



**Housing Authority of the
City of Las Cruces**

Financial Statements and
Independent Auditors' Report
June 30, 2010

REDW

Housing Authority of the City of Las Cruces

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Housing Authority of the City of Las Cruces

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Housing Authority of the City of Las Cruces
June 30, 2010

DIRECTORY OF OFFICIALS

Housing Authority

Winifred Y. Jacobs	Chairman
Paul Miller	Vice-Chairman
Ellen Haltom	Commissioner
Thomas G. Hassell	Executive Director

Independent Auditors' Report

Mr. Hector Balderas
New Mexico State Auditor,
The Board of Commissioners of the Housing
Authority of the City of Las Cruces
and the
Honorable Mayor and City Council Members of
the City of Las Cruces

We have audited the accompanying basic financial statements of the Housing Authority of the City of Las Cruces (the "Housing Authority"), a component unit of the City of Las Cruces, New Mexico as of and for the year ended June 30, 2010, as listed in the table of contents. We have also audited the budget comparison schedule presented as supplementary information in the schedule of revenues, expenses and changes in net assets—budget and actual as listed in the table of contents. These financial statements and schedule are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit. We did not audit the financial statements of Montana Senior Village, LLC (MSV), MSV II Limited Partnership (MSV II), Stone Mountain Place, LP (SMP), Falcon Ridge, LP (FR), and Cimmaron II Apartments, LP (Cimmaron II), 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 MSV, MSV II, SMP, FR and Cimmaron II, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority and its discretely presented component units as of June 30, 2010, and the

respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the supplementary schedule referred to above presents fairly, in all material respects, the budgetary comparison of the Housing Authority in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated November 22, 2010, on our consideration of the Housing Authority's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying combining statements identified in the table of contents as supplementary information, HUD required supplementary information, and New Mexico State Auditor's supplementary information is presented for purposes of additional analysis and to meet the requirements of the United States Department of Housing and Urban Development and are not required parts of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REDW LLC

November 22, 2010

Housing Authority of the City of Las Cruces, New Mexico

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LAS CRUCES, NEW MEXICO 88001**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Housing Authority of the City of Las Cruces' (the "Housing Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Housing Authority's financial statements, which follow this section.

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

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

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

The statement of net assets and the statement of revenues, expenses and changes in net assets include component units, legally separate entities for which the Housing Authority is financially accountable. The Housing Authority's component units are Montana Senior Village, LLC (MSV), Montana Senior Village II, LP (MSV II), Stone Mountain Place, LP (SMP), Falcon Ridge, LP (FR), and Cimmaron II Apartments, LP (Cimmaron II). These component units are described in the notes to the financial statements. The component units are legally separate from the Housing Authority and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name. The Housing Authority is the managing member of MSV, is the sole member of Montana Street, LLC, which is MSV II's general partner, is the sole member of Stone Mountain Place LLC, which is SMP's general partner, is the sole member of Falcon Ridge, LLC, which is FR's general partner, and is the sole member of Cimmaron Apartments, LLC, which is Cimmaron II's general partner.

Housing Authority of the City of Las Cruces
Management's Discussion and Analysis
For the Year Ended June 30, 2010

The Housing Authority's total assets increased during the year ended June 30, 2010, by approximately \$1 million. This increase is due to several factors. The Housing Authority sold eleven homes, purchased land and vehicles, and upgraded the network server. A Capital Fund Recovery Grant (CFRG) provided \$431,000 for the repaving of several parking lots owned by the Housing Authority. Funding of \$101,000 was received for a Veterans Affairs Supportive Housing (VASH) program and \$165,000 of developer's fees were received. Additionally, cash in the Section 8 Voucher program increased by \$369,000. This increase represents housing assistance payments (HAP) funding that was received from the U.S. Department of Housing and Urban Development (HUD), which was not utilized by the end of fiscal year 2010, and increases the Housing Authority's HAP restricted net assets. Restricted net assets are available for future HAP subsidy payments.

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

	June 30,	
	<u>2010</u>	<u>2009</u>
Current assets	\$ 4,253,601	\$ 4,216,784
Restricted assets	1,272,730	502,637
Noncurrent assets	<u>10,949,952</u>	<u>10,698,598</u>
Total assets	<u>\$ 16,476,283</u>	<u>\$ 15,418,019</u>
Current liabilities	\$ 817,352	\$ 700,968
Noncurrent liabilities	<u>3,082,561</u>	<u>3,310,483</u>
Total liabilities	<u>3,899,913</u>	<u>4,011,451</u>
Net assets		
Invested in capital assets, net of related debt	5,806,480	5,946,294
Restricted	1,272,730	502,637
Unrestricted	<u>5,497,160</u>	<u>4,957,637</u>
Total net assets	<u>12,576,370</u>	<u>11,406,568</u>
Total liabilities and net assets	<u>\$ 16,476,283</u>	<u>\$ 15,418,019</u>

The Housing Authority's total operating revenues increased by approximately \$231,000 compared to 2009, due to the addition of new programs during 2010, namely the New Mexico Mortgage Finance Authority Homelessness Prevention and Rapid Rehousing (HPRP) program and a second Shelter Plus Care program funded by the City of Las Cruces. Operating expenses increased by \$190,000 from a year ago. The Housing Authority sold eleven homes in 2010 compared to six in 2009. Maintenance costs to prepare these homes for sale increased accordingly. The Housing Authority paid \$70,000 in 2010 for the purchase of a new

Housing Authority of the City of Las Cruces
Management's Discussion and Analysis
For the Year Ended June 30, 2010

computer software system. Nonoperating revenue increased by \$1.3 million due in part to HUD funding increases in the Section 8 Voucher and Public Housing programs, in the amount of \$265,000. The Housing Authority also received funding for two new HUD programs, the CFRG and VASH programs, previously referred to, which added a combined \$554,000 to the Housing Authority's nonoperating revenues.

Changes in net assets are summarized as follows:

	Year Ended June 30,	
	<u>2010</u>	<u>2009</u>
Total operating revenues	\$ 1,447,838	\$ 1,217,222
Total operating expenses	<u>6,859,536</u>	<u>6,669,322</u>
Operating loss	(5,411,698)	(5,452,100)
Total nonoperating revenue (expenses)	<u>6,581,500</u>	<u>5,303,627</u>
Change in net assets	1,169,802	(148,473)
Beginning net assets	<u>11,406,568</u>	<u>11,555,041</u>
Ending net assets	<u>\$ 12,576,370</u>	<u>\$ 11,406,568</u>

Total net assets increased from a year ago by \$1.2 million for reasons explained above.

Budgetary Highlights

The Housing Authority made two revisions to its budget during fiscal year 2010. These revisions adjusted the budget for fluctuations in HUD funding of the Section 8 Voucher and Public Housing programs, as well as adjusted for the increased number of projected home sales and related cost of sales for the year. Total operating revenues were over budget by \$649,000, due to higher than anticipated gross home sales proceeds and developer's fees received. Total operating expenses were over budget by \$873,000, due mainly to the HPRP program's budget period not matching the fiscal year budget period. These variances resulted from a variety of factors, including the lack of an annual funding budget provided by HUD for certain HUD programs. Additionally, the Housing Authority bases its budget on the expenditure rate for the previous fiscal year and incorporates any anticipated changes. The Housing Authority is not required by HUD to revise budgets based on line item changes, except in its Capital Fund Programs. Additionally, budgets are not prepared for funds that track expenses for reimbursement purposes only.

Housing Authority of the City of Las Cruces
Management's Discussion and Analysis
For the Year Ended June 30, 2010

Capital Assets

At the end of fiscal year 2010, the Housing Authority had \$9,063,623 net of depreciation, invested in a range of capital assets, including land, dwelling units, administrative buildings, office furniture and equipment, maintenance equipment, and vehicles. This amount represents a net decrease of \$344,001 from last year's amount of \$9,407,624 due primarily to the sale of eleven properties (four from public housing stock). See the notes to the financial statements for further information on capital assets.

Long-Term Debt

At year-end, the Housing Authority had \$3,257,143 in bonds and notes outstanding compared to \$3,461,330 last year, for a net decrease of \$204,187. See the notes to the financial statements for further information on long-term debt.

Economic Factors and Next Year's Budgets and Rates

The Housing Authority's staff and Board of Commissioners considered many factors when setting the fiscal year 2010 budget. One of the main factors is the economy. The demand for housing assistance should not diminish due to the growth of the community and surrounding area, and the local and national economies.

As of September 2010, the unemployment rate for Dona Ana County was 7.6%, an increase of .7% from the same time period last year. The average rate for the state of New Mexico as a whole was 8.0%, while the unemployment rate for the nation as a whole was 9.6%. It is important to keep in mind that the actual HUD Section 8 Voucher funding level is mainly based on the Housing Authority's actual expenditure level for housing assistance payments, as reported to HUD electronically on a monthly basis through the Voucher Management System (VMS). For the public housing program, the final funding percentage for calendar year 2010 is 103%, compared to 88.42% for calendar year 2009, and 88.96% for calendar year 2008. The Housing Authority operates in an environment of annually fluctuating funding levels.

Contacting the Housing Authority's Financial Management

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

Financial Statements

Statement of Net Assets

Housing Authority of the City of Las Cruces
Statement of Net Assets
June 30, 2010

	City of Las Cruces Housing Authority	Component Units	
		Montana Senior Village, LLC	MSV II Limited Partnership
Assets			
Current assets			
Cash and cash equivalents	\$ 3,596,247	\$ 35,460	\$ 98,152
Accounts receivable, net	109,387	1,440	910
Grant receivables	350,952	-	-
Mortgage receivables, current	36,995	-	-
Prepaid expenses and other assets	28,363	120,063	507,942
Inventories	131,657	-	-
Total current assets	<u>4,253,601</u>	<u>156,963</u>	<u>607,004</u>
Restricted assets			
Cash and cash equivalents	<u>1,272,730</u>	<u>-</u>	<u>-</u>
Noncurrent assets			
Capital assets, net	9,063,623	2,134,603	4,241,190
Receivables from component units, net	1,377,130	-	-
Mortgage receivables, net of current portion	509,199	-	-
Other	-	44,090	51,735
Total noncurrent assets	<u>10,949,952</u>	<u>2,178,693</u>	<u>4,292,925</u>
Total assets	<u>\$ 16,476,283</u>	<u>\$ 2,335,656</u>	<u>\$ 4,899,929</u>

December 31, 2009

Stone Mountain Place, LP	Falcon Ridge, LP	Cimmaron II Apartments, LP
\$ 43,932	\$ 1,384	\$ 5,200
2,486	-	5,908
-	-	-
-	-	-
297,404	461,214	1,621
-	-	-
<u>343,822</u>	<u>462,598</u>	<u>12,729</u>
-	1,180,018	-
8,815,055	2,427,140	1,124,876
-	-	-
-	-	-
109,654	-	-
<u>8,924,709</u>	<u>2,427,140</u>	<u>1,124,876</u>
<u>\$ 9,268,531</u>	<u>\$ 4,069,756</u>	<u>\$ 1,137,605</u>

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

Housing Authority of the City of Las Cruces
Statement of Net Assets — continued
June 30, 2010

	City of Las Cruces Housing Authority	Component Units	
		Montana Senior Village, LLC	MSV II Limited Partnership
Liabilities			
Current liabilities			
Accounts payable	\$ 496,860	\$ 2,131	\$ 3,136
Accrued liabilities	10,839	24,609	32,257
Deposits due others	90,136	9,946	21,084
Current portion of long-term debt	219,517	7,849	25,968
Total current liabilities	<u>817,352</u>	<u>44,535</u>	<u>82,445</u>
Noncurrent liabilities			
Long-term debt	3,037,626	974,654	1,930,372
Other long-term liabilities	-	175,410	46,210
Payables to Housing Authority	-	677,966	1,483,940
Accrued compensated absences	44,935	-	-
Total noncurrent liabilities	<u>3,082,561</u>	<u>1,828,030</u>	<u>3,460,522</u>
Total liabilities	<u>3,899,913</u>	<u>1,872,565</u>	<u>3,542,967</u>
Net Assets			
Invested in capital assets, net of related debt	5,806,480	589,873	984,850
Restricted for program activities	1,272,730	-	-
Unrestricted (deficit)	5,497,160	(126,782)	372,112
Total net assets	<u>\$ 12,576,370</u>	<u>\$ 463,091</u>	<u>\$ 1,356,962</u>

December 31, 2009

Stone Mountain Place, LP	Falcon Ridge, LP	Cimmaron II Apartments, LP
\$ 2,494	\$ 2,438	\$ 8,442
47,018	231,395	30,907
35,971	-	3,282
<u>15,152</u>	<u>30,527</u>	<u>1,134,495</u>
<u>100,635</u>	<u>264,360</u>	<u>1,177,126</u>
2,689,016	2,977,120	-
228,706	705,833	-
256,574	124,676	-
-	-	-
<u>3,174,296</u>	<u>3,807,629</u>	<u>-</u>
<u>3,274,931</u>	<u>4,071,989</u>	<u>1,177,126</u>
6,110,887	-	-
-	-	-
<u>(117,287)</u>	<u>(2,233)</u>	<u>(39,521)</u>
<u>\$ 5,993,600</u>	<u>\$ (2,233)</u>	<u>\$ (39,521)</u>

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

Statement of Revenues, Expenses and
Changes in Net Assets

Housing Authority of the City of Las Cruces
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2010

	City of Las Cruces Housing Authority	Component Units (For the Year)	
		Montana Senior Village, LLC	MSV II Limited Partnership
Operating Revenues			
Tenant revenues	\$ 922,241	\$ 256,198	\$ 415,097
Other revenues	525,597	-	-
Total operating revenues	<u>1,447,838</u>	<u>256,198</u>	<u>415,097</u>
Operating Expenses			
Housing assistance payments	3,446,214	-	-
Administration	1,652,129	47,717	82,073
Maintenance and operations	902,747	33,634	55,089
Depreciation	350,456	109,851	214,107
Utilities	129,454	15,403	25,448
Other	378,536	34,091	59,087
Total operating expenses	<u>6,859,536</u>	<u>240,696</u>	<u>435,804</u>
Operating loss	<u>(5,411,698)</u>	<u>15,502</u>	<u>(20,707)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental revenues	6,567,184	-	-
Investment income	55,765	1,079	737
Interest expense	(193,936)	(105,168)	(126,188)
Gain on sale of capital assets	152,487	-	-
Total nonoperating revenues (expenses)	<u>6,581,500</u>	<u>(104,089)</u>	<u>(125,451)</u>
Change in net assets	1,169,802	(88,587)	(146,158)
Net assets, beginning of year, as restated for Cimmaron II Apartments, LP	<u>11,406,568</u>	<u>551,678</u>	<u>1,503,120</u>
Net assets (deficit), end of year	<u><u>\$ 12,576,370</u></u>	<u><u>\$ 463,091</u></u>	<u><u>\$ 1,356,962</u></u>

Ended December 31, 2009)

Stone Mountain Place, LP	Falcon Ridge, LP	Cimmaron II Apartments, LP
\$ 512,156	\$ -	\$ 88,038
-	-	-
<u>512,156</u>	<u>-</u>	<u>88,038</u>
-	-	-
113,641	2,233	11,106
60,928	-	11,111
283,184	-	14,398
38,033	-	15,108
83,670	-	13,486
<u>579,456</u>	<u>2,233</u>	<u>65,209</u>
<u>(67,300)</u>	<u>(2,233)</u>	<u>22,829</u>
-	-	-
1,246	-	-
(158,251)	-	(67,177)
-	-	-
<u>(157,005)</u>	<u>-</u>	<u>(67,177)</u>
(224,305)	(2,233)	(44,348)
6,217,905	-	4,827
<u>\$ 5,993,600</u>	<u>\$ (2,233)</u>	<u>\$ (39,521)</u>

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

Statement of Cash Flows

Housing Authority of the City of Las Cruces
Statement of Cash Flows
For the Year Ended June 30, 2010

Cash flows from operating activities

Cash received from tenants	\$ 897,595
Cash paid to employees	(984,457)
Cash paid to suppliers and others	(4,850,837)
Other receipts	439,985
Net cash used by operating activities	<u>(4,497,714)</u>

Cash flows from noncapital financing activities

Intergovernmental revenue received	<u>6,229,728</u>
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Cash flows from capital and related financing activities

Acquisition of capital assets	(818,936)
Proceeds from sale of capital assets	964,968
Principal paid on long-term debt	(204,187)
Interest paid on long-term debt	<u>(193,936)</u>
Net cash used by capital and related financing activities	<u>(252,091)</u>

Cash flows from investing activities

Interest and dividends on investments	<u>55,765</u>
---------------------------------------	---------------

Net increase in cash and cash equivalents	1,535,688
Cash and cash equivalents, beginning of year	<u>3,333,289</u>

Cash and cash equivalents, end of year	<u><u>\$ 4,868,977</u></u>
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The accompanying notes are an integral part of these financial statements.

Housing Authority of the City of Las Cruces
Statement of Cash Flows — continued
For the Year Ended June 30, 2010

Reconciliation of operating loss to net cash used by operating activities

Operating loss	\$ <u>(5,411,698)</u>
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	350,456
Change in assets and liabilities	
Accounts receivable	305,200
Mortgage receivable	(337,878)
Inventories	882
Prepaid expenses and other assets	300,818
Due from component units	(86,156)
Accounts payable	406,153
Accrued liabilities	(13,847)
Deposits due others	<u>(11,644)</u>
Total adjustments	<u>913,984</u>
Net cash used by operating activities	<u>\$ (4,497,714)</u>

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

Housing Authority of the City of Las Cruces
Notes to Financial Statements
June 30, 2010

1) Summary of Significant Accounting Policies

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

The Las Cruces Housing Development Corporation (LCHDC) is a legally separate nonprofit corporation formed to provide for the construction and financing of a low-income housing project. The project is managed by the Housing Authority. LCHDC is governed by a self-appointed board. LCHDC is reported as if it was part of the Housing Authority (blended) because its sole purpose is to finance and construct the housing project.

The New Mexico Housing Corporation (NMHC) was formed in 2006 and is a legally separate nonprofit corporation formed to assist the Housing Authority in providing affordable housing. NMHC is reported as if it was part of the Housing Authority (blended) because its board of directors is comprised of the same members as the Housing Authority’s board of directors.

The Housing Authority is reported as a component unit of the City of Las Cruces (the “City”) because the City appoints the Board of Commissioners and the City is able to impose its will on the entity. The financial statements present the financial position and results of operations of only that portion of the financial reporting attributed to the component unit.

Discretely-Presented Component Units

Montana Senior Village, LLC (MSV), MSV II Limited Partnership (MSV II), Stone Mountain Place, LP (SMP), Falcon Ridge, LP (FR) and Cimmaron II Apartments, LP (Cimmaron II), 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), and is the sole member of Cimmaron Apartments, LLC (Cimmaron II’s general partner). The criteria provided in Government Accounting Standards Board Statements No. 14 and No. 39 have been considered and MSV, MSV II, SMP, FR and Cimmaron II meet the criteria for inclusion

Housing Authority of the City of Las Cruces
Notes to Financial Statements
June 30, 2010

as component units of the Housing Authority. MSV, MSV II, SMP, FR and Cimmaron II do not meet the requirements for blending and are reported as discretely-presented component units (see Note 12).

MSV, MSV II, SMP, FR, and Cimmaron II have a December 31 fiscal year-end. Accordingly, these financial statements report their balances and results of operations as of and for the year ended December 31, 2009.

Subsequent to December 31, 2009, the Housing Authority became the managing member of Desert Palms, LLC and Cimmaron Apartments I, LLC, which are the general partners of Desert Palms Apartments, LP and Cimmaron I Apartments, LP, respectively. Since this occurred after the fiscal year-ends of December 31, 2009, their balances and results of operations are not included in these financial statements.

Measurement Focus, Basis of Accounting

Basis of Accounting and Presentation

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

Proprietary Fund Accounting

The Housing Authority follows proprietary fund accounting. Proprietary funds are accounted for on the flow of economic measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The Housing Authority applies pronouncements of the Governmental Accounting Standards Board (GASB) and statements and interpretations of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The Housing Authority has also elected to apply FASB Statements and Interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Under the terms of grant agreements, the Housing Authority funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there may be both restricted and unrestricted net assets available to finance the program. It is the Housing Authority's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenue.

Housing Authority of the City of Las Cruces
Notes to Financial Statements
June 30, 2010

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Cash and Cash Equivalents

The Housing Authority's cash and cash equivalents are comprised of cash on hand, demand deposits, U.S. government money market funds and short-term low risk investments with original maturities of 90 days or less from the date of acquisition.

Accounts Receivable

Accounts receivable are presented net of allowance for doubtful accounts. The allowance is estimated based on management's knowledge of past collection history.

Investments

Investments are recorded at fair value except as noted. Fair value of securities and mutual funds is determined by the reported market value on national exchanges. Fair value of investments with stated interest rates (savings accounts, CDs, repurchase accounts/agreements) is stated at cost.

Revenue and Expenses

Revenues are recognized in the accounting period in which they are earned. Other operating revenues consist mainly of administrative fees and developer fees. Intergovernmental grant revenue includes annual contributions and operating subsidies from the U.S. Department of Housing and Urban Development (HUD), as well as development and modernization grants. Intergovernmental grant revenue is recognized when all eligibility requirements have been met. Expenses are recognized in the accounting period in which the related liability is incurred.

Capital Assets

Additions of property are recorded at cost, or, if donated, at fair value at the date of the gift. The Housing Authority capitalizes all capital asset purchases, including buildings, building improvements, furniture, fixtures, equipment and software, over \$5,000.

Inventory

Inventory consists of a property held for sale, and is reported at cost.

Housing Authority of the City of Las Cruces
Notes to Financial Statements
June 30, 2010

Net Assets

Unrestricted net assets represent the amount available to budget for future operations. Restricted net assets represent the amounts that have been externally restricted for specific purposes.

Insurance

Premiums on insurance policies are charged to prepaid insurance and amortized over the life of the policy, if significant.

Depreciation

Depreciation is recognized each year using the straight-line method. Site improvements have an estimated useful life of 15 years. Structures are depreciated over 15-40 years and equipment has estimated useful lives of 5-7 years.

Use of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Compensated absences are reported as an expense and a liability of the program that will fund it.

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 revenues and expenditures. Budgets are approved and amended by the Board of Commissioners.

Component Unit Accounting Policies

Significant accounting policies of component units are presented in Note 12.

Subsequent Events

The Housing Authority has evaluated subsequent events through November 29, 2010, the date which the financial statements were available to be issued.

Housing Authority of the City of Las Cruces
Notes to Financial Statements
June 30, 2010

2) Activities of the Housing Authority

The Housing Authority manages the following units:

HUD Public Housing (Contract FW5434)	
Scattered sites, Development II and modernization programs	251 units
New Construction Housing (NMOZ-0002-0004)	
Valley and Burley Drive projects and Las Cruces Housing Development Corporation	101 units

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

HUD Section 8 Housing Voucher (Contract FW5374V)	917 units
-----------------------------------------------------	-----------

3) Cash and Investments

State statutes authorize the Housing Authority to invest in interest-bearing accounts with financial institutions, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the State Treasurer's Investment Pool.

Deposits and Repurchase Agreement

At June 30, 2010, the carrying amount of the Housing Authority's bank deposits was \$633,816, and the bank balance was \$612,244, which was fully insured by the Federal Deposit Insurance Corporation.

New Mexico statutes require that financial institutions with public monies on deposit, governed by a repurchase agreement, pledge collateral to the owner of such public monies in an amount not less than 102% of the uninsured public monies held on deposit. As of June 30, 2010, the Housing Authority had \$4,020,452 invested in a repurchase agreement, which is collateralized by securities with a fair value of \$4,100,861 held by Wells Fargo Bank, N.A. in the Housing Authority's name.

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. New Mexico statutes require that financial institutions with public monies on deposit pledge collateral to the owner of such public monies in an amount not less than 50% of the uninsured public monies held on deposit. Collateral securities are held by the Housing Authority's bank. Securities pledged by financial institutions are required to be pledged at par with the exception of U.S. government obligations, which are pledged at fair value. As of June 30, 2010, the bank balance of the Housing Authority's deposits was fully insured, and thus, was not exposed to custodial credit risk.

Housing Authority of the City of Las Cruces
Notes to Financial Statements
June 30, 2010

Investments

As of June 30, 2010, the Housing Authority owned money market funds, which had a fair value of \$213,709. Due to their liquidity, these investments are held for the purpose of meeting bond requirements and are included in restricted cash and cash equivalents on the statement of net assets.

Interest Rate Risk—At June 30, 2010, investments consist of money market funds, which are highly liquid and are not subject to significant interest rate risk.

Credit Risk—The Housing Authority’s investment policy lists the criteria for selecting investments and the order of priority as follows: 1) safety 2) yield 3) liquidity 4) maturity 5) amount and 6) administrative cost. As of June 30, 2010, ratings were not available for the Housing Authority’s money market investments in Federated U.S. Treasury Cash Reserves.

Custodial Credit Risk—For investments, custodial credit risk is the risk that, in the event of a failure of the counterparty, the Housing Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Housing Authority’s securities are held in the Housing Authority’s name by Wells Fargo Bank, N.A.

Concentration of Credit Risk—The Housing Authority’s investment policy places no limit on the amount the Housing Authority may invest in any one issuer. As of June 30, 2010, 100% of the Housing Authority’s investment pool was invested in Federated U.S. Treasury Cash Reserves issued by Wells Fargo Bank, N.A.

4) Mortgage Receivables

The Housing Authority owns mortgages on five properties which they sold and originated the mortgage. These mortgages carry an interest rate ranging from 4% to 4.5% and mature in 2039 or 2040. They are all collateralized by the mortgaged property.

Housing Authority of the City of Las Cruces
Notes to Financial Statements
June 30, 2010

5) Capital Assets

Capital asset activity of the Housing Authority for the year ended June 30, 2010, was as follows:

	June 30, 2009	Additions	Deletions	Transfers	June 30, 2010
Public housing	\$ 7,717,968	\$ 701,462	\$ (452,373)	\$ -	\$ 7,967,057
Less accumulated depreciation	<u>(6,116,931)</u>	<u>(196,243)</u>	<u>281,478</u>	<u>-</u>	<u>(6,031,696)</u>
Net public housing	<u>1,601,037</u>	<u>505,219</u>	<u>(170,895)</u>	<u>-</u>	<u>1,935,361</u>
Section 8 housing	4,541	-	-	-	4,541
Less accumulated depreciation	<u>(957)</u>	<u>(132)</u>	<u>-</u>	<u>-</u>	<u>(1,089)</u>
Net section 8 housing	<u>3,584</u>	<u>(132)</u>	<u>-</u>	<u>-</u>	<u>3,452</u>
New construction	1,477,219	-	-	-	1,477,219
Housing development corporation	<u>3,380,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,380,000</u>
Total new construction	4,857,219	-	-	-	4,857,219
Less accumulated depreciation	<u>(838,822)</u>	<u>(68,758)</u>	<u>-</u>	<u>-</u>	<u>(907,580)</u>
Net new construction	<u>4,018,397</u>	<u>(68,758)</u>	<u>-</u>	<u>-</u>	<u>3,949,639</u>
Local housing projects	4,177,608	117,474	(668,711)	-	3,626,371
Less accumulated depreciation	<u>(393,002)</u>	<u>(85,323)</u>	<u>27,125</u>	<u>-</u>	<u>(451,200)</u>
Net local housing	<u>3,784,606</u>	<u>32,151</u>	<u>(641,586)</u>	<u>-</u>	<u>3,175,171</u>
Net capital assets	<u>\$ 9,407,624</u>	<u>\$ 468,480</u>	<u>\$ (812,481)</u>	<u>\$ -</u>	<u>\$ 9,063,623</u>
	<u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2010</u>
Summary totals					
Capital assets					
<i>Capital assets not being depreciated</i>					
Land	\$ 3,333,718	\$ 109,735	\$ (131,394)	\$ -	\$ 3,312,059
Construction in progress	<u>47,691</u>	<u>-</u>	<u>-</u>	<u>(47,691)</u>	<u>-</u>
Total capital assets not being depreciated	<u>3,381,409</u>	<u>109,735</u>	<u>(131,394)</u>	<u>(47,691)</u>	<u>3,312,059</u>
<i>Other capital assets</i>					
Site improvements	1,579,135	487,052	(50,890)	-	2,015,297
Structures	11,402,919	-	(877,699)	47,691	10,572,911
Equipment	<u>393,873</u>	<u>222,149</u>	<u>(61,101)</u>	<u>-</u>	<u>554,921</u>
Total other capital assets at cost	<u>13,375,927</u>	<u>709,201</u>	<u>(989,690)</u>	<u>47,691</u>	<u>13,143,129</u>
<i>Less accumulated depreciation</i>					
Site improvements	(1,171,183)	(35,523)	12,728	-	(1,193,978)
Structures	(5,835,872)	(265,511)	234,774	-	(5,866,609)
Equipment	<u>(342,657)</u>	<u>(49,422)</u>	<u>61,101</u>	<u>-</u>	<u>(330,978)</u>
Subtotal	<u>(7,349,712)</u>	<u>(350,456)</u>	<u>308,603</u>	<u>-</u>	<u>(7,391,565)</u>
Net capital assets being depreciated	<u>6,026,215</u>	<u>358,745</u>	<u>(681,087)</u>	<u>47,691</u>	<u>5,751,564</u>
Net capital assets	<u>\$ 9,407,624</u>	<u>\$ 468,480</u>	<u>\$ (812,481)</u>	<u>\$ -</u>	<u>\$ 9,063,623</u>

Details of capital assets of component units are presented in Note 12.

Housing Authority of the City of Las Cruces
Notes to Financial Statements
June 30, 2010

6) Component Unit Receivables

The following is a reconciliation of amounts due to the Housing Authority from its component units as of June 30, 2010. Reconciling items include timing differences from the year-ends of the component units (December 31) and an allowance for doubtful accounts based on management's assessment of the collection of receivables from MSV II.

MSV payables to Housing Authority (December 31, 2009)	
Note payable	\$ 487,250
Deferred development fees	107,446
Land note payable	74,977
Development advances	<u>8,293</u>
	<u>677,966</u>
MSV II payables to Housing Authority (December 31, 2009)	
Deferred development fee note	175,157
Authority loan payable	800,000
Authority AHP loan payable	500,000
Development advances	<u>8,783</u>
	<u>1,483,940</u>
SMP Due to Housing Authority (December 31, 2009)	
Development fees payable	<u>256,574</u>
Falcon Ridge Due to Housing Authority (December 31, 2009)	
Development fees payable	<u>124,676</u>
Net payable to Housing Authority from MSV, MSV II, SMP, and Falcon Ridge at December 31, 2009	2,543,156
Reconciling items	
Allowance for doubtful accounts	(1,300,000)
Payments received from January 1, 2010 through June 30, 2010	(59,000)
Accrued interest from January 1, 2010 through June 30, 2010	209,599
Other reconciling items	<u>(16,625)</u>
Housing Authority receivable from component units, net (June 30, 2010)	<u>\$ 1,377,130</u>

Housing Authority of the City of Las Cruces
Notes to Financial Statements
June 30, 2010

7) Long-Term Debt

Details of the Housing Authority and LCHDC's debt are as follows:

Description	Issue Date	Interest Rates (%)	Maturity Date	Total		Total	
				Outstanding 6/30/2009	Retired	Outstanding 6/30/2010	Amount Due Within One Year
LCHDC Mortgage							
Revenue Bond (Series 2005)	07/06/2005	5.35%	10/01/2019	\$ 2,248,040	\$ 166,036	\$ 2,082,004	\$ 176,652
Note payable - Gallup Federal Savings Bank							
	10/13/2004	7.5%	01/20/2014	386,777	14,988	371,789	16,731
Note payable - Wells Fargo Bank							
	04/15/2005	8.13%	04/15/2025	351,337	10,703	340,634	12,145
Note payable - First Federal Bank							
	08/15/2005	8%	08/15/2025	268,148	8,747	259,401	9,492
Note payable - Firstlight Federal Credit Union							
	03/13/08	6.5%	04/01/2038	129,791	1,453	128,338	1,748
Note payable - Other							
	12/02/1998	0%	11/02/2015	77,237	2,260	74,977	2,749
Total				<u>\$ 3,461,330</u>	<u>\$ 204,187</u>	<u>\$ 3,257,143</u>	<u>\$ 219,517</u>

Debt service requirements on long-term debt at June 30, 2010, are as follows:

Year ending June 30,	Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2011	\$ 176,652	\$ 107,021	\$ 42,865	\$ 81,763
2012	186,338	97,335	46,046	78,579
2013	196,555	87,118	49,484	75,142
2014	207,333	76,311	349,778	61,216
2015	218,705	64,803	34,639	46,107
2016-2020	1,002,914	133,582	263,699	187,512
2021-2025	93,507	1,044	297,955	91,357
2026-2030	-	-	31,593	23,550
2031-2035	-	-	36,537	13,393
2036-2038	-	-	22,543	1,749
	<u>\$ 2,082,004</u>	<u>\$ 567,214</u>	<u>\$ 1,175,139</u>	<u>\$ 660,368</u>

LCHDC mortgage revenue bonds require the following bond and reserve funds, which are presented as restricted assets in the financial statements:

- ◆ Debt Service Reserve—Funds set aside to cover the highest level of debt service requirements during the bond term.
- ◆ Bond Fund—Funds accumulated to pay the next principal and interest payment.
- ◆ Extraordinary Maintenance and Replacements—Annual deposits equal three percent of fair market rents set aside for maintenance and replacements.
- ◆ Insurance and Tax Escrow—Funds accumulated to pay insurance and tax expense.

Housing Authority of the City of Las Cruces
Notes to Financial Statements
June 30, 2010

The bonds also require certain insurance coverage. LCHDC complied with all these bond requirements.

Details of component unit debt are presented in Note 11.

8) Defeased Bonds

In a prior fiscal year, LCHDC entered into an advance refunding transaction related to its bonded debt. A portion of the proceeds of the refunding issues was placed in trust and used to purchase U.S. Government and agencies securities at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. The assets are administered by trustees and are restricted for retirement of refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements since LCHDC defeased its obligation for the payment of the refunded bonded debt upon completion of the refunding transactions.

The amount of the LCHDC bond issue that is outstanding but which has been refunded and is payable from an escrow account is \$2,082,004.

9) Employee Retirement System

Retirement Plan

Substantially all full-time employees of the Housing Authority participate in a defined benefit contributory retirement plan through the Public Employees' Retirement Act (PERA) of the State of New Mexico, a cost-sharing multiple employer public employee retirement system. Benefit provisions are established and may only be amended by state statute. Information pertaining to the actuarially computed present value of vested accumulated plan benefits and nonvested accumulated plan benefits, the plan's net assets available for benefits and the assumed rate of return used in computing the present value, and ten-year historical trend information presenting PERA's progress in accumulating sufficient assets to pay benefits when due is not available by individual government agencies participating in the plan. Actuarial pension data for the State of New Mexico, as employer, is provided at the statewide level in a separately issued audit report of PERA. That report may be obtained by writing to PERA, P.O. Box 2123, 1120 Paseo de Peralta, Santa Fe, NM, 87504-2123 or on their internet website at www.state.nm.us/pera/.

Housing Authority of the City of Las Cruces
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Retirement Eligibility

Eligibility for receiving the monthly benefit equal to the number of years of credited service times 2.5% of their final average monthly salary, the 36 consecutive months of credited service producing the largest average, is as follows:

- ◆ Employees may retire at:
 - Any age with 25 or more years of credited service
 - Age 60 or older with 20 or more years of credit service
- ◆ All employees are eligible for retirement at:
 - Age 61 or older with 17 or more years of credited service
 - Age 62 or older with 14 or more years of credited service
 - Age 63 or older with 11 or more years of credited service
 - Age 64 or older with 8 or more years of credited service
 - Age 65 or older with 5 or more years of credited service
- ◆ Benefits vest after five years of credited service

Disability Benefits

Members or vested former members with five or more years of credited service will receive their normal retirement pension based on credited service and final average salary at the time of disability or retirement. The five-year service requirement is waived if the disability is incurred in the line of duty. Disability retirements are subject to reevaluation until the member reaches normal retirement. Payment of the disability pension is suspended for the balance of any year in which a disability-retired member does not submit an annual statement of earnings from gainful employment by June 30th of each year or if the amount of earnings in the previous year is more than the amount that causes the suspension of, or a decrease in, the Social Security Old Age Benefit for a 65 year old.

Funding Policy

The Housing Authority's retirement plan requires a 9.15% contribution by the employees and a 9.15% contribution by the Housing Authority.

Contribution requirements for the years ended are as follows:

	Housing Authority	Employee	Total	Percentage Contributed
June 30, 2006	\$ 73,365	\$ 73,365	\$ 146,730	100%
June 30, 2007	62,400	62,400	124,800	100%
June 30, 2008	66,291	66,291	132,582	100%
June 30, 2009	64,483	64,483	128,966	100%
June 30, 2010	68,163	68,163	136,326	100%

Housing Authority of the City of Las Cruces
Notes to Financial Statements
June 30, 2010

10) 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.

11) Contingent Liabilities

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

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

12) Component Units

A. Montana Senior Village, LLC

Nature of Business and Organization

Montana Senior Village, LLC (the “Company”) was organized on January 22, 1998 as a Limited Liability Company to acquire, construct, rehabilitate, and operate a 49 unit rental housing project for persons of low income, pursuant to the New Mexico Limited Liability Company Act. The project is located in the City of Las Cruces, New Mexico and is known as Montana Senior Village Apartments. The “Managing Member” is the Housing Authority of the City of Las Cruces and the “Investor Member” is the Banc of America Housing Fund II Limited Partnership. The activities of the Company are governed by the Management and Operating Agreements and the Internal Revenue Code Section 42.

Housing Authority of the City of Las Cruces
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June 30, 2010

The management of the Company and the ongoing management of Montana Senior Village Apartments are vested in the Members. The Company has hired a property management company to provide day-to-day management for the property. Compensation for such services is as determined under the Operating Agreement and Management Agreement.

The project is financed and constructed under Section 542(c) of the Housing and Community Development Act, as amended, and as 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 the Housing Authority of the City of Las Cruces because the Housing Authority of the City of Las Cruces is the Managing Member of the Company. The Company has no component units.

The Company issues separate audited financial statements. These financial statements may be obtained by writing to the Housing Authority of the City of Las Cruces, 926 S. San Pedro Street, Las Cruces, New Mexico, 88001.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the project are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States.

Cash Equivalents

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

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 reverse method for recognizing bad debts. Bad debts are treated as direct write-offs in the period management determines that collection is not probable.

Income Taxes

No federal income taxes are payable by the Company and none have been provided in the accompanying financial statements. The Members are to include their respective share of Company income or loss in their separate tax returns.

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Rental Property

Rental property is 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. The 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 over a recovery period of 3 to 27.5 years.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenue 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 of \$57,161 are amortized on a straight-line basis over the life of the respective loan.

Member's Profit and Loss Allocation and Distributions

The Members of Montana Senior Village, LLC and their respective profit and loss percentages are as follows at December 31, 2009:

Managing Member

<i>Housing Authority of the City of Las Cruces</i>	0.01%
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Investor Member

<i>The Banc of America Housing Fund II LP</i>	99.99%	
Total	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; padding: 0 10px;">100.00%</td> </tr> </table>	100.00%
100.00%		

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

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

Housing Authority of the City of Las Cruces
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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.

Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows.

	Balances January 1, 2009	Additions	Deletions	Balances December 31, 2009
Capital assets				
Land	\$ 249,000	\$ -	\$ -	\$ 249,000
Buildings	600,000	5,321	-	605,321
Site improvements	2,260,635	7,134	-	2,267,769
Furniture, fixtures and equipment	7,564	3,093	-	10,657
	<u>3,117,199</u>	<u>15,548</u>	<u>-</u>	<u>3,132,747</u>
Accumulated depreciation	<u>(889,758)</u>	<u>(108,386)</u>	<u>-</u>	<u>(998,144)</u>
Net capital assets	<u>\$ 2,227,441</u>	<u>\$ (92,838)</u>	<u>\$ -</u>	<u>\$ 2,134,603</u>

Housing Authority of the City of Las Cruces
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June 30, 2010

Long-Term Debt

As of December 31, 2009, notes payable consist of the following:

<p>On February 5, 2001, the Company executed a \$1,030,000 Loan Agreement with the New Mexico Mortgage Finance Authority to permanently finance the project under the 542(c) FHA-Insured Multifamily Loan Program. The loan amortizes at a fixed interest rate of 8.15% per annum over 39 years. Monthly principal and interest payments of \$7,303 commenced March 1, 2001. The note matures on February 1, 2040 and is secured by the project's rental property and an assignment of the project's rental revenue.</p>	\$ 982,503
<p>On November 29, 1999, the Company executed a \$99,000 promissory note (the "Land Loan") with the Housing Authority of the City of Las Cruces. The loan is subordinate to the First Mortgage loan and payment is subject to available cash flow. During 2004, the terms of the Land Loan were changed and previously paid interest was applied to principal. The loan is now a non-interest bearing loan and is payable in full on December 1, 2015.</p>	74,977
<p>On January 12, 2000, the Company executed a \$487,250 promissory note with the Housing Authority of the City of Las Cruces to partially finance predevelopment and rehabilitation costs. The loan bears interest at the rate of 4% per annum and is payable in full on December 15, 2017 or immediately upon the sale or dissolution of the project. The loan is subordinate to the First Mortgage Loan and payment is subject to available cash flow. Interest of \$175,410 was accrued and payable as of December 31, 2009. This long-term accrued interest is not reflected in the schedule of maturities below.</p>	<u>487,250</u>
	1,544,730
Less current portion	<u>(7,849)</u>
Long-term notes payable	<u>\$ 1,536,881</u>
Long-term interest accrued included in long-term debt	<u>\$ 175,410</u>

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The schedule of maturities for the mortgage is as follows:

Year ending December 31,	Principal	Interest
2010	\$ 7,849	\$ 79,785
2011	8,513	79,121
2012	9,233	78,401
2013	10,015	77,619
2014	10,862	76,772
2015-2019	631,982	368,416
2020-2024	104,702	333,469
2025-2029	157,156	281,015
2030-2034	235,888	202,283
2035-2039	354,065	84,106
2040	14,465	141
Total	<u>\$ 1,544,730</u>	<u>\$ 1,661,128</u>

Reserve Accounts

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. 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 Reserve account to accumulate the additional funds required by the Operating Agreement. The combined balance of the Operating Reserves as of December 31, 2009 was \$67,027.

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 as of December 31, 2009 was \$40,593.

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%

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of monthly gross rental collections excluding any service or laundry income. Property Management Fees expensed were \$13,369 during 2009. The amounts due to the Management Agent related to Property Management Fees were \$188 as of December 31, 2009.

Company Administrative Management Fee

The Company executed a Company Administrative Agreement with the Managing Member for its services in managing the business of the project. An annual Administrative Management Fee of \$15,000 beginning in 2000 is payable subject to available cash flow, as defined. In addition, an annual Incentive Management Fee equal to 75% of net cash flow is payable subject to available cash flow, as defined. The fees are noncumulative and for the year ended December 31, 2009, no fees were paid.

Development Fee

On January 20, 2000, the Company entered into a Development Agreement with the Managing Member to render development services for construction of the project. The fee of \$250,448 has been fully earned as of December 31, 2000 and is included in rental property on the accompanying balance sheets. The liability is non-interest bearing. Payment is subject to available cash flow and shall be repaid no later than December 31, 2011. Deferred Developer Fees of \$107,446 were outstanding as of December 31, 2009.

Reimbursed Expenses

The Management Agent is reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent, some expenses are incurred for the property by the Management Agent. For example, the properties do not have access to credit cards in order to directly pay necessary items such as seminars and motels. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. The reimbursement is considered both reasonable and immaterial. There were no amounts due to the Management Agent related to the reimbursed expenses as of December 31, 2009.

Related Party Transactions

Payments in the year ended December 31, 2009, and related balances at December 31, 2009, with the above related parties and/or affiliates were as follows:

	Paid	Payable
Note payable - managing member	\$ -	\$ 487,250
Deferred development fees - managing member	-	107,446
Land note payable - managing member	2,260	74,977
Due to managing member	-	8,293

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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 administrations directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directive, 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.

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. According to 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 a "risk-sharing" mortgage loan. The Company is required to abide by the regulatory agreement provisions including, but not limited to, (1) the maintenance of certain tenant income requirements, (2) limitations on surplus cash distributions, (3) Replacement Reserve requirements, and (4) compliance with Affirmative Fair Housing marketing plans.

Housing Tax Credits

As incentive for investment equity, the Company applied for and received an allocation certificate for Housing Tax Credits established by the Tax Reform Act of 1986. To

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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 to 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.

B. MSV II Limited Partnership

Nature of Business and Organization

MSV II Limited Partnership (MSV II or the “Partnership”) was formed as a Limited Partnership on January 29, 2001 to acquire, construct, rehabilitate, 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 known as Montana Senior Village II Apartments. The 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 a property management 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 the Housing Authority because the Housing Authority is the sole member of Montana Street, LLC, MSV II’s general partner. The Partnership has no component units.

The Partnership issues separate audited financial statements. These financial statements may be obtained by writing to the Housing Authority of the City of Las Cruces, 926 S. San Pedro Street, Las Cruces, New Mexico, 88001.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Partnership are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States.

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Cash Equivalents

Cash and cash equivalents consist of short-term investments with an original maturity of three months or less, cash on deposit, money market funds and certificate of deposit. Cash for purposes of the Statements of Cash Flows does not include Tenant Security Deposits Held in Trust.

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 reverse method for recognizing bad debts. Bad debts are treated as direct write-offs in the period management determines that collection is not probable.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the Partners individually.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Rental Property

Rental property is 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. The 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 over a recovery period 3 to 27.5 years.

Rental Income

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

Amortization

Permanent loan financing fees of \$79,593 are amortized on a straight-line basis over the life of the tax credits.

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Partners' Profit and Loss Allocation and Distributions

The Partners of MSV II Limited Partnership and their respective profit and loss percentages are as follows at December 31, 2009:

General Partner	
<i>Montana Street, LLC</i>	0.01%
Limited Partner	
<i>The Housing Outreach Fund IX LP</i>	99.99%
Total	<u>100.00%</u>

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

The Limited Partner has contributed \$2,285,313 for a 99.99% interest in the Partnership. The General Partner has 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.

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

- ◆ First to the Limited Partner, an amount equal to the credit deficiency;
- ◆ Second, to the Limited Partner, an amount sufficient to pay federal income taxes on taxable income allocated to the Limited Partner for such fiscal year;
- ◆ Third to the Limited Partner to pay the Investor Services Fee, as defined;
- ◆ Fourth to fund Operating Reserves, as required;
- ◆ Fifth to the Deferred Development Fee and interest thereon;
- ◆ Sixth to the Developer to pay the Partnership Administration Fee, as defined;
- ◆ Seventh, to the Developer to pay the Tenant Services Fee, as defined;
- ◆ Eighth, to the General Partner to repay any operating deficit contributions; and
- ◆ The balance, .01% to the General Partner and 99.99% to the Limited Partner.

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Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows.

	Balances January 1, 2009	Additions	Deletions	Balances December 31, 2009
Land	\$ 195,230	\$ -	\$ -	\$ 195,230
Site improvements	354,615	-	-	354,615
Buildings	4,898,956	26,391	-	4,925,347
Furniture, fixtures and equipment	249,036	6,909	-	255,945
	<u>5,697,837</u>	<u>33,300</u>	<u>-</u>	<u>5,731,137</u>
Less accumulated depreciation	(1,281,147)	(208,800)	-	(1,489,947)
	<u>\$ 4,416,690</u>	<u>\$ (175,500)</u>	<u>\$ -</u>	<u>\$ 4,241,190</u>

Long-Term Debt

At December 31, 2009, notes payable consist of the following:

- On September 23, 2004, the Partnership executed a \$1,790,000 Loan Agreement with Enterprise Mortgage Investments, Inc., an affiliate of the Limited Partner. The loan amortizes at a fixed interest rate of 7.03% per annum over 18 years. Monthly principal and interest payments of \$11,945 commenced November 1, 2004. The note matures on October 1, 2022 and is secured by the project's rental property and an assignment of the project's rental revenue. Accrued and unpaid interest was \$8,995 as of December 31, 2009. \$ 1,681,340
- On October 18, 2002, the Partnership executed a \$275,000 Home Loan Agreement with the city of Las Cruces, NM 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. Accrued and unpaid long-term interest was \$19,808 as of December 31, 2009. 275,000
- On November 1, 2002, the Partnership executed a \$700,000 promissory note (Authority Loan) with the Housing Authority, an affiliate of the General Partner, to partially finance the predevelopment and construction costs with an

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interest rate of .25% per annum. All unpaid principal and interest is payable in full on November 1, 2034. The payment is subject to available cash flow. During 2004, \$100,000 of development advances was added to this loan balance.

Accrued and unpaid long-term interest was \$13,860 as of December 31, 2009. This long-term accrued interest is not reflected in the schedule of maturities below.

800,000

On November 1, 2002, the Partnership executed a \$500,000 promissory note (Authority AHP Loan) with the Housing Authority, an affiliate of the General Partner, to partially finance the predevelopment and construction costs with an interest rate of .25% per annum. All unpaid principal and interest is payable in full on November 1, 2034. The payment is subject to available cash flow. Accrued and unpaid long-term interest was \$8,959 as of December 31, 2009. This long-term accrued interest is not reflected in the schedule of maturities below.

500,000

Total payable

3,256,340

Less current portion

(25,968)

Long-term notes payable

\$ 3,230,372

Long-term accrued interest included in long-term debt

\$ 42,627

The schedule of maturities for the notes payable noted above is as follows:

Year ending December 31,	Principal	Interest
2010	\$ 25,968	\$ 120,410
2011	27,545	118,545
2012	29,545	116,545
2013	31,690	114,400
2014	33,991	112,099
2015-2019	213,624	521,313
2020-2024	392,072	459,238
2025-2029	532,675	318,635
2030-2034	<u>1,969,230</u>	<u>122,823</u>
Total	<u>\$ 3,256,340</u>	<u>\$ 2,004,008</u>

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Reserve Accounts

Operating Reserve

In accordance with the Partnership Agreement the Operating Reserve should maintain a balance of at least \$89,000. The General Partner may use funds in the Operating Reserve with the consent of the Limited Partner, for any Partnership purpose, but only to the extent the revenues of the Partnership are insufficient to accomplish such purposes. The balance of the Operating Reserve Account was \$94,183 as of December 31, 2009.

Replacement Reserve

A Replacement Reserve is required to be funded from the project's gross revenue to fund major repair and capital expenditures. The Reserve should be funded \$200 per unit per year, \$16,800 increasing at 3%. The Replacement Reserve balance was \$73,154 as of December 31, 2009.

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 \$315,059 as of December 31, 2009.

Transactions with Affiliates and Related Parties

Property Management Fee

The Partnership 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 \$21,674 during 2009. The amounts due to the Management Agent related to Property Management Fees were \$357 as of December 31, 2009.

Investor Services Fee

The Partnership executed an Investor Services Agreement with the Limited Partner for investor administrative services provided to the Partnership. An annual Investor Services Fee of \$3,000 beginning in 2003, increasing at a rate of 3% each year, is payable to the Limited Partner 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 Service Fees of \$3,583 were recognized during 2009. Investor Services Fees of \$3,583 were due as of December 31, 2009.

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Partnership Administration Fee

The Partnership executed a Partnership Administration Agreement with the Housing Authority, an affiliate of the General Partner, for its services in managing certain administrative issues of the project. An annual Partnership Administration Fee of \$20,000 beginning in 2003, increasing at a rate of 3% each year, is payable to HACLC, subject to available cash flow. The fees are noncumulative and no fees were paid as of December 31, 2009.

Tenant Services Fee

The Partnership executed a Tenant Services Agreement with the Housing Authority, an affiliate of the General Partner, for social services provided to tenants of the project. An annual Tenant Services Fee of \$20,000 beginning in 2003, increasing at a rate of 3% each year, is payable, subject to available cash flow. The fees are noncumulative and no fees have been paid as of December 31, 2009.

Development Fee

On November 1, 2002, the Partnership entered into a Development Services Agreement with the Housing Authority, an affiliate of the General Partner. The fee due under the agreement of \$382,752 has been fully earned as of December 31, 2003 and is included in rental property on the accompanying balance sheets. The entire fee was deferred as of December 31, 2003 and is classified as a long-term liability on the accompanying balance sheets. Deferred Developer Fees of \$57,595 were paid at permanent loan closing during 2004. Deferred Developer Fees were \$175,157 as of December 31, 2009, and are payable from net cash flow, as defined.

Advances — General Partner

As of December 31, 2003, the General Partner advanced \$614,240 to the Partnership in order to fund predevelopment and construction costs. During 2004, \$506,298 was repaid from the collateral account and \$100,000 was converted to the Authority Loan Payable. There were also operating advances due to the General Partner for the payment of various operating and financing expenses. Total advances due to the General Partner were \$8,783 as of December 31, 2009.

Reimbursed Expenses

The Management Agent is reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent, some expenses are incurred for the property by the Management Agent. For example, the properties do not have access to credit cards in order to directly pay necessary items such as seminars and motels. These reimbursements qualify as eligible project expenses and do not duplicate expenses that are included in the management fee. The reimbursement is considered both reasonable and immaterial. The amounts due to the Management Agent related to the reimbursed expenses were \$29 as of December 31, 2009.

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Related Party Transactions

Payments in the year ended December 31, 2009, and related balances as of December 31, 2009, with the above related parties and/or affiliates were as follows:

	Paid	Payable
Authority loan - HACLC	\$ -	\$ 800,000
AHP loan - HACLC	-	500,000
Deferred development fees - HACLC	-	175,157
Advances - general partner*	-	8,783
Investor service/reporting fee	6,355	3,583

* Includes development of \$451 and operating of \$8,333

Vulnerability Due to Certain Concentrations

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 administrations directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directive, 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.

Commitments and Contingencies

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. The General Partner shall be allocated the expenses paid by

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the proceeds of such Operating Deficit contribution. According to the Operating Agreement, losses equal to the deficit payments are allocated to the General Partner.

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 to 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.

C. Stone Mountain Place Limited Partnership

Nature of Business and Organization

Stone Mountain Place Limited Partnership (SMP or the “Partnership”) is a New Mexico Limited Partnership that was formed on August 4, 2005. The Partnership was organized to acquire, construct, rehabilitate, and operate an 84 unit apartment building in Las Cruces, New Mexico for rental to low and middle income tenants. The 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 a property management 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 as administered by the New Mexico Mortgage Finance Authority (MFA). Under this program, the Company provides housing to low and moderate income tenants, subject to regulation by MFA and the United States Department of Housing and Urban Development (HUD), as to rental charges and operating methods. Lower rental charges to tenants are recovered by the project through rent subsidies provided by the local Public Housing Authority (PHA).

The Partnership is reported as a component unit of the Housing Authority because the Housing Authority is the sole member of Stone Mountain Place, LLC, SMP’s general partner. The Partnership has no component units.

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The Partnership issues separate audited financial statements. These financial statements may be obtained by writing to the Housing Authority of the City of Las Cruces, 926 S. San Pedro Street, Las Cruces, New Mexico, 88001.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Partnership are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States.

Cash Equivalents

Cash and cash equivalents consist of short-term investments with an original maturity of three months or less, cash on deposit, money market funds and certificate of deposit. Cash for purposes of the Statements of Cash Flows does not include Tenant Security Deposits Held in Trust.

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 reverse method for recognizing bad debts. Bad debts are treated as direct write-offs in the period management determines that collection is not probable.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the Partners individually.

Rental Property

Rental property is 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. The 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 over a recovery period of three to 40 years.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

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Rental Income

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

Amortization

Organization costs are expensed as incurred. Permanent loan fees of \$115,425 are amortized on a straight-line basis over the life of the respective loan.

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 at December 31, 2009:

General Partner	
<i>Stone Mountain Place, LLC</i>	0.01%
Limited Partner	
<i>TGIG Tax Credit Fund II, LLC</i>	99.99%
Total	<u>100.00%</u>

Profit, losses, and tax credits generally are to be allocated to the partners in accordance with their ownership interests.

Provided that all required reserves have been funded, net cash flow from operations, as defined, is to be distributed annually as follows:

- ◆ First, to the Limited Partner, an amount equal to the credit deficiency;
- ◆ Second, to the Limited Partner to pay the Asset Management Fee, as defined;
- ◆ Third, to maintain the Operating Reserve at \$205,000;
- ◆ Fourth, to the payment of any operating deficit loans and interest thereon;
- ◆ Fifth, to the Developer to pay the deferred Development Fee;
- ◆ Sixth, 10% of the remaining balance to the Limited Partner;
- ◆ Seventh, to the General Partner to pay the Incentive Management Fee, as defined;
- ◆ Eighth, the balance shall be distributed to the General Partner.

Partner Contributions

The General Partner is to contribute \$10 for a .01% interest in the Partnership. The Limited Partner is to contribute, subject to certain tax-credit adjustment terms, \$6,689,469 for a 99.99% interest in the Partnership. As of December 31, 2009, the Limited Partner had contributed a cumulative total of \$6,637,708. Future Limited Partner

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capital contributions are contingent upon the achievement of certain financing, operating, and reporting milestones, as defined in the Partnership Agreement.

Reserve Accounts

Operating Reserve

In accordance with the Partnership Agreement, the General Partner shall cause the Partnership to establish and maintain an Operating Reserve with a bank designated by the Lender in an amount not less than \$205,000. At the termination of the Compliance Period, the General Partner and the Limited Partner shall release the funds, if any, remaining in the Operating Reserve Account. The Operating Reserve Account had a balance of \$207,896 as of December 31, 2009.

Replacement Reserve

In accordance with the Partnership Agreement, the General Partner shall cause the Partnership to establish and maintain a Replacement Reserve. The Account should be funded monthly at a rate of \$200 per dwelling unit per year, totaling \$16,800 per year. At the termination of the Compliance Period, the General Partner and the Limited Partner shall release the funds, if any, remaining in the Replacement Reserve Account. The Replacement Reserve Account had a balance of \$36,032 as of December 31, 2009.

	<u>Operating</u>	<u>Replacement</u>
Beginning balance, January 1, 2009	\$ 206,929	\$ 10,529
Deposits	-	25,200
Interest earned (net of fees)	<u>967</u>	<u>303</u>
Ending balance, December 31, 2009	<u>\$ 207,896</u>	<u>\$ 36,032</u>

Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows.

	Balances January 1, 2009	Additions	Deletions	Balances December 31, 2009
Land	\$ 699,742	\$ -	\$ -	\$ 699,742
Site improvements	651,194	919	-	652,113
Buildings	7,975,464	-	-	7,975,464
Furniture, fixtures and equipment	<u>254,959</u>	<u>7,198</u>	-	<u>262,157</u>
	9,581,359	8,117	-	9,589,476
Less accumulated depreciation	<u>(494,123)</u>	<u>(280,298)</u>	-	<u>(774,421)</u>
Net capital assets	<u>\$ 9,087,236</u>	<u>\$ (272,181)</u>	<u>\$ -</u>	<u>\$ 8,815,055</u>

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Long-Term Debt

At December 31, 2009, notes payable consist of the following:

6.1% note payable to New Mexico Mortgage Finance Authority in the original amount of \$2,305,000; monthly payments, principal and interest of \$12,843; the loan originated on June 10, 2008 and will mature in 40 years; loan will be secured by a first lien position on the project.	2,285,052
1% note payable to the City of Las Cruces in the original amount of \$419,116, payable in 180 monthly interest only payments of \$349 for the first fifteen years; in year sixteen the note will be payable in 360 monthly installments of \$1,348, principal and interest; the note matures 45 years from August 1, 2006 or at the sell or refinancing of the project.	<u>419,116</u>
	2,704,168
Less current portion	<u>(15,152)</u>
Long-term notes payable	<u>\$ 2,689,016</u>

The schedule of maturities for the mortgages noted above is as follows:

Year ending December 31,	Principal	Interest
2010	\$ 15,152	\$ 143,160
2011	16,103	142,210
2012	17,113	141,200
2013	18,187	140,126
2014	19,328	138,985
2015-2019	116,421	675,143
2020-2024	185,079	633,452
2025-2029	276,756	574,735
2030-2034	356,045	495,445
2035-2039	462,549	388,942
2040-2044	605,893	245,598
2045-2049	571,680	61,472
2050-2052	<u>43,862</u>	<u>624</u>
Total	<u>\$ 2,704,168</u>	<u>\$ 3,781,092</u>

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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 expense is equal to 6% of the monthly gross rental income. Property Management Fees expensed were \$30,438 during 2009. The fee is payable out of available cash flow as further detailed in the Partnership Agreement. The amount due to the Management Agent related to Property Management Fees was \$516 as of December 31, 2009.

Asset Management Fee

In accordance with the Partnership Agreement, the Limited Partner is entitled to receive 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 \$3,713 were recognized during 2009. The amount due to the Limited Partner related to Asset Management Fees was \$3,501 as of December 31, 2009.

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 2009. There were no amounts due to the General Partner related to Incentive Management Fees as of December 31, 2009.

Development Fee

The Partnership entered into a Development Services Agreement with the Housing Authority of the City of Las Cruces (Owner), an affiliate of the General Partner, and JL Gray Company, Inc. (Developer). The Development Fee is payable 30% to the Owner and 70% to the Developer. The fee is payable out of available cash flow as further detailed in the Partnership Agreement. The amounts due to the Owner related to Development Fees were \$256,574 as of December 31, 2009. The amounts due to the Developer related to Development Fees were \$225,205 as of December 31, 2009.

Reimbursed Expenses

The Management Agent is reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent, some expenses are incurred for the property by the Management Agent. For example, the properties do not have access to credit cards in order to directly pay necessary items such as seminars and motels. These reimbursements qualify as eligible project expenses and do not duplicate

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expenses that are included in the management fee. The reimbursement is considered both reasonable and immaterial. There were no amounts due to the Management Agent related to the reimbursed expenses as of December 31, 2009.

Related Party Transactions

Payments in the year ended December 31, 2009, and related balances as of December 31, 2009, with the above related parties and/or affiliates were as follows:

	Paid	Payable
Deferred development fees - Housing Authority	\$ -	\$ 256,574

Vulnerability Due to Certain Concentrations

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 directive, 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.

Commitments and Contingencies

Guaranty of Tax Credits

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

Operating Deficit and Completion Guarantees

The General Partner is obligated to make contributions to the Partnership as necessary to fund operating expenses, debt service payments, reserve and escrow accounts, capital improvements and maintenance expenses that occur during certain specified periods, as defined. The General Partner’s obligation to make operating deficits is unlimited prior to the later of (1) permanent loan closing and (2) the achievement of debt service coverage ratio of 1.15:1 for ninety (90) 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

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interest at 10% per annum and are repayable subject to distributable cash flow, as defined.

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

Regulatory Agreement Provisions

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

Housing Tax Credits

The project has received an allocation of Low Income Housing Tax Credits from the New Mexico Mortgage Finance Authority under Section 42 of the Internal Revenue Code of 1986, as amended. As such, the project has a requirement of minimum units that shall be leased to families based on the level of income.

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 to 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.

Floating HOME Assisted Units

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.

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D. Falcon Ridge Limited Partnership

Nature of Business and Organization

Falcon Ridge Limited Partnership (the “Partnership”) was formed as a Limited Partnership on June 8, 2007, to acquire, construct, rehabilitate, and operate a 72-unit rental housing project for low income senior tenants. The project is located in the Village of Hatch, New Mexico (the “Project”) and is to be known as Falcon Ridge Apartments. The major activities of the Partnership are governed by the Partnership Agreement, Management Agreement and the Low Income Housing Tax Credit Exchange Program Agreement, Section 1602 of the American Recovery and Reinvestment Tax Act of 2009.

The Project was acquired on November 11, 2007, and is under construction as of June 30, 2010. The total development cost is budgeted at \$12,562,594.

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 will be built. On December 22, 2009, the transfer of the loans was made to the new entity, Falcon Ridge Apartments. The total of the loans assumed was \$2,259,317. Interest was paid on the loan prior to the 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 cash in the Replacement Reserve Accounts in the amount of \$198,075. The property recognized 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 General Partner.

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

The Partnership issues separate audited financial statements. These financial statements may be obtained by writing to the Housing Authority of the City of Las Cruces, 926 S. San Pedro Street, Las Cruces, New Mexico, 88001.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Partnership are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States.

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Cash Equivalents

Cash and cash equivalents consist of short-term investments with an original maturity of three months or less, cash on deposit, money market funds and certificate of deposit. Cash for purposes of the Statements of Cash Flows does not include Tenant Security Deposits Held in Trust.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the Partners individually.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Rental Property

Rental property is 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. The 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.

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, 2008 and through November 10, 2009:

General Partner	
<i>Falcon Ridge LLC</i>	6.00%
Limited Partner	
<i>Thomas G. Hassell, Executive Director of the Housing Authority of the City of Las Cruces</i>	94.00%
Total	<u>100.00%</u>

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The Partners of Falcon Ridge Limited Partnership and their respective profit and loss percentages are as follows for the period from November 10, 2009 to December 31, 2009:

General Partner		
<i>Falcon Ridge LLC</i>	99.99%	
Limited Partner		
<i>Housing Authority of the City of Las Cruces</i>	1.00%	
Total	<u>100.99%</u>	

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

No contributions have been made to date by either the General Partner or the Limited Partner.

Profits, losses, and Cash Flows generally are to be allocated to the Partners in accordance with their ownership interests. Further provisions are outlined in the Partnership Agreement.

Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows.

	Balances January 1, 2009	Additions	Deletions	Balances December 31, 2009
Land	\$ 106,160	\$ -	\$ -	\$ 106,160
Construction in progress	351,662	1,969,318	-	2,320,980
Net capital assets	<u>\$ 457,822</u>	<u>\$ 1,969,318</u>	<u>\$ -</u>	<u>\$ 2,427,140</u>

Long-Term Debt

As of December 31, 2009, notes payable consist of the following:

Construction Loan

On December 18, 2009, a Modification of Mortgage was executed between the Partnership and Citizens Bank of Las Cruces.
The principal amount of the loan was increased to \$2,650,000

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and the terms of the original mortgage, dated September 4, 2007, remain unchanged and in full force. \$ 231,395

Long-Term Debt

On December 22, 2009, Falcon Ridge Limited Partnership assumed the unpaid principal balance of the Rural Development loan originally issued to Los Caballos I. The amount assumed was \$726,506 at the interest rate of 9.0% per annum, payable in monthly payments commencing on January 1, 2010. The maturity date of the loan is February 1, 2037. \$ 726,870

On December 22, 2009, Falcon Ridge Limited Partnership assumed the unpaid principal balance of the Rural Development loan originally issued to Los Caballos II. The amount assumed was \$690,892 at the interest rate of 8.75% per annum, payable in monthly payments commencing on January 1, 2010. The maturity date of the loan is August 1, 2041. 689,124

On December 22, 2009, Falcon Ridge Limited Partnership assumed the unpaid principal balance of the Rural Development loan originally issued to Los Caballos III. The amount assumed was \$839,902 at the interest rate of 7.75% per annum, payable in monthly payments commencing on January 1, 2010. The maturity date of the loan is July 1, 2043. 838,071

On December 18, 2009, the Partnership executed a \$6,976,074 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. In the event there is no uncured Recapture Event of Default at the time of termination, this Mortgage Note shall be forgiven. This loan is not represented in the maturities table below. 753,582

Total payable	3,007,647
Less current portion	<u>30,527</u>
Long-term notes payable	<u>\$ 2,977,120</u>

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The schedule of maturities for the development loans noted above is as follows:

Year ending December 31,	Principal	Interest*
2010	\$ 30,527	\$ 182,628
2011	25,664	187,492
2012	27,966	185,189
2013	30,476	182,680
2014	33,210	179,945
2015-2019	216,511	849,266
2020-2024	332,917	732,860
2025-2029	467,956	554,530
2029-2034	303,997	390,689
2035-2039	445,075	232,107
2040-2044	259,360	86,189
2045-2046	80,406	4,322
Total	<u>\$ 2,254,065</u>	<u>\$ 3,767,897</u>

*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.

Reserve Accounts

Replacement Reserve

In accordance with the provisions of the Partnership Agreement, restricted cash is to be held by the General Partner to be used for replacement of capital improvements. Such reserves shall be established by the General Partner in their absolute discretion, provided that such reserves are sufficient to ensure that any distributions of cash in allocation of net income and losses and other distributions do not in any way jeopardize or limit the business of the Partnership. The Replacement Reserve Account has an initial funding in the amount of \$198,706, which was transferred from the Los Caballos properties on December 22, 2009. In addition to the initial funding, another \$36,868 was added to the reserve account at the time of closing. The Replacement Reserve balance as of December 31, 2009 was \$235,574.

Operating Reserve

An Operating Reserve Account shall be funded in the amount of \$200,640 to assure the Partnership and lender that all payments are made in full and in a timely manner. The Operating Reserve will be held by NMMFA in an interest bearing account until project compliance (compliance period) is achieved. In the event that it would be necessary to use any Operating Reserve funds to alleviate any insufficiency in rents, NMMFA must be

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notified of the fund shortages in writing at least ten days prior to the due date on the mortgage. The Operating Reserve balance as of December 31, 2009 was \$200,640.

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. Upon completion of the construction, the funds will be held by the New Mexico Mortgage Finance Authority and only to be distributed by their approval. When the project reaches stabilization, any remaining funds shall be applied first to pay any monies owed to NMMFA, then to satisfy any other reserve requirement for the project, then to the owners or any lender with a continuing loan on the project. The Lease Up Reserve balance as of December 31, 2009 was \$25,000.

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

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

Transaction with Affiliates and Related Parties

Development Fee

On June 20, 2007, the Partnership entered into a Development Agreement with JL Gray Company, Inc., the Developer, and the Housing Authority of the City of Las Cruces to render development services for construction of the Project. The total Development Fee of \$1,107,346 will be paid 85% to the Developer and 15% to the Housing Authority of the City of Las Cruces. Developer Fees of \$276,836 were paid during 2009. The amount due related to developer fees was \$830,509 as of December 31, 2009. The development fees will be earned during specific stages of development of the Project.

Schedule of Related Party Transactions

Payments in the year ended December 31, 2009, and related balances at December 31, 2009, with the above related parties and/or affiliates were as follows:

	Paid	Payable
Development fees		
JLGray	\$ 235,411	\$ 705,833
Housing Authority	41,425	124,676

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Vulnerability Due to Certain Concentrations

The Partnership's future operations will be concentrated in the multifamily real estate market. In addition, the Partnership will operate in a heavily regulated environment. The operations of the Partnership will be subject to the administrations directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directive, 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.

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:

- ◆ A Recapture Event of Default;
- ◆ Failure to comply with the requirements of Section 42 of the Code;
- ◆ Failure to observe or perform any term, condition or covenant in the TCEP Agreement;
- ◆ A default under any of the Loan Documents;
- ◆ Any representation or warranty made by the Owner or on behalf of Owner becomes materially incorrect or incomplete;
- ◆ Failure by owner to commence construction of the Project within the specified time period;
- ◆ The Project is damaged or destroyed and cannot be restored for completion by the Completion Date and within the other terms;
- ◆ Failure by owner to construct the Project according to the contract documents;
- ◆ 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;
- ◆ Failure by owner to pay the general contractor, mechanic, or supplier;

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- ◆ Property, Project or any part thereof are subject to a lien or security agreement except as provided in the TCEP agreement;
- ◆ Failure by owner to discharge, bond over or obtain title insurance against any mechanics' lien; or
- ◆ The General Contractor or Owner shall become insolvent or be adjudicated bankrupt.

E. Cimmaron II Apartments Limited Partnership

Nature of Business and Organization

Cimmaron II Apartments Limited Partnership (the "Partnership") was formed as a Limited Partnership on July 24, 2004 to acquire, construct, rehabilitate, and operate a 24-unit rental housing project for low income tenants. The project is located in the city of Anthony, New Mexico and is to be known as Cimmaron II Apartments. The major activities of the Partnership are governed by the Management and Operating Agreements and the Internal Revenue Code Section 42.

The management of the Partnership and the ongoing management of Cimmaron II Apartments are vested in the General Partners. The Partnership has hired a management company to provide day to day management for the property. Compensation for such services is as determined under the Operating Agreement and Management Agreement.

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

The Partnership issues separate audited financial statements. These financial statements may be obtained by writing to the Housing Authority of the City of Las Cruces, 926 S. San Pedro Street, Las Cruces, New Mexico, 88001.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Partnership are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States.

Cash Equivalents

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

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Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the partners individually.

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 reverse method for recognizing bad debts. Bad debts are treated as direct write-offs in the period management determines that collection is not probable.

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.

Rental Property

Rental property is 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. The 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.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Restatement of Beginning Net Assets

The Partnership purchased a 24-unit multi-family complex (the "Village Apartments") on November 13, 2008, that is located in Anthony, New Mexico. The purchase price for the property was \$675,000. This purchase was disclosed to management subsequent to May 25, 2009, the date that the December 31, 2008, audit report was issued. The purchase was material, which required that the December 31, 2008, audit report be restated to include the purchase of the asset in the current financial statements and the related statement of operations. Beginning net assets in the December 31, 2009, financial statements have been restated accordingly.

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Partners' Profit and Loss Allocation and Distributions

The Partners of Cimmaron II Apartments Limited Partnership and their respective profit and loss percentages are as follows at December 31, 2009:

General Partner	
<i>Cimmaron Apartments LLC</i>	1.00%
Limited Partner	
<i>Tom Andrews</i>	99.00%
Total	<u>100.00%</u>

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

A capital contribution of \$4,000 was made by the General Partner to facilitate the purchase of the Village Apartments.

Profits, losses, and tax credits generally are to be allocated to the partners in accordance with their ownership interests. Further provisions are outlined in the Partnership Agreement.

Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows.

	Balances January 1, 2009 (as restated)	Additions	Deletions	Balances December 31, 2009
Land	\$ 346,604	\$ 7,000	\$ -	\$ 353,604
Buildings	549,926	368	-	550,294
Site improvements/building equipment	-	850	-	850
Furnishings	-	5,210	-	5,210
Construction in progress	150,222	81,387	-	231,609
	<u>1,046,752</u>	<u>94,815</u>	-	<u>1,141,567</u>
Accumulated depreciation	(2,293)	(14,398)	-	(16,691)
Net capital assets	<u>\$ 1,044,459</u>	<u>\$ 80,417</u>	<u>\$ -</u>	<u>\$ 1,124,876</u>

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Liabilities

As of December 31, 2009, notes payable consist of the following:

On November 14, 2008, the Partnership executed a \$675,000 agreement with Village Apartments-Anthony, LLC to purchase a 24-unit multi-family complex. Successive monthly installments of interest only, each in the amount of \$5,062.50 beginning with the first monthly installment due on December 1, 2008, and continuing on the same date of each succeeding month thereafter, up to and including January 31, 2010, at which time the entire remaining principal balance and all accrued interest shall be paid in full. This promissory note is secured by a second real estate mortgage on real property located in Dona Ana County, New Mexico.	\$ 675,000
On January 29, 2008, the partnership executed a \$249,500 loan agreement with Citizens Bank of Las Cruces to finance the pre-development of the Partnership. The original note was due to mature on January 29, 2009. On November 14, 2008, the Partnership acquired a secured renewal loan in the form of a Variable Rate Nondisclosable Draw Down Line of Credit loan, payable in the amount of \$404,500, or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of such advances due November 14, 2009. The variable interest rate is subject to change based on an independent index which is the Wall Street Journal Prime Lending Rate (4.5% – 18.0%). The index was 4.00% per annum at November 14, 2009, based on a year of 360 days. Interest only payments are due monthly beginning December 14, 2008. The note is secured by the Project's property under a mortgage to the Lender dated January 29, 2009. On July 29, 2009, the Partnership extended the above referenced note. The index was 6.5% per annum at July 29, 2009. The new maturity date is January 15, 2010 and the new Draw Down Line of Credit loan, up to a maximum of \$475,000, or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of such advances is due at maturity. All other terms and conditions remain the same. The loan dated July 29, 2009 was extended to April 15, 2010.	<u>459,495</u> <u>\$ 1,134,495</u>

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The schedule of maturities on the notes is as follows:

	Principal	Interest
Citizens Bank of Las Cruces – April 15, 2010	\$ 459,495	\$ 8,711
Village Apartments Anthony, LLC – January 31, 2010	675,000	10,125
	\$ 1,134,495	\$ 18,836

Reserve Accounts

Restricted Reserve Cash

In accordance with the provisions of the Partnership Agreement, the General Partner may establish restricted cash reserves sufficient to provide for any anticipated expenditures or liabilities of the Partnership reasonably known in amount and to maintain the Partnership in a sound financial and cash position. Such reserves shall be established by the General Partners in their absolute discretion, provided that such reserves are sufficient to ensure that any distributions of cash in allocation of net income and losses and other distributions do not in any way jeopardize or limit the business of the Partnership. Reserve balances were zero as of December 31, 2009.

Transactions with Affiliates and Related Parties

Property Management Fee

The Partnership 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 6% of monthly gross rental collections excluding any service or laundry income. Property management expenses were \$5,070 during 2009. The amount due to the Management Agent related to management fees was \$5,838 as of December 31, 2009.

	Paid	Payable
JL Gray Company Management Fees	\$ -	\$ 5,838
Reimbursements	2,638	-
Technical support	642	-

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Vulnerability Due to Certain Concentrations

The Partnership's future operations will be concentrated in the multifamily real estate market. In addition, the Partnership will operate in a heavily regulated environment. The operations of the Partnership will be subject to the administrations directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directive, rules and regulations are subject to change. 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.

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 will have to certify that each Tax Credit unit has met these qualifications to allow the Credits allocated to each unit to 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.

Supplementary Information

Housing Authority of the City of Las Cruces
Schedule of Revenues, Expenses and
Changes in Net Assets – Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Operating Revenues				
Tenant revenues	\$ 922,920	\$ 689,545	\$ 922,241	\$ 232,696
Other revenues	211,514	108,858	525,597	416,739
Total operating revenues	<u>1,134,434</u>	<u>798,403</u>	<u>1,447,838</u>	<u>649,435</u>
Budgeted Operating Expenses				
Housing assistance payments	3,473,000	3,552,252	3,446,214	106,038
Administration	530,477	556,863	1,652,129	(1,095,266)
Maintenance and operations	673,956	484,629	902,747	(418,118)
Utilities	152,835	177,158	129,454	47,704
Other operating expenses	<u>959,631</u>	<u>864,944</u>	<u>378,536</u>	<u>486,408</u>
Total budgeted operating expenses	<u>5,789,899</u>	<u>5,635,846</u>	<u>6,509,080</u>	<u>(873,234)</u>
Operating loss	<u>(4,655,465)</u>	<u>(4,837,443)</u>	<u>(5,061,242)</u>	<u>(223,799)</u>
Nonoperating Revenues				
Intergovernmental revenues	3,814,785	3,552,252	6,567,184	3,014,932
Investment income	29,489	17,930	55,765	37,835
Gain on sale of capital assets	<u>1,095,400</u>	<u>400,000</u>	<u>152,487</u>	<u>(247,513)</u>
Total nonoperating revenues	<u>4,939,674</u>	<u>3,970,182</u>	<u>6,775,436</u>	<u>2,805,254</u>
Income before unbudgeted expenses	<u>\$ 284,209</u>	<u>\$ (867,261)</u>	<u>1,714,194</u>	<u>\$ 2,581,455</u>
Unbudgeted Expenses				
Depreciation			(350,456)	
Interest expense			<u>(193,936)</u>	
Change in net assets			<u>\$ 1,169,802</u>	

Combining Financial Statements

Combining Statements of Net Assets

Housing Authority of the City of Las Cruces
Detail Statement of Net Assets
June 30, 2010

	HUD Public Housing	HUD Section 8 Housing
Assets		
Current assets		
Cash and cash equivalents	\$ 1,676,511	\$ 161,979
Accounts receivable, net	2,745	-
Grants receivable	308,221	-
Mortgages receivable, current	-	-
Prepaid expenses and other assets	14,663	7,671
Inventories	-	-
Total current assets	2,002,140	169,650
Restricted assets		
Cash and cash equivalents	-	1,059,022
Noncurrent assets		
Capital assets, net	1,935,361	3,452
Mortgages receivable, net of current portion	-	-
Receivable from component units, net	-	-
Total noncurrent assets	1,935,361	3,452
Total assets	3,937,501	1,232,124
Liabilities		
Current liabilities		
Accounts payable	342,326	8,152
Accrued liabilities	2,545	1,556
Deposits due others	55,793	-
Current portion of long-term debt	-	-
Total current liabilities	400,664	9,708
Noncurrent liabilities		
Long-term debt	-	-
Accrued compensated absences	24,025	2,847
Total noncurrent liabilities	24,025	2,847
Total liabilities	424,689	12,555
Net Assets		
Invested in capital assets, net of related debt	1,935,361	3,452
Restricted for program activities	-	1,059,022
Unrestricted	1,577,451	157,095
Total net assets	\$ 3,512,812	\$ 1,219,569

New Construction Housing	Local Housing Projects	Total
\$ 336,453	\$ 1,421,304	\$ 3,596,247
34,896	71,746	109,387
-	42,731	350,952
-	36,995	36,995
3,290	2,739	28,363
-	131,657	131,657
<u>374,639</u>	<u>1,707,172</u>	<u>4,253,601</u>
213,708	-	1,272,730
3,949,639	3,175,171	9,063,623
-	509,199	509,199
-	1,377,130	1,377,130
<u>3,949,639</u>	<u>5,061,500</u>	<u>10,949,952</u>
<u>4,537,986</u>	<u>6,768,672</u>	<u>16,476,283</u>
29,501	116,881	496,860
1,427	5,311	10,839
18,824	15,519	90,136
176,652	42,865	219,517
<u>226,404</u>	<u>180,576</u>	<u>817,352</u>
1,903,919	1,133,707	3,037,626
-	18,063	44,935
<u>1,903,919</u>	<u>1,151,770</u>	<u>3,082,561</u>
<u>2,130,323</u>	<u>1,332,346</u>	<u>3,899,913</u>
1,869,068	1,998,599	5,806,480
213,708	-	1,272,730
324,887	3,437,727	5,497,160
<u>\$ 2,407,663</u>	<u>\$ 5,436,326</u>	<u>\$ 12,576,370</u>

Housing Authority of the City of Las Cruces
Combining Statement of Net Assets—HUD Public Housing Programs
June 30, 2010

	Public Housing Operations	2006 Capital Fund Program
Assets		
Current assets		
Cash and cash equivalents	\$ 1,676,511	\$ -
Accounts receivable, net	2,745	-
Grants receivable	-	-
Mortgages receivable	-	-
Prepaid expenses and other assets	14,663	-
Total current assets	1,693,919	-
Noncurrent assets		
Capital assets, net	1,935,361	-
Total noncurrent assets	1,935,361	-
Total assets	3,629,280	-
Liabilities		
Current liabilities		
Accounts payable	34,477	-
Accrued liabilities	2,173	-
Deposits due to others	55,793	-
Total current liabilities	92,443	-
Noncurrent liabilities		
Accrued compensated absences	24,025	-
Total liabilities	116,468	-
Net Assets		
Invested in capital assets, net of related debt	1,935,361	-
Restricted for program activities	-	-
Unrestricted	1,577,451	-
Total net assets	\$ 3,512,812	\$ -

2007 Capital Fund Program	2008 Capital Fund Program	2009 Capital Fund Program	2010 Capital Fund Program	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,676,511
-	-	-	-	2,745
132,395	3,744	168,870	3,212	308,221
-	-	-	-	-
-	-	-	-	14,663
<u>132,395</u>	<u>3,744</u>	<u>168,870</u>	<u>3,212</u>	<u>2,002,140</u>
-	-	-	-	1,935,361
-	-	-	-	1,935,361
<u>132,395</u>	<u>3,744</u>	<u>168,870</u>	<u>3,212</u>	<u>3,937,501</u>
132,395	3,744	168,498	3,212	342,326
-	-	372	-	2,545
-	-	-	-	55,793
<u>132,395</u>	<u>3,744</u>	<u>168,870</u>	<u>3,212</u>	<u>400,664</u>
-	-	-	-	24,025
<u>132,395</u>	<u>3,744</u>	<u>168,870</u>	<u>3,212</u>	<u>424,689</u>
-	-	-	-	1,935,361
-	-	-	-	-
-	-	-	-	1,577,451
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,512,812</u>

Housing Authority of the City of Las Cruces
Combining Statement of Net Assets—New Construction Housing Programs
June 30, 2010

	New Construction Operations	Housing Development Corporation	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 336,453	\$ -	\$ 336,453
Accounts receivable, net	21,478	13,418	34,896
Grants receivable	-	-	-
Mortgages receivable	-	-	-
Prepaid assets and other assets	3,290	-	3,290
Total current assets	<u>361,221</u>	<u>13,418</u>	<u>374,639</u>
Restricted assets			
Cash and cash equivalents	-	213,708	213,708
Noncurrent assets			
Capital assets, net	985,398	2,964,241	3,949,639
Total assets	<u>1,346,619</u>	<u>3,191,367</u>	<u>4,537,986</u>
Liabilities			
Current liabilities			
Accounts payable	10,399	19,102	29,501
Accrued liabilities	1,427	-	1,427
Deposits due other	18,824	-	18,824
Current portion of long-term debt	-	176,652	176,652
Total current liabilities	30,650	195,754	226,404
Noncurrent liabilities			
Long-term debt	-	1,903,919	1,903,919
Accrued compensated absences	-	-	-
Total liabilities	<u>30,650</u>	<u>2,099,673</u>	<u>2,130,323</u>
Net Assets			
Invested in capital assets, net of related debt	985,398	883,670	1,869,068
Restricted	-	213,708	213,708
Unrestricted	330,571	(5,684)	324,887
Total net assets	<u>\$ 1,315,969</u>	<u>\$ 1,091,694</u>	<u>\$ 2,407,663</u>

Housing Authority of the City of Las Cruces
Combining Statement of Net Assets—Local Housing Projects
June 30, 2010

	Dona Ana County Housing Authority	Conventional Home Choice II
Assets		
Current assets		
Cash and cash equivalents	\$ -	\$ 1,159,634
Accounts receivable, net	5,557	61,981
Grants receivable	-	-
Mortgages receivable	-	36,995
Prepaid expenses and other assets	-	2,242
Inventories	-	131,657
Total current assets	5,557	1,392,509
Noncurrent assets		
Capital assets, net	1,294	3,173,877
Mortgages receivable, net of current portion	-	509,199
Receivable from component unit	-	1,377,130
Total noncurrent assets	1,294	5,060,206
Total assets	6,851	6,452,715
Liabilities		
Current liabilities		
Accounts payable	13,226	57,748
Accrued liabilities	408	1,717
Deposits due others	-	15,519
Current portion of long-term debt	-	42,865
Total liabilities	13,634	117,849
Noncurrent liabilities		
Long-term debt	-	1,133,707
Accrued compensated absences	13,182	4,881
Total noncurrent liabilities	13,182	1,138,588
Total liabilities	26,816	1,256,437
Net Assets (Deficit)		
Invested in capital assets, net of related debt	1,294	1,997,305
Unrestricted	(21,259)	3,198,973
Total net assets (deficit)	\$ (19,965)	\$ 5,196,278

Shelter Plus Care	Developer Fees	Homeless Prevention and Rapid Re-Housing	Totals
\$ -	\$ 261,670	\$ -	\$ 1,421,304
4,208	-	-	71,746
-	-	42,731	42,731
-	-	-	36,995
497	-	-	2,739
-	-	-	131,657
<u>4,705</u>	<u>261,670</u>	<u>42,731</u>	<u>1,707,172</u>
-	-	-	3,175,171
-	-	-	509,199
-	-	-	1,377,130
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,061,500</u>
<u>4,705</u>	<u>261,670</u>	<u>42,731</u>	<u>6,768,672</u>
3,954	-	41,953	116,881
-	2,408	778	5,311
-	-	-	15,519
-	-	-	42,865
<u>3,954</u>	<u>2,408</u>	<u>42,731</u>	<u>180,576</u>
-	-	-	1,133,707
-	-	-	18,063
-	-	-	1,151,770
<u>3,954</u>	<u>2,408</u>	<u>42,731</u>	<u>1,332,346</u>
-	-	-	1,998,599
751	259,262	-	3,437,727
<u>\$ 751</u>	<u>\$ 259,262</u>	<u>\$ -</u>	<u>\$ 5,436,326</u>

Combining Statements of Revenues, Expenses and
Changes in Net Assets

Housing Authority of the City of Las Cruces
Detail Statement of Revenues, Expenses and Changes in Net Assets
June 30, 2010

	HUD Public Housing	HUD Section 8 Housing
	<u> </u>	<u> </u>
Operating Revenues		
Tenant revenues	\$ 395,062	\$ -
Other revenues	31,469	-
Total operating revenues	<u>426,531</u>	<u>-</u>
Operating Expenses		
Housing assistance payments	-	3,436,586
Administration	495,638	330,663
Maintenance and operations	553,051	1,594
Depreciation and amortization	196,243	132
Utilities	66,218	1,025
Other	84,223	93,838
Total operating expenses	<u>1,395,373</u>	<u>3,863,838</u>
Operating loss	<u>(968,842)</u>	<u>(3,863,838)</u>
Nonoperating Revenues (Expenses)		
Intergovernmental revenues	1,462,044	4,237,687
Investment income	4,133	10,163
Interest expense	-	-
Gain on sale of capital assets	-	-
Total nonoperating revenues (expenses)	<u>1,466,177</u>	<u>4,247,850</u>
Income before transfers	497,335	384,012
Transfers in	634,238	-
Transfers out	(800,852)	-
Change in net assets	<u>330,721</u>	<u>384,012</u>
Net assets, beginning of year	<u>3,182,091</u>	<u>835,557</u>
Net assets, end of year	<u><u>\$ 3,512,812</u></u>	<u><u>\$ 1,219,569</u></u>

New Construction Housing	Local Housing Projects	Total
\$ 159,520	\$ 367,659	\$ 922,241
<u>220,100</u>	<u>274,028</u>	<u>525,597</u>
<u>379,620</u>	<u>641,687</u>	<u>1,447,838</u>
9,628	-	3,446,214
252,450	573,378	1,652,129
128,547	219,555	902,747
68,759	85,322	350,456
45,495	16,716	129,454
<u>60,843</u>	<u>139,632</u>	<u>378,536</u>
<u>565,722</u>	<u>1,034,603</u>	<u>6,859,536</u>
<u>(186,102)</u>	<u>(392,916)</u>	<u>(5,411,698)</u>
389,907	477,546	6,567,184
1,325	40,144	55,765
(116,264)	(77,672)	(193,936)
<u>-</u>	<u>152,487</u>	<u>152,487</u>
<u>274,968</u>	<u>592,505</u>	<u>6,581,500</u>
88,866	199,589	1,169,802
200,747	373,165	1,208,150
<u>(200,748)</u>	<u>(206,550)</u>	<u>(1,208,150)</u>
88,865	366,204	1,169,802
<u>2,318,798</u>	<u>5,070,122</u>	<u>11,406,568</u>
<u>\$ 2,407,663</u>	<u>\$ 5,436,326</u>	<u>\$ 12,576,370</u>

Housing Authority of the City of Las Cruces
Combining Statement of Revenues, Expenses and Changes in Net Assets
HUD Public Housing Programs
For the Year Ended June 30, 2010

	Public Housing Operations	2006 Capital Fund Program
Operating Revenues		
Tenant revenues	\$ 395,062	\$ -
Other revenues	31,469	-
Total operating revenues	426,531	-
Operating Expenses		
Administration	433,745	-
Ordinary maintenance and operations	391,480	-
Depreciation	196,243	-
Utilities	66,218	-
Other expenses	83,919	-
Total operating expenses	1,171,605	-
Operating loss	(745,074)	-
Nonoperating Revenues		
Intergovernmental revenues	604,038	86,471
Investment income	4,133	-
Total nonoperating revenues	608,171	86,471
Income before transfers	(136,903)	86,471
Transfers in	634,238	-
Transfers out	(166,614)	(86,471)
Change in net assets	330,721	-
Net assets, beginning of year	3,182,091	-
Net assets, end of year	\$ 3,512,812	\$ -

2007 Capital Fund Program	2008 Capital Fund Program	2009 Capital Fund Program	2010 Capital Fund Program	Total
\$ -	\$ -	\$ -	\$ -	\$ 395,062
-	-	-	-	31,469
-	-	-	-	426,531
2,159	8,234	22,361	29,139	495,638
132,395	449	-	28,727	553,051
-	-	-	-	196,243
-	-	-	-	66,218
-	-	-	304	84,223
<u>134,554</u>	<u>8,683</u>	<u>22,361</u>	<u>58,170</u>	<u>1,395,373</u>
<u>(134,554)</u>	<u>(8,683)</u>	<u>(22,361)</u>	<u>(58,170)</u>	<u>(968,842)</u>
134,554	45,018	453,400	138,563	1,462,044
-	-	-	-	4,133
<u>134,554</u>	<u>45,018</u>	<u>453,400</u>	<u>138,563</u>	<u>1,466,177</u>
-	36,335	431,039	80,393	497,335
-	-	-	-	634,238
-	(36,335)	(431,039)	(80,393)	(800,852)
-	-	-	-	330,721
-	-	-	-	3,182,091
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,512,812</u>

Housing Authority of the City of Las Cruces
Combining Statement of Revenues, Expenses and Changes in Net Assets
New Construction Housing Programs
For the Year Ended June 30, 2010

	New Construction Operations	Housing Development Corporation	Total
Operating Revenues			
Tenant revenues	\$ 159,520	\$ -	\$ 159,520
Other revenues	220,100	-	220,100
Total operating revenues	<u>379,620</u>	<u>-</u>	<u>379,620</u>
Operating Expenses			
Housing assistance payments	9,628	-	9,628
Administration	32,349	220,101	252,450
Ordinary maintenance and operations	128,547	-	128,547
Depreciation	38,759	30,000	68,759
Utilities	45,495	-	45,495
Other expenses	60,843	-	60,843
Total operating expenses	<u>315,621</u>	<u>250,101</u>	<u>565,722</u>
Operating income (loss)	<u>63,999</u>	<u>(250,101)</u>	<u>(186,102)</u>
Nonoperating Revenues (Expenses)			
Intergovernmental revenues	-	389,907	389,907
Investment income	1,254	71	1,325
Interest expense	-	(116,264)	(116,264)
Total nonoperating revenues (expenses)	<u>1,254</u>	<u>273,714</u>	<u>274,968</u>
Income before transfers	65,253	23,613	88,866
Transfers in	50,957	149,790	200,747
Transfers out	<u>(149,791)</u>	<u>(50,957)</u>	<u>(200,748)</u>
Change in net assets	(33,581)	122,446	88,865
Net assets, beginning of year	<u>1,349,550</u>	<u>969,248</u>	<u>2,318,798</u>
Net assets, end of year	<u><u>\$ 1,315,969</u></u>	<u><u>\$ 1,091,694</u></u>	<u><u>\$ 2,407,663</u></u>

Housing Authority of the City of Las Cruces
Combining Statement of Revenues, Expenses and Changes in Net Assets
Local Housing Projects
For the Year Ended June 30, 2010

	Dona Ana County Housing Authority	Conventional Home Choice II
	<u> </u>	<u> </u>
Operating Revenues		
Tenant revenues	\$ -	\$ 367,659
Other revenues	-	167,576
Total operating revenues	<u>-</u>	<u>535,235</u>
Operating Expenses		
Administration	232,781	151,225
Ordinary maintenance and operations	32,751	186,804
Depreciation	42	85,280
Utilities	-	16,713
Other expenses	1,971	48,974
Total operating expenses	<u>267,545</u>	<u>488,996</u>
Operating income (loss)	(267,545)	46,239
Nonoperating Revenues (Expenses)		
Intergovernmental Revenue	268,884	(15,967)
Investment income	-	40,090
Interest expense	-	(77,672)
Gain on sale of fixed assets	-	152,487
Total nonoperating revenues (expenses)	<u>268,884</u>	<u>98,938</u>
Income before transfers	1,339	145,177
Transfers in	-	166,615
Transfers out	-	(206,550)
Change in net assets	1,339	105,242
Net assets (deficit), beginning of year	<u>(21,304)</u>	<u>5,091,036</u>
Net assets (deficit), end of year	<u><u>\$ (19,965)</u></u>	<u><u>\$ 5,196,278</u></u>

Shelter Plus Care	Developer Fees	Homeless Prevention and Rapid Re-Housing	Totals
\$ -	\$ -	\$ -	\$ 367,659
-	106,452	-	274,028
-	106,452	-	641,687
5,412	53,791	130,169	573,378
-	-	-	219,555
-	-	-	85,322
-	3	-	16,716
88,687	-	-	139,632
94,099	53,794	130,169	1,034,603
(94,099)	52,658	(130,169)	(392,916)
94,460	-	130,169	477,546
-	54	-	40,144
-	-	-	(77,672)
-	-	-	152,487
94,460	54	130,169	592,505
361	52,712	-	199,589
-	206,550	-	373,165
-	-	-	(206,550)
361	259,262	-	366,204
390	-	-	5,070,122
\$ 751	\$ 259,262	\$ -	\$ 5,436,326

Combining Statement of Cash Flows

Housing Authority of the City of Las Cruces
Combining Statement of Cash Flows
For the Year Ended June 30, 2010

	<u>HUD Public Housing</u>	<u>HUD Section 8 Housing</u>
Cash flows from operating activities		
Cash received from tenants	\$ 398,510	\$ -
Cash paid to employees	(536,745)	(133,831)
Cash paid to suppliers and others	(322,233)	(3,745,349)
Other receipts	<u>32,013</u>	<u>-</u>
Net cash used by operating activities	<u>(428,455)</u>	<u>(3,879,180)</u>
Cash flows from noncapital financing activities		
Intergovernmental revenue received	1,160,571	4,237,687
Amounts received (paid) from (to) other funds	<u>(166,614)</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>993,957</u>	<u>4,237,687</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(701,462)	-
Proceeds from sale of capital assets	170,895	-
Principal paid on long-term debt	-	-
Interest paid on long-term debt	<u>-</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(530,567)</u>	<u>-</u>
Cash flows from investing activities		
Interest and dividends on investments	<u>4,133</u>	<u>10,163</u>
Net increase (decrease) in cash and cash equivalents	39,068	368,670
Cash and cash equivalents, beginning of year	<u>1,637,443</u>	<u>852,331</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,676,511</u></u>	<u><u>\$ 1,221,001</u></u>

New Construction Housing	Local Housing Projects	Total
\$ 148,772	\$ 350,313	\$ 897,595
(48,654)	(265,227)	(984,457)
(438,027)	(345,228)	(4,850,837)
<u>220,100</u>	<u>187,872</u>	<u>439,985</u>
<u>(117,809)</u>	<u>(72,270)</u>	<u>(4,497,714)</u>
389,907	441,563	6,229,728
<u>-</u>	<u>166,614</u>	<u>-</u>
<u>389,907</u>	<u>608,177</u>	<u>6,229,728</u>
-	(117,474)	(818,936)
-	794,073	964,968
(167,467)	(36,720)	(204,187)
<u>(116,264)</u>	<u>(77,672)</u>	<u>(193,936)</u>
<u>(283,731)</u>	<u>562,207</u>	<u>(252,091)</u>
<u>1,324</u>	<u>40,145</u>	<u>55,765</u>
(10,309)	1,138,259	1,535,688
<u>560,470</u>	<u>283,045</u>	<u>3,333,289</u>
<u>\$ 550,161</u>	<u>\$ 1,421,304</u>	<u>\$ 4,868,977</u>

Housing Authority of the City of Las Cruces
Combining Statement of Cash Flows — continued
For the Year Ended June 30, 2010

	HUD Public Housing	HUD Section 8 Housing
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (968,842)	\$ (3,863,838)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	196,243	132
Change in assets and liabilities		
Accounts receivable	544	-
Due from other funds	-	-
Mortgage receivable	-	-
Inventories	883	-
Prepaid expenses and other assets	12,779	283,975
Due from component units	-	-
Accounts payable	328,744	(6,268)
Due to other funds	-	(282,063)
Accrued liabilities	(2,254)	(11,118)
Deposits due others	3,448	-
Total adjustments	540,387	(15,342)
Net cash used by operating activities	\$ (428,455)	\$ (3,879,180)

New Construction Housing	Local Housing Projects	Total
\$ (186,102)	\$ (392,916)	\$ (5,411,698)
68,759	85,322	350,456
(13,002)	317,658	305,200
-	288,013	288,013
-	(337,878)	(337,878)
-	(1)	882
(903)	4,967	300,818
-	(86,156)	(86,156)
22,431	61,246	406,153
-	(5,950)	(288,013)
(11,246)	10,771	(13,847)
2,254	(17,346)	(11,644)
<u>68,293</u>	<u>320,646</u>	<u>913,984</u>
<u>\$ (117,809)</u>	<u>\$ (72,270)</u>	<u>\$ (4,497,714)</u>

HUD Required Supplementary Information

Housing Authority of the City of Las Cruces
Financial Data Schedule
June 30, 2010

Line Item #	Account Description	Low Rent 14.850	Section 8 Housing Choice Vouchers 14.871	Public Housing Capital Fund Program 14.872
Assets				
Current assets				
<i>Cash</i>				
111	Cash - unrestricted	\$ 1,676,511	\$ 161,979	\$ -
114	Cash - Tenant Security Deposits	-	-	-
113	Cash - other restricted	-	1,059,022	-
100	Total cash	<u>1,676,511</u>	<u>1,221,001</u>	<u>-</u>
<i>Accounts and notes receivable</i>				
122	Accounts receivable - HUD other projects	-	-	308,221
125	Accounts receivable - miscellaneous	-	-	-
126	Accounts receivable - tenants	4,855	-	-
127	Notes, Loans, & Mortgages Receivable - Current	-	-	-
127.1	Allowance for doubtful accounts - mortgages	-	-	-
126.1	Allowance for doubtful accounts - dwelling rents	<u>(2,110)</u>	<u>-</u>	<u>-</u>
120	Total receivables, net of allowances for doubtful accounts	<u>2,745</u>	<u>-</u>	<u>308,221</u>
<i>Other current assets</i>				
132	Restricted investments	-	-	-
142	Prepaid expenses and other assets	14,663	7,671	-
143	Inventories	883	-	-
143.1	Absolute inventories	<u>(883)</u>	<u>-</u>	<u>-</u>
150	Total current assets	<u>1,693,919</u>	<u>1,228,672</u>	<u>308,221</u>
Noncurrent assets				
<i>Fixed assets</i>				
161	Land	565,107	-	-
165	Leasehold/Site Improvements	1,540,145	433	-
162	Buildings	5,376,871	4,108	-
163	Furniture, equipment and machinery - dwellings	46,665	-	-
164	Furniture, equipment and machinery - administration	438,269	-	-
166	Accumulated depreciation	<u>(6,031,696)</u>	<u>(1,089)</u>	<u>-</u>
167	Construction in progress	-	-	-
160	Total fixed assets, net of accumulated depreciation	<u>1,935,361</u>	<u>3,452</u>	<u>-</u>
<i>Other noncurrent assets</i>				
171	Notes and mortgages receivable - noncurrent	-	-	-
171.1	Allowance for doubtful accounts - mortgages	-	-	-
174	Other assets	<u>-</u>	<u>-</u>	<u>-</u>
180	Total noncurrent assets	<u>1,935,361</u>	<u>3,452</u>	<u>-</u>
190	Total assets	<u>\$ 3,629,280</u>	<u>\$ 1,232,124</u>	<u>\$ 308,221</u>

N/C S/R Section 8 Programs	Business Activities	State/ Local	Total	Component Units (December 31, 2009)
\$ 336,453	\$ 1,421,304	\$ -	\$ 3,596,247	\$ 113,345
-	-	-	-	70,783
213,708	-	-	1,272,730	1,180,018
<u>550,161</u>	<u>1,421,304</u>	<u>-</u>	<u>4,868,977</u>	<u>1,364,146</u>
-	42,731	-	350,952	-
32,520	62,710	4,208	99,438	-
2,427	5,656	-	12,938	10,744
-	36,995	-	36,995	-
-	-	-	-	-
<u>(51)</u>	<u>(828)</u>	<u>-</u>	<u>(2,989)</u>	<u>-</u>
<u>34,896</u>	<u>147,264</u>	<u>4,208</u>	<u>497,334</u>	<u>10,744</u>
-	-	-	-	1,346,989
3,290	2,242	497	28,363	41,255
-	131,657	-	132,540	-
-	-	-	(883)	-
<u>588,347</u>	<u>1,702,467</u>	<u>4,705</u>	<u>5,526,331</u>	<u>2,763,134</u>
2,180,000	566,953	-	3,312,060	1,603,736
28,116	9,670	-	1,578,364	3,275,346
2,649,103	2,979,761	-	11,009,843	14,056,426
-	-	-	46,665	533,969
-	69,987	-	508,256	-
(907,580)	(451,200)	-	(7,391,565)	(3,279,202)
-	-	-	-	2,552,589
<u>3,949,639</u>	<u>3,175,171</u>	<u>-</u>	<u>9,063,623</u>	<u>18,742,864</u>
-	3,043,298	-	3,043,298	-
-	(1,156,969)	-	(1,156,969)	-
-	-	-	-	205,479
<u>3,949,639</u>	<u>5,061,500</u>	<u>-</u>	<u>10,949,952</u>	<u>18,948,343</u>
<u>\$ 4,537,986</u>	<u>\$ 6,763,967</u>	<u>\$ 4,705</u>	<u>\$ 16,476,283</u>	<u>\$ 21,711,477</u>

Housing Authority of the City of Las Cruces
Financial Data Schedule — continued
June 30, 2010

Line Item #	Account Description	Low Rent 14.850	Section 8 Housing Choice Vouchers 14.871	Public Housing Capital Fund Program 14.872
Liabilities and Net Assets				
Liabilities				
<i>Current liabilities</i>				
311	Bank overdraft	\$ -	\$ -	\$ 8,351
312	Accounts payable ≤ 90 days	34,477	8,152	299,498
321	Accrued wage/payroll taxes payable	2,173	1,556	372
325	Accrued interest payable	-	-	-
341	Tenant security deposits	55,793	-	-
342	Deferred revenues	-	-	-
348	Loan liability - current	-	-	-
345	Other current liabilities	-	-	-
346	Other accrued liabilities	-	-	-
310	Total current liabilities	<u>92,443</u>	<u>9,708</u>	<u>308,221</u>
<i>Noncurrent liabilities</i>				
351	Long-term debt, net of current-capital projects/mtg revenue	-	-	-
353	Non-current liabilities - other	-	-	-
354	Accrued compensated absences - Non Current	24,025	2,847	-
350	Total noncurrent liabilities	<u>24,025</u>	<u>2,847</u>	<u>-</u>
300	Total liabilities	<u>116,468</u>	<u>12,555</u>	<u>308,221</u>
Net Assets				
507	Other contributions	-	-	-
508.1	Invested in capital assets, net of related debt	1,935,361	3,452	-
511.1	Restricted net assets	-	1,059,022	-
512.1	Unrestricted net assets	1,577,451	157,095	-
513	Total net assets	<u>3,512,812</u>	<u>1,219,569</u>	<u>-</u>
600	Total liabilities and net assets	<u>\$ 3,629,280</u>	<u>\$ 1,232,124</u>	<u>\$ 308,221</u>
Revenue				
703	Net tenant rental revenue	\$ 372,332	\$ -	\$ -
704	Tenant revenue - other	22,730	-	-
705	Total tenant revenue	<u>395,062</u>	<u>-</u>	<u>-</u>
706	HUD PHA grants	604,038	4,237,687	267,284
706.1	Capital grants	-	-	590,722
708	Other government grants	-	-	-
711	Investment income - unrestricted	4,133	10,163	-
715	Other revenue	31,469	-	-
716	Gain or loss on the sale of fixed assets	-	-	-
720	Investment income - restricted	-	-	-
700	Total revenue	<u>1,034,702</u>	<u>4,247,850</u>	<u>858,006</u>

N/C S/R Section 8 Programs	Business Activities	State/ Local	Total	Component Units (December 31, 2009)
\$ -	\$ 51,308	\$ 3,869	\$ 63,528	\$ -
10,399	56,569	85	409,180	18,641
1,427	5,311	-	10,839	-
-	-	-	-	27,633
18,824	15,519	-	90,136	70,283
-	5,000	-	5,000	-
176,652	42,865	-	219,517	1,213,991
19,102	50	-	19,152	237,239
-	-	-	-	101,314
<u>226,404</u>	<u>176,622</u>	<u>3,954</u>	<u>817,352</u>	<u>1,669,101</u>
1,903,919	1,133,707	-	3,037,626	10,433,389
-	18,063	-	44,935	1,837,088
<u>1,903,919</u>	<u>1,151,770</u>	<u>-</u>	<u>3,082,561</u>	<u>12,270,477</u>
<u>2,130,323</u>	<u>1,328,392</u>	<u>3,954</u>	<u>3,899,913</u>	<u>13,939,578</u>
-	-	-	-	-
1,869,068	1,998,599	-	5,806,480	6,679,031
213,708	-	-	1,272,730	-
324,887	3,436,976	751	5,497,160	1,092,868
<u>2,407,663</u>	<u>5,435,575</u>	<u>751</u>	<u>12,576,370</u>	<u>7,771,899</u>
<u>\$ 4,537,986</u>	<u>\$ 6,763,967</u>	<u>\$ 4,705</u>	<u>\$ 16,476,283</u>	<u>\$ 21,711,477</u>
\$ 153,587	340,846	\$ -	\$ 866,765	\$ 1,240,488
5,933	26,813	-	55,476	31,001
<u>159,520</u>	<u>367,659</u>	<u>-</u>	<u>922,241</u>	<u>1,271,489</u>
389,907	-	-	5,498,916	-
-	-	-	590,722	-
-	383,086	94,460	477,546	-
1,254	40,144	-	55,694	-
220,100	274,028	-	525,597	-
-	152,487	-	152,487	-
71	-	-	71	3,062
<u>770,852</u>	<u>1,217,404</u>	<u>94,460</u>	<u>8,223,274</u>	<u>1,274,551</u>

Housing Authority of the City of Las Cruces
Financial Data Schedule — continued
June 30, 2010

Line Item #	Account Description	Low Rent 14.850	Section 8 Housing Choice Vouchers 14.871	Public Housing Capital Fund Program 14.872
Expenses				
<i>Administrative</i>				
911	Administrative salaries	\$ 260,489	\$ 87,854	\$ 37,725
912	Auditing fees	34,514	20,453	9,490
913	Outside management fees	-	143,560	-
915	Employee benefit contributions - administrative	93,196	34,859	-
916	Other operating - administrative	45,546	43,937	14,678
	Subtotal	<u>433,745</u>	<u>330,663</u>	<u>61,893</u>
<i>Tenant services</i>				
922	Relocation costs	144	-	304
924	Tenant services - other	-	42,122	-
	Subtotal	<u>144</u>	<u>42,122</u>	<u>304</u>
<i>Utilities</i>				
931	Water	29,207	-	-
932	Electricity	11,500	1,025	-
933	Gas	4,299	-	-
938	Other utilities expense	21,212	-	-
	Subtotal	<u>66,218</u>	<u>1,025</u>	<u>-</u>
<i>Ordinary maintenance and operations</i>				
941	Ordinary maintenance and operations - labor	105,384	-	-
942	Ordinary maintenance and operations - materials and other	226,479	94	139,736
943	Ordinary maintenance and operations - contract costs	21,920	1,500	21,835
945	Ordinary maintenance employee benefits	37,697	-	-
	Subtotal	<u>391,480</u>	<u>1,594</u>	<u>161,571</u>
<i>Protective services</i>				
952	Protective services - other contract costs	684	-	-
	Subtotal	<u>684</u>	<u>-</u>	<u>-</u>
<i>General expenses</i>				
961	Insurance premiums	60,484	38,024	-
962	Other general expenses	6,911	13,692	-
964	Bad debt - tenant rents	8,178	-	-
967	Interest expense	-	-	-
	Subtotal	<u>75,573</u>	<u>51,716</u>	<u>-</u>
969	Total operating expenses	<u>967,844</u>	<u>427,120</u>	<u>223,768</u>
970	Operating revenue over operating expenses	66,858	3,820,730	634,238
971	Extraordinary maintenance	7,518	-	-
973	Housing assistance payments	-	3,436,586	-
974	Depreciation expense	196,243	132	-
900	Total expenses	<u>1,171,605</u>	<u>3,863,838</u>	<u>223,768</u>

N/C S/R Section 8 Programs	Business Activities	State/ Local	Total	Component Units (December 31, 2009)
\$ 13,936	\$ 168,267	\$ 3,561	\$ 571,832	\$ 256,770
763	28,163	-	93,383	-
220,101	-	-	363,661	-
5,164	69,539	1,582	204,340	-
12,486	301,997	269	418,913	-
<u>252,450</u>	<u>567,966</u>	<u>5,412</u>	<u>1,652,129</u>	<u>256,770</u>
-	-	-	448	-
-	1,145	88,687	131,954	-
-	1,145	88,687	132,402	-
18,301	2,959	-	50,467	-
7,997	8,338	-	28,860	-
2,044	922	-	7,265	-
17,153	4,497	-	42,862	93,992
<u>45,495</u>	<u>16,716</u>	<u>-</u>	<u>129,454</u>	<u>93,992</u>
49,958	27,738	-	183,080	-
22,631	168,879	-	557,819	160,762
37,650	22,938	-	105,843	-
18,308	-	-	56,005	-
<u>128,547</u>	<u>219,555</u>	<u>-</u>	<u>902,747</u>	<u>160,762</u>
210	281	-	1,175	-
<u>210</u>	<u>281</u>	<u>-</u>	<u>1,175</u>	<u>-</u>
9,959	5,726	-	114,193	190,334
5,633	31,488	-	57,724	-
4,043	-	-	12,221	-
116,264	77,672	-	193,936	456,784
<u>135,899</u>	<u>114,886</u>	<u>-</u>	<u>378,074</u>	<u>647,118</u>
<u>562,601</u>	<u>920,549</u>	<u>94,099</u>	<u>3,195,981</u>	<u>1,158,642</u>
208,251	296,855	361	5,027,293	115,909
40,998	12,305	-	60,821	-
9,628	-	-	3,446,214	-
68,759	85,322	-	350,456	621,540
<u>681,986</u>	<u>1,018,176</u>	<u>94,099</u>	<u>7,053,472</u>	<u>1,780,182</u>

Housing Authority of the City of Las Cruces
Financial Data Schedule — continued
June 30, 2010

Line Item #	Account Description	Low Rent 14.850	Section 8 Housing Choice Vouchers 14.871	Public Housing Capital Fund Program 14.872
Other Financing Sources (Uses)				
1001	Operating transfers in	634,238	-	-
1002	Operating transfers out	(166,614)	-	(634,238)
1010	Total other financing sources (uses)	467,624	-	(634,238)
1000	Total revenue over (under) expenses	330,721	384,012	-
MEMO account information				
1103	Beginning equity	3,116,387	835,557	-
1104	Prior-period adjustments and equity transfers	65,704	-	-
1117	Administrative fee equity	-	160,547	-
1118	Housing assistance payments equity	-	1,059,022	-
Equity Roll Forward Test				
	Calculation from revenue and expenses statement	3,512,812	1,219,569	-
	Balance sheet line 513	3,512,812	1,219,569	-
	Difference	\$ -	\$ -	\$ -

N/C S/R Section 8 Programs	Business Activities	State/ Local	Total	Component Units (December 31, 2009)
200,747	373,165	-	1,208,150	-
<u>(200,748)</u>	<u>(206,550)</u>	<u>-</u>	<u>(1,208,150)</u>	<u>-</u>
(1)	166,615	-	-	-
<u>88,865</u>	<u>365,843</u>	<u>361</u>	<u>1,169,802</u>	<u>(505,631)</u>
2,318,798	5,135,436	390	11,406,568	8,277,530
-	(65,704)	-	-	-
-	-	-	160,547	-
-	-	-	1,059,022	-
2,407,663	5,435,575	751	12,576,370	7,771,899
<u>2,407,663</u>	<u>5,435,575</u>	<u>751</u>	<u>12,576,370</u>	<u>7,771,899</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

New Mexico State Auditor's Supplementary Information

Housing Authority of the City of Las Cruces
Schedule of Pledged Collateral
June 30, 2010

Deposits

Financial Institution	Total Amount of Deposit in Bank	Insured Portion*	Required Collateralization 50% of Uninsured Portion	Collateral Pledged	Over/ (Under) Collateralized
Citizens Bank	\$ 60,121	\$ 60,121	\$ -	\$ -	\$ -
Wells Fargo Bank	<u>552,123</u>	<u>552,123</u>	<u>-</u>	<u>557,098</u>	<u>557,098</u>
Total	<u>\$ 612,244</u>	<u>\$ 612,244</u>	<u>\$ -</u>	<u>\$ 557,098</u>	<u>\$ 557,098</u>

Pledged Collateral

Custodian	Type of Security	CUSIP Number	Sequence Number	Maturity Date	Fair Value
Wells Fargo Bank New Mexico, NA	Fed Natl Mtg Assn	31412NWQ5	930455	1/1/2039	\$ 302,838
Wells Fargo Bank New Mexico, NA	Fed Natl Mtg Assn	31409UCL7	020135	3/1/2036	<u>254,260</u>
					<u>\$ 557,098</u>

Repurchase Agreement

Financial Institution	Total Amount of Repurchase Agreement	Insured Portion	Required Collateralization 102% of Uninsured Portion	Collateral Pledged	Over/ (Under) Collateralized
Wells Fargo Bank	<u>\$ 4,020,452</u>	<u>\$ -</u>	<u>\$ 4,100,861</u>	<u>\$ 4,100,861</u>	<u>\$ -</u>

Pledged Collateral

Custodian	Type of Security	CUSIP Number	Sequence Number	Maturity Date	Fair Value
Wells Fargo Bank New Mexico, NA	FNION	31409C524	020392	5/1/2036	\$ 2,249,436
Wells Fargo Bank New Mexico, NA	FNCL	31402RF79	019406	5/1/2035	<u>1,851,425</u>
				Total	<u>\$ 4,100,861</u>

* On October 14, 2008, the FDIC announced the Temporary Liquidity Guarantee Program. The program provides full deposit insurance coverage for non-interest bearing transaction accounts in FDIC-insured institutions, regardless of the amount.

Housing Authority of the City of Las Cruces
Schedule of Deposits and Investments
June 30, 2010

Account Title	Account Type	Bank Balance	Reconciling Items	Book Balance
Cash				
Wells Fargo Bank				
Operational	Checking	\$ 552,123	\$ 4,042,024	\$ 4,594,147
Citizens Bank				
Tenant rent	Checking	60,121	-	60,121
Total deposits		<u>612,244</u>	<u>4,042,024</u>	<u>4,654,268</u>
Petty cash		1,000	-	1,000
Total cash		<u>613,244</u>	<u>4,042,024</u>	<u>4,655,268</u>
Short-term investments				
Bond fund - principal 2005	Cash Reserves	14,364	-	14,364
Debt service res. 2005	Cash Reserves	139,078	-	139,078
Repair/replace fund 2005	Cash Reserves	4,744	-	4,744
Insurance/tax fund 2005	Cash Reserves	13,674	-	13,674
Surplus fund 2005	Cash Reserves	29,235	-	29,235
Bond fund - interest 2005	Cash Reserves	12,614	-	12,614
Total investments		<u>213,709</u>	<u>-</u>	<u>213,709</u>
Total cash and cash equivalents		<u>\$ 826,953</u>	<u>\$ 4,042,024</u>	<u>\$ 4,868,977</u>

Single Audit Section

Housing Authority of the City of Las Cruces
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract/Grant or State Number	Grant Period	Program or Award Amount	Expenditures of Federal Awards
U.S. Department of Housing and Urban Development					
Section 8 New Construction and Substantial Rehabilitation	14.182	NM02-0002-004	7/1/09-6/30/10	\$ 389,907	\$ 389,907
Public and Indian Housing	14.850	NM003000001010D	7/1/09-6/30/10	590,200	590,200
		NM00388888010D	7/1/09-6/30/10	13,838	<u>13,838</u>
					604,038
Section 8 Housing Choice Vouchers	14.871	NM003V0	7/1/08-6/30/09	4,235,495	4,134,862
Public Housing Capital Fund (CFP)	14.872	NM02S003501-09 (ARRA)	3/18/09-3/17/12	480,323	453,400
		NM02P003501-09	5/24/09-6/12/13	342,819	138,563
		NM02P003501-08	5/24/08-6/12/12	379,462	45,018
		NM02P003501-07	9/19/07-9/12/11	355,272	134,554
		NM02P003501-06	6/8/06-7/17/10	421,103	<u>86,471</u>
					858,006
Total expenditures of federal awards					<u>\$ 5,986,813</u>

Housing Authority of the City of Las Cruces
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

1) General

The accompanying schedule of expenditures of federal awards presents expenditures of all federal awards of the Housing Authority of the City of Las Cruces, New Mexico, (the "Housing Authority"). The Housing Authority's reporting entity is defined in Note 1 to the Housing Authority's financial statements.

2) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes federal grant activity of the Housing Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

Mr. Hector Balderas,
New Mexico State Auditor,
The Board of Commissioners of the Housing
Authority of the City of Las Cruces
and the
Honorable Mayor and City Council Members of
the City of Las Cruces

We have audited the financial statements and budgetary comparison of the Housing Authority of the City of Las Cruces (the "Housing Authority"), a component unit of the City of Las Cruces, New Mexico, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 22, 2010. 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. Other auditors audited the financial statements of component units of the Housing Authority, as described in our report on the Housing Authority's financial statements and budgetary comparison. This report describes our testing of internal control over financial reporting or compliance and other matters of the Housing Authority. We did not test internal controls, compliance and other matters of the component units of the Housing Authority.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

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 over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified one deficiency in internal control over financial reporting described in the accompanying schedule of findings and questioned costs as item FS 10-1 that we consider to be a significant deficiency in internal control over financial reporting

Compliance and Other Matters

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

The Housing Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Housing Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City of Las Cruces' City Council, the Housing Authority's Board of Commissioners and management, the State of New Mexico Office of the State Auditor, the New Mexico Department of Finance and Administration, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

REDWLLC

November 22, 2010

Independent Auditors' Report on Compliance
with Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

Mr. Hector Balderas,
New Mexico State Auditor,
The Board of Commissioners of the Housing
Authority of the City of Las Cruces and the
Honorable Mayor and City Council Members of
the City of Las Cruces

Compliance

We have audited the compliance of the Housing Authority of the City of Las Cruces (the "Housing Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on the Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority's compliance with those requirements.

In our opinion, the Housing Authority complied, in all material respects, with the 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items FA 10-1 through FA 10-3.

Internal Control Over Compliance

The management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items FA 10-1 through FA 10-3.

The Housing Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Housing Authority's responses and, accordingly, we express no opinion on them.

This report relates to our audit of the Housing Authority, excluding its component units, which were audited by other auditors.

This report is intended solely for the information and use of the City of Las Cruces' City Council, the Housing Authority's Board of Commissioners and management, the State of New Mexico Office of the State Auditor, the New Mexico Department of Finance and Administration, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

REDWLLC

November 22, 2010

Housing Authority of the City of Las Cruces
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section I — Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

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

Housing Authority of the City of Las Cruces
Schedule of Findings and Questioned Costs — continued
For the Year Ended June 30, 2010

Section I — Summary of Auditors' Results — continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers
14.872	Public Housing Capital Fund

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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Housing Authority of the City of Las Cruces
Schedule of Findings and Questioned Costs — continued
For the Year Ended June 30, 2010

Section II — Financial Statements Findings

FS 10-1 — Component Unit Financial Reporting

Criteria or Specific Requirement: Housing Authority management should review financial statements of its tax credit project component units and reconcile to the Housing Authority records.

Condition: The Housing Authority did not reconcile the Falcon Ridge, LP's financial statements to the Housing Authority records and failed to record \$124,676 of deferred developer fees receivable from Falcon Ridge, LP.

Cause: The Housing Authority did not reconcile Falcon Ridge's financial statements to the Housing Authority's general ledger.

Effect: The Housing Authority failed to record \$124,676 of deferred developer fees receivable from Falcon Ridge, LP.

Auditors' Recommendations: The Housing Authority should establish procedures ensuring that all component units' financial statements are reconciled to the Housing Authority's records on a timely basis.

Management's Response: Management will be more diligent in reading the component unit audit reports, including the information contained in the footnotes.

Housing Authority of the City of Las Cruces
Schedule of Findings and Questioned Costs — continued
For the Year Ended June 30, 2010

Section III — Federal Award Findings

FA 10-1 — Rental Contracts, Lease Agreements and W-9s

Federal program information:

Funding agency:	U.S. Department of Housing and Urban Development
Title:	Section 8 Housing Choice Vouchers Program
CFDA Number:	14.871
Award number:	N/A
Award period:	7/1/09 – 6/30/10

Criteria or Specific Requirement: For landlords participating in the Section 8 Voucher program, the Housing Authority is required by federal regulations to obtain a signed W-9 that matches the landlord name and address on the rental contract and a signed rental contract, and maintain lease agreements in the file.

Condition: Out of twenty five files reviewed, three did not have a W-9, one did not have a signed rental contract, and one did not contain a lease agreement in the file.

Questioned Costs: None.

Cause: Procedures were not in place to ensure that the Housing Authority maintained W-9's and signed contracts and lease agreements for all landlords participating in the Section 8 Voucher Program.

Effect: Failure to maintain signed contracts, lease agreements and W-9 forms for all landlords causes the Housing Authority to be out of compliance with their policy.

Auditors' Recommendations: Establish procedures to ensure that signed W-9s agreeing to the landlord name and address on the signed rental agreements are maintained by the Housing Authority.

Management's Response: Management will ensure that a W-9 is kept in the file for all owners; however, if the payment is not made directly to the owner and is made to a management company, a management agreement will be kept in the file that will contain all the required information.

Housing Authority of the City of Las Cruces
Schedule of Findings and Questioned Costs — continued
For the Year Ended June 30, 2010

Section III — Federal Award Findings — continued

FA 10-2 — Special Tests and Provisions — Reasonable Rent

Federal program information:

Funding agency:	U.S. Department of Housing and Urban Development
Title:	Section 8 Housing Choice Vouchers Program
CFDA Number:	14.871
Award number:	N/A
Award period:	7/1/09 – 6/30/10

Criteria: Federal requirements indicate that the Public Housing Authority's (PHA) administrative plan must state the method used by the PHA to determine that the rent to owner is reasonable in comparison to rent for other comparable unassisted units. The PHA determination must consider unit attributes such as the location, quality, size, unit type, and age of the unit, and any amenities, housing services, maintenance and utilities provided by the owner.

The PHA must determine that the rent charged is reasonable at the time of initial leasing. Also, the PHA must determine reasonable rent during the term of the contract: (a) before any increase in the rent; and (b) at the HAP contract anniversary if there is a five percent decrease in the published Fair Market Rent (FMR) in effect 60 days before the HAP contract anniversary. The PHA must maintain records to document the basis for the determination that rent is reasonable (initially and during the term of the HAP contract) (24 CFR sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507).

Condition: Six out of twenty-five files did not contain evidence of rent reasonableness determination. There was no evidence that rent reasonableness testing was performed.

Questioned Costs: None.

Cause: Procedures were not in place to ensure required determination of rent reasonableness.

Effect: Failure to perform and document a rent reasonableness determination may cause the Housing Authority to be out of compliance with HUD requirements.

Auditors' Recommendations: Establish procedures to ensure reasonable rent at the time of initial leasing and during the term of contract. Procedures should require documentation be included in every tenant file.

Management's Response: Machuca & Associates has been operating the program for approximately one year and the tenants in these files moved in over three years ago. The rent reasonableness should have been completed at that time; however, if rent is increased it will be done at the time of the increase. Management will begin to go through all files to ensure that rent reasonableness has been completed and updated.

Housing Authority of the City of Las Cruces
Schedule of Findings and Questioned Costs — continued
For the Year Ended June 30, 2010

Section III — Federal Award Findings — continued

FA 10-3 — Payroll Allocation

Federal program information:

Funding agency:	U.S. Department of Housing and Urban Development
Title:	Section 8 Housing Choice Vouchers Program
CFDA Number:	14.871
Award number:	N/A
Award period:	7/1/09 – 6/30/10

Criteria: In order to appropriately account for the expenditures of federal grant money, internal controls should ensure that expenses are properly coded and allocated to the correct department/programs.

Condition: Two out of the thirty timesheets tested were allocated incorrectly.

Questioned Costs: None.

Cause: Internal controls were not being followed to ensure that timesheet coding and allocation was correct. One timesheet had 13 hours coded to the wrong department, and a second timesheet allocation form had inaccurate dates causing the amount allocated to each program to be incorrect.

Effect: Inaccurate coding and allocation will cause amounts to be charged to departments/programs incorrectly.

Auditors' Recommendations: Controls should be strengthened to ensure that all the allocation amounts and coding is correct prior to processing payroll.

Management's Response: Management will ensure the maintenance distribution entered into the system matches the allocation form. Additionally, we'll ensure mid-month allocation changes are accompanied by a revised salary allocation form bearing the date of the change.

Housing Authority of the City of Las Cruces
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2010

Prior Audit Findings	Current Status
SA 09-1 Rental Contracts and W-9s	Unresolved – see FA 10-1
FA 09-1 Special Test and Provisions–HAP Payments	Resolved.
FA 09-2 Special Test and Provisions–Reasonable Rent	Unresolved – see FA 10-2

Housing Authority of the City of Las Cruces
Corrective Action Plan
For the Year Ended June 30, 2010

Federal Award Finding	Corrective Action Plan	Person Responsible	Estimated Completion Date
FA 10-1 Rental Contracts, Lease Agreements and W-9s	See management response.	Annettie Machuca, Acting Program Manager	Immediately
FA 10-2 Special Tests and Provisions – Reasonable Rent	See management response.	Annettie Machuca, Acting Program Manager	Immediately
FA 10-3 Payroll Allocation	Management will update the dates on any mid-month salary allocation forms, while keeping the original form. The computer system will also be reviewed at the start of each fiscal year to ensure the general maintenance distribution is updated to match the current fiscal year budget and to match the maintenance salary allocation forms.	Sharon Hansen, Accountant	Immediately

Housing Authority of the City of Las Cruces
Other Disclosures
For the Year Ended June 30, 2010

Exit Conference

A closed meeting exit conference was held on November 18, 2010, which was attended by the following:

Board Members

Winifred Y. Jacobs	Chairman
Paul R. Miller	Vice-Chairman
Margaret Ellen Haltom	Commissioner
Art Jiron	Commissioner

Housing Authority Administration

Thomas G. Hassell	Executive Director
Robbie R. Levey	Deputy Director/Administrative Officer
Sharon Hansen	Accountant
Jesse Padilla	Housing Manager
Annettie Machuca	Section 8 Housing Manager (phoned in)

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Chris Tyhurst	Principal
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Preparation of Financial Statements

These financial statements were compiled by the Housing Authority's independent certified public accountants.