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MESILLA VALLEY PUBLIC HOUSING AUTHORITY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018

Accounting • Business Consultation • Auditing & Assurance

MESILLA VALLEY PUBLIC HOUSING AUTHORITY

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MESILLA VALLEY PUBLIC HOUSING AUTHORITY

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INTRODUCTORY SECTION

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
Directory of Officials
June 30, 2018

Board of Commissioners

Name	Title
Marcos Montes	Chair
Felix C. Cordero	Vice-Chair
Joseph A. Figueroa	Commissioner (Resident)
Annaliza Gourneau	Commissioner
Vacant	Commissioner (County)

Administrative Officials

Juan Olvera	Executive Director
Lorena Rivera	Deputy Director/Operations Director
Elizabeth Garcia	Comptroller

FINANCIAL SECTION

6200 Uptown Blvd., NE, Suite 400
Albuquerque, NM 87110
505 338 0800 office www.riccicpa.com

Service plus value, it all adds up.

Independent Auditor's Report

The Board of Commissioners of
Mesilla Valley Public Housing Authority
and
The Office of Management and Budget
and
Wayne Johnson
New Mexico State Auditor

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 years ended June 30, 2018 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.

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements and the supplementary information of Robledo Ridge, LLLP (RR), Cimmaron, LP (Cimmaron I), Cimmaron II Apartments, LP (Cimmaron II), Desert Palms Apartments, LP, (DP), Falcon Ridge, LP (FR), Montana Senior Village, LLC (MSV), MSV II, LP (MSV II) and Stone Mountain Place, LP (SMP) for the year ended December 31, 2017, which are component units of the Housing Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for RR, Cimmaron I, Cimmaron II, DP, FR, MSV, MSV II and SMP, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the 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, 2018, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance 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 5 through 9 and the Public Employee Retirement Association (PERA) Plan Disclosures on pages 112 and 114, 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. 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 Combining Financial Statements, Supporting Schedules required by 2.2.2 NMAC, and the 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 Combining Financial Statements, and Supporting Schedules (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 Combining Financial Statements and Supporting Schedules (primary government amounts only) are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory section and the component unit section of the Financial Data Schedule 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 28, 2018 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.

Ricci & Company, LLC
Albuquerque, New Mexico
September 28, 2018

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, 2018. 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 $10,969,487 (*net position*). Of this amount, $7,106,500 (*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 $7,106,500 or 70% 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, 2018, manages 288 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 1,385 units.

In view of this mission, the Housing Authority's financial reporting objective under GASB 34 in FY 2018 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 2018

The Housing Authority is presenting its fiscal year 2018 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; and the statement of cash flows.

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.

Financial Statements Used in Fiscal Year 2018 (continued)

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.

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 31-126 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 $10,969,487 at the close of the most recent fiscal year.

A portion of the Housing Authority's net position (33 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, 2018	June 30, 2017
Assets		
Current assets	$ 5,353,907	$ 5,417,035
Restricted assets	109,143	321,586
Capital assets, net of accumulated depreciation	4,862,148	4,989,137
Other noncurrent assets	3,257,002	3,133,942
Total assets	13,582,200	13,861,700
Deferred outflows	406,998	581,384
Total assets and deferred outflows	$ 13,989,198	$ 14,443,084
Liabilities and Net Position		
Current liabilities (payble from current assets)	$ 234,732	$ 297,522
Current liabilities (payable from restricted assets)	96,938	115,544
Non-current liabilities	2,599,158	2,823,464
Total liabilities	2,930,828	3,236,530
Deferred inflows	88,883	17,751
Net investment in capital assets	3,656,945	3,684,978
Restricted for program activities	206,042	206,042
Unrestricted	7,106,500	7,297,783
Total net position	10,969,487	11,188,803
Total liabilities, deferred inflows, and net position	$ 13,989,198	$ 14,443,084

The authority has *restricted net position* in the amount of $206,042 which is restricted for use in the Authority's Housing Choice Voucher Program.

The remaining balance of *unrestricted net position* of $7,106,500 may be used to meet the Housing Authority's ongoing obligations to residents and creditors.

There was a decrease of $191,283 (2.6 percent) in unrestricted net position reported by the Housing Authority as compared to the prior year.

There was a decrease of $28,033 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 smaller 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, 2018	June 30, 2017
Operating revenues:		
Tenant rent	$ 858,165	$ 842,528
Operating subsidies and grants	8,718,324	8,291,143
Total operating revenues	9,576,489	9,133,671
Operating expenses:		
Housing assistance payments	7,061,075	6,585,431
Administration	2,032,739	1,792,082
Maintenance and operations	593,621	554,444
Utilities	147,325	195,474
Depreciation	260,855	234,690
Miscellaneous	0	29,606
Total operating expenses	10,956,615	9,391,727
Operating (loss)	(519,126)	(258,056)
Non-operating revenues (expenses):		
Other revenue	79,905	2,898
Interest income	(74,527)	64,981
Interest expense	(40,984)	(84,635)
Developer fees	18,021	18,021
Management fees and other income	152,511	36,665
Gain (loss) on sale of assets	30,350	60,975
Total non-operating revenues (expenses)	165,276	98,905
Capital grants	88,099	492,808
Change in net position	(217,293)	333,657
Net position, beginning of year	11,186,780	10,855,146
Net position, end of year	$ 10,969,487	$ 11,188,803

Total operating revenues increased $442,818 (4 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 $1,564,888 (16 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, 2018, amounts to $3,656,945 (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 renovations were completed with new structural improvements for the Low Rent Housing Program totaling $116,102 were placed in service during the current fiscal year. There were also site improvement additions in the Low Rent Housing, and Local Housing programs totaling $17,763 that were placed in service during the current year. There was no construction in progress additions in the current fiscal year.

The Housing Authority's Capital Assets

	June 30, 2018	June 30, 2017
Land	$ 1,387,405	$ 1,387,405
Site Improvements	2,541,506	2,523,744
Structures	9,183,133	9,067,030
Equipment	535,120	535,120
Accumulated depreciation	(8,785,017)	(8,524,162)
Capital assets, net	$ 4,862,147	$ 4,989,137

Additional information on the Housing Authority's capital assets can be found on page 40 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 $1,210,203, noncurrent compensated absences outstanding in the amount of $77,958 and a net pension liability of $1,423,552. Additional information of the Housing Authority's long-term debt can be found on page 43 of this report.

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.

BASIC FINANCIAL STATEMENTS

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
ASSETS			
Current Assets			
Cash and cash equivalents	$ 5,463,050	$ 258,789	$ 20,396
Restricted cash and cash equivalents	-	142,134	216,786
Accounts receivable, net	4,091	13,743	548
Accounts receivable - other	6,224	-	-
Grants receivable	71,143	-	-
Inventory	9,519	-	-
Prepaid expenses	56,883	27,160	17,620
Total current assets	5,610,910	441,826	255,350
Noncurrent assets			
Capital asset, net	$ 4,862,148	$ 8,950,598	$ 4,144,928
Receivables from component units, net	620,545	-	-
Interest receivable	419,815	-	-
Development fees receivable	677,570	-	-
Mortgage receivables, net	1,076,922	-	-
Other noncurrent assests	314,290	42,766	108,961
Total noncurrent assets	7,971,290	8,993,364	4,253,889
Total assets	13,582,200	9,435,190	4,509,239
DEFFERED OUTFLOWS OF RESOURCES			
Employer contributions subsequent to the measurement date	$ 90,591	$ -	$ -
Changes in assumptions	65,647	-	-
Net difference between projected and actual investment earnings on pension plan investments	116,794	-	-
Difference between expected and actual experience	55,936	-	-
Changes in proportion	78,030	-	-
Total deferred outflows of resources	406,998	-	-
Total assets and deferred outflows of resources	$ 13,989,198	$ 9,435,190	$ 4,509,239

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

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2018

Component Units as of December 31, 2017

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ 34,154	$ 3,334	$ 39,088	$ 33,121	$ 59,228	$ 54,372
353,535	133,993	757,170	94,652	533,955	200,372
-	4,609	237	-	262	2,114
-	-	73,952	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
25,628	12,087	5,520	5,410	10,555	20,222
413,317	154,023	875,967	133,183	604,000	277,080
$ 8,674,304	$ 2,675,685	$ 7,369,781	$ 1,312,974	$ 2,700,899	$ 6,801,563
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
209,181	42,158	264,178	67,875	94,632	210,578
8,883,485	2,717,843	7,633,959	1,380,849	2,795,531	7,012,141
9,296,802	2,871,866	8,509,926	1,514,032	3,399,531	7,289,221
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 9,296,802	$ 2,871,866	$ 8,509,926	$ 1,514,032	$ 3,399,531	$ 7,289,221

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

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
LIABILITIES			
Current liabilities			
Bank overdraft	$ 16,504	$ -	$ -
Accounts payable	69,360	5,446	5,874
Prepaid tenant rent	752	-	-
Accrued payroll	40,560	-	-
Other accrued liabilites	-	97,813	22,455
Notes payable, current portion	107,556	35,432	11,723
Total current liabilities	234,732	138,691	40,052
Current liabilities (payable from restricted assets)			
Tenant deposits	$ 82,962	$ 19,287	$ 28,344
FSS deposits	13,976	-	-
Total current liabilities (payable from restricted assets)	96,938	19,287	28,344
Non-current liabilities			
Compensated absences	$ 77,959	$ -	$ -
Development fees/asset management fees	-	800,883	84,845
Notes payable, net of current portion	1,097,647	2,928,481	1,096,632
Accrued interest	-	44,263	128,083
Net pension liability	1,423,552	-	-
Total non-current liabilities	2,599,158	3,773,627	1,309,560
Total liabilities	2,930,828	3,931,605	1,377,956
DEFFERED INFLOWS OF RESOURCES			
Change in assumptions	$ 14,710	$ -	$ -
Differnce between expected and actual experience	72,911	-	-
Change in proportion	1,262	-	-
Total deferred inflows of resources	88,883	-	-
NET POSITION			
Net investment in capital assets	$ 3,656,945	$ -	$ -
Restricted for program activities	206,042	-	-
Unrestricted (deficit)	7,106,500	5,503,585	3,131,283
Total net position (deficit)	10,969,487	5,503,585	3,131,283
Total liabilities, deferred inflows of resources and net position	$ 13,989,198	$ 9,435,190	$ 4,509,239

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

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2018

Component Units as of December 31, 2017

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ -	$ -	$ -	$ -	$ -	$
4,183	71,245	7,653	2,751	4,607	3,875
-	-	-	-	-	-
-	-	-	-	-	-
31,181	35,868	34,245	22,058	29,464	34,943
10,810	27,232	52,483	21,264	45,516	24,654
46,174	134,345	94,381	46,073	79,587	63,472
$ 41,972	$ 34,926	$ 40,994	$ 23,912	$ 38,479	$ 54,716
-	-	-	-	-	-
41,972	34,926	40,994	23,912	38,479	54,716
$ -	$ -	$ -	$ -	$ -	$ -
137,500	253,285	138,383	-	4,538	197,723
1,314,130	1,774,538	3,041,344	1,362,361	2,932,614	2,441,495
-	181,675	-	329,706	90,628	-
-	-	-	-	-	-
1,451,630	2,209,498	3,179,727	1,692,067	3,027,780	2,639,218
1,539,776	2,378,769	3,315,102	1,762,052	3,145,846	2,757,406
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
7,757,026	493,097	5,194,824	(248,020)	253,685	4,531,815
7,757,026	493,097	5,194,824	(248,020)	253,685	4,531,815
$ 9,296,802	$ 2,871,866	$ 8,509,926	$ 1,514,032	$ 3,399,531	$ 7,289,221

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, 2018

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
Operating revenues			
Rental revenue	$ 780,429	$ 630,994	$ 378,452
Other tenant revenue	141,294	3,321	-
Operating subsidies and grants	8,654,766	-	-
Total operating revenues	9,576,489	634,315	378,452
Operating expenses			
Housing assistance payments	$ 7,061,075	$ -	$ -
Administration	2,032,739	334,079	228,723
Maintenance and operations	593,621	80,955	83,788
Utilities	147,325	22,293	49,722
Depreciation and amortization	260,855	263,518	145,561
Total operating expenses	10,095,615	700,845	507,794
Operating income (loss)	(519,126)	(66,530)	(129,342)
Non-operating revenues (expenses)			
Other revenues	$ -	$ 24,818	$ 16,911
Interest income	79,905	160	282
Interest expense	(74,527)	-	-
Capital Outlay	(40,984)	-	-
Developer fees	18,021	-	-
Management fees and other income (expense)	152,511	(23,496)	(8,641)
Gain (loss) on assets held for sale	30,350	-	-
Total non-operating revenues (expenses)	165,276	1,482	8,552
(Loss)/Income before transfers and capital grants	(353,850)	(65,048)	(120,790)
Transfers in	195,437	-	-
Transfers out	(146,979)	-	-
Capital grants	88,099	-	-
Change in net position	(217,293)	(65,048)	(120,790)
Total net position - beginning of year	11,186,780	5,568,633	3,252,073
Equity transfers in (out) and capital contributions	-	-	-
Total net position - end of year	$ 10,969,487	$ 5,503,585	$ 3,131,283

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 (CONTINUED)
For the Year Ended June 30, 2018

Component Units as of December 31, 2017					
Cimmaron II Apartments, LP	**Desert Palms Apartments, LP**	**Falcon Ridge, LP**	**Montana Senior Village, LLC**	**MSV II, LP**	**Stone Mountain Place, LP**
$ 536,249	$ 429,089	$ 496,116	$ 289,590	$ 485,551	$ 564,725
18,328	-	-	-	-	-
-	-	-	-	-	-
554,577	429,089	496,116	289,590	485,551	564,725
$ -	$ -	$ -	$ -	$ -	$ -
328,044	305,389	467,920	199,335	264,126	345,925
87,288	131,857	100,033	57,290	91,024	98,900
67,552	35,859	34,415	14,971	33,324	33,883
300,689	136,748	274,439	107,822	211,328	254,151
783,573	609,853	876,807	379,418	599,802	732,859
(228,996)	(180,764)	(380,691)	(89,828)	(114,251)	(168,134)
$ -	$ 22,349	$ 164,312	$ 11,545	$ 4,085	$ 11,814
210	172	242	162	192	405
-	-	-	-	-	-
-					
-	-	-	-	-	-
(726)	(7,047)	(4,932)	-	(24,538)	(4,704)
-	-	-	-	-	-
(516)	15,474	159,622	11,707	(20,261)	7,515
229,512	(165,290)	(221,069)	(78,121)	(134,512)	(160,619)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(229,512)	(165,290)	(221,069)	(78,121)	(134,512)	(160,619)
7,996,538	658,387	5,430,893	(169,899)	388,197	4,692,434
(10,000)	-	(15,000)	-	-	-
$ 7,757,026	$ 493,097	$ 5,194,824	$ (248,020)	$ 253,685	$ 4,531,815

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
Cash flows from operating activities			
Cash received from tenant rents	$ 869,675	$ 625,931	$ 395,107
Cash payments to employees for services	(1,189,746)	-	-
Cash payments to suppliers for goods and services	(8,039,575)	(459,957)	(368,599)
Subsidy grants and other receipts	8,734,156	24,978	-
Net cash provided (used) by operating activities	374,510	190,952	26,508
Cash flows from noncapital financing activities			
Miscellaneous income (expense)	129,548	-	-
Transfers	48,458	-	-
Net cash provided (used) by noncapital financing activities	178,006	-	-
Cash flows from capital and related financing activities			
Capital contributions (distributions)	-	-	-
Proceeds from debt and deferred fees	-	-	-
Acquisition of capital assets	(133,866)	-	-
Capital grants	88,099	-	-
Principal payments on long-term debt	(98,956)	(33,824)	(10,994)
Interest payments on long-term debt	(74,527)	11,332	14,092
Net cash provided (used) by capital and related financing activities	(219,250)	(22,492)	3,098
Cash flows from investing activities:			
Reserves collected	-	-	-
Developer fee escrow	-	(5,598)	-
Other	-	(33,474)	(22,742)
Proceeds from the sale of assets held for sale	30,350	-	-
Interest received on investments	28,870	-	-
Net cash provided (used) by investing activities	59,220	(39,072)	(22,742)
Net increase (decrease) in cash and cash equivalents	392,486	129,388	6,864
Cash and cash equivalents - beginning of year	5,054,060	129,401	13,532
Cash and cash equivalents - end of year	$ 5,446,546	$ 258,789	$ 20,396

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

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2018

Component Units as of December 31, 2017

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ 553,929	$ 446,546	$ 656,951	$ 302,994	$ 488,071	$ 579,965
-	-	-	-	-	-
(479,490)	(449,467)	(585,712)	(267,742)	(406,595)	(477,104)
-	-	-	-	-	-
74,439	(2,921)	71,239	35,252	81,476	102,861
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(10,000)	-	(15,000)	-	-	-
(27,513)	-	(12,690)	-	-	(24,863)
-	(54,632)	(13,026)	(11,668)	-	-
-	-	-	-	-	-
(10,112)	(25,527)	(44,537)	(33,964)	(42,416)	(23,199)
-	20,005	-	17,866	6,000	-
(47,625)	(60,154)	(85,253)	(27,766)	(36,416)	(48,062)
-	-	-	-	-	-
27,513	-	-	-	-	-
(31,539)	(31,281)	4,509	(110,466)	(316,188)	(26,182)
-	-	-	-	-	-
-	-	-	-	-	-
(4,026)	(31,281)	4,509	(110,466)	(316,188)	(26,182)
22,788	(94,356)	(9,505)	(102,980)	(271,128)	28,617
11,366	97,690	48,593	136,101	330,356	25,755
$ 34,154	$ 3,334	$ 39,088	$ 33,121	$ 59,228	$ 54,372

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

	Primary Government	Robledo Ridge, LLLP	Cimmaron, LP
Reconciliation of change in net position to net cash provided (used by operating activities			
Change in net position	$ (217,293)	$ (65,048)	$ (120,790)
Adjustments to reconcile change in net position to net cash provided (used by operating activities:			
Depreciation and amortization	260,855	267,306	149,357
Noncash pension expense	(134,169)	-	-
Noncash expenses related to tax credits, debt issuance	-	1,641	2,984
Non-operating revenues (expenses)	(165,276)	-	-
Transfers (in) out	(48,458)	-	-
Capital grants	(88,099)	-	-
Changes in assets, deferred outflows, liabilities, and deferred inflows			
Accounts receivable	(43,322)	(5,536)	(363)
Grants receivable	(20,296)	-	-
Mortgages receivable	122,542	-	-
Inventory	(2,743)	-	-
Prepaid expenses	554,332	(1,654)	(2,282)
Accounts payable	(81,297)	2,591	(2,705)
Prepaid tenant rent	(12,976)	(6,613)	(175)
Other accrued liabilities	-	(1,582)	(486)
Accrued payroll	7,748	-	-
Compensated absences	16,050	-	-
Deferred outflows-subsequent contributions	245,518	-	-
Tenant deposits	(18,606)	(153)	968
Net Cash from Operating Activities	$ 374,510	$ 190,952	$ 26,508

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2018

Component Units as of December 31, 2017

Cimmaron II Apartments, LP	Desert Palms Apartments, LP	Falcon Ridge, LP	Montana Senior Village, LLC	MSV II, LP	Stone Mountain Place, LP
$ (229,512)	$ (165,290)	$ (221,069)	$ (78,121)	$ (134,512)	$ (160,619)
301,415	137,921	279,371	107,822	211,328	254,151
-	-	-	-	-	-
2,355	1,688	24,759	1,466	5,306	2,886
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16	(2,887)	(4,399)	-	(262)	(432)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
364	292	2,883	2,831	315	291
2,667	20,754	4,507	2,021	879	(52)
(874)	(2,177)	680	1,697	(1,495)	3,453
(2,517)	6,171	(14,106)	(2,130)	(836)	(628)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
525	607	(1,387)	(334)	753	3,811
$ 74,439	$ (2,921)	$ 71,239	$ 35,252	$ 81,476	$ 102,861

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

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, 2018.

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 H and Modernization programs	248 units
Villa Sereno	1 unit
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)	1,637 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, GASB Statement No.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (continued)

61, and GASB Statement No. 80. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency.

Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing board by the Housing Authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits the Housing Authority and/or its residents and participants, or whether the activity is conducted within the geographic boundaries of the Housing Authority and is generally available to its residents and participants.
A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Housing Authority is able to exercise oversight responsibilities.

Discretely-Presented Component Units

Robledo Ridge, LLP (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) 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, LLP. 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 2017 of the financial operations of the component units. See Note 14 for more information.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 plus deferred outflows net of total liabilities plus deferred inflows) are segregated into net investment in capital assets; restricted; and unrestricted components.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Measurement Focus (continued)

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, component unit receivables, 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.

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. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and Cash Equivalents: Cash and cash equivalents include business checking accounts maintained with local financial institutions, cash on hand, and investments in highly liquid debt instruments with an original maturity of three months or less. Financial Institutions are required by state statute to pledge collateral for any deposits that exceed the FDIC limit of $250,000.

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, 2018, there are no items 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. Mortgage receivables are shown net of an allowance for doubtful accounts which is comprised of all mortgages receivable where the Authority is in a subordinate position. Component unit receivables are shown net of an allowance for doubtful accounts which is composed of component unit receivables which management has estimated to be uncollectable.

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 detail 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 five types of items that qualify for reporting in this category. Accordingly, the items, contributions subsequent to measurement date of $90,591, change in assumptions of $65,647, net difference between projected and actual investment earnings of $116,794, difference between expected and actual experience of $55,936, and change in proportion of $78,030 are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the appropriate future 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. 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 320 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 320 are also not compensated. The number of annual leave hours that are paid out when an employee in good standing separates from employment is limited to 240 hours.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Accordingly, change in assumptions of $261, difference between expected and actual experience of $15,202, and change in proportion of $2,288 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.

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 and Restricted Revenues: - 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. GASB Statement No. 77

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources came from and how it uses them, and (4) a government's financial position and economic condition and how they have changed after time – by including information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

For tax abatement agreements entered into by other governments, the following should be disclosed:

- The names of the governments that entered into the agreements;
- The specific taxes being abated; and
- The gross dollar amount of taxes abated during the period.

This statement does not have a material effect on the financial statements of the City.

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, 2018.

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

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 non-interest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of $250,000 for demand deposit accounts and $250,000 for time and savings accounts.

Custodial Credit Risk – Deposits – 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) and requirements set forth by HUD.

At June 30, 2018, $5,320,463 of the Housing Authority's bank balance of $5,570,463 was exposed to custodial credit risk. Although the $5,320,463 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 Statues 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	$ 5,570,463
FDIC coverage	(250,000)
Total uninsured public funds	5,320,463
Collateralized by securities held by the pledging Institution or by its trust department or agent in Other than the Housing Authority's name	5,882,244
Over (under) collateralization	$ 561,781

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

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	$ 5,463,050
Restricted cash and cash equivalents	-
Subtotal	5,463,050
Add: Outstanding checks and other reconciling items	108,163
Less: Petty cash	(750)
Bank balance of deposits	$ 5,570,463

NOTE 3. COMPONENT UNIT AND OTHER RECEIVABLES

The following is a reconciliation of amounts due to the Housing Authority from its component units from December 31, 2017 (component units' year-end) to June 30, 2018 (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, 2017)	
Note receivable	$487,250
Land note payable	31,127
	518,377
MSV II payables to Housing Authority (December 31, 2017)	
Authority loan payable	800,000
Authority AHP loan payable	500,000
SMP payables to Housing Authority (December 31, 2017)	
Developer fees payable	193,019
Falcon Ridge payables to Housing Authority (December 31, 2017)	
Developer Fees payable	18,317
Cimmaron I payables to Housing Authority (December 31, 2017)	
Developer fees payable	80,000
Cimmaron II payables to Housing Authority (December 31, 2017)	
Developer fees payable	33,013
Desert Palms payables to Housing Authority (December 31, 2017)	
Developer fees payable	50,807
Robledo Ridge payables to Housing Authority (December 31, 2017)	
Line of credit payable	585,130
Developer fees payable	800,883
Net payables to Housing Authority (December 31, 2017)	$3,579,546
Reconciling items:	
Allowance for doubtful accounts	(1,938,476)
Accrued interest through June 30, 2018	76,860
Housing Authority net receivable from component units, at June 30, 2018	$1,717,930

NOTE 4. CAPITAL ASSETS

The following summarizes changes in capital assets activity during fiscal year 2018:

	PY Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Public housing	$ 8,995,125	133,866	-	9,128,991
Less accumulated depreciation	(7,244,049)	(162,289)	-	(7,406,388)
Net public housing	1,751,076	(28,423)	-	1,722,653
Section 8 housing	19,716	-	-	19,716
Less accumulated depreciation	(4,862)	(3,250)	-	(8,112)
Net section 8 housing	14,854	(3,250)	-	11,604
Section 8 new construction	1,934,890	-	-	1,934,890
Less accumulated depreciation	(546,788)	(26,062)	-	(572,850)
Net section 8 new construction	1,388,102	(26,062)	-	1,362,040
Local housing projects	2,563,568	-	-	2,563,568
Less accumulated depreciation	(728,463)	(69,254)	-	(797,717)
Net local housing projects	1,835,105	(69,254)	-	1,765,851
Net capital assets	$ 4,989,137	(126,989)	-	4,862,148

Capital assets	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 1,387,405	-	-	1,387,405
Total capital assets not being depreciated	1,387,405	-	-	1,387,405
Other capital assets				
Site improvements	2,523,744	17,763	-	2,541,507
Structures	9,067,030	116,103	-	9,183,133
Equipment	535,120	-	-	535,120
Total other capital assets at cost	12,125,894	133,866	-	12,259,760
Less accumulated depreciation:				
Site improvements	(1,747,959)	(96,974)	-	(1,844,933)
Structures	(6,286,206)	(147,919)	-	(6,434,124)
Equipment	(489,997)	(15,962)	-	(505,959)
Subtotal	(8,524,162)	(260,855)	-	(8,785,017)
Net capital assets being depreciated	3,601,732	(126,989)	-	3,474,743
Net capital assets	$ 4,989,137	(126,989)	-	4,862,148

Depreciation and amortization expense for the year ended June 30, 2018 totaled $260,855.

NOTE 5. LONG-TERM LIABILITIES

The following summarizes changes in long-term debt activity during fiscal year 2018:

Description	Issue Date	Interest Rates (%)	Maturity Date	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Amount Within One Year
Note payable Wells Fargo	9/10/2012	6.00%	9/15/2027	$271,336	-	$17,555	$251,612	$21,168
Note payable Wells Fargo	4/15/2005	8.13%	4/15/2025	235,430	-	18,870	214,901	22,631
Note payable Wells Fargo	8/15/2013	6.00%	11/15/2027	196,466	-	2,716	182,578	14,910
Note payable Wells Fargo	8/15/2013	6.00%	7/15/2027	550,927	-	40,863	511,112	43,847
Note payable Land	12/02/1998	2.00%	12/1/2027	50,000	-	5,000	45,000	5,000
Total				$1,304,159	$ -	$ 95,004	$1,205,203	$107,556

These liabilities are collateralized by the property purchased with the funds. Debt service requirements on long-term debt at June 30, 2018, are as follows:

Year Ended June 30,	Notes Payable Principal	Notes Payable Interest
2019	$ 107,556	$ 67,853
2020	114,395	61,798
2021	121,700	55,357
2022	129,503	48,505
2023	137,837	41,214
Thereafter	594,212	100,362
	$ 1,205,203	**$ 375,089**

Compensated Absences - The Housing Authority considers accrued compensated absences to be a long-term liability. Compensated absences liability at June 30, 2018 was $77,959.

NOTE 6. CONTINGENT LIABLITIES

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 NONCURRENT ASSETS

The Housing Authority owns mortgages on fourteen properties which they sold and originated the mortgage. These mortgages, in the amount of $1,076,922, 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 $1,159,596. The Housing Authority's total mortgages receivable is $2,417,790, and there is a current allowance on the mortgage receivables in the amount of $1,258,194, leaving a net receivable of $1,159,596.

Other assets consist of the other receivables (SNAP note payable - $16,555) and non-current receivables (NMHC note payable, net - $297,735) listed in Note 3. Additionally, the Housing Authority has accrued interest receivable in the amount of $24,884, for a total of $314,290 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), each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund, unless specifically excluded.

Benefits provided. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available

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

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, per employee. Contribution increased 1.5% and effective July 1, 2014 employer contributions were raised .05%. The computation of final average salary increased as the average of salary for 60 consecutive months.

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 FY18 for the various PERA coverage options, for both

Tier I and Tier II, see the tables available at http://www.nmpera.org/for-employers/plan-information. The PERA coverage option that applies to Mesilla Valley Public Housing Authority is the Municipal General Division. Statutorily required contributions to the pension plan from Mesilla Valley Public Housing Authority were $90,591 for the year ended June 30, 2018 and there was $66,399 in employer paid members benefits that were "picked up" by the employer for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2018, the Housing Authority reported a liability of $1,423,552 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The Housing Authority's proportion of the net pension liability was based on a projection of the Housing Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Housing Authority's proportion was 0.1036 %, which was an increase of 0.0061% from its proportion measured as of June 30, 2016.

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

For the year ended June 30, 2018, the Mesilla Valley Public Housing Authority recognized pension expense of $201,956. At June 30, 2018, the 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	$ 65,647	14,710
Net difference between projected and actual earnings On pension plan investments	116,794	-
Changes in proportion and differences between Mesilla Valley Public Housing Authority contributions and Proportionate share of contributions	78,030	1,262
Difference between expected and actual experience	55,936	72,911
Mesilla Valley Housing Authority contributions subsequent To the measurement date	90,591	-
Total	$ 406,998	88,883

$90,591 reported as deferred outflows of resources related to pensions resulting from Mesilla Valley Public Housing Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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:	
2018	($70,077)
2019	(155,627)
2020	(35,953)
2021	34,133
Thereafter	-

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

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset Valuation Method	4 year smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.51% annual rate, net of investment experience
Projected benefit payment	100 years
Payroll growth	2.75% for the first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate, Includes inflation at 2.25% annual rate for the first 9 years, then 2.75% all other years
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	43.50%	7.39%
Risk reduction & mitigation	21.50%	1.79%
Credit oriented fixed income	15.00%	5.77%
Real assets	20.00%	7.35%
Total	100.00%	

Discount rate: A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Housing Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Housing Authority's proportionate share of the net pension liability calculated using the discount rate of 7.51%, as well as what the Housing Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51%) or 1-percentage-point higher (8.51%) than the current rate:

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Mesilla Valley Public Housing Authority's Proportionate share of the net pension liability	$ 2,231,176	1,423,552	751,900

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

Payables to the pension plan. The Housing Authority had payables to PERA totaling $3,612 as of June 30, 2018.

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, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is September 19, 2018 which is the date on which the financial statements were available to be issued. No issues were noted for disclosure at September 19, 2018.

NOTE 12. RECENT PRONOUNCEMENTS

In August 2018, the GASB issued Statement No. 90, Majority Interests in an amendment of GASB Statements No. 14 and No. 6. The requirements of this statement are effective for periods beginning after December 15, 2018. Earlier application is encouraged. This statement is not applicable to the Authority. This standard will be implemented in a subsequent period.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This statement is not applicable to the Authority.

In March 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. This standard will be implemented in a subsequent period.

In June 2017, the GASB issued Statement No. 87, Leases. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This standard will be implemented in a subsequent period.

NOTE 12. RECENT PRONOUNCEMENTS (CONTINUED)

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not applicable to the Authority.

In March 2017, the GASB issued Statement No. 85, Omnibus 2017. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not applicable to the Authority.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. This statement is not applicable to the Authority.

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This statement is not applicable to the Authority.

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 2018 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, 2017. 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 14. NET POSITION

The net position per the issued financial statements did not agree to the trial balance that we received from the prior auditors by $2,023. Our financial statements were prepared using the client's trial balance from the prior year which was deemed to be more accurate when compared to the predecessor trial balance. The difference is immaterial to the financial statements as whole and the net position is believed to be reported properly at 6/30/18.

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 Partnership maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Cash and Cash equivalents in excess of FDIC limits were $32,670 and $0 at December 31, 2017 and 2016, 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 Mesilla Valley Public Housing Authority (MVPHA) 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, 2017 and 2016.

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
Land Improvements	10-20
Furniture, Fixtures & Equipment	10

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2017 or 2016.

Deferred Fees and Amortization

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

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 income tax provision has been included in the financial statements since income or loss of the Project is required to be reported by the Owner. Further, income or loss of a partnership is required to be reported by the respective partners on their income tax returns.

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 2016 financial statements have been reclassified to conform to the 2017 presentation.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Advertising Costs

Advertising Costs are expensed as incurred.

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, 2017 and 2016:

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

As of December 31, 2017 and 2016 the General Partner has contributed $71,000. The Limited Partner is required to make capital contributions of $6,778,399. In previous years an upward adjuster of $127,800 was reported, and a downward Lease-Up Tax Credit adjuster of $345,800 was reported. As of December 31, 2017 and 2016, the Limited Partners have contributed a total of $6,358,608 and $6,358,608. There were no capital contributions made during the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017, $201,791 is due to the property.

NOTE D - LONG-TERM DEBT

	12/31/2017	12/31/2016
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 $8,825 and $8,927 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was $106,465 and $107,406 as of December 31, 2017 and 2016, respectively.	$ 1,925,392	$ 1,947,709

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

	12/31/2017	12/31/2016
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 principal and accrued interest, paid in arrears, are due and payable in 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 $1,133 and $1,162 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was $13,761 and $14,357 as of December 31, 2017 and 2016, respectively.	$ 453,391	$ 464,898
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 $22,000 and $15,398 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was $5,435 and $5,434 as of December 31, 2017 and 2016, 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 $2,475 and $2,692 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was $950 and $950 as of December 31, 2017 and 2016, respectively.	95,000	95,000
Less: Unamortized Debt Issuance Costs	(53,346)	(54,987)
Total	2,963,913	2,996,096
Less: Current Portion	(35,432)	(33,824)
Long-Term Notes Payable	$ 2,928,481	$ 2,962,272

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

Aggregate maturities of the notes are approximated as follows:

	Principal	Interest
December 31, 2018	$ 35,432	$ 124,182
2019	37,121	122,492
2020	38,899	120,716
2021	40,766	118,849
2022	42,729	116,886
2023-2027	246,789	551,286
2028-2032	313,425	484,650
2033-2037	399,275	398,800
2038-2042	510,112	287,963
2043-2047	538,970	151,596
2048-2052	813,741	14,569
Less: Unamortized Debt Issuance Costs	(53,346)	
Total	$ 2,963,913	$ 2,491,989

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 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. The Replacement Reserve was funded through a mortgage escrow and the balance was $116,547 and $83,070 as of December 31, 2017 and 2016.

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 $2,594 and $2,593 as of December 31, 2017 and 2016.

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.

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 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.

NOTE F - COMMITMENTS AND CONTINGENCIES *(continued)*

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, 2017 and 2016.

NOTE G - 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 $39,104 and $29,910 during 2017 and 2016. The amounts included in accounts payable that are due to UAH Property Management LP related to Management Fees were $3,971 and $2,617 as of December 31, 2017 and 2016, 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 $4,637 and $4,502 were recognized during 2017 and 2016. The amounts due to the Limited Partner related to Investor Services Fees were $0 and $8,873 as of December 31, 2017 and 2016, 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 $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 $15,071 and $14,632 were recognized during 2017 and 2016. The amounts due to the General Partner related to Partnership Administrative Fees were $84,090 and $69,019 as of December 31, 2017 and 2016, respectively.

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

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, 2017, $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, 2017 and 2016, 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 $19,788 and $14,841 as of December 31, 2017 and 2016, 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 $90,493 and $87,707 during 2017 and 2016. The Property also paid the Subcontractor for other fees related to compliance monitoring and payroll processing fees. These other Subcontractor fees were $7,031 and $7,401 during 2017 and 2016. The Subcontractor is also reimbursed for a few other 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. There are no amounts due to the Contractor or Subcontractor related to reimbursed expenses, including payroll, as of December 31, 2017 and 2016.

NOTE H - 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.

Robledo Ridge, LLLP

Notes to Financial Statements

December 31, 2017 and 2016

NOTE I - ACCRUED EXPENSES

The accrued expenses on the balance sheet contain the following:

	12/31/2017	12/31/2016
Accrued Miscellaneous	$ 0	$ 754
Accrued Audit Fees	0	10,660
Total Accrued Expenses	$ 0	$ 11,414

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 18, 2018 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 Mesilla Valley Public Housing Authority (MVPHA) 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, 2017 and 2016.

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. 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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2017 or 2016.

Income Taxes

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

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.

Deferred Fees and Amortization

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

Reclassifications

Certain items in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

Advertising Costs

Advertising Costs are expensed as incurred.

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, 2017 and 2016:

General Partner:	
CIMMARON APARTMENTS ONE LLC	0.01 %
Limited Partner:	
NEF Assignment Corporation	99.99 %
Total	100.00 %

Distributable cash flow is defined in the Partnership Agreement as the sum of all cash receipts less cash disbursements for operating activities and Replacement Reserve funding.

NOTE D - LONG-TERM DEBT

	12/31/2017	12/31/2016
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 $5,093 and $5,152 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was $61,440 and $62,125 as of December 31, 2017 and 2016, respectively.	$ 951,908	$ 962,902

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

	12/31/2017	12/31/2016
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 $1,506 and $1,448 as of December 31, 2017 and 2016, respectively. The long-term accrued interest was $128,083 and $113,991 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was $17,754 and $17,074 as of December 31, 2017 and 2016, respectively.	240,000	240,000
Less: Unamortized Debt Issuance Costs	(83,553)	(86,537)
Total	1,108,355	1,116,365
Less: Current Portion	(11,723)	(10,995)
Long-Term Notes Payable	$ 1,096,632	$ 1,105,370

Aggregate maturities of the mortgage notes are approximated as follows:

	Principal	Interest
December 31, 2018	$ 11,723	$ 64,519
2019	12,498	63,893
2020	13,324	63,222
2021	14,205	62,502
2022	15,144	61,730
2023-2027	92,135	294,999
2028-2032	126,899	265,550
2033-2037	174,782	224,128
2038-2042	240,732	166,033
2043-2047	490,466	73,797
Less: Unamortized Debt Issuance Costs	(83,553)	
Total	$ 1,108,355	$ 1,340,373

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 $176,176 and $157,926 as of December 31, 2017 and 2016, 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 $97,572 and $97,543 as of December 31, 2017 and 2016, 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.

NOTE F - COMMITMENTS AND CONTINGENCIES *(continued)*

Regulatory Agreement Provisions

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

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 $21,336 and $19,954 during 2017 and 2016, respectively. The amounts due to the Management Agent related to Management Fees were $237 and $428 as of December 31, 2017 and 2016, respectively.

Owner Distribution - Asset Management Fee

In accordance with the Partnership Agreement, the Partnership shall pay to the Limited Partner an Asset Management Fee in the amount of $3,500, increasing annually by three percent (3%), for property management oversight, tax credit compliance monitoring, and related services. Asset Management Fees of $4,845 and $4,704 were recognized during 2017 and 2016, respectively. The amounts due to the Limited Partner related to Asset Management Fees were $4,845 and $4,704 as of December 31, 2017 and 2016, 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 2017 and 2016, respectively. There were no amounts due to the General Partner related to Partnership Management Fees as of December 31, 2017 and 2016.

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

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, 2017, $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, 2017 and 2016, 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 laundry income of $78 and $37 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016.

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:

	12/31/2017	12/31/2016
Accrued Payroll Expenses	$ 2,190	$ 3,479
Accrued Audit Fees	5,640	5,785
Unclaimed Resident Property	381	381
Total Accrued Expenses	$ 8,211	$ 9,645

NOTE J - LITIGATION

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

NOTE K - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 18, 2018 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

NOTE A - ORGANIZATION

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

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

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

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Cash and Cash Equivalents

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and Other Deposits

The Partnership maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. Accounts held in escrow for developer fees and the operating deficit reserve are invested without any federal deposit insurance. The amounts held without insurance are $341,689 and $368,723 as of December 31, 2017 and 2016, 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 Mesilla Valley Public Housing Authority (MVPHA) 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, 2017 and 2016.

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. 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	5-20
Furnishings	7-10

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2017 or 2016.

Income Taxes

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

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 2016 financial statements have been reclassified to conform to the 2017 presentation.

Advertising Costs

Advertising Costs are expensed as incurred.

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, 2017 and 2016:

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

	12/31/2017	12/31/2016
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 $7,643 and $7,700 as of December 31, 2017 and 2016, respectively. Interest expensed on this note was $92,031 and $92,689 as of December 31, 2017 and 2016, respectively.	$ 1,368,913	$ 1,379,025
Less: Unamortized Debt Issuance Costs	(43,973)	(46,328)
Total	1,324,940	1,332,697
Less: Current Portion	(10,810)	(10,112)
Long-Term Notes Payable	$ 1,314,130	$ 1,322,585

Aggregate maturities of the loans are approximated as follows

	Principal	Interest
December 31, 2018	$ 10,810	$ 91,389
2019	11,557	90,642
2020	12,356	89,844
2021	13,210	88,990
2022	14,122	88,077
2023-2027	86,669	424,329
2028-2032	121,045	389,952
2033-2037	169,057	341,941
2038-2042	236,111	274,887
2043-2047	329,762	181,236
2048-2052	364,214	53,102
2053-2057	0	0
Less: Unamortized Debt Issuance Costs	(43,973)	
Total	$ 1,324,940	$ 2,114,389

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

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

NOTE E - 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 $137,598 and $165,111 as of December 31, 2017 and 2016, 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 $153,324 and $127,914 as of December 31, 2017 and 2016, 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, 2017 and 2016, 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:

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 $32,596 and $30,791 during 2017 and 2016, respectively. The amounts due to the Management Agent related to Management Fees were $697 and $517 as of December 31, 2017 and 2016, 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, 2017, $687,905 of this fee has been paid. The amounts due related to Development Fees were $137,500 and $165,013 as of December 31, 2017 and 2016, 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 laundry income of $78 and $37 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, 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:

	12/31/2017	12/31/2016
Accrued Payroll Expenses	$ 3,214	$ 5,233
Accrued Expenses - Audit Fees	5,640	5,910
Unclaimed Resident Property	75	1
Total Accrued Liabilities	$ 8,929	$ 11,144

NOTE K - LITIGATION

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

NOTE L - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 18, 2018 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

NOTE A - ORGANIZATION

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

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

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

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

<u>Basis of Accounting</u>

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

<u>Cash and Cash Equivalents</u>

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

<u>Cash and Other Deposits</u>

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Collateralization of Deposits

The Project is a component unit of the Mesilla Valley Public Housing Authority (MVPHA) 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, 2017 and 2016.

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. 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 in years using the straight-line method.

	Estimated Life
Buildings	10-40
Site Improvements	5-15
Furnishings	3-7
Maintenance Equipment	5

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2017 or 2016.

Income Taxes

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

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 2016 financial statements have been reclassified to conform to the 2017 presentation.

Advertising Costs

Advertising Costs are expensed as incurred.

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, 2017 and 2016:

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

	12/31/2017	12/31/2016
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 \$8,075 and \$8,213 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was \$97,662 and \$99,269 as of December 31, 2017 and 2016, respectively.	\$ 1,495,310	\$ 1,520,837
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 \$454 and \$437 as of December 31, 2017 and 2016, respectively. The long-term accrued interest was \$181,675 and \$161,670 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was \$25,082 and \$24,132 as of December 31, 2017 and 2016, respectively.	342,744	342,744
Less: Unamortized Debt Issuance Costs	(36,284)	(37,972)
Total	1,801,770	1,825,609
Less: Current Portion	(27,232)	(25,527)
Long-Term Notes Payable	\$ 1,774,538	\$ 1,800,082

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

Aggregate maturities of the mortgage notes are approximated as follows:

	Principal	Interest
December 31, 2018	$ 27,232	$ 101,357
2019	29,050	99,746
2020	30,990	98,022
2021	33,059	95,667
2022	58,266	88,063
2023-2027	329,948	401,698
2028-2032	411,938	319,707
2033-2037	525,202	206,443
2038-2042	509,625	55,135
Less: Unamortized Debt Issuance Costs	(36,284)	
Total	$ 1,919,026	$ 1,465,838

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 $90,532 and $136,080 as of December 31, 2017 and 2016, 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 $23,221 and $31,214 as of December 31, 2017 and 2016, 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 $15,516 and $15,493 as of December 31, 2017 and 2016, respectively.

NOTE F - COMMITMENTS AND CONTINGENCIES

Housing Tax Credits

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

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

Long-term Contract

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

Regulatory Agreement Provisions

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

HOME Investment Partnerships Program

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

NOTE G - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Management Fee

In accordance with the Management Agreement, the Partnership has incurred Management Fee expenses for services rendered in connection with the leasing and operation of the Project. The current year management fee is equal to 6% of gross rental collections. Property Management Fees expensed were $26,016 and $27,615 during 2017 and 2016, respectively. The amounts included in accounts payable that are due to the Management Agent related to Management Fees were $43,242 and $33,907 as of December 31, 2017 and 2016, 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 $5,874 and $5,703 were recognized during 2017 and 2016, respectively. The amounts due to the Limited Partner related to Investor Services Fees were $59,346 and $53,472 as of December 31, 2017 and 2016, 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 2017 and 2016.

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, 2017, $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, 2017 and 2016, 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 laundry income of $529 and $669 for the years ended December 31, 2017 and 2016, 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 $646 and $0 as of December 31, 2017 and 2016, 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 - INSURANCE CLAIM/DEFERRED CONSTRUCTION IN PROGRESS

Deferred Construction in Progress on the Balance Sheet and Cash Flow Statement is related to an insurance claim filed due to hail damage. The project received insurance funds in the amount of $82,190 in 2016 which is included in cash and cash equivalents as of December 31, 2016. During 2017, depreciation on the claim was received in the amount of $22,683. Construction for these repairs were invoiced and paid to the contractor during 2017. Construction related to the insurance claim is complete and paid in full as of December 31, 2017.

NOTE J - ACCRUED EXPENSES

The accrued expenses on the balance sheet contain the following:

	12/31/2017	12/31/2016
Accrued Payroll Expenses	$ 3,441	$ 3,371
Accrued Audit Fees	16,000	16,000
Unclaimed Residential Property	719	486
Total Accrued Expenses	$ 20,160	$ 19,857

NOTE K - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 18, 2018 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

NOTE A - ORGANIZATION

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

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

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

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

<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). Cash and Cash equivalents in excess of FDIC limits were $270,132 and $273,908 at December 31, 2017 and 2016, 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 $340,534 and $367,665 as of December 31, 2017 and 2016, 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, 2017 and 2016.

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. 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	5-20
Furnishings	3-10

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2017 or 2016.

Income Taxes

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

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.

Deferred Fees and Amortization

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

Reclassifications

Certain items in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Advertising Costs

Advertising Costs are expensed as incurred.

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, 2017 and 2016:

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

	12/31/2017	12/31/2016
The Project is financed with a 40-year mortgage payable dated December, 2011, to Lancaster Pollard Mortgage Company in the original amount of $1,332,000, with an interest rate of 4.58%. The loan is under the USDA Section 538 Guaranteed Rural Rental Housing Program and has been awarded an interest credit by USDA to reduce the effective interest rate on the loan to 2.08% per annum. The mortgage is payable in monthly installments of $6,061 including interest through the maturity date. The unpaid principal of the loan is due December 1, 2051. The accrued interest was $4,784 and $4,837 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was $57,680 and $58,353 as of December 31, 2017 and 2016, respectively.	$ 1,252,559	$ 1,267,557
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 $14,654 and $14,865 as of December 31, 2017 and 2016, respectively. Interest expensed on these loans was $177,029 and $175,361 as of December 31, 2017 and 2016, respectively.	2,032,904	2,062,443
Less: Unamortized Debt Issuance Costs	(191,636)	(216,395)
Total	3,093,827	3,113,605
Less: Current Portion	(52,483)	(49,159)
Long-Term Notes Payable	$ 3,041,344	$ 3,064,446

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

Aggregate maturities of the loans are approximated as follows:

	Principal	Interest*
December 31, 2018	$ 52,483	$ 226,706
2019	56,864	222,650
2020	61,252	218,262
2021	66,002	213,512
2022	71,145	208,370
2023-2027	449,131	948,439
2028-2032	659,971	737,600
2033-2037	597,054	490,568
2038-2042	695,622	257,397
2043-2047	310,449	94,421
2048-2052	265,490	25,551
Less: Unamortized Debt Issuance Costs	(191,636)	
Total	$ 3,093,827	$ 3,643,476

*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 $153,528 and $153,528 were recognized as other income during 2017 and 2016, respectively.

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

NOTE E - RESERVE FUNDS

Developer Fee Holdback Escrow

In accordance with the TCEP Mortgage Note to New Mexico Mortgage Finance Authority, the Partnership shall establish a Developer Fee Holdback for a percentage of the developer fee. The Partnership elected to hold back 25% of the developer fee which will be released in ten equal installments beginning on the first anniversary of Stabilization, and annually thereafter. Stabilization will occur when certain conditions of the note have been met. The Developer Fees in escrow were $138,411 and $166,102 as of December 31, 2017 and 2016, respectively.

Replacement Reserve

In accordance with the Partnership Agreement, the Partnership shall establish a Replacement Reserve to fund major repairs or replacements of the Project Property, and shall make deposits to fund the Replacement Reserve account. The Replacement Reserve balance was $532,342 and $485,781 as of December 31, 2017 and 2016, respectively.

NOTE E - RESERVE FUNDS *(continued)*

Operating & Operating Deficit Reserve

In accordance with the Partnership Agreement, the Partnership funded an Operating Reserve fund in the amount of $200,640. Funds are to be used for operating and debt service deficits. The Operating Reserve balance was $200,881 and $200,881 as of December 31, 2017 and 2016, 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 $25,070 and $25,063 as of December 31, 2017 and 2016, 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 $40,000 and $38,208 during 2017 and 2016, respectively. The amounts due to the Management Agent related to Management Fees were $54 and $155 as of December 31, 2017 and 2016, 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 2017 and 2016, respectively. Due to a clerical error, distributions were were issued twice and a receivable was recorded. There were no amounts due to the General Partner related to Distributions as of December 31, 2017 or 2016. Partners' Distributions Receivable were $0 and $15,000 as of December 31, 2017 and 2016, 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, 2017, $968,963 of this fee has been paid. The amounts due related to Development Fees were $138,383 and $166,073 as of December 31, 2017 and 2016, 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 laundry income of $1,997 and $3,697 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016.

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:

	12/31/2017	**12/31/2016**
Accrued Payroll Expenses	$ 3,315	$ 3,102
Accrued Audit Fees	9,988	8,937
Total Accrued Expenses	$ 13,303	$ 12,039

NOTE K - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 18, 2018 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, 2017 and 2016

NOTE A - ORGANIZATION

Stone Mountain Place Limited Partnership was organized in August 4, 2005 as a Limited Partnership to develop, construct, own, maintain, and operate an 84-unit rental housing project for mixed income tenants with both tax credit and market rate units. The Project is located in the city of Las Cruces, New Mexico, and is currently known as Stone Mountain Place Apartments. The major activities of the Partnership are governed by the Partnership Agreement and the Internal Revenue Code Section 42.

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

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

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Cash and Other Deposits

The Partnership maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Cash and Cash equivalents in excess of FDIC limits were $55,352 and $30,389 at December 31, 2017 and 2016, respectively. The Partnership has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Collateralization of Deposits

The Project is a component unit of the Mesilla Valley Public Housing Authority (MVPHA) 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, 2017 and 2016.

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. 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)*

Impairment

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2017 or 2016.

Income Taxes

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

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 2016 financial statements have been reclassified to conform to the 2017 presentation.

Advertising Costs

Advertising costs are expensed as incurred.

Stone Mountain Place Limited Partnership

Notes to Financial Statements

December 31, 2017 and 2016

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, 2017 and 2016:

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

NOTE D - LONG-TERM DEBT

	12/31/2017	12/31/2016
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 $10,846 and $10,964 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was $130,805 and $132,182 as of December 31, 2017 and 2016, respectively.	$ 2,133,601	$ 2,156,800
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, 2017 and 2016, respectively. Interest expensed on this loan was $4,191 and $4,191 as of December 31, 2017 and 2016, respectively.	419,116	419,116
Less: Unamortized Debt Issuance Costs	(86,568)	(89,454)
Total	2,466,149	2,486,462
Less: Current Portion	(24,654)	(23,198)
Long-Term Notes Payable	$ 2,441,495	$ 2,463,264

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, 2018	$ 24,654	$ 133,659
2019	26,200	132,113
2020	27,844	130,469
2021	29,591	128,722
2022	34,446	126,863
2023-2027	251,000	600,491
2028-2032	321,510	529,981
2033-2037	416,131	435,359
2038-2042	543,389	308,102
2043-2047	714,834	136,657
2048-2052	163,118	3,623
Less: Unamortized Debt Issuance Costs	(86,568)	
Total	$ 2,466,149	$ 2,666,039

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 $139,924 and $118,740 as of December 31, 2017 and 2016, 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 $210,578 and $210,367 as of December 31, 2017 and 2016, 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 $34,410 and $32,363 during 2017 and 2016, respectively. The amounts due to the Management Agent related to Management Fees were $594 and $757 as of December 31, 2017 and 2016, 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 $4,704 and $4,567 were recognized during 2017 and 2016, respectively. The amounts due to the Limited Partner related to Asset Management Fees were $4,704 and $4,567 as of December 31, 2017 and 2016, 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 2017 and 2016. There were no amounts due to the General Partner related to Incentive Management Fees as of December 31, 2017 and 2016.

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, 2017, $662,228 of this fee has been paid. Development Fees of $25,000 and $27,000 were paid during 2017 and 2016, respectively. The amounts due related to Development Fees were $193,019 and $218,019 as of December 31, 2017 and 2016, 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 no laundry income for the years ended December 31, 2017 and 2016.

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, 2017 and 2016.

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, 2017 and 2016, 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:

	12/31/2017	12/31/2016
Accrued Payroll Expenses	$ 3,599	$ 3,968
Accrued Audit Fees	5,640	5,585
Total Accrued Expenses	$ 9,239	$ 9,553

NOTE J - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 18, 2018 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 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:

<u>Basis of Accounting</u>

The Project 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. 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 Mesilla Valley Public Housing Authority (MVPHA) 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, 2017 and 2016.

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. 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.

For financial statement purposes the following estimate useful lives are used:

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment

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 amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2017 or 2016.

Income Taxes

No tax provisions have been recorded in the financial statements since income or loss of the Company is disregarded from an income tax basis because the Company is a single-member LLC.

Estimates

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

Rental Income

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

Amortization

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

Reclassifications

Certain items in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

Advertising Costs

Advertising costs are expensed as incurred.

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, 2017 and 2016:

Managing Member:	
Mesilla Valley Public Housing Authority	0.01 %
Investor Member:	
The Banc of America Housing Fund II LP thru 12/05/16	99.99 %
MV Housing Development, LLC after 12/05/16	
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

	12/31/2017	12/31/2016
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 $6,096 and $6,190 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was $73,681 and $74,769 as of December 31, 2017 and 2016, respectively.	$ 897,612	$ 911,471
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 terms were amended again during 2016 to change the maturity date from December 1, 2015 to December 1, 2027. The new terms were retroactively effective as of December 1, 2015 and state 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. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 2% per annum.	31,127	51,232
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. During 2017, the loan was extended and the maturity date changed to December 2022. The loan is subordinate to the First Mortgage Loan and payment is subject to available cash flow. The long-term accrued interest was $329,706 and $311,840 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was $17,866 and $19,490 as of December 31, 2017 and 2016, respectively.	487,250	487,250

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

	12/31/2017	12/31/2016
Less: Unamortized Debt Issuance Costs	(32,364)	(33,830)
Total	1,383,625	1,416,123
Less: Current Portion	(21,264)	(20,091)
Long-Term Notes Payable	$ 1,362,361	$ 1,396,032

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

	Principal	Interest
December 31, 2018	$ 21,264	$ 73,125
2019	21,304	71,753
2020	22,684	70,273
2021	24,180	68,677
2022	513,053	398,284
2023-2027	139,719	304,602
2028-2032	200,519	237,652
2033-2037	300,976	137,195
2038-2042	172,290	16,352
Less: Unamortized Debt Issuance Costs	(32,364)	
Total	$ 1,383,625	$ 1,377,913

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 $65,452 and $66,025 as of December 31, 2017 and 2016, 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 $32,437 and $32,427 as of December 31, 2017 and 2016, respectively. The additional accumulation of funds required are held in the Operating Deficit Reserve account.

NOTE E - RESERVE FUNDS *(continued)*

Operating Deficit Reserve

NMMFA required that an amount equal to three monthly first mortgage payments, or $30,327, be retained in escrow as the Operating Deficit Reserve Account. The Managing Member has established an Operating Deficit Reserve account to accumulate the additional funds required by the Operating Agreement. The Operating Deficit Reserve balance was $35,438 and $35,385 as of December 31, 2017 and 2016, respectively.

The combined balance for the Operating Reserve and the Operating Deficit Reserve was $67,875 and $67,812 as of December 31, 2017 and 2016, respectively.

NOTE F - COMMITMENTS AND CONTINGENCIES

Guaranty of Tax Credits

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

Operating Deficit Contributions

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

Regulatory Agreement Provisions

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

NOTE F - COMMITMENTS AND CONTINGENCIES *(continued)*

Housing Tax Credits

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

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

Long-term Contract

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

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 $15,296 and $15,262 during 2017 and 2016, respectively. The amounts due to the Management Agent related to Management Fees were $221 and $262 as of December 31, 2017 and 2016, 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, 2017 and 2016, respectively.

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

Incentive Management Fee

In accordance with the Operating Agreement and the Company Administrative Agreement, the Project shall pay to the Managing Member an Incentive Management Fee equal to 75% of net cash flow subject to available cash flow, as defined. There were no Incentive Management Fees recognized or due to the Managing Member related to Incentive Management Fee as of December 31, 2017 and 2016, 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, 2017 and 2016, 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 - INSURANCE CLAIM/DEFERRED CONSTRUCTION IN PROGRESS

Deferred Construction In Progress on the Balance Sheet is related to an insurance claim filed due to hail damage. The project received insurance funds in the amount of $107,876 in 2016 and $200,642 in 2017 related to the claim. Construction for these repairs were completed in 2017 and all funds expended. The liability related to deferred construction in progress was $107,876 as of December 31, 2016 and was paid in full as of December 31, 2017.

NOTE J - ACCRUED EXPENSES

The accrued expenses on the balance sheet contain the following:

	12/31/2017	12/31/2016
Accrued Payroll Expenses	$ 1,585	$ 1,789
Accrued Audit Fees	5,640	6,760
Unclaimed Rental Property	0	219
Total Accrued Expenses	$ 7,225	$ 8,768

NOTE K - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 18, 2018 which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

MSV II Limited Partnership

Notes to Financial Statements

December 31, 2017 and 2016

NOTE A - ORGANIZATION

MSV II Limited Partnership was organized in January 2001 as a Limited Partnership to develop, construct, own, maintain, and operate an 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 (MVPHA), 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:

<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). Cash and Cash equivalents in excess of FDIC limits were $255,300 and $528,799 at December 31, 2017 and 2016, 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.

<u>Collateralization of Deposits</u>

The Project is a component unit of the Mesilla Valley Public Housing Authority (MVPHA) 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, 2017 and 2016.

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. 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

Impairment

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2017 or 2016.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income Taxes

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

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 2016 financial statements have been reclassified to conform to the 2017 presentation.

Advertising Costs

Advertising costs are expensed as incurred.

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, 2017 and 2016:

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

	12/31/2017	12/31/2016
The Project is financed with an 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 $8,274 and $8,543 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was $91,920 and $95,303 as of December 31, 2017 and 2016, respectively.	$ 1,412,416	$ 1,454,832
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 $41,808 and $39,058 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was $2,750 and $2,750 as of December 31, 2017 and 2016, respectively.	275,000	275,000

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

	12/31/2017	12/31/2016
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 $29,861 and $27,861 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was $2,000 and $2,000 as of December 31, 2017 and 2016, 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 $18,959 and $17,709 as of December 31, 2017 and 2016, respectively. Interest expensed on this loan was $1,250 and $1,250 as of December 31, 2017 and 2016, respectively.	500,000	500,000
Less: Unamortized Debt Issuance Costs	(9,286)	(14,592)
Total	2,978,130	3,015,240
Less: Current Portion	(45,516)	(42,436)
Long-Term Notes Payable	$ 2,932,614	$ 2,972,804

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

	Principal	Interest
December 31, 2018	$ 45,516	$ 101,098
2019	51,120	99,457
2020	69,236	101,026
2021	73,526	96,736
2022	78,105	92,157
2023-2027	470,832	380,478
2028-2032	642,240	209,070
2033-2037	1,607,630	127,659
Less: Unamortized Debt Issuance Costs	(9,286)	
Total	$ 3,028,919	$ 1,207,681

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

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

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

NOTE E - RESERVE FUNDS

Replacement Reserve

In accordance with the Partnership Agreement, the Partnership shall establish a Replacement Reserve at the time of the fourth installment to fund major repairs or replacements of the Project Property. The Partnership shall make deposits into the Replacement Reserve fund of $16,800 annually (to be increased annually by 3%) commencing with the completion of the Project. The Replacement Reserve balance was $170,670 and $148,748 as of December 31, 2017 and 2016, 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 $94,632 and $94,604 as of December 31, 2017 and 2016, 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 $315,403 and $315,327 as of December 31, 2017 and 2016, 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 $25,586 and $24,002 during 2017 and 2016, respectively. The amounts due to the Management Agent related to Management Fees were $546 and $520 as of December 31, 2017 and 2016, 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 $4,538 and $4,406 were recognized during 2017 and 2016, respectively. The amounts due to the Limited Partner related to Investor Services Fees were $4,538 and $4,406 as of December 31, 2017 and 2016, 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 $20,000 were recognized during 2017 and 2016, respectively. There were no amounts due to the General Partner related to Partnership Administration Fees as of December 31, 2017 and 2016, 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 2017 and 2016, 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, 2017 and 2016, 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 - INSURANCE CLAIM/DEFERRED CONSTRUCTION IN PROGRESS

The Project had an insurance claim due to hail damage. In 2016 a Deferred Construction in Progress on the Balance Sheet was reported related to this insurance claim. The insurance funds in the amount of $292,863 were received in 2016 and included in cash and cash equivalents. The construction was completed in 2017 and all funds expended. No gain or loss was recognized in relation to insurance claim.

NOTE J - ACCRUED EXPENSES

The accrued expenses on the balance sheet contain the following:

	12/31/2017	12/31/2016
Accrued Payroll Expenses	$ 2,630	$ 2,877
Accrued Expenses - Audit Fees	5,640	5,910
Unclaimed Residential Property	0	8
Total Accrued Liabilities	$ 8,270	$ 8,795

NOTE K - SUBSEQUENT EVENTS

The Project has evaluated subsequent events through May 18, 2018 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 OF PROPORTIONATE SHARE OF THE NET PENSION LIABLITY OF
PERA FUND MUNICIPAL GENERAL DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION
LAST 10 FISCAL YEARS*

	2018 Measurement Date (As of and for the Year Ended June 30, 2017)	2017 Measurement Date (As of and for the Year Ended June 30, 2016)	2016 Measurement Date (As of and for the Year Ended June 30, 2015	2015 Measurement Date (As of and for the Year Ended June 30, 2014)
Mesilla Valley Public Housing Authority's proportion of the net pension liability	0.1036%	0.0975%	0.0926%	0.0930%
Mesilla Valley Public Housing Authority's proportionate share of the net pension liability	$ 1,423,552	$ 1,557,722	$ 944,137	$ 725,501
Mesilla Valley Public Housing Authority's covered-employee payroll	$ 909,759	$ 834,105	$ 767,832	$ 754,811
Mesilla Valley Public Housing Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	156.48%	186.75%	122.96%	96.12%
Plan fiduciary net position as a percentage of the total pension	73.74%	69.18%	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*

	As of and for the Year Ended June 30, 2018	As of and for the Year Ended June 30, 2017	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
Contractually required contribution	$ 90,591	$ 86,882	$ 79,657	$ 73,328
Contributions in relation to the contractually required contribution	90,591	86,882	79,657	73,328
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Mesilla Valley Public Housing Authority's covered-employee payroll	$ 948,597	$ 909,759	$ 834,105	$ 767,832
Contributions as a percentage of covered-employee paryoll	9.55%	9.55%	9.55%	9.55%

*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 and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. https://www.saonm.org

Assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2017 report is available at http://www.nmpera.org

OTHER SUPPLEMENTAL INFORMATION

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF NET POSITION - DETAIL
June 30, 2018

	HUD Public Housing
ASSETS	
Current Assets	
Cash and cash equivalents	$ 1,898,881
Restricted cash and cash equivalents	-
Accounts receivable, net	4,463
Accounts receivable - other	5,024
Grants receivable	70,370
Inventory	(10,581)
Prepaid expenses	32,814
Total current assets	2,000,971
Noncurrent assets	
Capital assets, net	1,722,653
Receivables from component units, net	-
Interest receivable	-
Deferred development fees receivable	-
Mortgage receivables, noncurrent, net	-
Other noncurrent assets	-
Total non current assets	1,722,653
Total assets	3,723,624
DEFFERED OUTFLOWS OF RESOURCES	
Employer contributions subsequent to the measurement date	47,217
Changes in assumptions	34,216
Net difference between projected and actual investment earnings on pension plan	60,874
Difference between expected and actual experience	29,154
Changes in proportion	40,669
Total deferred outflows of resources	212,130
Total assets and deferred outflows of resources	$ 3,935,754

See Independent Auditors' Report

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF NET POSITION - DETAIL (CONTINUED)
June 30, 2018

	HUD Section 8 Housing Choice Vouchers	HUD Resident Opportunity Supportive Services	New Construction Housing	Local Housing Projects	Total
	$ 738,709	$ 13,067	$ 424,230	$ 2,388,163	$ 5,463,050
	-	-	-	-	-
	-	-	458	(830)	4,091
	-	-	1,500	(300)	6,224
	-	773	-	-	71,143
	-	-	-	20,100	9,519
	7,156	-	5,662	11,251	56,883
	745,865	13,840	431,850	2,418,384	5,610,910
	11,604	-	1,362,040	1,765,851	4,862,148
	-	-	-	620,545	620,545
	-	-	-	419,815	419,815
	-	-	-	677,570	677,570
	-	-	-	1,076,922	1,076,922
	-	-	-	314,290	314,290
	11,604	-	1,362,040	4,874,993	7,971,290
	757,469	13,840	1,793,890	7,293,377	13,582,200
	25,793	2,047	2,541	12,993	90,591
	18,691	1,483	1,842	9,415	65,647
					-
	33,254	2,639	3,276	16,751	116,794
	15,926	1,264	1,569	8,023	55,936
	22,217	1,763	2,189	11,192	78,030
	115,881	9,196	11,417	58,374	406,998
	$ 873,350	$ 23,036	$ 1,805,307	$ 7,351,751	$ 13,989,198

See Independent Auditors' Report

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF NET POSITION - DETAIL
June 30, 2018

		HUD Public Housing
LIABILITIES		
Current liabilities		
Bank overdraft	$	8,674
Accounts payable		46,640
Prepaid tenant rent		-
Accrued payroll		20,771
Notes payable, current portion		-
Total current liabilities		76,085
Current liabilities (payable from restricted assets)		
Tenant deposits		59,109
FSS deposits		-
Total current liabilities (payable from restricted assets) (payable from restricted assets)		59,109
Non-current liabilities		
Compensated absences		41,083
Development fees/asset management fees		-
Notes payable, net of current portion		-
Accrued interest		-
Net pension liability		741,953
Total non-current liabilities		783,036
Total liabilities		918,230
DEFFERED OUTFLOWS OF RESOURCES		
Change in assumptions		7,668
Difference between expected and actual experience		38,001
Change in proportion		658
Total deferred outflows of resources		46,327
NET POSITION		
Net investment in capital assets		1,722,653
Restricted for program activities		-
Unrestricted (deficit)		1,248,544
Total net position		2,971,197
Total liabilities, deferred inflows of resources and net position	$	3,935,754

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF NET POSITION - DETAIL (CONTINUED)
June 30, 2018

HUD Section 8 Housing Choice Vouchers	HUD Resident Opportunity Supportive Services	New Construction Housing	Local Housing Projects	Total
$ -	$ 7,830	$ -	$ -	$ 16,504
11,768	-	8,049	2,903	69,360
-	-	81	671	752
8,218	20	1,970	9,581	40,560
-	-	43,847	63,709	107,556
19,986	7,850	53,947	76,864	234,732
-	-	7,878	15,975	82,962
13,976	-	-	-	13,976
13,976	-	7,878	15,975	96,938
27,245	-	3,937	5,694	77,959
-	-	-	-	-
-	-	467,265	630,382	1,097,647
-	-	-	-	-
405,320	32,168	39,934	204,177	1,423,552
432,565	32,168	511,136	840,253	2,599,158
466,527	40,018	572,961	933,092	2,930,828
4,188	332	413	2,109	14,710
20,760	1,648	2,045	10,457	72,911
359	29	35	181	1,262
25,307	2,009	2,493	12,747	88,883
11,604	-	850,928	1,071,760	3,656,945
206,042	-	-	-	206,042
163,870	(18,991)	378,925	5,334,152	7,106,500
381,516	(18,991)	1,229,853	6,405,912	10,969,487
$ 873,350	$ 23,036	$ 1,805,307	$ 7,351,751	$ 13,989,198

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, 2018

	HUD Public Housing
Operating revenues	
Rental revenue	$ 411,145
Other tenant revenue	44,984
Operating subsidies and grants	1,018,305
Total operating revenues	1,474,434
Operating expenses	
Housing assistance payments	-
Administration	836,954
Maintenance and operations	443,510
Utilities	111,494
Depreciation	162,289
Miscellaneous	-
Total operating expenses	1,554,247
Operating income (loss)	(79,813)
Non-operating revenues (expenses)	
Interest income	15
Interest expense	-
Capital Outlay	(40,984)
Developer fees	-
Management fees and other income	-
Gain (loss) on sale of assets held for sale	-
Total non-operating revenues (expenses)	(40,969)
(Loss)/Income before transfers and capital grants	(120,782)
Transfers in	195,332
Transfers out	(134,298)
Capital grants	88,099
Change in net position	28,351
Total net position - beginning of year	2,942,846
Total net position (deficit) - end of year	$ 2,971,197

See Independent Auditors' Report

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - DETAIL (CONTINUED)
For the Year Ended June 30, 2018

HUD Section 8 Housing Choice Vouchers	HUD Resident Opportunity Supportive Services	New Construction Housing	Local Housing Projects	Total
$ -	$ -	$ 77,822	$ 291,462	$ 780,429
63,574	-	3,069	29,667	141,294
7,462,416	28,720	145,325	-	8,654,766
7,525,990	28,720	226,216	321,129	9,576,489
7,061,075	-	-	-	7,061,075
791,070	34,793	63,265	306,657	2,032,739
19,341		52,588	78,182	593,621
53	-	14,255	21,523	147,325
3,250	-	26,062	69,254	260,855
-	-	-	-	-
7,874,789	34,793	156,170	475,616	10,095,615
(348,799)	(6,073)	70,046	(154,487)	(519,126)
-	-	3	79,887	79,905
-	-	(33,506)	(41,021)	(74,527)
-	-	-	-	(40,984)
-	-	-	18,021	18,021
-	-	-	152,511	152,511
-	-	-	30,350	30,350
-	-	(33,503)	239,748	165,276
(348,799)	(6,073)	36,543	85,261	(353,850)
105	-	-	-	195,437
-	(1,246)	-	(11,435)	(146,979)
-		-	-	88,099
(348,694)	(7,319)	36,543	73,826	(217,293)
730,210	(11,672)	1,193,310	6,332,086	11,186,780
$ 381,516	$ (18,991)	$ 1,229,853	$ 6,405,912	$ 10,969,487

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - DETAIL
For the Year Ended June 30, 2018

	HUD Public Housing
Cash flows from operating activities	
Cash received from tenant rents	$ 412,173
Cash payments for employee wages and benefits	(585,165)
Cash payments to suppliers for goods and services	(748,624)
Subsidy grants and other receipts	1,033,429
Net cash provided (used) by operating activities	111,813
Cash flows from noncapital financing activities:	
Miscellaneous income (expense)	(40,984)
Transfers	61,034
Net cash provided (used) by Noncapital financing activities	20,050
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(133,866)
Capital grants	88,099
Principal payments on long-term debt	-
Interest payments on long-term debt	-
Net cash provided (used) by capital and related financing activities	(45,767)
Cash flows from investing activities:	
Proceeds from the sale of assets held for sale	-
Interest received on investments	15
Net cash provided (used) by investing activities	15
Net increase (decrease) in cash and cash equivalents	86,111
Cash and cash equivalents - beginning of year	1,804,096
Cash and cash equivalents - end of year	$ 1,890,207

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - DETAIL (CONTINUED)
For the Year Ended June 30, 2018

HUD Section 8 Housing Choice Vouchers	HUD Resident Opportunity Supportive Services	New Construction Housing	Local Housing Projects	Total
$ -	$ -	$ 77,805	$ 379,697	$ 869,675
(380,849)	(21,265)	(43,537)	(158,930)	(1,189,746)
(6,927,390)	-	(92,808)	(270,753)	(8,039,575)
7,516,968	38,106	145,653	-	8,734,156
208,729	16,841	87,113	(49,986)	374,510
-	-	-	170,532	129,548
105	(1,246)	-	(11,435)	48,458
105	(1,246)	-	159,097	178,006
-	-	-	-	(133,866)
-	-	-	-	88,099
-	-	(39,815)	(59,141)	(98,956)
-	-	(33,506)	(41,021)	(74,527)
-	-	(73,321)	(100,162)	(219,250)
-	-	-	30,350	30,350
-	-	3	28,852	28,870
-	-	3	59,202	59,220
208,834	15,595	13,795	68,151	392,486
529,875	(10,358)	410,435	2,320,012	5,054,060
$ 738,709	$ 5,237	$ 424,230	$ 2,388,163	$ 5,446,546

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - DETAIL
For the Year Ended June 30, 2018

		HUD Public Housing
Reconciliation of change in net position to		
net cash provided (used) by operating activities:		
Change in net position	$	28,351
Adjustments to reconcile change in net position to net cash provided (used) by operating activities		
Depreciation		162,289
Noncash pension expense		(94,706)
Non-operating revenues (expenses)		40,969
Transfers (in) out		(61,034)
Capital grants		(88,099)
Changes in assets deferred outflows, liabilities, and deferred inflows		
Accounts receivable		928
Grants receivable		(29,682)
Mortgages receivable		-
Inventory		17,357
Prepaid expenses		48,703
Accounts payable		(33,027)
Prepaid tenant rent		-
Accrued payroll		1,273
Compensated absences		1,082
Deferred outflows-subsequent contributions		117,487
Tenant deposits		(78)
Net cash provided (used) by operating activities	$	111,813

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - DETAIL (CONTINUED)
For the Year Ended June 30, 2018

HUD Section 8 Housing Choice Vouchers	HUD Resident Opportunity Supportive Services	New Construction Housing	Local Housing Projects	Total
$ (348,694)	$ (7,319)	$ 36,543	$ 73,826	$ (217,293)
3,250	-	26,062	69,254	260,855
5,866	2,345	(25,745)	(21,929)	(134,169)
-	-	33,503	(239,748)	(165,276)
(105)	1,246	-	11,435	(48,458)
-	-	-	-	(88,099)
-	-	(1,517)	(42,733)	(43,322)
-	9,386	-	-	(20,296)
-	-	-	122,542	122,542
-	-	-	(20,100)	(2,743)
486,451	-	6,105	13,073	554,332
(26,458)	-	(2,983)	(18,829)	(81,297)
-	-	-	(12,976)	(12,976)
1,767	(472)	463	4,717	7,748
16,853	(976)	1,021	(1,930)	16,050
78,821	12,631	14,902	21,677	245,518
(9,022)	-	(1,241)	(8,265)	(18,606)
$ 208,729	$ 16,841	$ 87,113	$ (49,986)	$ 374,510

See Independent Auditors' Report.

HUD PUBLIC HOUSING PROGRAMS

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
COMBINING STATEMENT OF NET POSITION -
HUD PUBLIC HOUSING PROGRAMS
June 30, 2018

		Public Housing Operations
ASSETS		
Current Assets		
Cash and cash equivalents	$	1,898,881
Restricted cash and cash equivalents		-
Accounts receivable, net		4,463
Accounts receivable - other		5,024
Grants receivable		70,370
Inventory		(10,581)
Prepaid expenses and other assets		32,814
Total current assets		2,000,971
Noncurrent assets		
Capital assets, net		1,722,653
Receivables from component units, net		-
Mortgage receivables, noncurrent, net		-
Other noncurrent assets		-
Total noncurrent assets		1,722,653
Total assets		3,723,624
DEFFERED OUTFLOWS OF RESOURCES		
Employer contributions subsequent to the measurement date		47,217
Changes in assumptions		34,216
Net difference between projected and actual investment earnings on pension plan		60,874
Difference between expected and actual experience		29,154
Changes in proportion		40,669
Total deferred outflows of resources		212,130
Total assets and deferred outflows of resources	$	3,935,754

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
COMBINING STATEMENT OF NET POSITION -
HUD PUBLIC HOUSING PROGRAMS (CONTINUED)
June 30, 2018

	Public Housing Operations
LIABILITIES AND NET POSITION	
Current Liabilities	
Book overdraft	$ 8,674
Accounts payable	46,640
Accrued payroll	20,771
Total current liabilities	76,085
Current liabilities (payable from restricted assets)	
Tenant deposits	59,109
Total current liabilities (payable from restricted assets)	59,109
Noncurrent liabilities	
Compensated absences	41,083
Net pension liability	741,953
Total noncurrent liabilities	783,036
Total liabilities	918,230
DEFFERED OUTFLOWS OF RESOURCES	
Changes in assumptions	7,668
Difference between expected and actual experience	38,001
Changes in proportion	658
Total deferred outflows of resources	46,327
NET POSITION	
Net investment in capital assets	1,722,653
Unrestricted	1,248,544
Total net position	2,971,197
Total liabilities and deferred outflows of resources	$ 3,935,754

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, 2018

	Public Housing Operations
Operating revenues	
Rental revenue	$ 411,145
Other tenant revenue	44,984
Operating subsidies and grants	1,018,305
Total operating revenues	1,474,434
Operating expenses	
Administration	836,954
Maintenance and operations	443,510
Utilities	111,494
Depreciation	162,289
Miscellaneous	-
Total operating expenses	1,554,247
Operating income (loss)	(79,813)
Non-operating revenues (expenses)	
Interest income	15
Other income	-
Capital outlay	(40,984)
Gain (loss) on sale of assets held for sale	-
Total non-operating revenues	(40,969)
Income before transfers and capital grants	(120,782)
Transfers in	195,332
Transfers out	(134,298)
Capital grants	88,099
Change in net position	28,351
Total net position - beginning of year	2,942,846
Total net position - end of year	$ 2,971,197

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
COMBINING STATEMENT OF CASH FLOWS -
HUD PUBLIC HOUSING PROGRAMS
For the Year Ended June 30, 2018

	Public Housing Operations
Cash flows from operating activities	
Cash received from tenant rents	$ 412,173
Cash payments to employees for services	(585,165)
Cash payments to suppliers for goods and services	(748,624)
Subsidy grants	1,033,429
Net cash provided (used) by operating activities	111,813
Cash flows from noncapital financing activities:	
Miscellaneous income (expense)	(40,984)
Transfers in (out)	61,034
Net cash provided (used) by noncapital financing activities	20,050
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(133,866)
Capital grants	88,099
Net cash provided (used) by capital and related financing activities	(45,767)
Cash flows from investing activities:	
Interest received on investments	15
Net cash provided (used) by investing activities	15
Net increase (decrease) in cash and cash equivalents	86,111
Cash and cash equivalents - beginning of year	1,804,096
Cash and cash equivalents - end of year	$ 1,890,207

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
COMBINING STATEMENT OF CASH FLOWS -
HUD PUBLIC HOUSING PROGRAMS (CONTINUED)
For the Year Ended June 30, 2018

		Public Housing Operations
Reconciliation of change in net position to		
net cash provided (used) by operating activities:		
Change in net position	$	28,351
Adjustments to reconcile change in net position to net		
cash provided (used) by operating activities		
Depreciation		162,289
Noncash pension expense		(94,706)
Non-operating revenues (expenses)		40,969
Transfers (in) out		(61,034)
Capital grants		(88,099)
Changes in assets deferred outflows, liabilities, and deferred inflows		
Accounts receivable		928
Grants receivable		(29,682)
Prepaid expenses		48,703
Inventory		17,357
Accounts payable		(33,027)
Accrued payroll		1,273
Compensated absences		1,082
Deferred outflows		117,487
Tenant deposits		(78)
Net cash provided (used) by operating activities	$	111,813

See Independent Auditors' Report.

NEW CONSTRUCTION HOUSING

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
COMBINING STATEMENT OF NET POSITION -
NEW CONSTRUCTION HOUSING PROGRAMS
June 30, 2018

	New Construction Housing
ASSETS	
Current Assets	
Cash and cash equivalents	$ 424,230
Restricted cash and cash equivalents	-
Accounts receivable, net	458
Accounts receivable - other	1,500
Prepaid expenses	5,662
Total current assets	431,850
Noncurrent assets	
Capital assets, net	1,362,040
Total noncurrent assets	1,362,040
Total assets	1,793,890
DEFFERED OUTFLOWS OF RESOURCES	
Employer contributions subsequent to the measurement date	2,541
Changes in assumptions	1,842
Net difference between projected and actual investment earnings on pension plan	3,276
Difference between expected and actual experience	1,569
Changes in proportion	2,189
Total deferred outflows of resources	11,417
Total assets and deferred outflows of resources	$ 1,805,307

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
COMBINING STATEMENT OF NET POSITION -
NEW CONSTRUCTION HOUSING PROGRAMS (CONTINUED)
June 30, 2018

		New Construction Housing
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	$	8,049
Prepaid tenant rent		81
Accrued payroll		1,970
Notes payable, current portion		43,847
Total current liabilities		53,947
Current liabilities (payable from restricted assets)		
Tenant deposits		7,878
Total current liabilities (payable from restricted assets)		7,878
Noncurrent liabilities		
Compensated absences		3,937
Notes payable, net of current portion		467,265
Net pension liability		39,934
Total noncurrent liabilities		511,136
Total liabilities		572,961
DEFFERED INFLOWS OF RESOURCES		
Changes in assumptions		413
Difference between expected and actual experience		2,045
Changes in proportion		35
Total deferred outflows of resources		2,493
NET POSITION		
Net investment in capital assets		850,928
Unrestricted		378,925
Total net position		1,229,853
Total liabilities and deferred outflows of resources	$	1,805,307

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - NEW CONSTRUCTION HOUSING PROGRAMS
For the Year Ended June 30, 2018

	New Construction Housing
Operating revenues	
Rental revenue	$ 77,822
Other tenant revenue	3,069
Operating subsidies and grants	145,325
Total operating revenues	226,216
Operating expenses	
Administration	63,265
Maintenance and operations	52,588
Utilities	14,255
Depreciation	26,062
Total operating expenses	156,170
Operating income (loss)	70,046
Non-operating revenues (expenses)	
Interest income	3
Interest expense	(33,506)
Total non-operating revenues	(33,503)
Change in net position	36,543
Total net position - beginning of year	1,193,310
Total net position - end of year	$ 1,229,853

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
COMBINING STATEMENT OF CASH FLOWS -
NEW CONSTRUCTION HOUSING PROGRAMS
For the Year Ended June 30, 2018

		New Construction Housing
Cash flows from operating activities		
Cash received from tenant rents	$	77,805
Cash payments to employees for services		(43,537)
Cash payments to suppliers for goods and services		(92,808)
Subsidy grants		145,653
Net cash provided (used) by operating activities		87,113
Cash flows from noncapital financing activities:		
Principal payments on long-term debt		(39,815)
Interest payments on long-term debt		(33,506)
Net cash provided (used) by capital and related financing activities		(73,321)
Cash flows from investing activities:		
Interest earned		3
Net cash provided by investing activities		3
Net increase (decrease) in cash and cash equivalents		13,795
Cash and cash equivalents - beginning of year		410,435
Cash and cash equivalents - end of year	$	424,230
Reconciliation of change in net position to net cash provided (used) by operating activities		
Change in net position	$	36,543
Adjustments to reconcile change in net postition to net cash provided by operating activities		
Depreciation		26,062
Noncash pension expense		(25,745)
Non-operating revenues (expenses)		33,503
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Accounts receivable		(1,517)
Prepaid expenses		6,105
Accounts payable		(2,983)
Accrued payroll		463
Compensated absences		1,021
Deferred outflows-subsequent contributions		14,902
Tenant deposits		(1,241)
Net cash provided by operating activities	$	87,113

See Independent Auditors' Report.

LOCAL HOUSING PROJECTS

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
COMBINING STATEMENT OF NET POSITION -
LOCAL HOUSING PROJECTS
June 30, 2018

	Section 8 HCV	Developer Fees	Total
ASSETS			
Current Assets			
Cash and cash equivalents	$ 1,791,979	$ 596,184	$ 2,388,163
Restricted cash and cash equivalents	-	-	-
Accounts receivable, net	(830)	-	(830)
Accounts receivable, other	(300)	-	(300)
Inventory	20,100	-	20,100
Prepaid expenses	11,251	-	11,251
Total current assets	1,822,200	596,184	2,418,384
Noncurrent assets			
Capital assets, net	1,765,851	-	1,765,851
Receivables from component units, net	532,770	5,101	537,871
Interest receivable	394,931	-	394,931
Deferred development fees receivable	185,546	492,024	677,570
Mortgage receivables, noncurrent, net	1,159,596	-	1,159,596
Other noncurrent assets	-	339,174	339,174
Total noncurrent assets	4,038,694	836,299	4,874,993
Total assets	5,860,894	1,432,483	7,293,377
DEFFERED OUTFLOWS OF RESOURCES			
Employer contributions subsequent to the measurement date	7,393	5,600	12,993
Changes in assumptions	5,357	4,058	9,415
Net difference between projected and actual investment earnings on pension plan	9,531	7,220	16,751
Difference between expected and actual experience	4,565	3,458	8,023
Changes in proportion	6,368	4,824	11,192
Total deferred outflows of resources	33,214	25,160	58,374
Total assets and deferred outflows of resources	$ 5,894,108	$ 1,457,643	$ 7,351,751

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
COMBINING STATEMENT OF NET POSITION -
LOCAL HOUSING PROJECTS (CONTINUED)
June 30, 2018

	New Construction Housing	Developer Fees	Total
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts payable	$ 2,876	$ 27	$ 2,903
Prepaid tenant rent	671	-	671
Accrued payroll	8,676	905	9,581
Notes payable, current portion	63,709	-	63,709
			-
Total current liabilities	75,932	932	76,864
Current liabilities (payable from restricted assets)			
Tenant deposits	15,975	-	15,975
FSS deposits	-	-	-
			-
Total current liabilities (payable from restricted assets)	15,975	-	15,975
Noncurrent liabilities			
Compensated absences	5,164	530	5,694
Notes payable, net of current portion	630,382	-	630,382
Net pension liability	116,173	88,004	204,177
			-
Total noncurrent liabilities	751,719	88,534	840,253
			-
Total liabilities	843,626	89,466	933,092
DEFFERED INFLOWS OF RESOURCES			
Changes in assumptions	1,200	909	2,109
Difference between expected and actual experience	5,950	4,507	10,457
Changes in proportion	103	78	181
			-
Total deferred inflows of resources	7,253	5,494	12,747
NET POSITION			
Net investment in capital assets	1,071,760	-	1,071,760
Restricted	-	-	-
Unrestricted	3,971,469	1,362,683	5,334,152
Total net position	5,043,229	1,362,683	6,405,912
Total liabilities and deferred inflows and net position	$ 5,894,108	$ 1,457,643	$ 7,351,751

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, 2018

	Section HCV	Developer Fees	Total
Operating revenues			
Rental revenue	$ 291,462	$ -	$ 291,462
Other tenant revenue	13,581	16,086	29,667
Operating subsidies and grants	-	-	-
Total operating revenues	305,043	16,086	321,129
Operating expenses			
Administration	155,137	151,520	306,657
Maintenance and operations	66,601	11,581	78,182
Utilities	21,519	5	21,524
Depreciation	69,254	-	69,254
Miscellaneous	-	-	-
Total operating expenses	312,511	163,106	475,617
Operating income (loss)	(7,468)	(147,020)	(154,488)
Non-operating revenues (expenses)			
Interest income	61,136	18,751	79,887
Interest expense	(41,021)	-	(41,021)
Developer fees	-	18,021	18,021
Management fees and other income	-	152,511	152,511
Gain on sale of assets held for sale	30,350	-	30,350
Total non-operating revenues	50,465	189,283	239,748
Income before transfers and capital grants	42,997	42,263	85,260
Transfers in	-	-	-
Transfers out	-	(11,435)	(11,435)
Change in net position	42,998	30,828	73,826
Total net position - beginning of year	5,000,231	1,331,855	6,332,086
Total net position - end of year	$ 5,043,229	$ 1,362,683	$ 6,405,912

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
COMBINING STATEMENT OF CASH FLOWS -
LOCAL HOUSING PROJECTS
For the Year Ended June 30, 2018

	Sction 8 HVC	Developer Fees	Total
Cash flows from operating activities			
Cash received from tenant rents	$ 299,799	$ 79,898	$ 379,697
Cash payments to employees for services	(52,862)	(106,068)	(158,930)
Cash payments to suppliers for goods and services	(224,817)	(45,936)	(270,753)
Subsidy grants and other receipts	-	-	-
Net cash provided (used) by operating activities	22,120	(72,106)	(49,986)
Cash flows from noncapital financing activities:			
Miscellaneous income (expense)	16,959	153,573	170,532
Transfers in (out)	-	(11,435)	(11,435)
Net cash provided (used) by noncapital financing activities	16,959	142,138	159,097
Cash flows from captial and related financing activities:			
Acquisition of capital assets	-	-	-
Principal payments on long-term debt	(59,141)	-	(59,141)
Interest payments on long-term debt	(41,021)	-	(41,021)
Net cash provided (used) by captial and related financing activities	(100,162)	-	(100,162)
Cash flows from investing activities:			
Proceeds from sale of assets held for sale	30,350	-	30,350
Interest received on intestments	61,136	(32,284)	28,852
Net cash provided (used) from investing activities	91,486	(32,284)	59,202
Net increase (decrease) in cash and cash equivalents	30,403	37,748	68,151
Cash and cash equivalents - beginning of year	1,761,576	558,436	2,320,012
Cash and cash equivalents - end of year	$ 1,791,979	$ 596,184	$ 2,388,163

See Independent Auditors' Report

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
COMBINING STATEMENT OF CASH FLOWS -
LOCAL HOUSING PROJECTS
For the Year Ended June 30, 2018

	Section 8 HCV	Developer Fees	Total
Reconciliation of change in net position to			
net cash provided (used) by operating activities:			
Change in net position	$ 42,998	$ 30,828	$ 73,826
Adjustments to reconcile operating (loss) to net			
cash provided (used) by operating activities			
Depreciation	69,254	-	69,254
Noncash pension expense	(40,416)	18,487	(21,929)
Non-operating revenues (expenses)	(50,465)	(189,283)	(239,748)
Transfers (in) out	-	11,435	11,435
Changes in assets, deferred outflows, liabilities, and deferred inflows			
Accounts receivable	5,997	(48,730)	(42,733)
Mortgages receivable	-	122,542	122,542
Inventory	(20,100)	-	(20,100)
Prepaid expenses	13,073	-	13,073
Accounts payable	(18,679)	(150)	(18,829)
Prepaid tenant rent	(12,976)	-	(12,976)
Accrued payroll	4,751	(34)	4,717
Compensated absences	(1,142)	(788)	(1,930)
Deferred outflows	28,090	(6,413)	21,677
Tenant deposits	1,735	(10,000)	(8,265)
Net cash provided (used) by operating activities	$ 22,120	$ (72,106)	$ (49,986)

See Independent Auditors' Report.

SUPPORTING SCHEDULES

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
June 30, 2018

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP No.	Market Value June 30, 2018
Wells Fargo Bank	FMAC FGPC 3.50%	6/1/1945	3128MJWLO	$ 2,435,373
Wells Fargo Bank	FMAC FGPC 3.00%	9/1/2029	3128MMSN4	3,168,211
Wells Fargo Bank	FMAC FGPC 3.00%	6/1/1936	3128P8CQ2	102,131
Wells Fargo Bank	FMAC FGPC 3.00%	9/1/2026	3128PWM54	176,529
			Total	$ 5,882,244

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 OF DEPOSITS AND INVESTMENT ACCOUNTS
June 30, 2018

Financial Institution/Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Wells Fargo Bank				
Operating Account - Demand	$ 5,485,245	$ 913	$ 109,075	$ 5,377,083
Rent Account - Demand	59,060	-	-	59,060
Family Self-Sufficiency Account - Demand	26,157	-	-	26,157
Total Wells Fargo Bank	5,570,462	913	109,075	5,462,300
Petty cash				750
Total cash and cash equivalents				$ 5,463,050

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
June 30, 2018

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
111	Cash - unrestricted	$ 1,898,881	$ 738,709
113	Cash - other restricted	-	-
114	Cash - tenant security deposits	-	-
115	Cash - restricted for payment of current liabilities	-	-
100	**Total cash**	1,898,881	738,709
122	Accounts receivable - HUD other projects	70,370	-
125	Accounts receivable - miscellaneous	-	-
125	Accounts receivable - other	4,463	-
126	Accounts receivable - tenants - dwelling rents	5,024	-
126.2	Allowance for doubtful accounts - other	-	-
129	Accrued interest receivable	-	-
120	**Total receivables, net of allowance for doubtful accounts**	79,857	-
142	Prepaid expenses and other assets	32,814	7,156
143	Inventories	(10,581)	-
143.1	Allowance for obsolete inventories	-	-
145	Assets held for sale	-	-
150	**Total current assets**	2,000,971	745,865
161	Land	503,885	-
162	Buildings	5,637,928	4,108
164	Furniture, Equipment & Machinery - Administration	508,510	15,175
165	Leasehold improvements	2,478,668	433
166	Accumulated depreciation	(7,406,338)	(8,112)
160	**Total capital assets, net of accumulated depreciation**	1,722,653	11,604
171	Notes, loans and mortgages receivable - non-current	-	-
174	Other assets	-	-
180	**Total non-current assets**	1,722,653	11,604
190	**Total assets**	3,723,624	757,469
200	Deferred outflows	212,130	115,881
	Total assets and deferred outflows of resources	$ 3,935,754	$ 873,350

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
June 30, 2018

N/C S/R Section 8 Programs	Business Activities	FSS-ROSS	Total	Component Units (December 31, 2017)
$ 424,230	$ 2,388,163	$ 13,067	$ 5,463,050	$ 502,482
-	-	-	-	2,432,597
-	-	-	-	-
-	-	-	-	-
			-	
424,230	2,388,163	13,067	5,463,050	2,935,079
-	-	773	71,143	-
-	2,415,391	-	2,415,391	21,513
1,500	313,990	-	319,953	73,952
458	2,522	-	8,004	-
-	(1,341,821)		(1,341,821)	-
-	419,815	-	419,815	-
			-	
1,958	1,809,897	773	1,892,485	95,465
5,662	11,251	-	56,883	124,202
-	20,100	-	9,519	-
-	-	-	-	-
-	-	-	-	-
431,850	4,229,411	13,840	7,421,937	3,154,746
872,000	11,520	-	1,387,405	42,630,732
1,055,334	2,485,763	-	9,183,133	-
-	11,435	-	535,120	-
7,556	54,850	-	2,541,507	-
(572,850)	(797,717)	-	(8,785,017)	-
			-	
1,362,040	1,765,851	-	4,862,148	42,630,732
-	1,298,115	-	1,298,115	-
-	-	-	-	1,040,329
			-	
1,362,040	3,063,966	-	6,160,263	43,671,061
1,793,890	7,293,377	13,840	13,582,200	46,825,807
11,417	58,374	9,196	406,998	-
			-	
$ 1,805,307	$ 7,351,751	$ 23,036	$ 13,989,198	$ 46,825,807

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
June 30, 2018

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
311	Bank overdraft	$ 8,674	$ -
312	Accounts payable <= 90 days	46,640	11,768
321	Accrued Wage/Payroll Taxes Payable	20,771	8,218
325	Accrued interest payable	-	-
341	Tenant security deposits	59,109	-
342	Unearned revenues	-	-
343	Current portion of long-term debt - capital projects	-	-
344	Current portion of long-term debt - operating borrowings	-	-
345	Other current liabilities	-	13,976
310	**Total current liabilities**	135,194	33,962
351	Long-term debt, net of current - capital projects/mortgage revenue	-	-
353	Non-current liabilities - other	-	-
354	Accrued compensated absences - non-current	41,083	27,245
357	Accrued pension	741,953	405,320
350	**Total non-current liabilities**	783,036	432,565
300	**Total liabilities**	918,230	466,527
400	Deferred inflows	46,327	25,307
508.4	Net investments in capital assets	1,722,653	11,604
511.4	Restricted net position	-	206,042
512.4	Unrestricted net position	1,248,544	163,870
513	**Total equity/net position**	2,971,197	381,516
	Total liabilities, deferred inflows and equity/net position	$ 3,935,754	$ 873,350

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
June 30, 2018

N/C S/R Section 8 Programs	Business Activities	FSS-ROSS	Total	Component Units (December 31, 2017)
$ -	$ -	$ 7,830	$ 16,504	$ -
8,049	2,903	-	69,360	105,634
1,970	9,581	20	40,560	-
-	-	-	-	-
7,878	15,975	-	82,962	282,630
81	671	-	752	-
43,847	63,709	-	107,556	229,114
-	-	-	-	-
-	-	-	13,976	308,027
			-	
61,825	92,839	7,850	331,670	925,405
467,265	630,382	-	1,097,647	16,891,595
-	-	-	-	2,391,512
3,937	5,694	-	77,959	-
39,934	204,177	32,168	1,423,552	-
			-	
511,136	840,253	32,168	2,599,158	19,283,107
572,961	933,092	40,018	2,930,828	20,208,512
2,493	12,747	2,009	88,883	-
850,928	1,071,760	-	3,656,945	25,510,023
-	-	-	206,042	
378,925	5,334,152	(18,991)	7,106,500	1,107,272
			-	
1,229,853	6,405,912	(18,991)	10,969,487	26,617,295
$ 1,805,307	$ 7,351,751	$ 23,036	$ 13,989,198	$ 46,825,807

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
For the Year Ended June 30, 2018

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
70300	Net tenant rental revenue	$ 411,145	$ -
70400	Tenant revenue - other	44,984	678,170
70500	**Total tenant revenue**	456,129	678,170
70600	HUD PHA operating grants	1,018,305	6,847,820
70610	Capital grants	88,099	-
71100	Investment income - unrestricted	15	-
71300	Proceeds from disposition of assets held for sale	-	-
71400	Fraud recovery	-	-
71500	Other revenue	-	-
71600	Gain or loss on sale of capital assets	-	-
70000	**Total revenue**	1,562,548	7,525,990
91100	Administrative Salaries	408,844	296,260
91200	Auditing fees	10,661	50,570
91300	Outside management fees	-	-
91400	Advertising and marketing	-	-
91500	Employee benefit contributions - administrative	154,620	172,984
91600	Office expenses	5,259	22,988
91700	Legal expense	12,641	7,737
91800	Travel	13,450	3,593
91900	Other operating - administrative	105,096	181,744
91000	**Total operating - administrative**	710,571	735,876
92200	Relocation cost	-	-
92400	Tenant services - other	425	-
92500	**Total tenant services**	425	-
93100	Water	45,172	-
93200	Electricity	11,566	53
93300	Gas	2,871	-
93600	Sewer	39,768	-
93800	Other Utilities	7,244	-
93000	**Total operating - utilities**	106,621	53

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
For the Year Ended June 30, 2018

N/C S/R Section 8 Programs	Business Activities	ROSS	Total	Component Units (December 31, 2017)
$ 77,822	$ 291,462	$ -	$ 780,429	$ 3,563,480
3,069	29,667	-	755,890	105,420
			-	
80,891	321,129	-	1,536,319	3,668,900
145,325	-	28,720	8,040,170	153,528
-	-	-	88,099	-
3	79,887	-	79,905	1,401
-	-	-	-	-
-	-	-	-	-
-	170,532	-	170,532	1,501
-	30,350	-	30,350	-
			-	
226,219	601,898	28,720	9,945,375	3,825,330
27,894	113,434	14,153	860,585	268,630
984	2,816	-	65,031	63,658
-	-	-	-	194,654
-	-	-	-	10,481
1,209	52,173	21,330	402,316	104,319
4,977	9,965	-	43,189	26,552
123	13,146	-	33,647	8,211
827	4,322	-	22,192	1,684
5,554	70,068	-	362,462	78,254
			-	
41,568	265,924	35,483	1,789,422	756,443
-	-	-	-	-
-	-	-	425	-
			-	
-	-	-	425	-
6,226	3,140	-	54,538	79,178
1,768	9,204	-	22,591	80,758
413	1,954	-	5,238	6,505
5,495	2,748	-	48,011	66,950
352	4,478	-	12,074	50,347
			-	
14,254	21,524	-	142,452	283,738

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
For the Year Ended June 20, 2018

Line Item Number	Description	Low Rent Public Housing Program 14.850	Section 8 Housing Choice Voucher 14.871
94100	Ordinary maintenance & operation - labor	$ 140,750	$ -
94200	Ordinary maintenance & operation - materials & other	151,824	19,341
94300	Ordinary maintenance & operation - contracts	89,626	-
94500	Employee benefit contributions - ordinary maintenance	50,112	-
94000	**Total maintenance**	432,312	19,341
95200	Protective services - other contract costs	1,076	-
	Total protective services	1,076	-
96110	Property insurance	38,621	13,419
96120	Liability insurance	45,928	17,637
96130	Workmen's compensation	15,657	6,518
96140	All other insurance	4,175	767
96100	**Total insurance premiums**	104,382	38,341
96200	Other general expenses	-	-
96210	Compensated absences	450	16,853
96300	Payment in lieu of taxes	-	-
96400	Bad debt - tenant rents	31,248	-
96600	Bad debt - other	-	-
96000	**Total other general**	31,698	16,853
96710	Interest of mortgage (or bonds) payable	-	-
96900	**Total operating expenses**	1,387,085	810,464
97000	**Excess operating revenue over operating expenses**	175,463	6,715,526
97100	Extraordinary maintenance	4,873	-
97200	Casualty loss	-	-
97300	Housing assistance payments	-	7,061,075
97350	HAP - portability in	-	-
97400	Depreciation expense	162,289	3,250
97500	Fraud losses	-	-
97600	Captal outlays	40,984	
90000	**Total expenses**	$ 1,595,231	$ 7,874,789
10010	Operating transfers in	$ 195,332	$ 105
10020	Operating transfers out	(134,298)	
10100	**Total other financing sources (uses)**	$ 61,034	$ 105

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
For the Year Ended June 20, 2018

N/C S/R Section 8 Programs	Business Activities	ROSS	Total	Component Units (December 31, 2017)
$ 14,484	$ 22,133	$ -	$ 177,367	$ 319,970
13,989	16,591	-	201,745	273,350
21,972	35,033	-	146,631	329,602
6,490	4,104	-	60,706	-
			-	
56,935	77,861	-	586,449	922,922
144	321	-	1,541	12,144
144	321	-	1,541	12,144
9,667	12,689	-	74,397	263,016
4,588	12,085	-	80,238	-
1,475	4,230	-	27,880	21,751
655	1,208	-	6,806	88,713
			-	
16,385	30,212	-	189,320	373,480
	-	-	-	261,903
1,021	(3,249)	(690)	14,385	-
-	-	-	-	-
(200)	13,770	-	44,818	54,472
-	-	-	-	-
			-	
821	10,521	(690)	59,203	316,375
33,506	41,021	-	74,527	848,066
			-	
163,613	447,384 -	34,793	2,843,339	3,513,168
62,606	154,514 -	(6,073)	7,102,036	312,162
-	-	-	4,873	-
-	-	-	-	-
-	-	-	7,061,075	-
-	-	-	-	-
26,063	69,253	-	260,855	1,700,827
-	-	-	-	-
			-	
$ 189,676	$ 516,637	$ 34,793	$ 10,211,126	$ 5,213,995
$ -	$ -	$ (1,628)	$ 193,809	$ -
-	(11,435)	382	(145,351)	-
-	(11,435)	(1,246)	48,458	$ -

See Independent Auditors' Report.

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
For the Year Ended June 20, 2018

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) expenses	$ 28,351	$ (348,694)
11303	Beginning equity	2,942,846	730,210
11040-010	Prior period adjustments and correction of errors	-	-
11040-070	Equity transfers	-	-
11404	**Prior period adjustments, equity transfers and correction of errors**	-	-
	Ending equity deficit	$ 2,971,197	$ 381,516
11170	Administrative fee equity	$ -	$ 481,322
11180	Housing assistance payments equity	$ -	$ 301,067
11190	Unit months available	3,000	19,524
11210	Number of unit months leased	2,929	15,445
11270	Excess cash	$ -	$ -
11610	Land purchases	$ -	$ -
11620	Building purchases	$ -	$ -
11640	Furniture and equipment - administrative purchases	$ -	$ -

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE (CONTINUED)
For the Year Ended June 20, 2018

N/C S/R Section 8 Programs	Business Activities	ROSS	Total	Component Units (December 31, 2017)
36,543 $	73,826 $	(7,319) $	(217,293) $	(1,174,961)
1,193,310	6,332,086	(11,672)	11,186,780	27,817,256
			-	
-		-	-	-
-	-	-	-	(25,000)
			-	
-	-	-	-	(25,000)
1,229,853 $	6,405,912 $	(18,991) $	10,969,487 $	26,617,295
- $	- $	- $	481,322 $	-
- $	- $	- $	301,067 $	-
480	732	-	23,736	7,200
471	642	-	19,487	6,914
- $	- $	- $	- $	-
- $	- $	- $	- $	-
- $	- $	- $	- $	-
- $	- $	- $	- $	-

COMPLIANCE SECTION

RICCI & COMPANY
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Albuquerque, NM 87110
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Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*

Independent Auditor's Report

Mr. Wayne Johnson, State Auditor and
The Board of Commissioners of
Mesilla Valley Public Housing Authority
and
The Office of Management and Budget

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Mesilla Valley Public Housing Authority (the "Housing Authority") as of and for the year ended June 30, 2018, 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 28, 2018. 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 Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ricci & Company, LLC
Albuquerque, New Mexico
September 28, 2018

FEDERAL FINANCIAL ASSISTANCE

RICCI & COMPANY

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Albuquerque, NM 87110
505 338 0800 *office* www.riccicpa.com

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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report On Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Mr. Wayne Johnson, State Auditor and
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, 2018. 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.

Mr. Wayne Johnson, State Auditor and
The Board of Commissioners of
Mesilla Valley Public Housing Authority

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, 2018.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Ricci & Company, LLC
Albuquerque, New Mexico
September 28, 2018

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Program Title	Grant or State Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct Programs:			
Section 8 New Construction and Substantial Rehabilitation (1)	NM02-0002-004	14,182	$ 145,325
Public Housing Family Self-Sufficiency under Resident Opportunity Self Sufficiency	FY 2015	14,877	15,911
Public Housing Family Self-Sufficiency under Resident Opportunity Self Sufficiency	FY 2016	14,877	12,809
Public and Indian Housing	NM00000001	14,850	832,924
Section 8 Housing Choice Vouchers (2)*	NM003V0	14,871	7,462,416
Public Housing Capital Fund	NM02P003501-14	14,872	185,381
	NM02P003501-15	14,872	87,610
	NM02P003501-16	14,872	490
Subtotal – Public Housing Capital Fund			273,481
Total U.S Department of Housing and Urban Development			8,742,866
Total Expenditures of Federal Awards			$ 8,742,866

*Major Program
(1) Section 8 project-Based Cluster
(2) Housing Voucher Cluster

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, 2018.

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.

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?	None noted
c. Known questioned costs greater than $25,000 for a compliance requirement for a major program?	No
d. Known questioned costs greater than $25,000 for which Is not audited as a major program?	No
e. Known or likely fraud?	No
f. Significant instances of abuse relating to major programs?	No
g. Circumstances causing the auditor's report on compliance For each major program to be modified, unless otherwise Reported as audit findings?	No
h. Instances where results of audit follow-up procedures disclosed that the summary schedule of prior year audit Findings prepared by the auditee materially misrepresents the status of any prior audit finding?	No
2. Type of auditors' report issued on compliance for major programs	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	None noted
4. Identification of major programs:	

CFDA Number	Federal Program
14.871	Section 8 Housing Choice Vouchers

5. Dollar threshold used to distinguish between type A and type B programs:	$750,000
6. Auditee qualified as low risk auditee?	Yes

B. Findings – Financial Statement Audit

None noted

C. Findings – Federal Awards Findings

None noted

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

E. Prior Year Audit Findings

NM 2017-001-Travel and Per Diem Policy Noncompliance – other Noncompliance – RESOLVED

EXIT CONFERENCE

MESILLA VALLEY PUBLIC HOUSING AUTHORITY
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2018

A. Exit Conference

An exit conference was held on September 19, 2018, to discuss the annual financial report. Attending were the following:

Representing the Mesilla Valley Public Housing Authority:

Marcos Montes, Chairman
Felix Cordero, Vice Chairman
Annaliza Gourneau, Commissioner
Juan Olvera, Executive Director
Lorena Rivera, Operations Manager, Deputy Director
Jaclyn Leyva, HCV Manager
Martha Toltecatl, Office Manager
Lee Montague, Modernization/Maintenance Manager
Elizabeth Garcia, Comptroller

Representing the Independent Auditor, Ricci and Company, LLC:

Mike Easley, Audit Supervisor

B. AUDITOR PREPARED FINANCIAL STATEMENTS

Ricci and Company, LLC 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.