Self-Sufficiency under Resident Opportunity Self Sufficiency	FY 2014	14.877	16,067		-	-
Public Housing Family Self-Sufficiency under Resident Opportunity Self Sufficiency	FY 2015	14.877	9,247		-	-
			25,314		-	-
Family Self Sufficiency Fund	NM003FSH457A014	14.896	19,158		-	-
Public and Indian Housing	NM003000001	14.850	1,089,373	*	-	-
Section 8 Housing Choice Vouchers	NM003V0	14.871	7,039,451	*	-	-
Public Housing Capital Fund (CFP)	NM02P003501-13	14.872	72,479		-	-
	NM02P003501-14	14.872	86,045		-	-
	NM02P003501-15	14.872	28,116		-	-
			186,640		-	-
Total U.S. Department of Housing and Urban Development			8,511,657		-	-
Total Expenditures of Federal Awards			$ 8,511,657		$ -	$ -

* Major Program

See Independent Auditors' Report.
See accompanying notes to schedule of expenditures of federal awards.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Mesilla Valley Public Housing Authority (the Authority) and is presented on the accrual basis of accounting, which is the same basis as was used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Loans

The Authority did not have any loan or loan guarantee programs outstanding as of June 30, 2016.

10% de minimis Indirect Cost Rate

The Authority did not elect to use the allowed 10% indirect cost rate.

Federally Funded Insurance

The Authority has no federally funded insurance.

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A. Summary of Auditors' 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?	None noted
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
2. Type of auditors' report issued on compliance for major programs	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	Yes
4. Identification of major programs:	

CFDA Number	Federal Program
14.871	Section 8 Housing Choice Vouchers
14.850	Public and Indian Housing

5. Dollar threshold used to distinguish between type A and type B programs:	$750,000
6. Auditee qualified as low-risk auditee?	No

B. Findings – Financial Statement Audit

None noted

C. Findings – Federal Awards Findings

<u>FA 2016-001 – Lack of Internal Controls over Income Verification in Tenant Files – Section 8 – Significant Deficiency</u>

Federal Program Information:
Funding agency: U.S. Department of Housing and Urban Development
Title: Section 8 Housing Choice Vouchers
Grant Number and Year: NM003 FY 2016
CFDA number: 14.871

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

- In 3 out of 60 tenants selected for testwork, there was no verification of the food stamp income included on the tenants' Forms HUD-50058 with the annual recertifications. These omissions did not change the calculation of the tenants' rental assistance.
- In 1 out of 60 tenants selected for testwork, there was verified income included in the tenant's file which was not included on the tenant's HUD Form 50058 with the annual recertification. This omission did not change the calculation of the tenant's rental assistance.
- In 2 out of 60 tenants selected for testwork, there were verified assets (savings accounts) included in the tenants' files which were not included on the tenants' Forms HUD-50058 with the annual recertifications. These omissions did not change the calculation of the tenants' rental assistance.

Criteria: The COSO Internal Control Integrated Framework requires a documented system of internal controls. Maintaining a current lease contract is a key part of the Housing Authority's system of internal controls over the Section 8 Housing Choice Voucher Program.

Questioned Costs: None

Effect: Without proper internal controls over verification, it is possible that the Authority could be overpaying for rental assistance. As a result, it could affect funding for the program.

Cause: The Authority did not have proper internal controls in place to ensure that all income that is entered on Forms HUD-50058 is verified, and that all verified income in the tenant file is included in Forms HUD-50058.

Auditors' Recommendation: Management should implement internal controls to ensure that all income is verified before inclusion on the Forms HUD-50058 and that all verified income is included on the Forms HUD-50058. The Housing Authority should ensure that all aspects of its internal control system are implemented and operating effectively.

Authority's Response: HCV Management implemented a Quality Control/ Sr. HCV Specialist position in February 2016 to ensure all the staff's work is closely reviewed and monitored. All the HCV Specialists are now certified through Nan McKay and Associates to ensure the verifications and documentations relating to food stamp income is accurately reflected on each tenant's annual reexamination. We have also asked our software company, TenMast, to provide an update to ensure all the data is reentered at each reexamination to ensure the data does not flow over from year to year.

D. Prior Year Audit Findings

<u>FS 2015-001 Deficiency in Internal Controls (Finding that does not rise to significant deficiency) – Resolved</u>

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

E. Findings – Section 12-6-5 NMSA 1978

NM 2016-001 – Bank Account Reconciliation Variances Unresolved – Finding that does not rise to the level of a Significant Deficiency

Condition: During our testwork of cash balances and activity level controls we noted the following internal control deficiency:

- The June 30, 2016 book balance on the cash reconciliations did not tie to the general ledger balance for two out of the three bank accounts tested. The two accounts varied from the General Ledger by ($7,000) and $439 for a net variance from the General Ledger of ($6,651).

Criteria: The book balance on the bank reconciliation should agree to the related account on the general ledger.

Effect: Bank reconciliations are a form of internal control that help the housing authority prevent and detect fraud. If not prepared correctly, the Housing Authority is exposing itself to the risk of misappropriation of assets.

Cause: It was noted that additional reconciling items, such as bank charges, interest payments and returned items, had not been posted to the general ledger. In addition, such items were dated up to six months prior to year-end.

Auditors' Recommendations: We recommend that bank reconciliations are tied to the general ledger on a monthly basis. In addition, the Housing Authority should research the additional reconciling items on the reconciliations and resolve them so only true reconciling items appear on their bank reconciliations.

Authority Response: Any variances in the bank reconciliations will be researched and be corrected as needed. Bank reconciliations will be completed in a timely manner. The Authority's Accountant will research and correct any reconciling items by no later than October 30th.

NM 2016-002 – Lack of Proper Documentation in Tenant Files – Section 8 – Other Noncompliance

Condition: During testwork over the Section 8 Housing Choice Voucher Program information was missing or not updated in tenant files tested:

- In 3 out of 60 tenant files selected for testwork, third party verification of income related to food stamp income was not updated in the current year's re-certification. Income amounts from the prior year were left on Forms HUD-50058. Because food stamp income is excluded from rental assistance calculations, this did not create any differences in the Authority's rental assistance calculations, however the Forms HUD-50058 were not accurate.

Criteria: In accordance with 24 CFR part 5, subpart F (24 CFR sections 5.601 et seq., and 24 CFR sections 960.253, 690.255, and 960.259), the Housing Authority is required to determine income eligibility and calculate the tenant's rent payments using the documentation from third-party verified sources. In addition, per 24 CFR section 908 and 24 CFR section 982.158, the Housing Authority must submit the Form HUD-50058 electronically with accurate data.

Effect: The Forms HUD-50058, as submitted to HUD, were inaccurate, resulting in the provision of inaccurate data regarding program participants to the funding agency. This did not result in the improper calculation of any tenant rental amounts.

Cause: Prior year third party verified expenses were not removed from the Housing Authority's system when calculating the tenant's rent during their 2016 recertification.

Auditors' Recommendation: Management should implement an internal controls and policies to ensure that any prior year data is removed from tenant rent calculations if such information is not applicable in a subsequent recertification. Also, controls should be implemented to ensure that proper supporting documentation for all tenant expenses and income is present in tenant files along with each recertification.

E. Findings – Section 12-6-5 NMSA 1978 (continued)

NM 2016-002 – Lack of Proper Documentation in Tenant Files – Section 8 – Other Noncompliance (continued)

Authority's Response: HCV Management implemented a Quality Control/ Sr. HCV Specialist position in February 2016 to ensure all the staff's work is closely reviewed and monitored. All the HCV Specialists are now certified through Nan McKay and Associates to ensure the verifications and documentations relating to food stamp income is accurately reflected on each tenant's annual reexamination.

NM 2016-003 Stale Dated Checks – Finding that does not rise to the level of a Significant Deficiency

Condition: The Authority had 8 outstanding checks written from the operating bank account that were over one year old on thir bank reconciliation at June 30, 2016, totaling $322. The Authority has not reported the payees or turned over the funds to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Criteria: New Mexico Statutes, Section 6-10-57, NMSA, 1978 compilation, requires local public bodies to cancel or void any checks that are unpaid for one year after it is written. The Authority has not reported the payees or turned over the funds to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Effect: The Authority's cash balance may be misstated by the amount of the stale checks, and is not incompliance with Section 6-10-57, NMSA, 1978 compilation.

Cause: The Authority overlooked the stale-dated checks during the bank reconciliation process.

Auditors' Recommendation: We recommend that the outstanding checks be voided as soon as possible and that a procedure to track and void stale dated checks be implemented. We also recommend that the Authority remit the stale-dated check funds to the New Mexico Taxation and Revenue Department. Finally, we recommend the Authority review banks reconciliations to capture checks that are considered stale dated.

Authority's Response: The Authority's Accountant has now established procedures for checks over 90 days, which are to be voided within 30 days from the "over 90 day" check date. Stale unclaimed checks that need to be submitted to the New Mexico Taxation and Revenue Department have been reported accordingly by the November 1st deadline for each of the respective fiscal year.

AUDITOR PREPARED FINANCIAL STATEMENTS

RPC CPAs + Consultants, 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 20, 2016. The following individuals were in attendance and the meeting was held in closed session.

Mesilla Valley Public Housing Authority

Elizabeth Bardwell, Chairman
Annaliza Gourneau, Vice Chairman
Felix Cordero, Commissioner
Shelly Sanders, Commissioner
William Rothengrass, Commissioner
Juan Olvera, Executive Director
Jesse Padilla, Deputy Director
Laura Ramos, Accountant
Lee Montague, Modernization/Maintenance Manager
Christine Gonzalez, Office Manager
Jaclyn Leyva, HCV Manager
Robert L. Blumenfeld, Legal Counsel

RPC CPAs + Consultants, LLP

Robert Cordova, CPA, Partner
Danny Martinez, CPA, Manager
Benjamin A. Martinez, CPA, Supervisor