

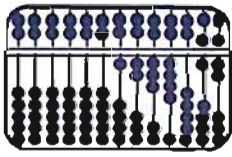
**Cimmaron II Apartments Limited Partnership
(A Development Stage Company)**

**Financial Statements
And Supplementary Information
Year Ending December 31, 2008**

Cimmaron II Apartments Limited Partnership

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Balance Sheet	2-3
Statement of Operations	4
Statement of Change in Partners' Equity (Deficit)	5
Statement of Cash Flows	6-7
Notes to Financial Statements	8-12
Supplementary Information	
Supplementary Information Required by HUD	14-16
Surplus Cash Computation	17
Independent Auditors' Combined Report on the Internal Controls	18-19
Independent Auditors' Report on Compliance with Specific Requirements Applicable to Major HUD Programs	20-21
Independent Auditors' Report on Compliance with Specific Requirements Applicable to Fair Housing and Non-Discrimination	22
Schedule of Findings and Responses	23
Auditors' Comments on Audit Resolution Matters Relating to HUD Programs	24
Partner's Certification	25
Management Agent's Certification	26
Information on Auditor	27
Exit Conference	28



MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.

INDEPENDENT AUDITORS' REPORT

To Mr. Hector Balderas,
New Mexico State Auditor, and
The Members of,
Cimmaron II Apartments Limited Partnership

We have audited the accompanying balance sheet of Cimmaron II Apartments Limited Partnership (Partnership) as of December 31, 2008 and the related statement of operations, change in partners' equity (deficit), and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 provides a reasonable basis for our opinion.

As discussed in Note B to the financial statements, the Partnership did not report the purchase of a 24-unit multi-unit complex for \$675,000. This discovery was made subsequent to the issuance of the financial statements. The financial statements have been restated to reflect this correction.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cimmaron II Apartments Limited Partnership as of December 31, 2008, and the results of its operations, change in partners' equity (deficit), and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 25, 2009, on our consideration of the Partnership's internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the internal control over financial reporting. In accordance with *Government Auditing Standards*, we have also issued an opinion dated May 25, 2009, on the Partnership's compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters that could have a direct and material effect on a major HUD-assisted program. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information shown on Pages 14-16 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Partnership. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Marcus, Fairall, Bristol + Co., L.L.P.

Marcus, Fairall, Bristol + Co., L.L.P.

May 25, 2009, except for Note B as to which the date is November 9, 2010

A Firm of Certified Public Accountants
6090 Surety Drive, Suite 100 • El Paso, TX 79905 • (915) 775-1040
Facsimile:(915) 775-1849

Cimmaron II Apartments Limited Partnership
Balance Sheet
December 31, 2008

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 10,980
Total Current Assets	<u>10,980</u>
Restricted Deposits and Funded Reserves	
	6,197
Other Escrows	<u>10</u>
Total Restricted Deposits and Funded Reserves	<u>6,207</u>
Property and Equipment:	
Land	346,604
Construction in Progress	150,222
Buildings	549,926
Site Improvements	-
Furnishings	-
Total Fixed Assets	<u>1,046,752</u>
Less: Accumulated Depreciation	<u>(2,293)</u>
Net Fixed Assets	<u>1,044,459</u>
Total Assets	<u><u>\$ 1,061,646</u></u>

The accompanying notes are an integral
Part of these financial statements

Cimmaron II Apartments Limited Partnership
Balance Sheet
December 31, 2008

LIABILITY AND PARTNERS' EQUITY

Liabilities:

Current Liabilities:	
Account Payable	\$ 1,075
Accrued Liabilities	934
Development Loan	<u>374,094</u>
Total Current Liabilities	<u>\$ 376,103</u>
Deposits and Prepaid Liabilities	
Tenant Deposits Held in Trust	<u>5,715</u>
Long-Term Liabilities	
Long-Term Debt	<u>675,000</u>
Total Liabilities	1,056,818
Partners' Equity (Deficit)	<u>4,828</u>
Total Liabilities and Partners' Equity	<u><u>\$ 1,061,646</u></u>

The accompanying notes are an integral
Part of these financial statements

Cimmaron II Apartments Limited Partnership
Statement of Operations
For the Year Ended December 31, 2008

INCOME

Rental Income

Rent Income - Tenant	\$ 13,679
Rent Income - Gross Rent Potential	<u>13,679</u>
Vacancy - Apartments	(3,745)
Total Vacancies and Concessions	<u>(3,745)</u>
Total Rental Income	<u><u>\$ 9,934</u></u>

EXPENSE

Administrative Expense

Office Supplies	\$ 201
Total Administrative Expense	<u>201</u>

Utilities Expense

Electricity	232
Water	393
Sewer	489
Total Utilities Expense	<u>1,114</u>

Operating and Maintenance Expense

Maintenance and Repairs Supply	975
Garbage and Trash Removal	477
Grounds	18
Services	100
Total Operating and Maintenance Expense	<u>1,570</u>

Financial Expense

Interest - Mortgage 1st	3,928
Total Financial Expense	<u>3,928</u>

Total Expense before Depr. and Amort. 6,813

Net Income before Depr. and Amort. 3,121

Depreciation Expense

Depreciation Expense	2,293
Total Depreciation Expense	<u>2,293</u>

Net Income \$ 828

The accompanying notes are an integral
Part of these financial statements

**Cimmaron II Apartments Limited Partnership
Statement of Change in Partners' Equity (Deficit)
For the Year Ended December 31, 2008**

	<u>Total</u>	<u>General Partner Equity</u>	<u>Limited Partner Equity</u>
Partners' Equity (Deficit), December 31, 2007	\$ -	\$ -	\$ -
Net Income (Loss): 12/31/2008	828	8	820
Partners' Capital Contributions	4,000	40	3,960
Partners' Distributions	<u>-</u>	<u>-</u>	<u>-</u>
Partners' Equity (Deficit), December 31, 2008	<u>\$ 4,828</u>	<u>\$ 48</u>	<u>\$ 4,780</u>

The accompanying notes are an integral
Part of these financial statements

Cimmaron II Apartments Limited Partnership
Statement of Cash Flows
For the Year Ended December 31, 2008
Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES:

Rental Receipts	\$ 9,934
Cash Received from Housing Assistance Payments	-
Financial Revenue	-
Tenant Charges	-
Increase in Accounts Payable	1,075
Total Receipts	11,009
Administrative	201
Management Fees	-
Utilities	1,114
Operating and Maintenance	1,570
Salaries and Wages	-
Real Estate Taxes	-
Payroll Taxes	-
Property Insurance	-
Mortgage Insurance Premium	-
Miscellaneous Taxes and Insurance	-
Interest on Mortgage Note	-
Miscellaneous Financial Expense	3,928
Tenant Security Deposits	-
Total Disbursements	6,813
Net Cash Provided by (Used In) Operating Activities	4,196

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital Expenditures	(371,244)
Purchase of Capital Assets	(675,508)
Accrued Liabilities Related to Construction in Progress	934
Net Deposits to Tax and Insurance Account	(6,207)
Net Deposits to Reserve for Replacements	-
Net Cash Provided by (Used In) Investing Activities	(1,052,025)

CASH FLOWS FROM FINANCING ACTIVITIES:

Pre-Development Loan Proceeds	374,094
Net Deposit to Tenant Deposits	5,715
Capital Input	4,000
Long-Term Debt	675,000
Net Cash Provided (Used By) Financing Activities	1,058,809
Increase (Decrease) in Cash	10,980
Cash at Beginning of Year	-

CASH AT END OF YEAR

\$ 10,980

SUPPLEMENTAL DISCLOSURES:

Interest Paid	\$ 14,083
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The accompanying notes are an integral
Part of these financial statements

Cimmaron II Apartments Limited Partnership
Statement of Cash Flows
For the Year Ended December 31, 2008
Increase (Decrease) in Cash and Cash Equivalents

RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Net Income (Loss)	\$ 828
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used In) Operating Activities:	
Depreciation	2,293
Amortization	-
(Increase) Decrease in Assets	
Accounts Receivable - Tenants	-
Prepaid Expenses	-
Tenant Security Deposits - Funded	-
Increase (Decrease) in Liabilities	
Accounts Payable	1,075
Accrued Interest	-
Accrued Liabilities	-
Accrued Property Taxes	-
Tenant Security Deposits Held	-
Net Cash Provided (Used By) Operating Activities:	<u>\$ 4,196</u>

The accompanying notes are an integral
Part of these financial statements

Cimmaron II Apartments Limited Partnership

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cimmaron II Apartments Limited Partnership (Partnership) was formed as a Limited Partnership on July 24, 2004 to acquire, construct, rehabilitate, and operate a 24-unit rental housing project for low income tenants. The Project is located in the City of Anthony, New Mexico (the "Project") 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 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 (HACLIC) is the sole member of the General Partner of the Partnership. The Partnership has no component units.

Summary of significant accounting policies 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. Cash for purposes of the Statements of Cash Flows does not include Tenant Security Deposits Held in Trust.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the Partners individually. The Partnership's Federal Identification Number is 03-0546398.

Rental Property

Rental property is recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of operations. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method over a recovery period of 3 to 27.5 years.

Cimmaron II Apartments Limited Partnership

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Rental Property *(continued)*

The Partnership reviews its investments 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 flows expected to be generated by the rental property including 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 2008.

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.

NOTE B - PURCHASE OF THE VILLAGE APARTMENTS

The Partnership purchased a 24-unit multi-family complex 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 audit report was issued. The purchase was material, which required that the audit report be restated to include the purchase of the asset in the current financial statements and the related statement of operations. Depreciation expense for the year ended December 31, 2008 was \$2,293. The net income for that period was \$828.

NOTE C - 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, 2008:

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

Effective October 21, 2008, the J.L. Gray Company withdrew as the General Partner of the Partnership and Cimmaron Apartments, LLC, stepped in as Substitute General Partner. The Managing Member of Cimmaron Apartments, LLC, is the Housing Authority of the City of Las Cruces, of which Thomas G. Hassell is the Executive Director.

Cimmaron II Apartments Limited Partnership

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE C - PARTNERS' PROFIT AND LOSS ALLOCATION AND DISTRIBUTIONS (continued)

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

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

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

NOTE D - LONG-TERM DEBT

At December 31, 2008, notes payable consist of the following:

	<u>2008</u>
On November 14, 2008, the Partnership executed a \$675,000 agreement with Village Apartments-Anthony, LLC to purchase a 24-unit multi-family complex. Successive monthly installments of interest only, each in the amount of \$5,062.50 beginning with the first monthly installment due on December 1, 2008 and continuing on the same date of each succeeding month thereafter, up to and including January 31, 2010, at which time the entire remaining principal balance and all accrued interest shall be paid in full. This promissory note is secured by a second real estate mortgage on real property located in Dona Ana County, New Mexico.	\$ 675,000
On January 29, 2008, the Partnership executed a \$249,500 loan agreement with Citizens Bank of Las Cruces to finance the pre-development of the Partnership. The original note was due to mature on January 29, 2009. On November 14, 2008, the Partnership acquired a secured renewal loan for pre-development of the Partnership in the form of a Variable Rate Nondisclosable Draw Down Line of Credit loan, payable in the amount of \$404,500, or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of such advances. The maturity date of the promissory note is November 14, 2009. The variable interest rate is subject to change based on an independent index which is the Wall Street Journal Prime Lending Rate (4.5% - 18.0%). The index was 4.00% per annum at November 14, 2009, based on a year of 360 days. Interest only payments of accrued interest are due monthly beginning December 14, 2008. The note is secured by the Project's property under a mortgage to the Lender dated January 29, 2008.	<u>374,094</u>
TOTAL	\$ <u><u>1,049,094</u></u>

The schedule of maturities on the note is as follows:

	<u>Principal</u>
Citizens Bank of Las Cruces November 14, 2009	\$ 374,094
Village Apartments-Anthony, LLC January 31, 2010	675,000
TOTAL	\$ <u><u>1,049,094</u></u>

Cimmaron II Apartments Limited Partnership

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE E – 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 \$0 as of December 31, 2008.

NOTE F - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Schedule of Related Party Transactions

Payments in the year ended December 31, 2008, and related balances at December 31, 2008, with the above related parties and/or affiliates were as follows:

	<u>PAID</u>	<u>PAYABLE</u>
Development Advances - General Partner	\$ 0	\$ 0

NOTE G – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Partnership's current and 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.

NOTE H – 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.

Cimmaron II Apartments Limited Partnership

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

NOTE H – COMMITMENTS AND CONTINGENCIES

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

NOTE I – ACCRUED LIABILITIES

The accrued liabilities on the balance sheet contain the following:

Miscellaneous Accrued Expenses	\$	66
Accrued – Legal Fees		<u>868</u>
Total Accrued Liabilities	\$	<u>934</u>

Cimmaron II Apartments Limited Partnership
Supplementary Information Required by HUD
Year Ending December 31, 2008

**Cinmaron II Apartments Limited Partnership
Supplementary Information Required by HUD
Year Ending December 31, 2008**

1. DELINQUENT TENANT ACCOUNTS RECEIVABLE

None.

2. MORTGAGE ESCROW REQUIREMENTS

Estimated amounts required as of December 31, 2008, for future payment of:

Property Taxes	\$ -
Property Insurance	-
Mortgage Insurance/Loan Guaranty	-
Flood Insurance/Miscellaneous Insurance	-
Total Estimated Future Funds Required	\$ -
Total Confirmed by Bank	-
Total Confirmed by Mortgagee	-
Total Tax and Insurance Funds Available at Year End	\$ -
Amount of Deposit in Excess (Deficit) of Estimated Future Requirements	\$ 6,207

3. TENANT SECURITY DEPOSITS

There were security deposits in the trust account and security deposit liabilities as of December 31, 2008 of \$5,715.

4. RESERVE FOR REPLACEMENTS

In accordance with the provisions of the Partnership Agreement, restricted cash is to be held by the General Partners to be used for replacement of capital improvements. 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. The balance in the reserve account was as follows:

Balance, January 1, 2008	\$ -
Deposits During the Year	-
Interest Earned on Reserve Account (Net of Service Fees)	-
Withdrawals as Approved by General Partners	-
None	-
Balance, December 31, 2008, Confirmed by Mortgagee	\$ -

5. RESIDUAL RECEIPTS ACCOUNT

None.

**Cimmaron II Apartments Limited Partnership
Supplementary Information Required by HUD
Year Ending December 31, 2008**

6. SCHEDULE OF FUNDS

Funds Held by Mortgagor	
Petty Cash	\$ -
Citizens Bank of Las Cruces, Las Cruces, NM	
Operating Account - Entity - Construction	3,784
Operating Account - Village Apartments	7,196
Operating Saving Account	-
Tenant Security Deposits	-
Tax and Insurance	-
<hr/>	
Total Funds Held by Mortgagor	10,980
<hr/>	
Total Funds	\$ 10,980

7. CHANGES IN FIXED ASSETS

	<u>FIXED ASSETS</u>				
	<u>BALANCE</u>			<u>BALANCE</u>	<u>NET BOOK VALUE</u>
	<u>1/1/2008</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>12/31/2008</u>	<u>12/31/2008</u>
Land	\$ -	\$ 346,604	\$ -	\$ 346,604	
Buildings	-	549,926	-	549,926	
Site Improvements	-	-	-	-	
Furnishings	-	-	-	-	
Construction in Progress	-	150,222	-	150,222	
Totals	<u>\$ -</u>	<u>1,046,752</u>	<u>\$ -</u>	<u>\$ 1,046,752</u>	
<hr/>					
<u>DEPRECIATION EXPENSE AND ACCUMULATED DEPRECIATION</u>					
Totals	<u>\$ -</u>	<u>\$ 2,293</u>	<u>\$ -</u>	<u>\$ 2,293</u>	<u>\$ 1,044,459</u>

8. ACCRUED PROPERTY TAXES

Accrued Property Taxes of \$0 are for 2008 property taxes accrued to December 31, 2008, and due by April 10, 2009.

9. MANAGEMENT FEES

None.

10. IDENTITY OF INTEREST COMPANIES

Identity of Interest Companies doing business with the mortgagor and/or management agent of the project, along with a breakdown of services and amounts received for the year ending December 31, 2008, is as follows:

<u>COMPANY NAME</u>	<u>TYPE OF SERVICE</u>	<u>AMOUNT RECEIVED</u>
General Partner	Development Advances	\$ 4,000
Limited Partner	Development Fees	0

**Cimmaron II Apartments Limited Partnership
Supplementary Information Required by HUD
Year Ending December 31, 2008**

11. LOANS (OTHER THAN INSURED MORTGAGES) AND NOTES PAYABLE

Note Payable-Citizens Bank of Las Cruces is a note originally dated January 29, 2008, to finance the pre-development of the Partnership. The original loan was due to mature January 29, 2009, at which time the entire principal amount and any unpaid accrued interest would become due. On November 14, 2008, the Partnership acquired a secured renewal predevelopment loan in the form of a Variable Rate Nondisclosable Draw Down Line of Credit loan, up to a maximum of \$404,500. The maturity date of the renewal loan is November 14, 2009, with a variable interest rate subject to change based on the Wall Street Journal Prime Lending Rate. The note is secured by a mortgage to the Lender dated January 29, 2008.

12. CHANGES IN PARTNERSHIP INTERESTS

Effective October 21, 2008, the J.L. Gray Company withdrew as General Partner of the Partnership and Cimmaron Apartments, LLC, stepped in as Substitute General Partner. The Managing Member of Cimmaron Apartments, LLC, is the Housing Authority of the City of Las Cruces of which Thomas G. Hassell is the Executive Director.

13. COMMENTS ON BALANCE SHEET ITEMS

None.

14. AUTHORIZED / UNAUTHORIZED DISTRIBUTIONS TO PARTNERS

None.

15. COMPENSATION PAID TO PARTNERS

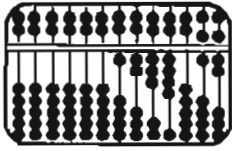
None.

**Computation of Surplus Cash,
Distributions and Residual
Receipts**

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

Project Name Cimmaron II Apartments Limited Partnership		Fiscal Period Ended December 31, 2008	Project Number	
Part A – Compute Surplus Cash				
Cash				
1. Cash (Accounts 1110, 1120, 1191, 1192)		\$	0	
2. Tenant subsidy vouchers due for period covered by financial statement		\$	0	
3. Other (describe)		\$	0	
(a.) Total Cash (Add Lines 1, 2, and 3)			\$	0
Current Obligations				
4. Accrued mortgage interest payable		\$	0	
5. Delinquent mortgage principal payments		\$	0	
6. Delinquent deposits to reserve for replacements		\$	0	
7. Accounts payable (due within 30 days)		\$	0	
8. Loans and notes payable (due within 30 days)		\$	1,075	
9. Deficient tax insurance or MIP escrow deposits		\$	0	
10. Accrued expenses (not escrowed)		\$	0	
11. Prepaid rents (Account 2210)		\$	934	
12. Tenant security deposits liability (Account 2191)		\$	0	
13. Other (describe) Accounts Payable – HUD 0		\$	0	
(b) Less total current obligations (Add Lines 4 through 13)			\$	2,009
(c) Surplus cash (deficiency)(Line (a) minus Line (b))			\$	(2,009)
Part B – Compute Distributions to Owners and Required Deposit to Residual Receipts				
1. Surplus Cash			\$	0
Limited Dividend Projects				
2a. Annual distribution earned during fiscal period covered by the statement		\$		
2b. Distribution accrued and unpaid as of the end of the prior fiscal period		\$		
2c. Distributions paid during fiscal period covered by statement		\$		
3. Amount to be carried on balance sheet as distribution earned but unpaid (Line 2a plus 2b minus 2c)		\$		
4. Amount available for distribution during next fiscal period				\$
5. Deposit due residual receipts (must be deposited with mortgagee within 60 days after the fiscal period ends)				\$
Prepared By		Reviewed By		
Loan Technician	Date	Loan Servicer	Date	

rm HUD-93486 (8/95)



MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.

INDEPENDENT AUDITORS' COMBINED REPORT ON THE INTERNAL CONTROLS

To Mr. Hector Balderas,
New Mexico State Auditor, and
The Members of,
Cimmaron II Apartments Limited Partnership

We have audited the financial statements of Cimmaron II Apartments Limited Partnership, as of and for the year ended December 31, 2008, and have issued our report thereon dated May 25, 2009. We have also audited the Partnership's compliance with requirements applicable to major HUD-assisted programs and have issued our report thereon dated May 25, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide"), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Cimmaron II Apartments Limited Partnership complied with laws and regulations, noncompliance with which would be material to a major HUD-assisted program.

The management of Cimmaron II Apartments Limited Partnership is responsible for establishing and maintaining effective internal control. In planning and performing our audit of the financial statements and compliance, we considered the Partnership's internal control over financial reporting and its internal control over compliance with requirements that could have a direct and material effect on a major HUD-assisted program in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and on compliance, but not for the purposes of expressing an opinion on the effectiveness of Cimmaron II Apartments Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cimmaron II Apartments Limited Partnership's internal control over financial reporting and internal control over compliance.

A control deficiency 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 on a timely basis misstatements or noncompliance with applicable requirements of a HUD-assisted program. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles or to administer HUD-assisted programs such that there is more than a remote likelihood that (a) a misstatement of the entity's financial statements, or (b) noncompliance with applicable requirements of a HUD-assisted program, that is more than inconsequential will not be prevented or detected. We consider the deficiency described in the accompanying schedule of findings and responses to be a control deficiency in internal control over financial reporting. The deficiency as described in the accompanying schedule of findings and responses as 08-01 is required to be reported under government auditing standards.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that (a) a material misstatement of the financial statements or (b) material noncompliance with applicable requirements of a HUD-assisted program will not be prevented or detected by the entity's internal control.

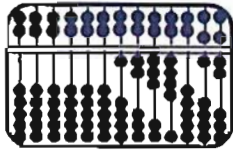
Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did identify deficiencies in internal control that we consider to be material weaknesses, as described in the accompanying schedule of findings and responses as 08-02.

This report is intended solely for the information and the use of the partners, management, the U.S. Department of Housing and Urban Development, City of Las Cruces, Office of the State Auditor, and the New Mexico Department of Finance and Administration – Local Government Division and is not intended to be and should not be used by anyone other than these specified parties.

Marcus, Fairall, Bristol + Co LLP

Marcus, Fairall, Bristol + Co., LLP

May 25, 2009, except for finding 08-02 as to which the date is November 10, 2010.
El Paso, Texas



MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.

AUDITORS' REPORT ON COMPLIANCE WITH
SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR HUD PROGRAMS

To Mr. Hector Balderas,
New Mexico State Auditor, and
The Members of,
Cimmaron II Apartments Limited Partnership

We have audited Cimmaron II Apartments Limited Partnership's compliance with the specific program requirements governing federal financial reports; mortgage status; the replacement reserve; distributions to members; tenant application, eligibility, and recertification; and management functions, cash receipts and disbursements, unauthorized loans of project funds, and excess income that are applicable to each major HUD-assisted program for the year ended December 31, 2008. Compliance with those requirements is the responsibility of the management of Cimmaron II Apartments Limited Partnership. Our responsibility is to express an opinion on Cimmaron II Apartments Limited Partnership's compliance with those requirements 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 the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide"), issued by the U.S. Department of Housing and Urban Development, Office of Inspector General. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on a major HUD-assisted program occurred. An audit includes examining, on a test basis, evidence about Cimmaron II Apartments Limited Partnership's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cimmaron II Apartments Limited Partnership's compliance with those requirements.

The results of our audit procedures disclosed no instances of other matters that are required to be reported under *Government Auditing Standards* as of our dated report of May 25, 2009.

The matter of a major purchase of a 24-unit multi-family complex was discovered subsequent to this date. The purchase was material. Government Auditing Standards require that previously issued financial statements be restated and re-issued to make the appropriate disclosure of the newly discovered facts and their impact on the financial statements.

In our opinion, Cimmaron II Apartments Limited Partnership complied, in all material respects, with the requirements described above that are applicable to each of its major HUD-assisted programs for the year ended December 31, 2008.

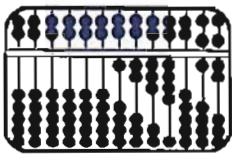
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This report is intended solely for the information and the use of the partners, management, the U.S. Department of Housing and Urban Development, City of Las Cruces, Office of the State Auditor, and the New Mexico Department of Finance and Administration – Local Government Division and is not intended to be and should not be used by anyone other than these specified parties.

Marcus, Fairall, Bristol + Co. - LLP

Marcus, Fairall, Bristol + Co., LLP

May 25, 2009, except for paragraph 4 above as to which the date is November 10, 2010
El Paso, Texas



MARCUS,
FAIRALL,
BRISTOL + CO., L.L.P.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC
REQUIREMENTS APPLICABLE TO FAIR HOUSING AND NON-DISCRIMINATION**

To Mr. Hector Balderas,
New Mexico State Auditor, and
The Members of,
Cimmaron II Apartments Limited Partnership

We have applied procedures to test Cimmaron II Apartments Limited Partnership's compliance with the Fair Housing and Non-Discrimination requirements applicable to its HUD-assisted programs, for the year ended December 31, 2008.

Our procedures were limited to the applicable compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide"), issued by the U.S. Department of Housing and Urban Development, Office of Inspector General. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Cimmaron II Apartments Limited Partnership's compliance with the Fair Housing and Non-Discrimination requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under the Guide.

This report is intended solely for the information and the use of the partners, management, the U.S. Department of Housing and Urban Development, City of Las Cruces, Office of the State Auditor, and the New Mexico Department of Finance and Administration – Local Government Division and is not intended to be and should not be used by anyone other than these specified parties.

Marcus, Fairall, Bristol + Co. LLP

Marcus, Fairall, Bristol + Co., LLP

May 25, 2009
El Paso, Texas

A Firm of Certified Public Accountants
6090 Surety Drive, Suite 100 • El Paso, TX 79905 • (915) 775-1040
Facsimile:(915) 775-1849

Audit Findings

Cimmaron II Apartments Limited Partnership
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2008

Finding 08-01 Completion of Audit Report

Condition

The audit report was not completed and forwarded to the New Mexico State Auditor in a timely manner. The report was delivered on June 15, 2009.

Criteria

As per SAO 2.2.2.9, A (4), the New Mexico State Audit contract calls for this audit report to be delivered by May 1, 2009.

Cause

Additional time was needed by the auditor to assemble the necessary financial information.

Effect

Violation of the State Auditor's Rule. Audited financial information is not available for the management to use and distribute as necessary.

Recommendation

The management, along with the auditor, must implement procedures that would produce a timely audit.

Response

The Finance Officer shall be monitored on a monthly basis as per the reports and reconciliations. The fee accountant shall work diligently with the Finance Officer.

Finding 08-02 Failure to Record Major Purchase

Condition

Investment in a 24-unit multi-family unit was not included in financial statements.

Criteria

The financial statements were misstated by not including the investment in the apartment complex.

Cause

A control deficiency existed in the operation that allowed management or employees in the course of performing their assigned function to prevent on a timely basis a misstatement of assets and liabilities of the financial statements.

Effect

The assets and liabilities were misstated \$675,000. The net results of the operation of the facility were omitted.

Recommendation

The internal control process be corrected to ensure that all major transactions are accounted for on a timely basis.

Response

Every effort will be made to ensure that a situation as this, does not occur in the future.

**Cimmaron II Apartments Limited Partnership
AUDITORS' COMMENTS ON AUDIT RESOLUTION
MATTERS RELATING TO HUD PROGRAMS
Year Ended December 31, 2008**

No matters were reported for the year ended December 31, 2007.

Cimmaron II Apartments Limited Partnership

PARTNER'S CERTIFICATION

December 31, 2008

We hereby certify that we have examined the accompanying financial statements and supplemental information of Cimmaron II Apartments Limited Partnership at December 31, 2008, and to the best of our knowledge and belief, the same are complete and accurate.

Date 6-29-09

By Thomas G. Hassell

Thomas G. Hassell
Executive Director
Housing Authority of the City of Las Cruces
(Sole Member of Cimmaron Apartments, LLC)

Cimmaron Apartments, LLC
Federal ID No. 26-1797749

Cimmaron II Apartments Limited Partnership

MANAGEMENT AGENT'S CERTIFICATION

December 31, 2008

We hereby certify that we have examined the accompanying financial statements and supplemental information of Cimmaron II Apartments Limited Partnership at December 31, 2008, and to the best of our knowledge and belief, the same are complete and accurate.

Date 6-28-2009

By E. Fishburn

Eric Fishburn
Management Agent
JL Gray Company
1816 East Mojave Street
Farmington, NM 87401
Federal I.D. No. 85-0327246

Cimmaron II Apartments Limited Partnership

INFORMATION ON AUDITOR

December 31, 2008

The FOLLOWING information regarding the lead auditor is submitted pursuant to paragraph 2-2 of Handbook IG 2000.04 REV 1, *Consolidated Audit Guide for Audits of HUD Programs*, issued by the U.S. Department of Housing and Urban Development, Office of Inspector General.

1. Lead Auditor – Name and Licensing

Jack W. Fairall
State of Texas License No., 12840
State of New Mexico License No. 3777
(Sole Member of Cimmaron Apartments, LLC)

2. Lead Auditor Office Address and I.D. Number

Marcus, Fairall, Bristol + Co., L.L.P.
6090 Surety Drive, Suite 100
El Paso, Texas 79905
Phone 915-775-1040
Federal I.D. No. 74-2708778

Cimmaron II Apartments Limited Partnership

**EXIT CONFERENCE
Year Ended December 31, 2008**

EXIT CONFERENCE

An exit conference was held on May 25, 2009, which was attended by the following:

Housing Authority Administration

Sharon Hansen Accountant

Marcus, Fairall, Bristol + Co., LLP

Jack Fairall Partner

Management Agent

Bobby Griffith CFO

Preparation of Financial Statements

The financial statements presented in this report were compiled by the auditors, Marcus, Fairall, Bristol + Co., L.L.P. However, the contents of the financial statements remain the responsibility of management.