Housing Authority of the City of Las Cruces

Financial Statements and

Independent Auditors' Report

June 30, 2011

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June 30, 2011

DIRECTORY OF OFFICIALS

Housing Authority

Winifred Y. Jacobs	Chairman
Paul Miller	Vice-Chairman
Art Jiron	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, 2011, 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), Cimmaron, LP (Cimmaron I), Cimmaron II Apartments, LP (Cimmaron II), and Desert Palms Apartments Limited Partnership (DP), 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, Cimmaron I, Cimmaron II and DP, 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, 2011, and the

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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 21, 2011, 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 21, 2011

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Thomas G. Hassell

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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, 2011. 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), Cimmaron I Apartments, LP (Cimmaron I), Cimmaron II Apartments, LP (Cimmaron II) and Desert Palms Apartments LP, (DP). 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, is the sole member of Cimmaron Apartments I, LLC, which is

Cimmaron I's general partner, is the sole member of Cimmaron Apartments, LLC, which is Cimmaron II's general partner and is the sole member of Desert Palms Apartments, LLC, which is DP's general partner.

The Housing Authority's total assets increased during the year ended June 30, 2011, by approximately $607,000. This increase is due to several factors. The Housing Authority sold six homes, purchased one home, a covered parking structure, several unit remodels, vehicles, and computer equipment. Funding of $93,972 was received for a Veterans Affairs Supportive Housing (VASH) program; $187,317 was received for a Family Unification Program (FUP); $22,149 was received for a Family Self-Sufficiency (FSS) program, and $204,676 of developer's fees were received. Additionally, cash in the Section 8 Voucher program increased by $629,000. 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,	
	2011	2010
Current assets	**$ 6,031,549**	$ 4,253,601
Restricted assets	**237,821**	1,272,730
Noncurrent assets	**10,813,935**	10,949,952
Total assets	**$ 17,083,305**	$ 16,476,283
Current liabilities	**$ 703,252**	$ 817,352
Noncurrent liabilities	**2,962,270**	3,082,561
Total liabilities	**3,665,522**	3,899,913
Net assets		
Invested in capital assets, net of related debt	**5,002,991**	5,806,480
Restricted	**237,821**	1,272,730
Unrestricted	**8,176,971**	5,497,160
Total net assets	**13,417,783**	12,576,370
Total liabilities and net assets	**$ 17,083,305**	$ 16,476,283

Housing Authority of the City of Las Cruces
Management's Discussion and Analysis
For the Year Ended June 30, 2011

The Housing Authority's total operating revenues increased by approximately $237,000 compared to 2010, due to the addition of new programs, namely the VASH and FUP programs referred to above. Operating expenses increased by $147,000 from a year ago. The Housing Authority sold six homes in 2011 compared to eleven in 2010. Maintenance costs to prepare these homes for sale decreased accordingly. Nonoperating revenue increased by $55,000, due in part to HUD funding increases in the Section 8 Voucher program for FSS and FUP.

Changes in net assets are summarized as follows:

	Year Ended June 30, 2011	2010
Total operating revenues	**$ 1,210,855**	$ 1,447,838
Total operating expenses	**7,006,305**	6,859,536
Operating loss	**(5,795,450)**	(5,411,698)
Total nonoperating revenue (expenses)	**6,636,863**	6,581,500
Change in net assets	**841,413**	1,169,802
Beginning net assets	**12,576,370**	11,406,568
Ending net assets	**$ 13,417,783**	$ 12,576,370

Total net assets increased from a year ago by $841,000 for reasons explained above.

Budgetary Highlights

The Housing Authority made one revision to its budget during fiscal year 2011. This revision 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 under budget by $66,042 due to the Housing Authority not budgeting for a Critical Treatment Intervention (CTI) program funded by Southwest Counseling during fiscal year 2011. Total operating expenses were under budget by $537,900, due mainly to the lack of annual funding budget provided by HUD for certain programs. The Housing Authority bases their budget on the expenditure rate for the previous fiscal year and incorporates any anticipated changes in fiscal year 2011. Housing assistance payments were under budget due to cancellations and termination during the year as well as available vouchers not being utilized.

Capital Assets
At the end of fiscal year 2011, the Housing Authority had $8,397,000, 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 $667,000 from last year's amount of $9,064,000 due primarily to the sale of six properties (two 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 $3,174,000 in bonds and notes outstanding compared to $3,257,000 last year, for a net decrease of $83,000. 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 2011 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 2011, the unemployment rate for Dona Ana County was 7.5%, a decrease of only .1% from the same time period last year. The average rate for the state of New Mexico as a whole was 6.6%, while the unemployment rate for the nation as a whole was 9.1%. 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 2011 is 100%, compared to 103% for calendar year 2010, and 88.42% for calendar year 2009. 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, 2011

	City of Las Cruces Housing Authority	Component Units: Montana Senior Village, LLC	Component Units: MSV II Limited Partnership
Assets			
Current assets			
Cash and cash equivalents	$ 5,535,185	$ 45,658	$ 97,905
Accounts receivable, net	197,607	1,230	748
Grant receivables	150,431	-	-
Mortgage receivables, current	44,183	-	-
Prepaid expenses and other assets	104,143	6,662	14,243
Total current assets	6,031,549	53,550	112,896
Restricted assets			
Cash and cash equivalents	237,821	113,813	512,254
Noncurrent assets			
Capital assets, net	8,396,534	2,034,636	4,037,022
Receivables from component units, net	1,398,958	-	-
Mortgage receivables, net of current portion	1,018,443	-	-
Other	-	42,625	46,429
Total noncurrent assets	10,813,935	2,077,261	4,083,451
Total assets	$ 17,083,305	$ 2,244,624	$ 4,708,601

	December 31, 2010			
Stone Mountain Place, LP	Falcon Ridge, LP	Cimmaron II Apartments, LP	Cimmaron, LP	Desert Palms Apartments, LP
$ 72,652	$ 751,601	$ 14,127	$ 31,827	$ 34,973
2,687	14,630	525	3,235	2,493
-	-	-	-	-
-	-	-	-	-
15,924	8,352	3,155	11,942	13,303
91,263	774,583	17,807	47,004	50,769
266,679	462,359	50	184,387	150,697
8,556,343	9,243,772	8,863,232	5,151,026	3,357,283
-	-	-	-	-
-	-	-	-	-
106,768	437,944	-	142,404	58,850
8,663,111	9,681,716	8,863,232	5,293,430	3,416,133
$ 9,021,053	$ 10,918,658	$ 8,881,089	$ 5,524,821	$ 3,617,599

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, 2011

	City of Las Cruces Housing Authority	Component Units: Montana Senior Village, LLC	Component Units: MSV II Limited Partnership
Liabilities			
Current liabilities			
Accounts payable	$ 312,213	$ 1,969	$ 3,272
Accrued liabilities	15,582	24,878	32,160
Deposits due others	99,936	12,673	26,163
Current portion of long-term debt	275,521	10,773	27,853
Total current liabilities	703,252	50,293	89,448
Noncurrent liabilities			
Long-term debt	2,898,022	963,881	1,902,519
Other long-term liabilities	-	194,900	52,318
Payables to Housing Authority	-	650,217	1,458,940
Accrued compensated absences	64,248	-	-
Total noncurrent liabilities	2,962,270	1,808,998	3,413,777
Total liabilities	3,665,522	1,859,291	3,503,225
Net Assets			
Invested in capital assets, net of related debt	5,002,991	500,504	806,650
Restricted for program activities	237,821	-	-
Unrestricted (deficit)	8,176,971	(115,171)	398,726
Total net assets	$ 13,417,783	$ 385,333	$ 1,205,376

December 31, 2010				
Stone Mountain Place, LP	Falcon Ridge, LP	Cimmaron II Apartments, LP	Cimmaron, LP	Desert Palms Apartments, LP
$ 3,270	$ 8,420	$ 14,518	$ 3,620	$ 44,607
42,873	1,879,308	742,532	26,265	29,471
39,348	2,378	1,200	26,898	32,981
16,103	17,741	296,059	7,488	17,323
101,594	1,907,847	1,054,309	64,271	124,382
2,672,913	8,503,915	7,924,916	1,248,458	1,969,167
208,031	705,834	-	45,681	277,549
247,574	124,676	-	80,000	-
-	-	-	-	-
3,128,518	9,334,425	7,924,916	1,374,139	2,246,716
3,230,112	11,242,272	8,979,225	1,438,410	2,371,098
5,867,327	722,116	642,257	3,895,080	1,370,793
-	-	-	-	-
(76,386)	(1,045,730)	(740,393)	191,331	(124,292)
$ 5,790,941	$ (323,614)	$ (98,136)	$ 4,086,411	$ 1,246,501

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, 2011

	City of Las Cruces Housing Authority	Component Units: Montana Senior Village, LLC	Component Units: MSV II Limited Partnership
Operating Revenues			
Tenant revenues	$ 861,846	$ 265,875	$ 421,505
Other revenues	349,009	4,071	6,535
Total operating revenues	1,210,855	269,946	428,040
Operating Expenses			
Housing assistance payments	3,323,158	-	-
Administration	1,693,652	44,663	81,831
Maintenance and operations	602,873	32,939	62,063
Depreciation	397,056	111,543	216,384
Utilities	199,934	17,176	30,021
Other	789,632	36,174	64,967
Total operating expenses	7,006,305	242,495	455,266
Operating loss	(5,795,450)	27,451	(27,226)
Nonoperating Revenues (Expenses)			
Intergovernmental revenues	6,386,126	-	-
Investment income	66,502	533	321
Interest expense	(182,977)	(105,742)	(124,681)
Other	-	-	-
Gain on sale of capital assets	367,212	-	-
Total nonoperating revenues (expenses)	6,636,863	(105,209)	(124,360)
Change in net assets	841,413	(77,758)	(151,586)
Net assets, beginning of year,	12,576,370	463,091	1,356,962
Net assets (deficit), end of year	$ 13,417,783	$ 385,333	$ 1,205,376

(For the Year Ended December 31, 2010)

Stone Mountain Place, LP	Falcon Ridge, LP	Cimmaron II Apartments, LP	Cimmaron, LP	Desert Palms Apartments, LP
$ 502,510	$ 9,156	$ 41,668	$ 322,460	$ 361,904
16,491	127,549	3,507	12,730	24,035
519,001	136,705	45,175	335,190	385,939
-	-	-	-	-
85,615	28,879	31,648	75,490	93,431
67,353	3,541	3,927	60,988	73,643
289,402	54,944	14,544	155,959	175,420
34,172	6,233	14,018	38,698	34,493
88,001	11,600	12,709	55,453	52,568
564,543	105,197	76,846	386,588	429,555
(45,542)	31,508	(31,671)	(51,398)	(43,616)
-	-	-	-	-
903	1,176	-	66	741
(158,020)	(347,806)	(26,944)	(85,489)	(133,708)
-	(6,259)	-	-	61,689
-	-	-	-	-
(157,117)	(352,889)	(26,944)	(85,423)	(71,278)
(202,659)	(321,381)	(58,615)	(136,821)	(114,894)
5,993,600	(2,233)	(39,521)	4,223,232	1,361,395
$ 5,790,941	$ (323,614)	$ (98,136)	$ 4,086,411	$ 1,246,501

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, 2011

Cash flows from operating activities	
Cash received from tenants	$ 862,538
Cash paid to employees	(916,724)
Cash paid to suppliers and others	(6,390,517)
Other receipts	324,919
Net cash used by operating activities	(6,119,784)
Cash flows from noncapital financing activities	
Intergovernmental revenue received	6,976,125
Amounts paid to other funds	(389,482)
Net cash provided by noncapital financing activities	6,586,643
Cash flows from capital and related financing activities	
Acquisition of capital assets	(358,467)
Proceeds from sale of capital assets	1,260,712
Principal paid on long-term debt	(348,600)
Interest paid on long-term debt	(182,977)
Net cash used by capital and related financing activities	370,668
Cash flows from investing activities	
Interest and dividends on investments	66,502
Net increase in cash and cash equivalents	904,029
Cash and cash equivalents, beginning of year	4,868,977
Cash and cash equivalents, end of year	$ 5,773,006

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, 2011

Reconciliation of operating loss to net cash used by operating activities

Operating loss	$ (5,795,450)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	397,056
Change in assets and liabilities	
Accounts receivable	(88,218)
Mortgage receivable	(516,432)
Inventories	131,657
Prepaid expenses and other assets	(75,782)
Receivables from component units	(21,828)
Accounts payable	(184,647)
Accrued liabilities	33,214
Deposits due others	646
Total adjustments	(324,334)
Net cash used by operating activities	$ (6,119,784)

Housing Authority of the City of Las Cruces
Notes to Financial Statements
June 30, 2011

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.

<u>Discretely-Presented Component Units</u>
Montana Senior Village, LLC (MSV), MSV II Limited Partnership (MSV II), Stone Mountain Place, LP (SMP), Falcon Ridge, LP (FR), Cimmaron, LP (Cimmaron I), Cimmaron II Apartments, LP (Cimmaron II) and Desert Palms Apartments, LP (DP), were formed to acquire, construct and rehabilitate, and operate apartment buildings for rental to low-income tenants. The Housing Authority is the managing member of MSV, is the sole member of Montana Street, LLC (MSV II's general partner), is the sole member of Stone Mountain Place, LLC (SMP's general partner), is the sole member of Falcon Ridge, LLC (FR's general partner), is the sole member of Cimmaron Apartments I, LLC (Cimmaron I's general partner), is the sole member of Cimmaron

Apartments, LLC (Cimmaron II's general partner) and is the sole member of Desert Palms Apartments, LLC (DP'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, Cimmaron I, Cimmaron II and DP meet the criteria for inclusion as component units of the Housing Authority. MSV, MSV II, SMP, FR, Cimmaron I, Cimmaron II and DP do not meet the requirements for blending and are reported as discretely-presented component units (see Note 13).

MSV, MSV II, SMP, FR, Cimmaron I, Cimmaron II and DP 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, 2010.

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. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met.

Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program-specific (such as grant specific), investment income, and interest on capital assets-related debt are included in nonoperating revenues and expenses.

The Housing Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). As permitted by GASB, the Housing Authority has elected to apply all relevant Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that do not conflict with or contradict 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.

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 nonexchange 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.

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 13.

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 Cash Equivalents

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.

<u>Deposits and Repurchase Agreement</u>
At June 30, 2011, the carrying amount of the Housing Authority's bank deposits was \$1,149,954, and the bank balance was \$1,035,024, 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, 2011, the Housing Authority had \$4,384,231 invested in a repurchase agreement, which is collateralized by securities with a fair value of \$4,471,916 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, 2011, the bank balance of the Housing Authority's deposits was fully insured, and thus, was not exposed to custodial credit risk.

<u>Investments</u>
As of June 30, 2011, the Housing Authority owned money market funds, which had a fair value of $237,821. 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, 2011, 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, 2011, 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, 2011, 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.

5) Capital Assets

Capital asset activity of the Housing Authority for the year ended June 30, 2011, was as follows:

	June 30, 2010	Additions	Deletions	June 30, 2011
Public housing	$ 7,967,057	$ 277,144	$ (351,610)	$ 7,892,591
Less accumulated depreciation	(6,031,696)	(253,897)	253,307	(6,032,286)
Net public housing	1,935,361	23,247	(98,303)	1,860,305
Section 8 housing	4,541	-	-	4,541
Less accumulated depreciation	(1,089)	(132)	-	(1,221)
Net section 8 housing	3,452	(132)	-	3,320
New construction	1,477,219	-	-	1,477,219
Housing development corporation	3,380,000	-	-	3,380,000
Total new construction	4,857,219	-	-	4,857,219
Less accumulated depreciation	(907,580)	(68,759)	-	(976,339)
Net new construction	3,949,639	(68,759)	-	3,880,880
Local housing projects	3,626,371	81,323	(587,853)	3,119,841
Less accumulated depreciation	(451,200)	(74,268)	57,656	(467,812)
Net local housing	3,175,171	7,055	(530,197)	2,652,029
Net capital assets	$ 9,063,623	$ (38,589)	$ (628,500)	$ 8,396,534
Summary totals				
Capital assets				
Capital assets not being depreciated				
Land	$ 3,312,059	$ -	$ (197,845)	$ 3,114,214
Total capital assets not being depreciated	3,312,059	-	(197,845)	3,114,214
Other capital assets				
Site improvements	2,015,297	180,957	(51,822)	2,144,432
Structures	10,572,911	101,404	(643,084)	10,031,231
Equipment	554,921	76,106	(46,711)	584,316
Total other capital assets at cost	13,143,129	358,467	(741,617)	12,759,979
Less accumulated depreciation				
Site improvements	(1,193,978)	(68,217)	13,786	(1,248,409)
Structures	(5,866,609)	(249,498)	250,465	(5,865,642)
Equipment	(330,978)	(79,341)	46,711	(363,608)
Subtotal	(7,391,565)	(397,056)	310,962	(7,477,659)
Net capital assets being depreciated	5,751,564	(38,589)	(430,655)	5,282,320
Net capital assets	$ 9,063,623	$ (38,589)	$ (628,500)	$ 8,396,534

Details of capital assets of component units are presented in Note 13.

6) Component Unit Receivables

The following is a reconciliation of amounts due to the Housing Authority from its component units from December 31, 2010 (component units' year-end) to June 30, 2011 (Housing Authority's year-end). Reconciling items include timing differences and an allowance for doubtful accounts based on management's assessment of the collection of receivables from MSV II.

MSV payables to Housing Authority (December 31, 2010)	
Note payable	$ 487,250
Deferred development fees	82,446
Land note payable	72,228
Other	8,293
	650,217
MSV II payables to Housing Authority (December 31, 2010)	
Deferred development fee note	150,157
Authority loan payable	800,000
Authority AHP loan payable	500,000
Other	8,783
	1,458,940
SMP Due to Housing Authority (December 31, 2010)	
Development fees payable	247,574
Falcon Ridge Due to Housing Authority (December 31, 2010)	
Development fees payable	124,676
Cimmaron I payable to Housing Authority (December 31, 2010)	
Development fees payable	80,000
Net payable to Housing Authority from MSV, MSV II, SMP, FR and Cimmaron I at December 31, 2010	2,561,407
Reconciling items	
Allowance for doubtful accounts	(1,300,000)
Payments received from January 1, 2011 through June 30, 2011	(96,749)
Accrued interest from January 1, 2011 through June 30, 2011	232,339
Other reconciling items	1,961
Housing Authority receivable from component units, net (June 30, 2011)	$ 1,398,958

7) Long-Term Debt

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

Description	Issue Date	Interest Rates (%)	Maturity Date	Total Outstanding 6/30/2010	Additions	Retired	Total Outstanding 6/30/2011	Amount Due Within One Year
LCHDC Mortgage Revenue Bond (Series 2005)	07/06/2005	5.35%	10/01/2019	$ 2,082,004	$ -	$ (176,652)	$ 1,905,352	$ 186,338
Note payable - Gallup Federal Savings Bank	10/13/2004	7.5%	01/20/2014	371,789	-	(19,873)	351,916	18,029
Note payable - Wells Fargo Bank	04/15/2005	8.13%	04/15/2025	340,634	-	(11,620)	329,014	13,170
Note payable - First Federal Bank	08/15/2005	8%	08/15/2025	259,401	-	(9,368)	250,033	10,235
Note payable - Firstlight Federal Credit Union	03/13/2008	6.5%	04/01/2038	128,338	-	(128,338)	-	-
NMHC note payable to DACHA	07/12/2010	1.0%	07/12/2018	-	220,000	-	220,000	-
NMHC note payable to Citizens Bank	04/01/2011	3.3%	08/17/2012	-	45,000	-	45,000	45,000
Note payable - other	12/02/1998	0%	11/02/2015	74,977	-	(2,749)	72,228	2,749
Total				$ 3,257,143	$ 265,000	$ (348,600)	$ 3,173,543	$ 275,521

Debt service requirements on long-term debt at June 30, 2011, are as follows:

	Bonds		Notes Payable	
Year ending June 30,	Principal	Interest	Principal	Interest
2012	$ 186,338	$ 97,335	$ 89,183	$ 74,121
2013	196,555	87,118	47,494	69,346
2014	207,333	76,311	348,555	56,400
2015	218,705	64,803	93,605	40,587
2016	230,593	52,980	32,042	38,165
2017-2021	865,828	81,646	424,075	358,176
2022-2026	-	-	233,237	57,452
	$ 1,905,352	$ 460,193	$ 1,268,191	$ 694,247

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.

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

Details of component unit debt are presented in Note 13.

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/.

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%
June 30, 2011	63,963	63,963	127,926	100%

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) Subsequent Events

The Housing Authority has evaluated subsequent events through November 29, 2011, the date which the financial statements were available to be issued.

In order to improve efficiencies and to reduce administrative costs, the City and Dona Ana County (the "County") have determined that a merger between the two housing authorities is in the best interest of both parties. A merged housing authority is authorized under NMSA, 1978,3-45-1 et. seq. An intergovernmental agreement between the City Council and the County Commission was presented for consideration and adoption by the respective governing bodies in October 2011. The City Council approved resolution 12-071 on October 17, 2011 approving the agreement. The County also approved the agreement in October 2011. The fully executed intergovernmental agreement establishes the Mesilla Valley Public Housing Authority (MVPHA). The MVPHA and its Board of Commissioners are independent of the City and County, and have all powers afforded to them under state statute. The MVPHA will issue separate financial statements. Effective January 1, 2012 the Housing Authority will merge into the MVPHA and will no longer be presented as a discretely presented component unit in the City's financial statements.

13) 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, own, maintain, rehabilitate, and operate a 49 unit rental housing project for persons of low mixed income tenants with both tax credit and market rate units, 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.

The management of the Company and the ongoing management of Montana Senior Village Apartments are vested in the Members. The Company has hired JL Gray Company 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

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

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

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

Tenants' Security Deposits
Tenants' security deposits are held in a separate bank account. This account was funded in an amount greater than the security deposit liability as of December 31, 2010.

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.

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.

The Project reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the moment by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2010.

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 financing fees 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, 2010:

Managing Member	
Housing Authority of the City of Las Cruces	0.01%
Investor Member	
The Banc of America Housing Fund II LP	99.99%
Total	100.00%

Capital Contributions and Allocations of Profit, Loss, Tax Credits, and Cash Flow
The investor member 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.

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, 2010, was as follows.

	Balances January 1, 2010	Additions	Deletions	Balances December 31, 2010
Capital assets				
Land	$ 249,000	$ -	$ -	$ 249,000
Buildings	605,321	-	-	605,321
Site improvements	2,267,769	-	-	2,267,769
Furniture, fixtures and equipment	10,657	10,110	-	20,767
	3,132,747	10,110	-	3,142,857
Accumulated depreciation	(998,144)	(110,077)	-	(1,108,221)
Net capital assets	$ 2,134,603	$ (99,967)	$ -	$ 2,034,636

Long-Term Debt

As of December 31, 2010, notes payable consist of the following:

The Project is financed with a 39-year mortgage payable to New Mexico Mortgage Finance Authority under the 542(c) FHA Insured Multifamily Loan Program in the original amount of $1,030,000, with an interest rate of 8.15%. The mortgage is payable in monthly installments of $7,303 including interest through the maturity date. The unpaid principal of the loan is due February 2040. The accrued interest was $6,620 as of December 31, 2010. Interest expensed on this loan was $79,732 as of December 31, 2010.	$ 974,654
The Project also has a 15-year note payable to Housing Authority of the City of Las Cruces in the original amount of $99,000. The loan is subordinate to the First Mortgage Loan and payment is subject to available cash flow. During 2004, the terms of the Land Loan were changed and previously paid interest was applied to principal. The loan is now a non-interest bearing loan and is payable in full on December 1, 2015.	72,228
The Project also has a 17-year note payable to Housing Authority of the City of Las Cruces in the original amount of $487,250. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 4% per annum. Maturity of the loan occurs at the sale, refinance, or transfer of the property or on December 2017. The loan is subordinate to the First Mortgage Loan and payment is subject to available cash flow. The long-term accrued interest was $194,900 as of December 31, 2010. Interest expensed on this loan was $19,490 as of December 31, 2010.	487,250
Total	1,534,132
Less current portion	10,773
Long-term notes payable	$ 1,523,359

The schedule of maturities for the mortgage is as follows:

Year ending December 31,	Principal	Interest
2011	$ 10,773	$ 79,121
2012	11,494	78,401
2013	12,275	77,619
2014	13,122	76,772
2015	74,969	75,853
2016-2020	562,907	693,844
2021-2025	113,561	324,610
2026-2030	170,453	267,718
2031-2035	255,848	182,323
2036-2040	308,730	56,412
Total	$ 1,534,132	$ 1,912,673

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

Reserve Accounts

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, 2010 was $39,745.

Operating and Operating Deficit 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 Operating Reserve balance was $32,315 as of December 31, 2010. The Operating Deficit Reserve balance was $34,984 as of December 31, 2010. The combined balance for the Operating Reserve and Operating Deficit Reserve was $67,299 as of December 31, 2010.

Transactions with Affiliates and Related Parties

Property Management Fee
The Company has entered into a Management Agreement with JL Gray Company to manage the rental operations of the apartment community. The compensation for this service is based on the Management Agreement. The management fee shall equal 5.25% of monthly gross rental collections excluding any service or laundry income. Property Management Fees expensed were $13,965 during 2010. The amount due to the Management Agent, related to Property Management Fees, was $263 as of December 31, 2010.

Company Administrative Management Fee
In accordance with the Operating Agreement and the Company Administrative Agreement, the Project shall pay to the Managing Member a nonaccruing Company Administration Fee for its services in managing the business of the Project in the amount of $15,000. There were no amounts recognized or due to the Managing Member related to Company Administration Fees as of December 31, 2010.

Incentive Management Fee
In accordance with the Operating Agreement and the Company Administrative Agreement, the Project shall pay to the Managing Member an Incentive Management Fee equal to 75% of net cash flow subject to available cash flow, as defined. There were no Incentive Management Fees recognized or due to the Managing Member related to Incentive Management Fee as of December 31, 2010.

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 $82,446 were outstanding as of December 31, 2010.

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, 2010.

<u>Related Party Transactions</u>
Payments in the year ended December 31, 2010, and related balances at December 31, 2010, with the above related parties and/or affiliates were as follows:

	Paid	Payable
Note payable - managing member	$ -	$ 487,250
Deferred development fees - managing member	25,000	82,446
Land note payable - managing member	2,749	72,228
Due to managing member	-	8,293

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

<u>Guaranty of Tax Credits</u>
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.

<u>Operating Deficit Contributions</u>
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 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 JL Gray Company 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 of the City of Las Cruces because the Housing Authority of the City of Las Cruces 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

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

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

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

Tenants' Security Deposits
Tenants' security deposits are held in a separate bank account. This account was funded in an amount greater than the security deposit liability as of December 31, 2010.

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

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.

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impaired to be recognized is measured at the moment by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2010.

Rental Income

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

Amortization

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

Concentration of Risk

The Partnership deposits cash in financial institutions. At time, the account balances may exceed the institution’s federally insured limits. The Partnership has not experienced any losses on such accounts.

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, 2010:

Montana Street, LLC	0.01%
Limited Partner	
The Housing Outreach Fund IX LP	99.99%
Total	100.00%

<u>Capital Contributions and Allocations of Profit, Loss, Tax Credits, and Cash Flow</u>
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.

Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows.

	Balances January 1, 2010	Additions	Deletions	Balances December 31, 2010
Land	$ 195,230	$ -	$ -	$ 195,230
Site improvements	4,925,347	-	-	4,925,347
Buildings	354,615	-	-	354,615
Furniture, fixtures and equipment	255,945	3,025	-	258,970
	5,731,137	3,025	-	5,734,162
Less accumulated depreciation	(1,489,947)	(207,193)	-	(1,697,140)
	$ 4,241,190	$ (204,168)	$ -	$ 4,037,022

Long-Term Debt

At December 31, 2010, notes payable consist of the following:

The Project is financed with an 18-year mortgage payable to Enterprise Mortgage Investments, Inc., an affiliate of the Limited Partner, in the original amount of $1,790,000, with an interest rate of 7.03%. The mortgage is payable in monthly installments of $11,945 including interest through the maturity date. The unpaid principal of the loan is due October 2022. The accrued interest was $8,856 as of December 31, 2010. Interest expensed on this loan was $107,049 as of December 31, 2010.	$ 1,655,372
The Project also has a 32-year mortgage payable to the City of Las Cruces, NM in the original amount of $275,000 with an interest rate of 1% for 17 years. Beginning in year 18, the outstanding interest becomes principal and the balance accrues interest at the rate of 3% per year payable in 180 monthly installments of $2,243. The loan matures at the end of year 32. The accrued interest was $22,558 as of December 31, 2010. Interest expensed on this loan was $2,750 as of December 31, 2010.	275,000

The Project is financed with a 32-year promissory note (Authority Loan) with HACLC, an affiliate of the General Partner, in the original amount of $700,000, with an interest rate of 0.25%, to partially finance the predevelopment and construction costs. The note payment is subject to available cash flow. During 2004, $100,000 of development advances were added to this loan balance. The unpaid principal and interest of the loan are due November 2034. The accrued interest was $15,860 as of December 31, 2010. Interest expensed on this loan was $2,000 as of December 31, 2010.	800,000
The Project is financed with a 32-year promissory note (Authority AHP Loan) with HACLC, an affiliate of the General Partner, in the original amount of $500,000, with an interest rate of 0.25%, to partially finance the predevelopment and construction costs. The note payment is subject to available cash flow. The unpaid principal and interest of the loan are due November 2034. The accrued interest was $10,209 as of December 31, 2010. Interest expensed on this loan was $1,250 as of December 31, 2010.	500,000
Total payable	3,230,372
Less current portion	27,853
Long-term notes payable	$ 3,202,519

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

Year ending December 31,	Principal	Interest
2011	$ 27,853	$ 115,795
2012	29,545	113,795
2013	31,690	111,650
2014	33,991	109,349
2015	36,459	106,881
2016-2020	246,400	510,709
2021-2025	416,623	434,687
2026-2030	566,802	284,508
2031-2034	1,891,798	80,475
Total	$ 3,281,161	$ 1,867,849

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

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

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 $94,277 as of December 31, 2010.

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 $92,487 as of December 31, 2010.

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 $315,176 as of December 31, 2010.

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. Property Management Fees expensed were $22,343 during 2010. The amounts due to the Management Agent related to Property Management Fees were $417 as of December 31, 2010.

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 $3,885 were recognized during 2010. Investor Services Fees of $3,691 were due as of December 31, 2010.

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, 2010.

Tenant Services Fee
The Partnership executed a Tenant Services Agreement with the Housing Authority of the City of Las Cruces, an affiliate of the General Partner, for social services provided to tenants of the project. An annual noncumulative 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, 2010.

Development Fee
The Partnership has incurred a Development Fee of $382,752 due to the Housing Authority of Las Cruces for services rendered to the Partnership for overseeing the construction of the Project. This Development Fee has been capitalized into the basis of the building. The amounts due related to Development Fees were $150,157 as of December 31, 2010.

Operating Advances — General Partner
The Partnership received operating advances for the payment of various operating and financing expenses. The amount due to the General Partner related to these Operating Advances was $8,783 as of December 31, 2010.

Reimbursed Expenses
The Management Agent, an affiliate of one of the Partners, is reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent, some expenses are incurred for the property by the Management Agent. 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 are considered negligible as of December 31, 2010.

Related Party Transactions

Payments in the year ended December 31, 2010, and related balances as of December 31, 2010, 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	25,000	150,157
Advances - general partner	-	8,783

Vulnerability Due to Certain Concentrations

The Partnership's sole asset is Montana Senior Village II Apartments. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the 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 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 with both tax credit and market rate units. The project is located in the City of Las Cruces, New Mexico, and is currently known as Stone Mountain Place Apartments. The activities of the Partnership are governed by the Partnership Agreement and the Internal Revenue Code Section 42.

The management of the Partnership and the ongoing management of Stone Mountain Place Apartments are vested in the Partners. The Partnership has hired JL Gray Company 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 of the City of Las Cruces because the Housing Authority is the sole member of Stone Mountain Place, LLC, SMP'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

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

<u>Basis of Accounting</u>
The 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.

<u>Cash and Cash Equivalents</u>
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.

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

<u>Tenants' Security Deposits</u>
Tenants' security deposits are held in a separate bank account. This account was funded in an amount greater than the security deposit liability as of December 31, 2010.

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

<u>Income Taxes</u>
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.

<u>Rental Property</u>
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.

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impaired to be recognized is measured at the moment by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2010.

<u>Estimates</u>
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.

<u>Rental Income</u>
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.

<u>Amortization</u>
Organization costs are expensed as incurred. Permanent loan fees 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, 2010:

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

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, 2010, the Limited Partner had contributed a cumulative total of $6,637,708. Future Limited Partner capital contributions are contingent upon the achievement of certain financing, operating, and reporting milestones, as defined in the Partnership Agreement.

Reserve Accounts

Operating Reserve
In accordance with the Partnership Agreement, the Partnership shall establish and maintain an Operating Reserve fund in an amount not less than $205,000. The Operating Reserve balance was $208,555 as of December 31, 2010.

Replacement Reserve

In accordance with the Partnership Agreement, the Partnership shall establish and maintain a Replacement Reserve. The Partnership shall make deposits into the Replacement Reserve fund of $16,800 annually. The Replacement Reserve Account had a balance of $40,448 as of December 31, 2010.

	Operating	Replacement
Beginning balance, January 1, 2010	$ 207,896	$ 36,032
Deposits	-	25,200
Interest earned (net of fees)	659	244
Approved withdrawals	-	(21,028)
Ending balance, December 31, 2010	$ 208,555	$ 40,448

Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows.

	Balances January 1, 2010	Additions	Deletions	Balances December 31, 2010
Land	$ 699,742	$ -	$ -	$ 699,742
Site improvements	7,975,464	-	-	7,975,464
Buildings	652,112	21,028	-	673,140
Furniture, fixtures and equipment	262,157	2,951	-	265,108
	9,589,475	23,979	-	9,613,454
Less accumulated depreciation	(774,420)	(282,691)	-	(1,057,111)
Net capital assets	$ 8,815,055	$ (258,712)	$ -	$ 8,556,343

Long-Term Debt

At December 31, 2010, notes payable consist of the following:

The Project is financed with a 40-year mortgage payable to New Mexico Mortgage Finance Authority in the original amount of $2,305,000, with an interest rate of 6.10%. The mortgage is payable in monthly installments of $12,843 including interest through the maturity date. The loan will be secured by a first lien position on the Project. The unpaid principal of the loan is due May 2048. The accrued interest was $11,539 as of December 31, 2010. Interest expensed on this loan was $138,892 as of December 31, 2010.	$ 2,269,900

The Project also has a 45-year mortgage payable to City of Las Cruces in the original amount of $419,116. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 1.00% per annum. Interest only payments shall be made monthly in the amount of $349 for the first 15 years; in year sixteen the note will be payable in 360 monthly installments of $1,348. Maturity of the loan occurs at the sale, refinance, or transfer of the property or on August 2051. The short-term accrued interest was $349 as of December 31, 2010. Interest expensed on this loan was $4,191 as of December 31, 2010.	419,116
	2,689,016
Less current portion	16,103
Long-term notes payable	$ 2,672,913

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

Year ending December 31,	Principal	Interest
2011	$ 16,103	$ 142,210
2012	17,113	141,200
2013	18,187	140,126
2014	19,328	138,985
2015	20,540	137,772
2016-2020	123,725	667,839
2021-2025	207,294	623,222
2026-2030	290,808	560,683
2031-2035	374,902	476,588
2036-2040	487,909	363,582
2041-2045	640,058	211,433
2046-2050	444,997	34,033
2051	28,052	257
Total	$ 2,689,016	$ 3,637,930

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

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 $30,768 during 2010. The fee is payable out of available cash flow as further detailed in the Partnership Agreement. The amounts due to the Management Agent related to Property Management Fees were $609 as of December 31, 2010.

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 $3,825 were recognized during 2010. The amounts due to the Limited Partner related to Asset Management Fees were $3,825 as of December 31, 2010.

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 2010. There were no amounts due to the General Partner related to Incentive Management Fees as of December 31, 2010.

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, (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. This Development Fee has been capitalized into the basis of the building. The amounts due related to Development Fees were $451,780, of which $247,574 was payable to the Housing Authority as of December 31, 2010.

Reimbursed Expenses
The Management Agent, an affiliate of one of the Partners, is reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent, some expenses are incurred for the property by the Management

Agent. 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 are considered negligible as of December 31, 2010.

Laundry Lease
The Partnership leased space for the installation and operation of coin-operated laundry and vending machine equipment to JL Gray Company for fifty-one percent (51%) of the laundry room receipts after Gross Receipts Tax. This lease continues in effect until terminated by either party. The Partnership received rental income of $215 for the year ended December 31, 2010.

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:l 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 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.

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 with both tax credit and market rate units. 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 was completed on October 31, 2010. The total final development cost was $10,564,181.

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 has hired JL Gray Company to provide day to day management for the property. Compensation for such services is as determined under the Partnership Agreement and Management Agreement.

The Partnership is reported as a component unit of 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

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

<u>Basis of Accounting</u>
The 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.

<u>Cash and Cash Equivalents</u>
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.

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

<u>Tenants' Security Deposits</u>
Tenants' security deposits are held in a separate bank account. This account was funded in an amount greater than the security deposit liability as of December 31, 2010.

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

<u>Income Taxes</u>
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.

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impaired to be recognized is measured at the moment by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2010.

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.

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

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	
Falcon Ridge LLC	99.99%
Limited Partner	
Housing Authority of the City of Las Cruces	1.00%
Total	100.99%

The Partners of Falcon Ridge Limited Partnership and their respective profit and loss percentages are as follows for the period from January 1, 2010 to December 31, 2010:

General Partner:
Falcon Ridge LLC to receive Net Income at 100.00%.
Limited Partner:
JLG Properties, LLC to receive Net Loss at /00.00%.

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.

Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows.

	Balances January 1, 2010	Additions	Deletions	Balances December 31, 2010
Land	$ 106,160	$ -	$ -	$ 106,160
Buildings	-	8,299,868	-	8,299,868
Site improvements	-	588,759	-	588,759
Furniture, fixtures and equipment	-	293,363	-	293,363
Construction in progress	2,320,980	-	2,320,980	-
	2,427,140	9,181,990	2,320,980	9,288,150
Less accumulated depreciation	-	(44,378)	-	(44,378)
Net capital assets	$ 2,427,140	$ 9,137,612	$ 2,320,980	$ 9,243,772

Long-Term Debt

As of December 31, 2010, notes payable consist of the following:

Construction Loan

On September 4, 2007, the Partnership executed a $300,000 Loan Agreement with Citizens Bank of Las Cruces to finance the predevelopment of the Partnership. The note matured on September 4, 2008, at which time the entire principal amount and any unpaid accrued interest became due. On December 30, 2008, the Partnership acquired a new pre-development demand promissory note in the form of a Variable Rate Nondisclosable Draw Down Line of Credit loan, payable in the amount of $475,000, or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of such advances. The maturity date of the new promissory note was April 4, 2009. The variable interest rate, based on the Wall Street Journal Prime Lending Rate (4.5% – 18%). The index was 3.25% per annum based on a year of 360 days, resulting in an initial interest rate of 4.5%, as of December 31, 2008. Interest only payments of accrued interest are due monthly beginning February 4, 2009. The note is secured by the Project's property under a mortgage to the Lender dated September 4, 2007. On December 22, 2009 the original principal and interest due was paid in full.	
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 and the terms of the original mortgage, dated September 4, 2007, remain unchanged and in full force.	$ 1,332,010

Long-Term Debt

On December 22, 2009, Falcon Ridge Limited Partnership assumed the unpaid principal balance of the Rural Development loans originally issued to Los Caballos I, Los Caballos II and Los Caballos III. The amount assumed and related interest and maturity dates were $726,506 at 9.00% matures February 1, 2037; $690,892 at 8.75% matures August 1, 2041; $839,902 at 7.75% matures July 1, 2043. The assumed loans are payable in monthly installments of $7,173, net of interest subsidy. The accrued interest was $15,810 as of December 31, 2010.	$ 2,243,188

On December 18, 2009, the Partnership executed a $6,976,074 TCEP Mortgage Note to New Mexico Mortgage Finance Authority. The terms of the loan begin upon its execution and end 180 months after commencement of the Compliance Period. There is no interest or scheduled principal payments due with respect to this loan. The amount subject to recapture shall be reduced by 6.67% of the original loan amount for each compliant year. In the event there is no uncured Recapture Event of Default at the time of termination, this TCEP Mortgage Note shall be forgiven. This loan is not represented in the maturities table below.	6,278,468
Total payable	8,521,656
Less current portion	17,741
Long-term notes payable	$ 8,503,915

Interest expensed on the Rural Development loans was $322,550 as of December 31, 2010.

Interest expense related to the rehabilitation and new construction of the property was paid and capitalized into the basis of the assets in the amount of $78,548 during the period ended December 31, 2010.

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

Year ending December 31,	Principal	Interest*
2011	$ 17,741	$ 189,038
2012	19,313	187,466
2013	21,025	185,754
2014	22,889	183,890
2015	24,920	181,859
2016-2020	161,988	871,906
2021-2025	247,995	785,899
2026-2030	379,940	653,954
2031-2035	582,495	451,399
2036-2040	558,580	194,601
2041-2045	206,302	18,902
Total	$ 2,243,188	$ 3,904,668

*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. Interest subsidy payments of $125,622 were treated as a reduction of interest expense during 2010.

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

Reserve Accounts

Replacement Reserve
In accordance with the Partnership Agreement, the Partnership shall establish a Replacement Reserve at the time of the fourth installment to fund major repairs or replacements of the Project Property. The Partnership shall make deposits into the Replacement Reserve fund in the amount of $25 per year for each residential unit in the Project, totaling $1,800 annually. The Replacement Reserve balance was $236,669 as of December 31, 2010.

Operating Reserve
In accordance with the Partnership Agreement, the Partnership funded an Operating Reserve fund in the amount of $200,640. Funds are to be used for operating and debt service deficits. The Operating Reserve balance was $200,779 as of December 31, 2010.

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, 2010 was $24,911.

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
The Partnership has incurred a Development Fee of $1,107,346 due to JL Gray Company and the Housing Authority of the City of Las Cruces, rendered to the Partnership for overseeing the construction of the Project. This Development Fee has been capitalized into the basis of the building. As of December 31, 2010, $276,836 of this fee has been paid. There were no Development Fees paid during 2010. The amounts due related to Development fees were $830,510 as of December 31, 2010, of which $124,676 was due to the Housing Authority.

Management Fee
In accordance with the Management Agreement, the Partnership has incurred Management Fee expenses for services rendered in connection with the leasing and operation of the Project. The current year management fee is equal to 5.5% of gross rental collections. Property Management Fees expensed were $2,024 during 2010. There were no amounts due to the Management Agent related to Management Fees as of December 31, 2010.

Laundry Lease
The Partnership leased space for the installation and operation of coin-operated laundry and vending machine equipment to JL Gray Company for fifty percent (50%) of the laundry room receipts after Gross Receipts Tax. This lease continues in effect until terminated by either party. The Partnership received no rental income from the laundry leases for the years ended December 31, 2010.

Reimbursed Expenses
The Management Agent, an affiliate of one of the Partners, is reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent, some expenses are incurred for the property by the Management Agent. 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 are considered negligible as of December 31, 2010.

Vulnerability Due to Certain Concentrations

The Partnership’s sole asset is Falcon Ridge Apartments. 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;
- 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.

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

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

E. Cimmaron Limited Partnership

Nature of Business and Organization

Cimmaron Limited Partnership (the "Partnership" or "Cimmaron I") was organized in 2004 as a Limited Partnership to develop, construct, own, maintain, and operate a 60-unit rental housing project for mixed income tenants with both tax credit and market rate units. The project is located in the city of Anthony, New Mexico, and is currently known as Cimmaron Apartments. The major activities of the Partnership are governed by the Partnership Agreement and the Internal Revenue Code Section 42.

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

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

The Partnership is reported as a component unit of the Housing Authority because the Housing Authority is the sole member of Cimmaron Apartments I, LLC, Cimmaron I'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.

Significant Accounting Policies

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

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

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

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

Tenants' Security Deposits
Tenants' security deposits are held in a separate bank account. This account was funded in an amount greater than the security deposit liability as of December 31, 2010.

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

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 statement of operations. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

The partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the moment by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2010.

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

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

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

Partners' Profit and Loss Allocation and Distributions
The Partners of Cimmaron Limited Partnership and their respective profit and loss percentages are as follows for the period from December 31, 2009 to January 25, 2010:

General Partner	
CAASNM LLC	0.01%
Limited Partner	
NEF Assignment Corporation	99.99%
Total	100.00%

The Partners of Cimmaron Limited Partnership and their respective profit and loss percentages are as follows for the period from January 25, 2010 to December 31, 2010:

General Partner	
Cimmaron Apartments I, LLC	0.01%
Limited Partner	
NEF Assignment Corporation	99.99%
Total	100.00%

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

1) To the Limited Partner to the extent of any amount which the Limited Partner is entitled to receive to satisfy any Credit Reduction Payment required;
2) Payment of any accrued and payable Asset Management Fees to the Asset Manager;
3) To the Sponsor to pay any unpaid balance on the Deferred Development Fee;
4) To the Operating Reserve Account until such time as such account is equal to the Operating Reserve Target Amount;
5) To pay any accrued and unpaid interest and principal on loans made by the Limited Partner;
6) To repay any accrued and unpaid interest and principal on loans made by the General Partner;
7) To the General Partner to repay any amounts treated as loans (after subsequent loans are repaid in full) to the Partnership (without interest) by the General Partner;
8) $25,000 to the General Partner as a Partnership Management Fee, on a cumulative basis;
9) Eighty percent (80%) of the balance, if any, to the General Partner as an Incentive Partnership Management Fee, on a noncumulative basis but only to the extent the General Partner has made a qualifying election under Section 168(h) of the Code; and
10) To the Partners in accordance with their percentage interest.

Distribution of proceeds from sale or refinancing:

1) To the Limited Partner to the extent of any amount to which the Limited Partner is entitled to receive to satisfy any Credit Reduction Payment required;

2) To the Limited Partner an amount equal to the amount of taxes which would be imposed upon the Limited Partner as a result of the sale or refinancing, assuming that the Limited Partner is subject to the highest marginal federal, state, and local income tax rates in effect at such time for corporations;
3) To the payment of current and accrued Asset Management Fees, if outstanding;
4) To the Sponsor to pay any unpaid balance, if any, on the Deferred Development Fee;
5) To the Asset Manager a Disposition Fee equal to two percent of the gross proceeds of sale;
6) To the payment of any debts and liabilities (including any unpaid fees) owed to the Partners of Affiliates by the Partnership for Partnership obligations; provided, however, that the foregoing debts and liabilities owed to Partners and their Affiliates will be paid or repaid, as applicable, in the following order of priority, if and to the extent applicable: 1) made by the Partner to the Partnership and 2) made by the General Partner to the Partnership;
7) To the General Partner to pay any accrued and unpaid Partnership Management Fee; and
8) After making the payments, the balance of Net Cash from Sales and Refinancing, if any shall be distributed 50% to the Limited Partner and 50% to the General Partner but only to the extent the General Partner has made a qualifying election under Section 168(h) of the Code.

Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Balances January 1, 2010	Additions	Deletions	Balances December 31, 2010
Land	$ 120,000	$ -	$ -	$ 120,000
Buildings	5,609,079	-	-	5,609,079
Site improvements/building equipment	48,304	6,495	-	54,799
Furnishings	19,919	780	-	20,699
	5,797,302	7,275	-	5,804,577
Accumulated depreciation	(508,311)	(145,240)	-	(653,551)
Net capital assets	$ 5,288,991	$ (137,965)	$ -	$ 5,151,026

Long-Term Debt

The Project is financed with a 40-year mortgage payable to New Mexico Mortgage Finance Authority in the original amount of $1,042,000, with an interest rate of 6.42%. The mortgage is payable in monthly installments of $6,041 including interest through the maturity date. The loan payments are based on a 40year amortization schedule. The unpaid principal of the loan is due November 2046. In addition, monthly deposits for taxes, insurance and replacement of depreciable assets are required. The accrued interest was $5,435 as of December 31, 2010. Interest expensed on this loan was $65,433 as of December 31, 2010.	$ 1,015,946
The Project also has a 40-year mortgage payable to New Mexico Mortgage Finance Authority Home Program in the original amount of $240,000. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 4.91 % per annum. Interest only payments shall be made monthly in the amount of 1% of the outstanding principal plus accrued and unpaid interest (per amortization schedule) beginning in 2006. Principle and unpaid interest are due November 2046. The short-term accrued interest was $1,146 as of December 31, 2010. The long-term accrued interest was $40,074 as of December 31, 2010. Interest expensed on this loan was $13,509 as of December 31, 2010.	240,000
Total	1,255,946
Less current portion	7,488
Long-term notes payable	$ 1,248,458

Aggregate maturities of the notes are approximated as follows:

Year ending December 31,	Principal	Interest
2011	$ 7,488	$ 67,857
2012	7,983	67,476
2013	8,511	67,066
2014	9,074	66,626
2015	9,674	66,154
2016-2020	58,853	322,383
2021-2025	81,060	304,221
2026-2030	111,646	278,551
2031-2035	153,774	242,400
2036-2040	211,797	191,641
2041-2045	291,713	120,555
2046	304,373	11,371
Total	$ 1,255,946	$ 1,806,301

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

Reserve Accounts

Replacement Reserve
In accordance with the Partnership Agreement, the General Partner shall establish a Replacement Reserve account. The General Partner shall make monthly deposits of $300 per unit per year, totaling $18,000 annually. The Replacement Reserve shall be used to make capital improvements and repairs to the project. The Replacement Reserve balance was $67,636 as of December 31, 2010.

Operating Reserve
In accordance with the Partnership Agreement, the General Partner shall establish an Operating Reserve fund in the amount of $92,284. Funds are to be used for operating and debt service deficits. The Operating Reserve balance was $97,197 as of December 31, 2010.

Transactions With Affiliates and Related Parties

Management Fee
In accordance with the Management Agreement, the Partnership has incurred Management Fee expenses for services rendered in connection with the leasing and operation of the project. The current year Management Fee is equal to 5.5% of gross

rental collections. Property Management Fees expensed were $18,324 during 2010. The amount due to the Management Agent related to Management Fees was $318 as of December 31, 2010.

Owner Distribution – Asset Management Fee
In accordance with the Partnership Agreement, the Partnership shall pay to the Limited Partner an Asset Management Fee in the amount of $3,500, increasing annually by three percent (3%), for property management oversight, tax credit compliance monitoring, and related services. Asset Management Fees of $3,939 were recognized during 2010. The amount due to the Limited Partner related to Asset Management fees was $3,939 as of December 31, 2010.

Owner Distribution – Partnership Management Fee
In accordance with the Partnership Agreement, the Partnership shall pay to the General Partner a Partnership Management Fee in the amount of $25,000 for the managing of the Partnerships assets and operations and coordinating the preparation of the required State Housing Finance Agency, federal, state, and local tax and other required filings and reports. There were no partnership management fees accrued during 2010.

Development Fee
The Partnership has incurred a Development Services Agreement with CAASNM and JL Gray Company. Fees for these services are based on a percentage of the total development cost, as defined by the agreement, for a total projected Development Fee of $659,093 rendered to the Partnership for overseeing the construction of the project. This Development Fee has been capitalized into the basis of the building. As of December 31, 2010, $579,093 of this fee has been paid. The amount due related to Development Fees was $80,000 as of December 31, 2010.

Laundry Lease
The Partnership leased space for the installation and operation of coin-operated laundry and vending machine equipment to JL Gray Company for fifty percent (50%) of the laundry room receipts after gross receipts tax. This lease continues in effect until terminated by either party. The partnership received rental income of $67 for the year ended December 31, 2010.

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 amount due to the Management Agent related to reimbursed expenses is considered negligible as of December 31, 2010.

Operating Deficit Guaranty
Pursuant to the Partnership Agreement, the General Partner shall be obligated to provide any funds needed by the Partnership, after all funds in the Operating Reserve account have been used, to fund operating deficits through the later of the closing or conversion to the permanent loan and achievement of a debt service coverage ratio of 1.15, as defined. The amount guaranteed is limited to $147,899. If this amount reaches zero, the general partner is required to provide the funds to the partnership for operating deficits. The requirement to fund additional operating deficits will terminate on the date the following occurs:

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

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.

Commitments and Contingencies

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

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

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

Current Vulnerability Due to Certain Concentrations

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

F. 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 an 84 24-unit rental housing project for mixed low income tenants with both tax credit and market rate units. Twenty-four of the units were acquired through the purchase of an adjacent apartment complex and the remaining sixty units were under constructions at year-end. The statement of operations pertains to the twenty-four units in operation. 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 JL Gray Company, an affiliate of one the Partners, 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

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

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.

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.

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the Low Income Housing Tax Credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impaired to be recognized is measured at the moment by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2010.

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.

Purchase of the Village Apartments

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.

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	
Cimmaron Apartments LLC	1.00%
Limited Partner	
Tom Andrews	99.00%
Total	100.00%

Effective January 1, 2010, the Partners of Cimmaron II Apartments Limited Partnership are as follows:

General Partner	
Cimmaron Apartments LLC	99.90%
Limited Partner	
JLG Properties, LLC	0.10%
Total	100.00%

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, 2010, was as follows.

	Balances January 1, 2010	Additions	Deletions	Balances December 31, 2010
Land	$ 353,604	$ 8,399	$ -	$ 362,003
Assets in developmental stage	231,609	7,744,501	-	7,976,110
Buildings	550,294	-	-	550,294
Site improvements/building equipment	850	-	-	850
Furnishings	5,210	-	-	5,210
	1,141,567	7,752,900	-	8,894,467
Accumulated depreciation	(16,691)	(14,544)	-	(31,235)
Net capital assets	$ 1,124,876	$ 7,738,356	$ -	$ 8,863,232

Long-Term Debt

As of December 31, 2010, notes payable consist of the following:

The Project is financed with a 14-month note payable to Village Apartments-Anthony, LLC in the original amount of $675,000, with an interest rate of 9%. The note is payable in monthly installments of $5,063 including interest through the maturity date. The unpaid principal of the loan is due January 2010. Interest expensed on this note was $25,988 as of December 31, 2010. On May 25, 2010, the unpaid principal balance and all unpaid interest was paid in full	$ -
On January 29, 2008, the Partnership executed a $249,500 Loan Agreement with Citizens Bank of Las Cruces to finance the predevelopment of the Partnership. The Partnership has acquired several renewals on the Loan in the form of a Variable Rate Nondisclosable Draw Down Line of Credit Loan that increased the loan amount to a final amount of $475,000 and extended the maturity date. The variable interest rate was subject to change based on an independent index which was 4% per annum at November 14, 2009 and 6.5% per annum at July 29, 2009 based on a year of 360 days. Interest only payments were due monthly. The note was secured by the Project's property under a mortgage to the Lender. Interest recognized as development costs on this loan was $51,429 as of December 31, 2010. On May 25, 2010, the unpaid principal balance was included in the construction loan listed below.	-

On December 18, 2009, the Partnership executed a $9,525,110 TCEP Mortgage Note to New Mexico Mortgage Finance Authority. The terms of the loan begin upon its execution and end 180 months after commencement of the Compliance Period. There are no interest or scheduled principal payments due with respect to this loan. The amount subject to recapture shall be reduced by 6.67% of the original loan amount for each compliant year. In the event there is no uncured Recapture Event of Default at the time of termination, this TCEP Mortgage Note shall be forgiven.	7,924,916
On May 25, 2010 the Project signed a Construction Deed of Trust payable to Citizens Bank of Las Cruces. The maximum lien shall not exceed $3,300,000 at any one time. The interest rate on this Note is subject to change based on the Wall Street Journal Prime Lending Rate. The current rate is 6% per annum. The Loan shall bear interest on each Advance from the date of the Advance in accordance with the terms of the Note. The loan is due in full immediately upon Lender's demand or pay in one payment of all outstanding principal plus all accrued unpaid interest on November 25, 2011.	296,059
Total	8,220,975
Less current portion	296,059
Long-term notes payable	$ 7,924,916

Aggregate maturities of the loan: Due to the conditions of the TCEP agreement, the principal and interest allocation per year is not applicable to this loan. There are no other long-term debts as of December 31, 2010.

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

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, 2010.

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 $2,485 during 2010. The amount due to the Management Agent related to management fees was $2,568 as of December 31, 2010.

Reimbursed Expenses
The Management Agent, an affiliate of one of the Partners, is reimbursed for a few expenses that are directly related to this property. Due to the nature and function of the Management Agent, some expenses are incurred for the property by the Management Agent. 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 are considered negligible as of December 31, 2010.

Vulnerability Due to Certain Concentrations

The Partnership's sole asset is Cimmaron II Apartments. 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 federal and state agencies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

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.

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;
- 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.

G. Desert Palms Apartments Limited Partnership

Organization

Desert Palms Apartments Limited Partnership (the “Partnership” or “Desert Palms”) was organized in 2003 as a Limited Partnership to develop, construct, own, maintain, and operate a l0l-unit rental housing project for mixed income tenants with both tax credit and market rate units. The Project is located in the city of Las Cruces, New Mexico, and is currently known as Desert Palms Apartments. The major activities of the Partnership are governed by the Partnership Agreement and the Internal Revenue Code Section 42.

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

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

The Partnership is reported as a component unit of the Housing Authority because the Housing Authority is the sole member of Desert Palms Apartments, LLC, which is Desert Palms’ 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.

Significant Accounting Policies

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

<u>Basis of Accounting</u>
The partnership utilized the accrual basis of accounting, whereby income is recognized as earned and expenses are recognized as obligations are incurred.

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

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

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 statement of operations. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

The partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the moment by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2010.

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

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

Rental Income

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

Partners' Profit and Loss Allocation and Distributions

The Partners of Desert Palms Apartments Limited Partnership and their respective profit and loss percentages are as follows for the period from December 31, 2009 to January 25, 2010:

General Partner	
CAASNM LLC	0.01%
Limited Partner	
Freddie Mac Equity Plus II, ESIC	99.99%
Total	100.00%

The Partners of Desert Palms Apartments Limited Partnership and their respective profit and loss percentages are as follows for the period from January 25, 2010 to December 31, 2010:

General Partner	
Desert Palms Apartments LLC	0.01%
Limited Partner	
Freddie Mac Equity Plus II, ESIC	99.99%
Total	100.00%

Cash Flow Distribution

Distributable cash flow is defined in the partnership agreement as the sum of all cash receipts less cash disbursements for operating activities and replacement reserve funding. Distributable cash flow is payable annually as follows:

1. To the Limited Partner an amount equal to the credit deficiency;
2. To the Limited Partner an amount sufficient to pay federal income taxes on taxable income allocated to the Limited Partner for such Fiscal Year by the Partnership, assuming the highest marginal tax rates applicable to corporations;
3. To pay the Investor Services Fee in accordance with the Investor Services Agreement;

4. To fund the Operating Reserves after the Capital Contributions of the Limited Partner has paid up to the Operating Reserve Amount;
5. To pay any Deferred Development Fee in accordance with the Development Services Agreement;
6. To pay the General Partner to repay any Operating Deficit Contributions;
7. To pay the Partnership Administration Fee in accordance with the Partnership Administration Agreement; and
8. Any remaining cash flow shall be distributed to the Partners in accordance with the following percentage, Investor Limited Partner, 99.99% to the General Partner .01 %.

Distribution of proceeds from a sale or refinancing:

1. To the Limited Partner in the amount of the federal income tax liability that would be imposed on the Limited Partner and its Partners from the transaction giving rise to Sale or Refinancing Proceeds, assuming all such Persons are subject to federal income tax at a rate of thirty-five percent (35%);
2. To the Limited Partner an amount equal to the Credit Deficiency;
3. To ESIC in the amount of any unpaid Investor Services Fee;
4. To pay any unpaid Development Fee;
5. To the General Partner to repay any Operating Deficit Contribution, Credit Adjuster Advance or Additional Advance; and
6. The balance shall be distributed to the Partners in accordance with the following percentages, Investor Limited Partner, 99.99% to the General Partner .01 %

Partner Contributions

The Partnership's General Partner and Investor Limited Partner are required to make capital contributions totaling $283,954 and $1,891,396, respectively. In accordance with the Partnership Agreement the Limited Partner's capital contributions have been adjusted by $21,488 which reduces the capital contributions to $1,869,908. The Investor Limited Partner, Freddie Mac Equity Plus II, ESIC, has made capital contributions totaling $1,794,712. The prior General Partner, CAASNM, LLC, paid the capital contributions in full. They also contributed additional funds of $61,689 for the year ended December 31, 2010. The General Partner is allocated additional loss in relation to their operating deficit contributions.

Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Balances January 1, 2010	Additions	Deletions	Balances December 31, 2010
Land	$ 200,000	$ -	$ -	$ 200,000
Buildings	3,336,784	-	-	3,336,784
Site improvements/building equipment	273,742	-	-	273,742
Furnishings	407,807	8,354	-	416,161
Maintenance equipment	609	-	-	609
	4,218,942	8,354	-	4,227,296
Accumulated depreciation	(709,942)	(160,071)	-	(870,013)
Net capital assets	$ 3,509,000	$ (151,717)	$ -	$ 3,357,283

Long-Term Debt

The Project is financed with a 35-year mortgage payable to New Mexico Mortgage Finance Authority in the original amount of $1,705,000, with an interest rate of 6.48%. The mortgage is payable in monthly installments of $10,277 through October 1, 2041. The accrued interest was $8,876 as of December 31, 2010. Interest expensed on this loan was $107,003 as of December 31, 2010.	$ 1,643,746
The Project also has a mortgage payable to City of Las Cruces in the original amount of $342,744. Interest will accrue on the outstanding principal balance of the loan at the annual rate of 4.94% compounded annually. Accrued but unpaid interest shall bear interest at 3.94%. Monthly installments of$285 to be paid for the first fifteen years, which represents interest only payments of 1%. After the end of year fifteen the principal and accrued interest will accrue interest at the rate of 4.94% per annum and become due and payable in 179 monthly installments of $4,820, including principal and interest. Maturity of the loan occurs at the sale, refinance, and transfer of the property or on September 2034. The short-term accrued interest was $333 as of December 31, 2010. The long-term accrued interest was $56,960 as of December 31, 2010. Interest expensed on this loan was $17,546 as of December 31, 2010.	342,744
Total	1,986,490
Less current portion	17,323
Long-term notes payable	$ 1,969,167

Aggregate maturities of the notes are approximated as follows:

Year ending December 31,	Principal	Interest
2011	$ 17,323	$ 110,621
2012	18,479	109,646
2013	19,713	108,601
2014	21,029	107,482
2015	22,433	106,282
2016-2020	136,731	510,199
2021-2025	282,803	434,528
2026-2030	375,935	355,710
2031-2035	475,467	256,179
2036-2040	612,964	118,681
2041	120,870	2,988
Total	$ 2,103,747	$ 2,220,917

Long-term accrued interest on the HOME loan in the amount of $117,257 becomes principal and is amortized when principal payments begin December of 2021.

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

Reserve Funds

Replacement Reserve
In accordance with the Partnership Agreement, the Partnership shall establish a Replacement Reserve at the time of the fourth installment to fund major repairs or replacements of the project property. The Partnership shall make deposits into the Replacement Reserve fund of $29,000 annually commencing with the completion of the Project. The Replacement Reserve balance was $118,104 as of December 31, 2010.

Operating Reserve
The General Partner is required to establish and maintain an Operating Reserve on the date of the fourth capital contribution in the amount of $75,000. The Operating Reserve should be funded from net cash flow. There has not been sufficient cash flow to replenish the account. The Operating Reserve balance was $15,328 as of December 31, 2010.

Commitments and Contingencies Housing Tax Credits

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

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

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

Transactions With Affiliates and Related Parties

<u>Management Fee</u>
In accordance with the Management Agreement, the Partnership has incurred Management Fee expenses for services rendered in connection with the leasing and operation of the project. The current year Management Fee is equal to 5.5% of gross rental collections. Property Management Fees expensed were $21,450 during 2010. The amount included in accounts payable that is due to the Management Agent related to Management Fees was $22,519 as of December 31, 2010.

<u>Owner Distribution – Investor Services Fee</u>
In accordance with the Partnership Agreement, the Partnership shall pay to the limited partner an Investor Services Fee in the amount of $4,000 beginning in 2004. The fee shall increase at a rate of 3% per year thereafter. The Investor Services Fee shall be payable from the available cash flows. Any unpaid fees may accrue for payment in subsequent years. Investor Services Fees of $13,140 were recognized during 2010. The amount due to the limited partner related to Investor Services Fees was $26,650 as of December 31, 2010.

Owner Distribution – Partnership Administrative Fee
In accordance with the Partnership Agreement, the Partnership shall pay to the General Partner a Partnership Administrative Fee in the annual amount of $25,000. The fee shall increase at a rate of 3% per year thereafter. The Partnership Administration Fee shall be payable from the available cash flows. Any unpaid fees may accrue for payment in subsequent years. There were no Partnership Administrative Fees accrued during 2010.

Development Fee
The Partnership has incurred a Development Fee of $203,230 due to JL Gray Company and CAASNM, the General Partner, rendered to the partnership for overseeing the construction of the Project. This Development Fee has been capitalized into the basis of the building. As of December 31, 2010, $9,290 of this fee has been paid. The amount due related to Development Fees was $193,939 as of December 31, 2010. Of the remaining balance, $172,260 is considered Deferred Development Fees and is payable from cash flow according to the priority of payments and distributions.

Laundry Lease
The Partnership leased space for the installation and operation of coin-operated laundry and vending machine equipment to JL Gray Company for fifty percent (50%) of the laundry room receipts after Gross Receipts Tax. This lease continues in effect until terminated by either party. The Partnership received rental income of $1,187 for the year ended December 31, 2010.

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 amount due to the Management Agent related to reimbursed expenses is considered negligible as of December 31, 2010.

Operating Deficit Loans
Pursuant to the Partnership Agreement, the General Partner has guaranteed to fund all deficits through the later of Permanent Loan Closing and achievement of a Debt Service Coverage Ratio of 1: 15: 1 for 90 days, as defined. Subsequent to Permanent Loan Closing or achievement of the Debt Service Coverage Ratio, funding up to an additional $275,000 of operating deficits is guaranteed. The requirement to fund additional operating deficits will terminate on the date the following occurs:

1. The Project has operated at break-even three consecutive calendar years following the stabilization date of the Project;

2. The Project has met the required Debt Service Coverage for three years;
3. The balance in the Operating Reserve equals or exceeds the Operating Reserve amount.

The General Partner obligations shall be Guaranteed by the Guarantor (JL Gray Company) as defined in the Guaranty Agreement.

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.

Current Vulnerability Due to Certain Concentrations

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

Contingent Liabilities

Community Action Agency of Southern New Mexico, the prior General Partner, reported a loan due by the property in prior years. Due to controversy regarding the prior General Partner entering into Loan Agreement without the consent of the Limited Partner, the liabilities were not reflected in the financial statements and prior payments made were reclassified as an accounts receivable from the prior General Partner. This receivable was offset by payments contributed by the General Partner during 2010. There was no amount due from the prior General Partner as of December 31, 2010.

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, 2011

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	**Actual**	(Negative)
Operating Revenues				
Tenant revenues	$ 979,570	$ 861,232	**$ 861,846**	$ 614
Other revenues	368,773	415,665	**349,009**	(66,656)
Total operating revenues	1,348,343	1,276,897	**1,210,855**	(66,042)
Budgeted Operating Expenses				
Housing assistance payments	4,362,753	3,866,970	**3,323,158**	543,812
Administration	1,617,158	1,667,858	**1,693,652**	(25,794)
Maintenance and operations	671,011	604,748	**602,873**	1,875
Utilities	153,042	199,942	**199,934**	8
Other operating expenses	763,592	807,631	**789,632**	17,999
Total budgeted operating expenses	7,567,556	7,147,149	**6,609,249**	537,900
Operating loss	(6,219,213)	(5,870,252)	**(5,398,394)**	471,858
Nonoperating Revenues				
Intergovernmental revenues	4,964,838	5,004,014	**6,386,126**	1,382,112
Investment income	34,178	64,307	**66,502**	2,195
Gain on sale of capital assets	821,550	359,220	**367,212**	7,992
Total nonoperating revenues	5,820,566	5,427,541	**6,819,840**	1,392,299
Income before unbudgeted expenses	$ (398,647)	$ (442,711)	**$ 1,421,446**	$ 1,864,157
Unbudgeted Expenses				
Depreciation			**(397,056)**	
Interest expense			**(182,977)**	
Change in net assets			**$ 841,413**	

Combining Financial Statements

Combining Statements of Net Assets

Housing Authority of the City of Las Cruces
Detail Statement of Net Assets
June 30, 2011

	HUD Public Housing	HUD Section 8 Housing
Assets		
Current assets		
Cash and cash equivalents	$ 1,650,623	$ 1,850,153
Accounts receivable, net	4,621	390
Grants receivable	150,406	-
Mortgages receivable, current	-	-
Prepaid expenses and other assets	56,466	30,630
Total current assets	1,862,116	1,881,173
Restricted assets		
Cash and cash equivalents	-	-
Noncurrent assets		
Capital assets, net	1,860,305	3,320
Mortgages receivable, net of current portion	-	-
Receivable from component units, net	-	-
Total noncurrent assets	1,860,305	3,320
Total assets	3,722,421	1,884,493
Liabilities		
Current liabilities		
Accounts payable	185,122	5,061
Accrued liabilities	7,858	1,218
Deposits due others	56,494	-
Current portion of long-term debt	-	-
Total current liabilities	249,474	6,279
Noncurrent liabilities		
Long-term debt	-	-
Accrued compensated absences	23,648	6,625
Total noncurrent liabilities	23,648	6,625
Total liabilities	273,122	12,904
Net Assets		
Invested in capital assets, net of related debt	1,860,305	3,320
Restricted for program activities	-	-
Unrestricted	1,588,994	1,868,269
Total net assets	$ 3,449,299	$ 1,871,589

New Construction Housing	Local Housing Projects	Total
$ 326,621	$ 1,707,788	$ 5,535,185
34,850	157,746	197,607
-	25	150,431
-	44,183	44,183
10,726	6,321	104,143
372,197	$ 1,916,063	6,031,549
237,821	-	237,821
3,880,880	2,652,029	8,396,534
-	1,018,443	1,018,443
-	1,398,958	1,398,958
3,880,880	5,069,430	10,813,935
4,490,898	6,985,493	17,083,305
32,980	89,050	312,213
1,419	5,087	15,582
18,769	24,673	99,936
186,338	89,183	275,521
239,506	207,993	703,252
1,717,581	1,180,441	2,898,022
3,096	30,879	64,248
1,720,677	1,211,320	2,962,270
1,960,183	1,419,313	3,665,522
1,976,961	1,162,405	5,002,991
237,821	-	237,821
315,933	4,403,775	8,176,971
$ 2,530,715	$ 5,566,180	$ 13,417,783

Housing Authority of the City of Las Cruces

Combining Statement of Net Assets—*HUD Public Housing Programs*

June 30, 2011

	Public Housing Operations	2007 Capital Fund Program
Assets		
Current assets		
Cash and cash equivalents	$ 1,650,623	$ -
Accounts receivable, net	4,621	-
Grants receivable	-	-
Mortgages receivable	-	-
Prepaid expenses and other assets	56,466	-
Total current assets	1,711,710	-
Noncurrent assets		
Capital assets, net	1,860,305	-
Total noncurrent assets	1,860,305	-
Total assets	3,572,015	-
Liabilities		
Current liabilities		
Accounts payable	34,929	-
Accrued liabilities	6,842	-
Deposits due to others	56,494	-
Total current liabilities	98,265	-
Noncurrent liabilities		
Accrued compensated absences	23,648	-
Total liabilities	121,913	-
Net Assets		
Invested in capital assets, net of related debt	1,860,305	-
Unrestricted	1,589,797	-
Total net assets	$ 3,450,102	$ -

2008 Capital Fund Program	2009 Capital Fund Program	2010 Capital Fund Program	2011 Capital Fund Program	Total
$ -	$ -	$ -	$ -	$ 1,650,623
-	-	-	-	4,621
140,109	-	2,381	7,916	150,406
-	-	-	-	-
-	-	-	-	56,466
140,109	-	2,381	7,916	1,862,116
-	-	-	-	1,860,305
-	-	-	-	1,860,305
140,109	-	2,381	7,916	3,722,421
140,109	-	2,310	7,774	185,122
-	-	71	945	7,858
-	-	-	-	56,494
140,109	-	2,381	8,719	249,474
-	-	-	-	23,648
140,109	-	2,381	8,719	273,122
-	-	-	-	1,860,305
-	-	-	(803)	1,588,994
$ -	$ -	$ -	$ (803)	$ 3,449,299

Housing Authority of the City of Las Cruces

Combining Statement of Net Assets—*New Construction Housing Programs*

June 30, 2011

	New Construction Operations	Housing Development Corporation	Total
Assets			
Current assets			
Cash and cash equivalents	$ 326,621	$ -	$ 326,621
Accounts receivable, net	22,009	12,841	34,850
Grants receivable	-	-	-
Mortgages receivable	-	-	-
Prepaid assets and other assets	10,726	-	10,726
Total current assets	359,356	12,841	372,197
Restricted assets			
Cash and cash equivalents	-	237,821	237,821
Noncurrent assets			
Capital assets, net	946,639	2,934,241	3,880,880
Total assets	1,305,995	3,184,903	4,490,898
Liabilities			
Current liabilities			
Accounts payable	11,419	21,561	32,980
Accrued liabilities	1,419	-	1,419
Deposits due other	18,769	-	18,769
Current portion of long-term debt	-	186,338	186,338
Total current liabilities	31,607	207,899	239,506
Noncurrent liabilities			
Long-term debt	-	1,717,581	1,717,581
Accrued compensated absences	3,096	-	3,096
Total liabilities	34,703	1,925,480	1,960,183
Net Assets			
Invested in capital assets, net of related debt	946,639	1,030,322	1,976,961
Restricted	-	237,821	237,821
Unrestricted	324,653	(8,720)	315,933
Total net assets	$ 1,271,292	$ 1,259,423	$ 2,530,715

Housing Authority of the City of Las Cruces

Combining Statement of Net Assets—*Local Housing Projects*

June 30, 2011

	Dona Ana County Housing Authority	Conventional Home Choice II
Assets		
Current assets		
Cash and cash equivalents	$ (25,711)	$ 881,916
Accounts receivable, net	-	356,866
Interest receivable	-	234,539
Mortgages receivable	-	1,062,625
Prepaid expenses and other assets	-	6,321
Total current assets	(25,711)	2,542,267
Noncurrent assets		
Capital assets, net	1,252	2,650,777
Mortgages receivable, net of current portion	-	220,000
Receivable from component unit	-	704,783
Other assets	21,586	-
Total noncurrent assets	22,838	3,575,560
Total assets	(2,873)	6,117,827
Liabilities		
Current liabilities		
Accounts payable	3,336	47,092
Accrued liabilities	1,978	1,399
Deposits due others	-	15,777
Current portion of long-term debt	-	44,183
Total liabilities	5,314	108,451
Noncurrent liabilities		
Long-term debt	-	960,441
Accrued compensated absences	8,074	9,737
Total noncurrent liabilities	8,074	970,178
Total liabilities	13,388	1,078,629
Net Assets (Deficit)		
Invested in capital assets, net of related debt	1,252	1,646,153
Unrestricted	(17,513)	3,393,048
Total net assets (deficit)	$ (16,261)	$ 5,039,201

Shelter Plus Care	Developer Fees	Homeless Prevention and Rapid Re-Housing	LCAR	New Mexico Housing Corporation	Totals
$ -	$ 441,701	$ 20	$ 8,896	$ 400,966	$ 1,707,788
15,532	-	-	-	135	372,533
-	-	-	-	-	234,539
-	-	-	-	-	1,062,625
-	-	-	-	-	6,321
15,532	441,701	20	8,896	401,101	3,383,806
-	-	-	-	-	2,652,029
-	-	-	-	-	220,000
-	-	-	-	-	704,783
-	223,262	25	-	-	244,873
-	223,262	25	-	-	3,821,685
15,532	664,963	45	8,896	401,101	7,205,491
16,348	-	-	-	22,272	89,048
175	1,515	20	-	-	5,087
-	-	-	8,896	-	24,673
-	-	-	-	45,000	89,183
16,523	1,515	20	8,896	67,272	207,991
-	-	-	-	440,000	1,400,441
-	13,068	-	-	-	30,879
-	13,068	-	-	440,000	1,431,320
16,523	14,583	20	8,896	507,272	1,639,311
-	-	-	-	(485,000)	1,162,405
(991)	650,377	25	-	378,829	4,403,775
$ (991)	$ 650,377	$ 25	$ -	$ (106,171)	$ 5,566,180

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, 2011

	HUD Public Housing	HUD Section 8 Housing
Operating Revenues		
Tenant revenues	$ 359,658	$ -
Other revenues	4,300	25
Total operating revenues	363,958	25
Operating Expenses		
Housing assistance payments	-	3,323,158
Administration	456,054	424,583
Maintenance and operations	365,152	-
Depreciation and amortization	253,897	132
Utilities	108,156	426
Other	79,950	85,889
Total operating expenses	1,263,209	3,834,188
Operating loss	(899,251)	(3,834,163)
Nonoperating Revenues (Expenses)		
Intergovernmental revenues	862,907	4,481,097
Investment income	7,228	5,086
Interest expense	-	-
Gain on sale of capital assets	2,355	-
Total nonoperating revenues (expenses)	872,490	4,486,183
Income before transfers	(26,761)	652,020
Transfers in	258,705	-
Transfers out	(295,457)	-
Change in net assets	(63,513)	652,020
Net assets, beginning of year	3,512,812	1,219,569
Net assets, end of year	$ 3,449,299	$ 1,871,589

New Construction Housing	Local Housing Projects	Total
$ 179,771	$ 322,417	$ 861,846
221,781	122,903	349,009
401,552	445,320	1,210,855
-	-	3,323,158
261,215	551,800	1,693,652
105,831	131,890	602,873
68,759	74,268	397,056
70,396	20,956	199,934
50,991	572,802	789,632
557,192	1,351,716	7,006,305
(155,640)	(906,396)	(5,795,450)
384,442	657,680	6,386,126
1,271	52,917	66,502
(107,021)	(75,956)	(182,977)
-	364,857	367,212
278,692	999,498	6,636,863
123,052	93,102	841,413
200,664	130,777	590,146
(200,664)	(94,025)	(590,146)
123,052	129,854	841,413
2,407,663	5,436,326	12,576,370
$ 2,530,715	$ 5,566,180	$ 13,417,783

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, 2011

	Public Housing Operations	2007 Capital Fund Program
Operating Revenues		
Tenant revenues	$ 359,658	$ -
Other revenues	4,300	-
Total operating revenues	363,958	-
Operating Expenses		
Administration	371,502	(397)
Ordinary maintenance and operations	365,152	-
Depreciation	253,897	-
Utilities	108,156	-
Other expenses	79,950	-
Total operating expenses	1,178,657	(397)
Operating loss	(814,699)	397
Nonoperating Revenues		
Intergovernmental revenues	520,452	68,259
Investment income	7,228	-
Gain or loss on sale of fixed assets	2,355	-
Total nonoperating revenues	530,035	68,259
Income before transfers	(284,664)	68,656
Transfers in	258,705	-
Transfers out	(36,751)	(68,656)
Change in net assets	(62,710)	-
Net assets, beginning of year	3,512,812	-
Net assets, end of year	$ 3,450,102	$ -

2008 Capital Fund Program	2009 Capital Fund Program	2010 Capital Fund Program	2011 Capital Fund Program	Total
$ -	$ -	$ -	$ -	$ 359,658
-	-	-	-	4,300
-	-	-	-	363,958
4,355	25,672	26,350	28,572	456,054
-	-	-	-	365,152
-	-	-	-	253,897
-	-	-	-	108,156
-	-	-	-	79,950
4,355	25,672	26,350	28,572	1,263,209
(4,355)	(25,672)	(26,350)	(28,572)	(899,251)
143,439	25,672	26,350	78,735	862,907
-	-	-	-	7,228
-	-	-	-	2,355
143,439	25,672	26,350	78,735	872,490
139,084	-	-	50,163	(26,761)
-	-	-	-	258,705
(139,084)	-	-	(50,966)	(295,457)
-	-	-	(803)	(63,513)
-	-	-	-	3,512,812
$ -	$ -	$ -	$ (803)	$ 3,449,299

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, 2011

	New Construction Operations	Housing Development Corporation	Total
Operating Revenues			
Tenant revenues	$ 179,771	$ -	$ 179,771
Other revenues	221,781	-	221,781
Total operating revenues	401,552	-	401,552
Operating Expenses			
Administration	39,434	221,781	261,215
Ordinary maintenance and operations	105,831	-	105,831
Depreciation	38,759	30,000	68,759
Utilities	70,396	-	70,396
Other expenses	50,991	-	50,991
Total operating expenses	305,411	251,781	557,192
Operating income (loss)	96,141	(251,781)	(155,640)
Nonoperating Revenues (Expenses)			
Intergovernmental revenues	-	384,442	384,442
Investment income	1,266	5	1,271
Interest expense	-	(107,021)	(107,021)
Total nonoperating revenues (expenses)	1,266	277,426	278,692
Income before transfers	97,407	25,645	123,052
Transfers in	29,291	171,373	200,664
Transfers out	(171,373)	(29,291)	(200,664)
Change in net assets	(44,675)	167,727	123,052
Net assets, beginning of year	1,315,967	1,091,696	2,407,663
Net assets, end of year	$ 1,271,292	$ 1,259,423	$ 2,530,715

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, 2011

	Dona Ana County Housing Authority	Conventional Home Choice II
Operating Revenues		
Tenant revenues	$ -	$ 319,417
Other revenues	-	(124,673)
Total operating revenues	-	194,744
Operating Expenses		
Administration	99,012	204,451
Ordinary maintenance and operations	9,271	122,619
Depreciation	42	74,226
Utilities	-	20,956
Other expenses	5,086	30,163
Total operating expenses	113,411	452,415
Operating income (loss)	(113,411)	(257,671)
Nonoperating Revenues (Expenses)		
Intergovernmental Revenue	117,115	-
Investment income	-	52,603
Interest expense	-	(75,956)
Gain on sale of fixed assets	-	181,220
Total nonoperating revenues (expenses)	117,115	157,867
Income before transfers	3,704	(99,804)
Transfers in	-	36,752
Transfers out	-	(94,025)
Change in net assets	3,704	(157,077)
Net assets (deficit), beginning of year	(19,965)	5,196,278
Net assets (deficit), end of year	$ (16,261)	$ 5,039,201

Shelter Plus Care	Developer Fees	Homeless Prevention and Rapid Re-Housing	New Mexico Housing Corp.	Totals
$ -	$ -	$ -	$ 3,000	$ 322,417
-	247,576	-	-	122,903
-	247,576	-	3,000	445,320
7,136	126,264	5,766	109,171	551,800
-	-	-	-	131,890
-	-	-	-	74,268
-	-	-	-	20,956
130,057	2,511	404,985	-	572,802
137,193	128,775	410,751	109,171	1,351,716
(137,193)	118,801	(410,751)	(106,171)	(906,396)
129,814	-	410,751	-	657,680
-	314	-	-	52,917
-	-	-	-	(75,956)
5,637	178,000	-	-	364,857
135,451	178,314	410,751	-	999,498
(1,742)	297,115	-	(106,171)	93,102
-	94,000	25	-	130,777
-	-	-	-	(94,025)
(1,742)	391,115	25	(106,171)	129,854
751	259,262	-	-	5,436,326
$ (991)	$ 650,377	$ 25	$ (106,171)	$ 5,566,180

Combining Statement of Cash Flows

Housing Authority of the City of Las Cruces

Combining Statement of Cash Flows
For the Year Ended June 30, 2011

	HUD Public Housing	HUD Section 8 Housing
Cash flows from operating activities		
Cash received from tenants	$ 360,359	$ -
Cash paid to employees	(467,450)	(94,346)
Cash paid to suppliers and others	(735,933)	(3,762,320)
Other receipts	2,424	(365)
Net cash used by operating activities	(840,600)	(3,857,031)
Cash flows from noncapital financing activities		
Intergovernmental revenue received	1,279,427	4,481,097
Amounts paid to other funds	(295,457)	-
Net cash provided by noncapital financing activities	983,970	4,481,097
Cash flows from capital and related financing activities		
Acquisition of capital assets	(277,144)	-
Proceeds from sale of capital assets	100,658	-
Principal paid on long-term debt	-	-
Interest paid on long-term debt	-	-
Net cash provided (used) by capital and related financing activities	(176,486)	-
Cash flows from investing activities		
Interest and dividends on investments	7,228	5,086
Net increase (decrease) in cash and cash equivalents	(25,888)	629,152
Cash and cash equivalents, beginning of year	1,676,511	1,221,001
Cash and cash equivalents, end of year	$ 1,650,623	$ 1,850,153

New Construction Housing	Local Housing Projects	Total
$ 179,762	$ 322,417	$ 862,538
(33,445)	(321,483)	(916,724)
(455,857)	(1,436,407)	(6,390,517)
221,781	101,079	324,919
(87,759)	(1,334,394)	(6,119,784)
384,442	831,159	6,976,125
-	(94,025)	(389,482)
384,442	737,134	6,586,643
-	(81,323)	(358,467)
-	1,160,054	1,260,712
(176,652)	(171,948)	(348,600)
(107,021)	(75,956)	(182,977)
(283,673)	830,827	370,668
1,271	52,917	66,502
14,281	286,484	904,029
550,161	1,421,304	4,868,977
$ 564,442	$ 1,707,788	$ 5,773,006

Housing Authority of the City of Las Cruces
Combining Statement of Cash Flows — continued
For the Year Ended June 30, 2011

	HUD Public Housing	HUD Section 8 Housing
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	$ (899,251)	$ (3,834,163)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	253,897	132
Change in assets and liabilities		
Accounts receivable	(1,876)	(390)
Mortgage receivable	-	-
Inventories	-	-
Prepaid expenses and other assets	(41,803)	(22,961)
Receivables from component units	-	-
Accounts payable	(157,204)	(3,089)
Accrued liabilities	4,936	3,440
Deposits due others	701	-
Total adjustments	58,651	(22,868)
Net cash used by operating activities	$ (840,600)	$ (3,857,031)

New Construction Housing		Local Housing Projects		Total	
$	(155,640)	$	(906,396)	$	(5,795,450)
	68,759		74,268		397,056
	46		(85,998)		(88,218)
	-		(516,432)		(516,432)
	-		131,657		131,657
	(7,436)		(3,582)		(75,782)
	-		(21,828)		(21,828)
	3,479		(27,833)		(184,647)
	3,088		21,750		33,214
	(55)		-		646
	67,881		(427,998)		(324,334)
$	(87,759)	$	(1,334,394)	$	(6,119,784)

HUD Required Supplementary Information

Housing Authority of the City of Las Cruces
Financial Data Schedule
June 30, 2011

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			
	Cash			
111	Cash - unrestricted	$ 1,650,623	$ 1,850,153	$ -
112	Cash-restricted-Modernization	-	-	-
114	Cash - tenant security deposits	-	-	-
113	Cash - other restricted	-	-	-
100	Total cash	1,650,623	1,850,153	-
	Accounts and notes receivable			
121	Accounts receivable -PHA Projects	-	-	-
122	Accounts receivable - HUD other projects	-	-	150,408
124	Accounts receivable - Other governments	-	-	-
125	Accounts receivable - miscellaneous	-	390	-
126	Accounts receivable - tenants	4,970	-	-
127	Notes, loans, and mortgages receivable - current	-	-	-
129	Accrued Interest Receivable	-	-	-
127.1	Allowance for doubtful accounts - mortgages	-	-	-
126.1	Allowance for doubtful accounts - dwelling rents	(349)	-	-
120	Total receivables, net of allowances for doubtful accounts	4,621	390	150,408
	Other current assets			
132	Restricted investments	-	-	-
142	Prepaid expenses and other assets	56,466	30,630	-
143	Inventories	918	-	-
143.1	Absolute inventories	(918)	-	-
150	Total current assets	1,711,710	1,881,173	150,408
	Noncurrent assets			
	Fixed assets			
161	Land	500,000	-	-
165	Leasehold/site improvements	2,005,231	433	-
162	Buildings	4,873,032	4,108	-
163	Furniture, equipment and machinery - dwellings	46,665	-	-
164	Furniture, equipment and machinery - administration	467,664	-	-
166	Accumulated depreciation	(6,032,287)	(1,221)	-
167	Construction in progress	-	-	-
160	Total fixed assets, net of accumulated depreciation	1,860,305	3,320	-
	Other noncurrent assets			
171	Notes and mortgages receivable - noncurrent	-	-	-
171.1	Allowance for doubtful accounts - mortgages	-	-	-
174	Other assets	-	-	-
180	Total noncurrent assets	1,860,305	3,320	-
190	Total assets	$ 3,572,015	$ 1,884,493	$ 150,408

	N/C S/R Section 8 Programs	Business Activities	State/ Local	Total	Component Units (December 31, 2010)
	$ 326,621	$ 1,707,788	$ -	$ 5,535,185	$ 911,548
	-	-	-	-	1,690,239
	-	-	-	-	137,195
	237,821	-	-	237,821	-
	564,442	1,707,788	-	5,773,006	2,738,982
	-	-	-	-	4,321
	-	-	-	150,408	-
	-	-	15,531	15,531	-
	34,402	350,074	-	384,866	14,562
	789	8,686	-	14,445	6,665
	-	2,285,294	-	2,285,294	-
	-	234,539	-	234,539	-
	-	(1,222,669)	-	(1,222,669)	-
	(341)	(1,754)	-	(2,444)	-
	34,850	1,654,170	15,531	1,859,970	25,548
	-	-	-	-	-
	10,726	6,318	-	104,140	73,581
	-	-	-	918	-
	-	-	-	(918)	-
	610,018	3,368,276	15,531	7,737,116	2,838,111
	2,180,000	434,215	-	3,114,215	1,932,135
	47,215	91,552	-	2,144,431	4,213,674
	2,630,004	2,524,088	-	10,031,232	31,302,157
	-	-	-	46,665	609
	-	69,987	-	537,651	1,280,278
	(976,339)	(467,813)	-	(7,477,660)	(5,461,649)
	-	-	-	-	7,976,110
	3,880,880	2,652,029	-	8,396,534	41,243,314
	-	220,000	-	220,000	-
	-	-	-	-	-
	-	949,655	-	949,655	835,020
	3,880,880	3,821,684	-	9,566,189	42,078,334
	$ 4,490,898	$ 7,189,960	$ 15,531	$ 17,303,305	$ 44,916,445

Housing Authority of the City of Las Cruces
Financial Data Schedule — continued
June 30, 2011

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			
	Current liabilities			
311	Bank overdraft	$ -	$ -	$ 150,195
312	Accounts payable ≤ 90 days	34,929	5,061	-
321	Accrued wage/payroll taxes payable	6,814	1,218	1,016
322	Accrued compensated absences	-	-	-
325	Accrued interest payable	28	-	-
331	HUD payables	-	-	-
341	Tenant security deposits	56,494	-	-
342	Deferred revenues	-	-	-
343	Current portion of LT debt	-	-	-
348	Loan liability - current	-	-	-
345	Other current liabilities	-	-	-
346	Other accrued liabilities	-	-	-
310	Total current liabilities	98,265	6,279	151,211
	Noncurrent liabilities			
351	Long-term debt, net of current-capital projects/mtg revenue	-	-	-
352	Long-term debt, net of current-operating borrowings	-	-	-
353	Noncurrent liabilities - other	-	-	-
354	Accrued compensated absences - noncurrent	23,648	6,625	-
350	Total noncurrent liabilities	23,648	6,625	-
300	Total liabilities	121,913	12,904	151,211
	Net Assets			
507	Other contributions	-	-	-
508.1	Invested in capital assets, net of related debt	1,860,305	3,320	-
511.1	Restricted net assets	-	-	-
512.1	Unrestricted net assets	1,589,797	1,868,269	(803)
513	Total net assets	3,450,102	1,871,589	(803)
600	Total liabilities and net assets	$ 3,572,015	$ 1,884,493	$ 150,408
	Revenue			
703	Net tenant rental revenue	$ 339,307	$ -	$ -
704	Tenant revenue - other	20,351	-	-
705	Total tenant revenue	359,658	-	-
706	HUD PHA grants	520,452	4,481,097	342,455
706.1	Capital grants	-	-	-
708	Other government grants	-	-	-
711	Investment income - unrestricted	7,228	5,086	-
715	Other revenue	4,300	25	-
716	Gain or loss on the sale of fixed assets	2,355	-	-
720	Investment income - restricted	-	-	-
700	Total revenue	893,993	4,486,208	342,455

N/C S/R Section 8 Programs	Business Activities	State/ Local	Total	Component Units (December 31, 2010)
$ -	$ -	$ 16,348	$ 166,543	$ -
11,419	72,700	103	124,212	79,676
1,419	4,905	72	15,444	-
-	-	-	-	-
-	7	-	35	58,965
-	-	-	-	-
18,769	24,673	-	99,936	131,614
-	-	-	-	10,027
-	89,183	-	89,183	97,281
186,338	-	-	186,338	-
21,561	-	-	21,561	2,035,600
-	-	-	-	978,981
239,506	191,468	16,523	703,252	3,392,144
1,717,581	1,400,441	-	3,118,022	27,045,247
-	-	-	-	-
-	-	-	-	2,186,242
3,096	30,879	-	64,248	-
1,720,677	1,431,320	-	3,182,270	29,231,489
1,960,183	1,622,790	16,521	3,885,522	32,623,633
-	-	-	-	-
1,976,961	1,251,588	-	5,092,174	12,011,825
237,821	-	-	237,821	-
315,933	4,315,582	(990)	8,087,788	280,987
2,530,715	5,567,170	(990)	13,417,783	12,292,812
$ 4,490,898	$ 7,189,960	$ 15,531	$ 17,303,305	$ 44,916,445
$ 171,250	$ 306,009	$ -	$ 816,566	$ 1,925,078
8,521	16,408	-	45,280	194,918
179,771	322,417	-	861,846	2,119,996
384,442	-	-	5,728,446	-
-	-	-	-	-
-	527,866	129,815	657,681	-
1,266	52,917	-	66,497	-
221,781	122,903	-	349,009	-
-	359,220	5,637	367,212	-
5	-	-	5	3,740
787,265	1,385,323	135,452	8,030,696	2,123,736

Housing Authority of the City of Las Cruces
Financial Data Schedule — continued
June 30, 2011

Line Item #	Account Description	Low Rent 14.850	Section 8 Housing Choice Vouchers 14.871	Public Housing Capital Fund Program 14.872
	Expenses			
	Administrative			
911	Administrative salaries	$ 187,125	$ 72,346	$ 58,600
912	Auditing fees	34,525	20,459	5,000
913	Outside management fees	-	-	-
914	Compensated absences	-	-	-
915	Employee benefit contributions - administrative	79,013	25,440	-
916	Office expense	16,839	39,990	-
917	Legal expenses	9,926	1,048	-
918	Travel	3,702	2,164	-
919	Other operating - administrative	40,372	263,136	20,952
	Subtotal	371,502	424,583	84,552
	Tenant services			
922	Relocation costs	571	-	-
924	Tenant services - other	-	-	-
	Subtotal	571	-	-
	Utilities			
931	Water	48,195	-	-
932	Electricity	12,060	426	-
933	Gas	3,072	-	-
936	Sewer	35,914	-	-
938	Other utilities expense	8,915	-	-
	Subtotal	108,156	426	-
	Ordinary maintenance and operations			
941	Ordinary maintenance and operations - labor	106,945	-	-
942	Ordinary maintenance and operations - materials and other	217,504	-	-
943	Ordinary maintenance and operations - contract costs	-	-	-
945	Ordinary maintenance employee benefits	40,703	-	-
	Subtotal	365,152	-	-
	Protective services			
952	Protective services - other contract costs	736	-	-
	Subtotal	736	-	-
	General expenses			
961	Insurance premiums	63,934	36,116	-
962	Other general expenses	-	49,773	-
964	Bad debt - tenant rents	5,630	-	-
967	Interest expense	-	-	-
	Subtotal	69,564	85,889	-
969	Total operating expenses	915,681	510,898	84,552
970	Operating revenue over operating expenses	(21,688)	3,975,310	257,903
971	Extraordinary maintenance	9,079	-	-
973	Housing assistance payments	-	3,323,158	-
974	Depreciation expense	253,897	132	-
900	Total expenses	1,178,657	3,834,188	84,552

N/C S/R Section 8 Programs	Business Activities	State/ Local	Total	Component Units (December 31, 2010)
$ 15,466	$ 221,299	$ 3,153	$ 557,989	$ 437,557
764	42,558	-	103,306	-
221,781	87,326	-	309,107	-
-	-	-	-	-
5,899	83,647	1,139	195,138	-
8,613	23,609	-	89,051	-
-	21,114	-	32,088	-
554	23,288	-	29,708	-
8,138	41,822	2,844	377,264	-
261,215	544,663	7,136	1,693,651	437,557
-	-	-	571	-
8,408	162	130,057	138,627	-
8,408	162	130,057	139,198	-
28,056	3,320	-	79,571	-
8,685	7,928	-	29,099	-
4,412	1,233	-	8,717	-
27,010	4,279	-	67,203	-
2,233	4,196	-	15,344	174,811
70,396	20,956	-	199,934	174,811
42,816	34,215	-	183,976	-
47,847	97,675	-	363,026	304,454
-	-	-	-	-
15,168	-	-	55,871	-
105,831	131,890	-	602,873	304,454
157	269	-	1,162	-
157	269	-	1,162	-
11,121	6,266	-	117,437	321,472
7,936	435,062	-	492,771	-
5,199	-	-	10,829	-
107,021	75,956	-	182,977	982,390
131,277	517,284	-	804,014	1,303,862
577,284	1,215,224	137,193	3,440,832	2,220,684
209,981	170,099	(1,741)	4,589,864	(96,948)
18,170	987	-	28,236	-
-	-	-	3,323,158	-
68,759	74,268	-	397,056	1,018,196
664,213	1,290,479	137,193	7,189,282	3,238,880

Housing Authority of the City of Las Cruces
Financial Data Schedule — continued
June 30, 2011

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	258,705	-	-
1002	Operating transfers out	(36,751)	-	(258,706)
1010	Total other financing sources (uses)	221,954	-	(258,706)
1000	Total revenue over (under) expenses	(62,710)	652,020	(803)
	MEMO account information			
1103	Beginning equity	3,512,812	1,219,569	-
1104	Prior-period adjustments and equity transfers	-	-	-
1120	Unit months available	-	-	-
1121	Number of unit months leased	-	-	-
1117	Administrative fee equity	-	-	-
1118	Housing assistance payments equity	-	-	-
	Capital contributions	-	-	-
	Equity Roll Forward Test			
	Calculation from revenue and expenses statement	3,450,102	1,871,589	(803)
	Balance sheet line 513	3,450,102	1,871,589	(803)
	Difference	$ -	$ -	$ -

N/C S/R Section 8 Programs	Business Activities	State/ Local	Total	Component Units (December 31, 2010)
200,664	130,776	-	590,145	-
(200,664)	(94,025)	-	(590,146)	-
-	36,751	-	(1)	-
123,052	131,595	(1,741)	841,413	(1,115,144)
2,407,663	5,435,575	751	12,576,370	13,356,526
-	-	-	-	51,430
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,530,715	5,567,170	(990)	13,417,783	12,292,812
2,530,715	5,567,170	(990)	13,417,783	12,292,812
$ -	$ -	$ -	$ -	$ -

New Mexico State Auditor's Supplementary Information

Housing Authority of the City of Las Cruces
Schedule of Pledged Collateral
June 30, 2011

Deposits

Financial Institution	Total Amount of Deposit in Bank	Insured Portion*	Required Collateralization 50% of Uninsured Portion	Collateral Pledged	Over/ (Under) Collateralized
Citizens Bank	$ 87,874	$ 87,874	-	$ -	$ -
Wells Fargo Bank	947,150	867,144	40,003	378,468	338,465
Total	$ 1,035,024	$ 955,018	$ 40,003	$ 378,468	$ 338,465

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	$ 195,982
Wells Fargo Bank New Mexico, NA	Fed Natl Mtg Assn	31415LML8	983363	8/1/2038	182,486
					$ 378,468

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	$ 4,384,231	$ -	$ 4,471,916	$ 4,471,916	$ -

Pledged Collateral

Custodian	Type of Security	CUSIP Number	Sequence Number	Maturity Date	Fair Value
Wells Fargo Bank New Mexico, NA	FNION	31415QZXY	0603011	8/1/1938	$ 4,471,916

* As of 12/31/2010, the FDIC implemented the Dodd-Frank Deposit Insurance Provision. The provision provides full deposit insurance coverage for non-interest bearing transaction accounts in FDIC-insured institutions, regardless of the amount and will continue until 12/31/2012.

Housing Authority of the City of Las Cruces
Schedule of Deposits and Investments
June 30, 2011

Account Title	Account Type	Bank Balance	Reconciling Items	Book Balance
Cash				
Wells Fargo Bank				
Operational	Checking	$ 553,753	$ 4,516,143	$ 5,069,896
NMHC	Checking	393,397	(16,000)	377,397
Total		947,150	4,500,143	5,447,293
Citizens Bank				
Tenant rent	Checking	64,306	(982)	63,324
NMHC VR Loan Acct	Checking	23,568	-	23,568
Total deposits		87,874	(982)	86,892
Petty cash		1,000	-	1,000
Total cash		1,036,024	4,499,161	5,535,185
Short-term investments				
Bond fund - principal 2005	Cash Reserves	15,151	-	15,151
Debt service res. 2005	Cash Reserves	139,078	-	139,078
Repair/replace fund 2005	Cash Reserves	4,463	-	4,463
Insurance/tax fund 2005	Cash Reserves	12,613	-	12,613
Surplus fund 2005	Cash Reserves	58,028	-	58,028
Bond fund - interest 2005	Cash Reserves	8,488	-	8,488
Total investments		237,821	-	237,821
Total cash and cash equivalents		$ 1,273,845	$ 4,499,161	$ 5,773,006

Single Audit Section

Housing Authority of the City of Las Cruces
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

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	7/1/10-6/30/11	$ 384,442	$ 384,442
Public and Indian Housing	14.850	NM003000001	7/1/10-6/30/11	509,216	509,216
		NM003888888	7/1/10-6/30/11	11,236	11,236
					520,452
Section 8 Housing Choice Vouchers	14.871	NM003V0	7/1/10-6/30/11	4,481,097	4,481,097
Public Housing Capital Fund (CFP)	14.872	NM02S003501-09 (ARRA)	3/18/09-3/17/12	480,323	25,672
		NM02P003501-10	6/23/10-7/14/14	338,895	78,735
		NM02P003501-09	9/12/09-9/14/13	324,819	26,350
		NM02P003501-08	5/24/08-6/12/12	379,462	143,439
		NM02P003501-07	9/19/07-9/12/11	355,272	68,259
					342,455
Total expenditures of federal awards					$ 5,728,446

Housing Authority of the City of Las Cruces
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

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.

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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, 2011, and have issued our report thereon dated November 21, 2011. 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

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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.

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.

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.*

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.

REDW LLC

November 21, 2011

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, 2011. 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.

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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, 2011. 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 11-1 and FA 11-2.

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 11-1 and FA 11-2.

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.

REDW LLC

November 21, 2011

Housing Authority of the City of Las Cruces
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	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, 2011

Section I — Summary of Auditors' Results — continued

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.182	Section 8 New Construction and Substantial Rehabilitation
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

Housing Authority of the City of Las Cruces

Schedule of Findings and Questioned Costs — continued
For the Year Ended June 30, 2011

Section II — Financial Statements Findings

None.

Section III — Federal Award Findings

FA 11-1 — Reporting

Federal program information:

Funding agency:	U.S. Department of Housing and Urban Development
Title:	Section 8 Housing Choice Vouchers Program and Public and Indian Housing Program
CFDA Number:	14.871 and 14.850
Award number:	N/A
Award period:	7/1/10 – 6/30/11

Criteria or Specific Requirement: For each public and Indian housing grant that involves development, operating, or modernization assistance, the prime recipient must submit Form HUD 60002 (24 CFR sections 135.3(a) and 135.90).

Condition: The form was not submitted within the required time frame for year-end June 30, 2011.

Questioned Costs: None.

Cause: Procedures were not in place to ensure that the Housing Authority submitted this form within the required time frame set forth by HUD.

Effect: Form HUD 60002 was not submitted timely.

Auditors' Recommendations: The Housing Authority should establish procedures ensuring that reports are completed and submitted in a timely manner and in compliance with HUD requirements.

Management's Response: Management will put procedures in place to ensure all required reports are submitted in a timely manner.

Section III — Federal Award Findings — continued

FA 11-2 — Move-in and Annual Inspections

Federal program information:

Funding agency:	U.S. Department of Housing and Urban Development
Title:	Section 8 New Construction and Public and Indian Housing Program
CFDA Number:	14.182 and 14.850
Award number:	N/A
Award period:	7/1/10 – 6/30/11

Criteria: The PHA or owner must provide housing that is decent, safe, and sanitary. To achieve this end, the PHA must perform housing quality inspections at the time of initial occupancy and at least annually thereafter to assure that the units are decent, safe, and sanitary.

Condition: Two out of twenty five files reviewed did not have documents noting that move in inspections had been completed. Four of the twenty five files tested did not have documentation noting that annual inspections had been completed.

Questioned Costs: None.

Cause: Procedures were not in place to ensure that the Housing Authority maintained proper documentation ensuring inspections were completed at time of move in. Procedures were not in place to ensure annual inspections were completed for all tenants.

Effect: Failure to maintain proper documentation in the client files caused the Housing Authority to be out of compliance with the inspection requirements related to move in inspections and annual inspections.

Auditors' Recommendations: Establish procedures to ensure that inspections are completed at move-in and annually, and that documentation be kept in the client file.

Management's Response: Inspections were scheduled as soon as this was brought to management's attention and all files will be checked to ensure move-in inspections are documented and kept in client files.

Housing Authority of the City of Las Cruces
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2011

Prior Audit Findings		Current Status
FA 10-1	Rental Contracts, Lease Agreements and W-9s	Resolved
FA 10-2	Special Test and Provisions–Reasonable Rent	Resolved
FA 10-3	Payroll Allocation	Resolved

Housing Authority of the City of Las Cruces
Corrective Action Plan
For the Year Ended June 30, 2011

Federal Award Finding	Corrective Action Plan	Person Responsible	Estimated Completion Date
FA 11-1 Reporting	See management response.	Thomas Hassell, HACLC Director	Immediately
FA 11-2 Move-in and annual inspections	See management response.	Jesse Padilla, Program Director	Immediately

Housing Authority of the City of Las Cruces
Other Disclosures
For the Year Ended June 30, 2011

Exit Conference
A closed meeting exit conference was held on November 15, 2011, which was attended by the following:

Board Members	
Winifred Y. Jacobs	Chairman
Paul R. Miller	Vice-Chairman
Art Jiron	Commissioner
Housing Authority Administration	
Thomas G. Hassell	Executive Director
Robbie R. Levey	Deputy Director/Administrative Officer
Jesse Padilla	Housing Manager
REDW LLC	
Chris Tyhurst	Principal
Michele Ziegler	Manager

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