

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2008



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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.

OFFICIAL ROSTER
June 30, 2008

<u>Name</u>		<u>Title</u>
	<u><i>Board of Commissioners</i></u>	
Robert Telles		Chairman
Rev. George Morgan, Sr.		Vice-Chairman
Zeke Martinez		Member
Kenneth Chretien		Member
Betty Jane Williams		Member
	<u><i>Agency Officials</i></u>	
Charlotte Molette		Executive Director

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STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
Year Ended June 30, 2008

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FINANCIAL SECTION



Accounting & Consulting Group, LLP

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Board of Commissioners
Clovis Housing and Redevelopment Agency, Inc.
Clovis, New Mexico

We have audited the accompanying financial statements of the business-type activities of Clovis Housing and Redevelopment Agency, Inc. (the Agency) a component unit of the City of Clovis, New Mexico, as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison statements presented as supplementary information in the accompanying financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we express no such opinion. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the Agency, as of June 30, 2008, and the respective changes in financial position and cash flows and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the financial statements, the 2008 financial statements have been restated to correct a misstatement.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008 on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Certified Public Accountants

2700 San Pedro Northeast [87110-333] – P.O. Box 3130, Albuquerque, New Mexico 87190-3130
866.307.2727 – 505.883.2727 – Fax 505.884.6719 – albuquerque.office@acgnm.com – www.acgnm.com

Alamogordo – Albuquerque – Carlsbad – Clovis – Hobbs – Lubbock

The management's discussion and analysis on pages 6 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 opinions on the basic financial statements, and the combining and individual fund financial statements. The accompanying financial information listed as supporting Schedules I and II in the table of contents, Schedule III, the Financial Data Schedule as required by the U.S. Department of Housing and Urban Development, and Schedule IV, the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. 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.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP

Albuquerque, New Mexico

November 21, 2008, except for Note 14, as to which the date is June 3, 2009

CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC. Management's Discussion and Analysis

As management of the Clovis Housing and Redevelopment Agency, Inc., a component unit to City of Clovis, New Mexico, we offer the readers of the Clovis Housing and Redevelopment Agency, Inc.'s financial statements this narrative overview and analysis of the financial activities of the Clovis Housing and Redevelopment Agency, Inc. for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements of the Clovis Housing and Redevelopment Agency, Inc. and additional information provided. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the Clovis Housing and Redevelopment Agency, Inc. exceeded its liabilities at the close of the most recent fiscal year by \$2,635 (*net assets*). Of this amount, \$1,022 (*unrestricted net assets*) may be used to meet the Agency's ongoing obligations to residents and creditors.
- The Agency's total net assets increased by \$370. Of this amount, \$140 or 38% of the increase was attributable to Low-Rent Public Housing activities with \$230 or 62% provided by Housing Choice Vouchers Section 8 assistance activities.
- As the end of the current year fiscal year, unrestricted net assets for the Low-Rent Public Housing fund were \$285 or 34% of the total Low-Rent Public Housing fund operating expenses.

Overview of the Financial Statements

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

Proprietary funds. The Clovis Housing and Redevelopment Agency, Inc. maintain four proprietary enterprise funds to account for its Low-Rent Public Housing and Housing Choice Vouchers Section 8 rental assistance programs. The proprietary fund financial statements provide separate information for the Low-Rent Public Housing, and the Housing Choice Vouchers Section 8 rental assistance programs, both of which are considered major funds of the Clovis Housing and Redevelopment Agency, Inc. The Resident Opportunity and Supportive Services federal program provides grant money to the Housing Authority to administer the Home Ownership program and these monies are accounted for within the Low Rent Public Housing fund. Capital projects grant monies and capital assets are transferred into the Low Rent fund as grant amounts are expended and grant years are closed out.

Individual proprietary fund financial statements can be found at exhibits A through C of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 19-30 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Clovis Housing and Redevelopment Agency, Inc., assets exceeded liabilities by \$2,635 at the close of the most recent fiscal year.

By far the largest portion of the Clovis Housing and Redevelopment Agency, Inc.'s net assets (61.2 percent) reflect its investment in capital assets (e.g., land, buildings, and dwelling and administrative equipment), less any related debt used to acquire those assets that is still outstanding. The Clovis Housing and Redevelopment Agency, Inc. use these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the Clovis Housing and Redevelopment Agency, Inc.'s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis

Government-wide Financial Analysis (continued)

Condensed Balance Sheet
(In thousands)

	Total	
	June 30, 2008	June 30, 2007
Assets		
Current and other assets	\$ 1,111	\$ 748
Restricted assets	46	43
Capital assets, net of accumulated depreciation	1,613	1,602
<i>Total assets</i>	<u>\$ 2,770</u>	<u>\$ 2,393</u>
Liabilities and Net Assets		
Current liabilities (payable from current assets)	\$ 84	\$ 77
Current liabilities (payable from restricted assets)	46	44
Noncurrent liabilities	5	7
<i>Total liabilities</i>	<u>135</u>	<u>128</u>
Invested in capital assets	1,613	1,602
Unrestricted	1,022	663
<i>Net assets</i>	<u>2,635</u>	<u>2,265</u>
<i>Total liabilities and net assets</i>	<u>\$ 2,770</u>	<u>\$ 2,393</u>

The remaining balance of *unrestricted net assets* (\$1022) may be used to meet the Agency's ongoing obligations to residents and creditors.

At the end of the current fiscal year, the Clovis Housing and Redevelopment Agency, Inc. is able to report positive balances in both categories of net assets, both for the government as a whole as well as for its individual enterprise activities. The same situation held true for the prior fiscal year.

There was an increase of \$359 (54 percent) in unrestricted net assets reported by the Clovis Housing and Redevelopment Agency, Inc. as compared to the prior year.

There was an increase of \$11 in invested in capital assets, net of debt, reported in connection with the Clovis Housing and Redevelopment Agency, Inc.'s enterprise fund activities. The majority of this increase is attributable to ongoing utilization of Capital Fund appropriations provided by HUD to renovate dwelling and nondwelling structures and certain electrical/mechanical building systems.

The Agency's net assets increased by \$370 during the current fiscal year. This increase represents in the major part the difference between HUD's increase in funding to the Section 8 program while the housing assistance payments to landlords has not increased proportionally due to the lack of eligible tenants in the area.

CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis

Government-wide Financial Analysis (continued)

Enterprise activities. Key elements of enterprise activities are as follows:

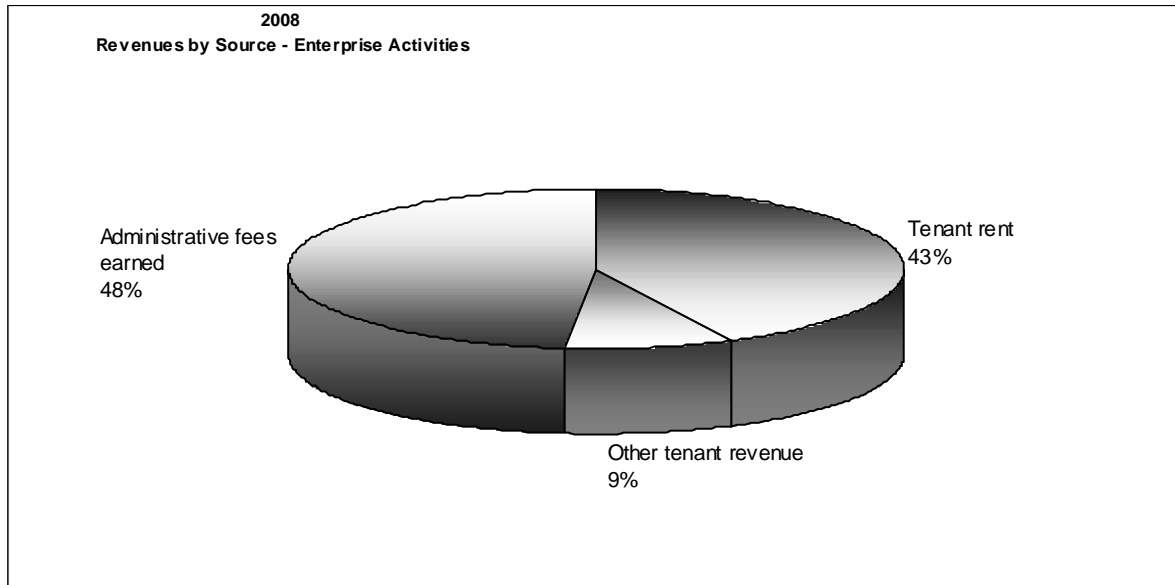
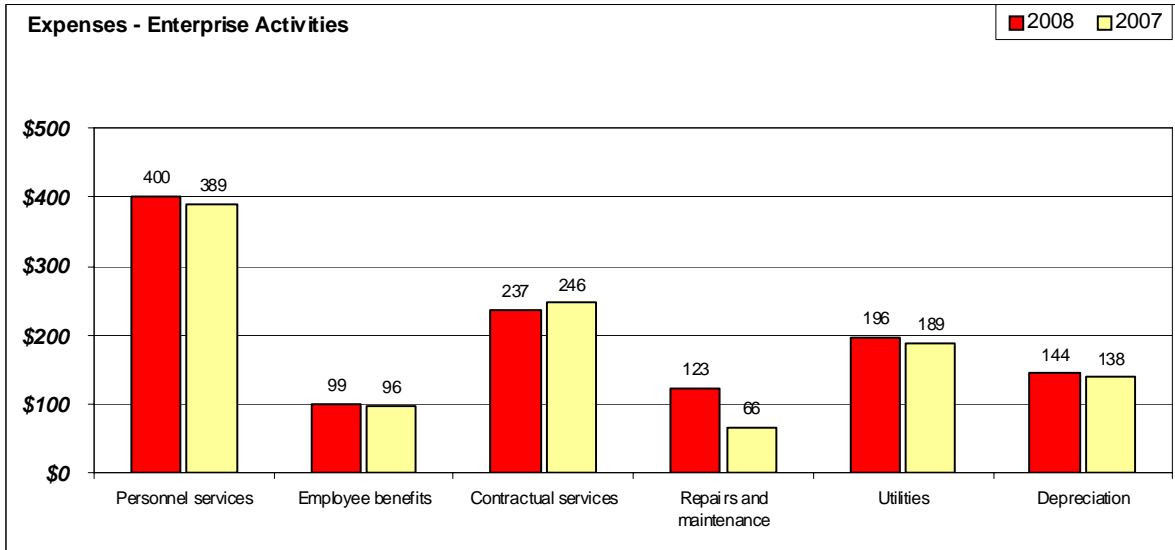
Condensed Statement of Activities
(In thousands)

	Total	
	June 30, 2008	June 30, 2007
Operating revenues:		
Tenant rent	\$ 297	\$ 276
Other tenant revenue	61	94
Administrative fees earned	<u>336</u>	<u>318</u>
<i>Total operating revenues</i>	<u>694</u>	<u>688</u>
Operating expenses:		
Personnel services	400	389
Employee benefits	99	96
Contractual services	237	246
Repairs and maintenance	123	66
Utilities	196	189
Depreciation	<u>144</u>	<u>138</u>
<i>Total operating expenses</i>	<u>1,199</u>	<u>1,124</u>
Operating (loss)	<u>(505)</u>	<u>(436)</u>
Non-operating revenues (expenses):		
Intergovernmental HUD	2,523	1,940
Housing assistance payments	(1,688)	(1,697)
Other non-operating revenue	<u>40</u>	<u>(16)</u>
<i>Total non-operating revenues</i>	<u>875</u>	<u>227</u>
Income (loss) before capital contributions and transfers	370	(209)
Intergovernmental capital contributions	<u>-</u>	<u>121</u>
Change in net assets	370	(88)
Net assets, beginning of year	<u>2,265</u>	<u>2,353</u>
Net assets, end of year	<u>\$ 2,635</u>	<u>\$ 2,265</u>

- Total operating revenues increased \$6 (.872 percent) during the year. Most of this increase is the increase in tenant rent and administrative fees earned.
- Capital Fund grant awards increased \$113 (93 percent) over the prior year. The grant awards furnished resources to support ongoing Low Rent Public Housing property renovations.

CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis

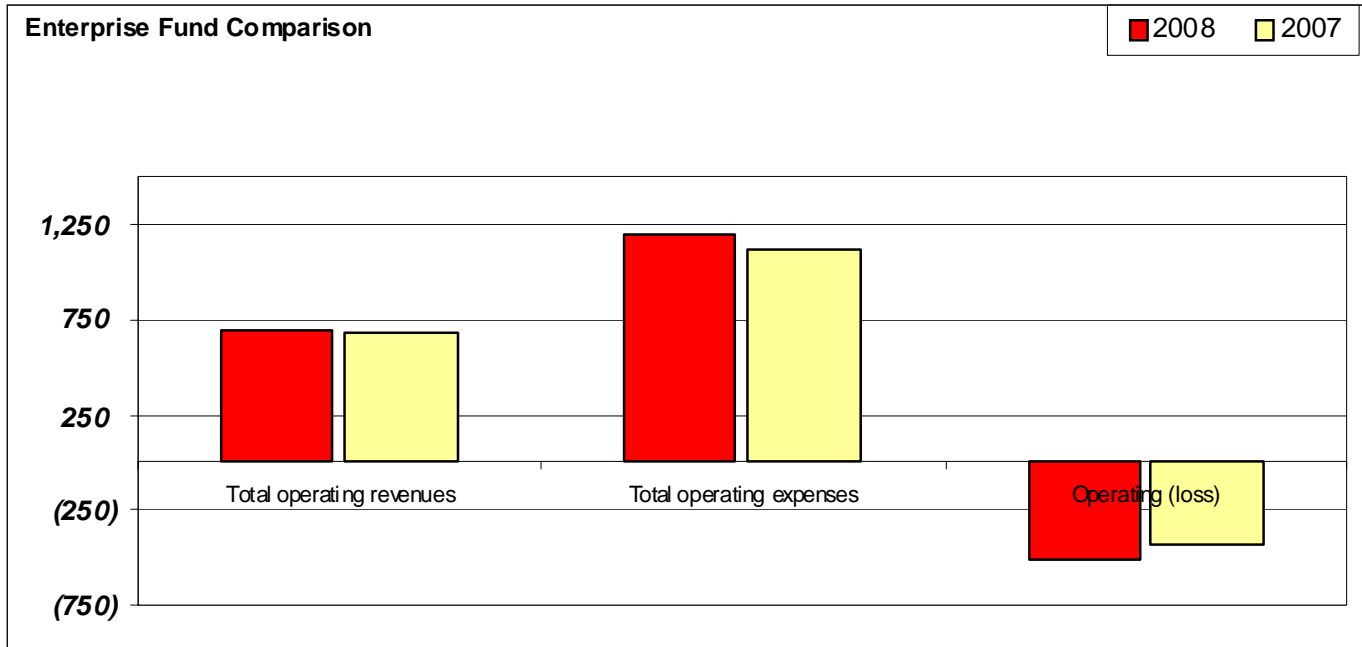
Government-wide Financial Analysis (continued)



**CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis**

Government-wide Financial Analysis (continued)

Increases in several categories of operating expenses reflect the increases in ongoing residential tenant operations and maintenance. Operating expenses overall increased \$75 (6.6 percent) from the prior year to \$1,199. The majority of this increase occurred in the Clovis Housing and Redevelopment Agency, Inc. repairs and maintenance.



Budgetary Highlights

The original budget for the Agency's Low-Rent Public Housing and Housing Choice Vouchers Section 8 funds was amended in the current fiscal year. During the year, however, Low-Rent Public Housing's operating revenues exceeded budgetary expectations by \$56 and Housing Choice Vouchers Section 8 operating revenues exceeded budgetary expectations by \$34. Cost savings were incurred in the Low-Rent Public Housing program creating a favorable budgetary variation of \$11. Unanticipated expenses caused the Housing Choice Vouchers Section 8 program to have an unfavorable budgetary variation of \$9.

Capital Asset and Debt Administration

Capital assets. The Clovis Housing and Redevelopment Agency, Inc.'s investment in capital assets for its business type activities as of June 30, 2008, amounts to \$1,613 (net of accumulated depreciation). This investment in capital assets included land, land improvements, buildings, equipment and furnishings. The total increase in the Clovis Housing and Redevelopment Agency, Inc.'s investment in capital assets for the current fiscal year was .75 percent.

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

- Ongoing tenant dwelling equipment replacements were completed with new equipment and related structural improvements and administrative equipment for both programs totaling \$156 were placed in service during the current fiscal year.

CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis

Capital Asset and Debt Administration (continued)

Clovis Housing and Redevelopment Agency, Inc.'s Capital Assets
(Net of depreciation)

	Total	
	June 30, 2008	June 30, 2007
Land	\$ 179	\$ 179
Land improvements	252	240
Buildings and improvements	1,050	1,008
Dwelling equipment	20	37
Non-dwelling equipment	112	138
	<u>\$ 1,613</u>	<u>\$ 1,602</u>

Additional information on Clovis Housing and Redevelopment Agency, Inc.'s capital assets can be found on page 28 of this report.

Long-term debt.

At the end of the current fiscal year, Clovis Housing and Redevelopment Agency, Inc. had noncurrent compensated absences outstanding in the amount of \$5.

Economic Factors

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

Requests for Information

This financial report is designed to provide a general overview of Clovis Housing and Redevelopment Agency, Inc.'s finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, 2101 W. Grand Street, Clovis, NM, 88102-8102.

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2008

ASSETS	Low Rent Public Housing	Public Housing Capital Fund	Housing Choice Vouchers Section 8
Current assets:			
Cash	\$ 258,810	\$ -	\$ 491,413
Tenant receivable	2,929	-	-
Miscellaneous receivable	7,390	-	3,738
Interprogram receivable	20,864	-	-
Inventory	9,928	-	-
Prepaid expenses	<u>37,082</u>	<u>-</u>	<u>3,986</u>
<i>Total current assets</i>	337,003	-	499,137
Restricted assets:			
Cash	16,174	-	304,704
Capital assets:			
Land, structures and equipment, net	<u>1,422,151</u>	<u>170,461</u>	<u>20,814</u>
<i>Total assets</i>	<u>\$ 1,775,328</u>	<u>\$ 170,461</u>	<u>\$ 824,655</u>
 LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 31,689	\$ -	\$ 1,577
Accrued payroll	17,994	-	12,048
Tenant security and financial self-sufficiency deposits (<i>payable from restricted assets</i>)	16,174	-	29,711
Interprogram payable	<u>-</u>	<u>-</u>	<u>20,864</u>
<i>Total current liabilities</i>	<u>65,857</u>	<u>-</u>	<u>64,200</u>
Noncurrent liabilities:			
Compensated absences	<u>2,747</u>	<u>-</u>	<u>2,694</u>
<i>Total noncurrent liabilities</i>	<u>2,747</u>	<u>-</u>	<u>2,694</u>
<i>Total liabilities</i>	<u>68,604</u>	<u>-</u>	<u>66,894</u>
Net assets:			
Invested in capital assets	1,422,151	170,461	20,814
Restricted	-	-	304,704
Unrestricted	<u>284,573</u>	<u>-</u>	<u>432,243</u>
<i>Total net assets</i>	<u>1,706,724</u>	<u>170,461</u>	<u>757,761</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,775,328</u>	<u>\$ 170,461</u>	<u>\$ 824,655</u>

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

<u>Resident Opportunity Supp. Serv.</u>	<u>Total June 30, 2008</u>
\$ -	\$ 750,223
-	2,929
-	11,128
-	20,864
-	9,928
-	<u>41,068</u>
-	836,140
-	320,878
-	<u>1,613,426</u>
<u>\$ -</u>	<u>\$ 2,770,444</u>
\$ -	\$ 33,266
-	30,042
-	45,885
-	<u>20,864</u>
-	<u>130,057</u>
-	<u>5,441</u>
-	<u>5,441</u>
-	<u>135,498</u>
-	1,613,426
-	304,704
-	<u>716,816</u>
-	<u>2,634,946</u>
<u>\$ -</u>	<u>\$ 2,770,444</u>

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS
Year Ended June 30, 2008

	Low Rent Public Housing	Public Housing Capital Fund	Housing Choice Vouchers Section 8
Operating revenues:			
Tenant rent	\$ 296,919	\$ -	\$ -
Administrative fees earned	-	-	336,078
Other operating revenue	37,684	-	23,146
<i>Total operating revenues</i>	<u>334,603</u>	<u>-</u>	<u>359,224</u>
Operating expenses:			
Personnel services	195,663	-	204,283
Employee benefits	61,338	-	37,909
Contractual services	162,092	-	75,127
Utilities	196,152	-	-
Repairs and maintenance	106,140	-	16,631
Depreciation	128,023	-	15,948
<i>Total operating expenses</i>	<u>849,408</u>	<u>-</u>	<u>349,898</u>
Operating (loss) income	<u>(514,805)</u>	<u>-</u>	<u>9,326</u>
Non-operating revenues (expenses):			
Intergovernmental HUD	347,627	233,489	1,901,457
Housing assistance payments	-	-	(1,687,830)
Loss on sale of assets	(164)	-	-
Insurance recovery	33,903	-	6,510
Interest income	59	-	-
<i>Total non-operating revenues (expenses)</i>	<u>381,425</u>	<u>233,489</u>	<u>220,137</u>
(Loss) income before capital contributions and transfers	<u>(133,380)</u>	<u>233,489</u>	<u>229,463</u>
Intergovernmental capital contributions and transfers	103,024	(63,028)	-
Change in net assets	<u>(30,356)</u>	<u>170,461</u>	<u>229,463</u>
Net assets - beginning of year	1,650,292	86,788	527,766
Net assets - restatement	-	-	532
Residual equity transfer	86,788	(86,788)	-
Net assets - beginning as restated	<u>1,737,080</u>	<u>-</u>	<u>528,298</u>
Net assets - end of year	<u>\$ 1,706,724</u>	<u>\$ 170,461</u>	<u>\$ 757,761</u>

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

Resident Opportunity Supp. Serv.	Total
\$ -	\$ 296,919
-	336,078
-	60,830
-	693,827
-	399,946
-	99,247
-	237,219
-	196,152
-	122,771
-	143,971
-	1,199,306
-	(505,479)
39,996	2,522,569
-	(1,687,830)
-	(164)
-	40,413
-	59
39,996	875,047
39,996	369,568
(39,996)	-
-	369,568
-	2,264,846
-	532
-	-
-	2,265,378
\$ -	\$ 2,634,946

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2008

	Low Rent Public Housing	Public Housing Capital Fund	Housing Choice Vouchers Section 8
Cash flows from operating activities:			
Receipts from tenants and other fees	\$ 328,599	\$ -	\$ 354,993
Payments to vendors	(475,826)	-	(88,328)
Payments to and on behalf of employees	(257,973)	-	(243,855)
<i>Net cash provided (used) by operating activities</i>	(405,200)	-	22,810
Cash flows from noncapital and related financing activities:			
Intergovernmental HUD subsidy	347,627	-	1,901,457
Housing assistance payments	-	-	(1,687,831)
Adjustment to capital for prior year Hap payment	-	-	532
Transfers	273,485	(233,489)	-
Insurance recovery	33,903	-	6,510
Advances to other funds	(372,807)	-	20,864
<i>Net cash provided (used) by noncapital and related financing activities</i>	282,208	(233,489)	241,532
Cash flows from capital and related financing activities:			
Proceeds from capital grants	351,943	233,489	-
Purchase of capital assets	(149,104)	-	(6,662)
<i>Net cash provided (used) by capital and related financing activities</i>	202,839	233,489	(6,662)
Cash flows from investing activities:			
Interest income	59	-	-
<i>Net cash provided by investing activities</i>	59	-	-
Net increase (decrease) in cash	79,906	-	257,680
Restricted and unrestricted cash - beginning of year	195,078	-	538,437
Restricted and unrestricted cash - end of year	\$ 274,984	\$ -	\$ 796,117
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (514,805)	\$ -	\$ 9,326
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	128,023	-	15,948
<i>(Increase) decrease in:</i>			
Accounts receivable	(8,448)	-	(3,605)
Inventory	3,451	-	-
Prepaid expenses	(832)	-	2,552
<i>Increase (decrease) in:</i>			
Accounts payable	(14,061)	-	878
Accrued payroll	956	-	(1,697)
Compensated absences	(1,928)	-	34
Tenant liabilities	2,444	-	(626)
	\$ (405,200)	\$ -	\$ 22,810

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

<u>Resident Opportunity Supp. Serv.</u>	<u>Total June 30, 2008</u>
\$ -	\$ 683,592
-	(564,154)
-	(501,828)
<u>-</u>	<u>(382,390)</u>
39,996	2,289,080
-	(1,687,831)
-	532
(39,996)	-
-	40,413
-	(351,943)
<u>-</u>	<u>290,251</u>
-	585,432
-	(155,766)
<u>-</u>	<u>429,666</u>
-	59
-	59
-	337,586
-	733,515
<u>\$ -</u>	<u>\$ 1,071,101</u>
\$ -	\$ (505,479)
-	143,971
-	(12,053)
-	3,451
-	1,720
-	(13,183)
-	(741)
-	(1,894)
-	1,818
<u>\$ -</u>	<u>\$ (382,390)</u>

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STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

NOTE 1. Summary of Significant Accounting Policies

The Housing Authority of the City of Clovis was organized August 8, 1939. The Cooperative Agreement between the City of Clovis and the Housing Authority was entered into August 7, 1941. The Housing Authority was incorporated as a New Mexico non-profit corporation in September of 1992. On January 29, 1994 the name was changed to Clovis Housing and Redevelopment Agency, Inc. (the Agency). In May of 1995 the Agency was granted an organization exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code. The Agency has an elected Chairman, a four member council and a secretary. The Agency manages two (2) lower rent public housing developments containing 132 total units and administers Housing and Urban Development's (HUD) Housing Choice Vouchers Section 8 housing assistance program.

The Agency administers the following federal award programs reported in the following proprietary funds.

- Low-Rent Public Housing – Funded through direct grants from HUD, the program is designed to provide adequate living accommodations to qualified families through reduced rate rentals built and owned by the Agency.
- Housing Choice Vouchers Section 8 Housing Assistance – These programs, funded through direct grants from HUD, provide rental assistance to qualified recipients through rent subsidies paid directly to third-party property owners.
- Capital Funds Projects – Funded on a reimbursement basis by HUD, the program funds may be used for the development, financing and modernization of public housing developments and for management improvements.
- Resident Opportunity and Supportive Services - Funded by HUD, the program funds are used to address the needs of public housing residents by providing supportive services, resident empowerment activities and/or assisting residents in becoming economically self-sufficient.

The more significant accounting policies and procedures of the Agency are more fully described below.

A. Financial Reporting Entity

In evaluating how to define the Agency, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB-14. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Agency has no component units; however, it is a component unit of the City of Clovis, New Mexico.

B. Basis of Accounting and Financial Statement Presentation

The Agency's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as set forth or adopted by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB), and their predecessors, the National Council on Governmental Accounting (NCGA) and the Accounting Principles Board (APB), respectively. Generally accepted accounting principles for local governments include those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units.

All activities of the Agency are accounted for within proprietary (enterprise) funds. Proprietary funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All of the Agency's funds meet the requirements for being reported as major funds under GASB 34.

GASB Statement No. 20 requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The Agency has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

The accounting and financial reporting treatment applied to the Agency is determined by its measurement focus. The Agency's proprietary (enterprise) funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless

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NOTE 1. Summary of Significant Accounting Policies (continued)

B. Basis of Accounting and Financial Statement Presentation (continued)

of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components.

C. Assets, Liabilities, Net Assets, Revenues and Expenses

Cash and Cash Equivalents

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

All money not immediately necessary for the public uses of the Agency may be invested in:

- a. bonds or negotiable securities of the United States, the State or any county, municipality, school, or agency which has taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bond maturities at any time within the preceding five years; or
- b. securities that are issued by the United States Government or by its agencies or instrumentalities that are either direct obligations of the United States or are backed by the full faith and credit of the United States Governments or agencies guaranteed by the United States Government; and
- c. contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices as a price differential representing the interest income to be earned by the investor. The contract shall be on the books of the financial institution as being the property of the investor and designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The contract required for investment in the contracts provided for in the subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. State statutes authorize the investment of Agency funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations.

Pursuant to Section 6-10-10.1 NMSA 1978, as amended, if the Agency is unable to receive payment on a public money at the rate of interest as set forth in Section 6-10-36 NMSA 1978 from financial institutions within the geographic boundaries of the governmental unit, then a local public finance official having money of that local public body in custody not required for expenditure within thirty days or less

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Year Ended June 30, 2008

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Net Assets, Revenues and Expenses (continued)

Cash and Cash Equivalents (continued)

may, with the consent of the appropriate local board of finance, if any, remit some or all of such money to the state treasurer, banks, savings and loan associations or credit unions for deposit for the purpose of short-term investment as allowed by law.

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

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of balances on deposit in excess of FDIC insurance with any one institution must be collateralized. If the securities pledged are United States government securities, they are pledged at market value, if they are New Mexico municipal bonds, they are pledged at par value.

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements. The Low Rent Public Funding maintained a interfund receivable at year end in the amount of \$20,864 from the Section 8 Fund. This amount is expected to repaid within one year.

All receivables, including tenant receivables, are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

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CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
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Year Ended June 30, 2008

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Net Assets, Revenues and Expenses (continued)

Inventories and Prepaid Items

Inventories are recorded at the lower of cost or market on a FIFO basis, and consist of operating supplies held for use in operations and are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors for items that include insurance reflect costs applicable to future accounting periods and are recorded as prepaid items in the Agency's financial statements.

Restricted Assets

Certain resources set aside in escrow for HUD's Family Self Sufficiency Program and tenant security deposits held as insurance against the non-payment for services rendered, are classified on the balance sheet as restricted because their use is limited.

Capital Assets

Capital assets, which include property, plant, and equipment, are defined by the Agency as assets with an initial, individual cost of more than \$5000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included in the financial statements. However, infrastructure assets have not been included in the June 30, 2008, financial statements of Clovis Housing and Redevelopment Agency, Inc., since the Agency did not own any infrastructure assets as of June 30, 2008. Donated capital assets are recorded at estimated fair value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the Agency are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	40
Buildings and system	40
Machinery and equipment	5-10
Computers and software	3-5
Vehicles	5

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NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Net Assets, Revenues and Expenses (continued)

Accrued Expenses

Accrued expenses are comprised of accrued salaries, wages, related employment taxes and current maturities of compensated absences, discussed more fully below.

Compensated Absences

Agency employees are entitled to certain compensated absences based on their employment classification and length of employment. With minor exceptions, the Agency employees accumulate unlimited sick leave, although amounts are not eligible for payment upon termination. Earned vacation, up to the amount the employee accrued each year, is allowed to be carried over from one calendar year to the next. Upon termination, employees shall receive payment for unused, accrued vacation. All vacation pay is accrued when incurred and reported as accrued expenses in the financial statements.

Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets: debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net assets consist of all other net assets not included in the above categories. The Agency has restated beginning net assets in the amount \$532 for a prior period HAP payment.

Unrestricted and Restricted Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants for services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the proprietary funds are charges to housing residents for rental charges and services, although operating subsidies provided by HUD comprise a substantial degree of assistance. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

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Year Ended June 30, 2008

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Net Assets, Revenues and Expenses (continued)

Allocation of Expenses

For purposes of the statement of revenues, expenses and changes in net assets, compensation is allocated based on time, with related employment taxes and benefits allocation based on direct salaries and wages.

Statement of Cash Flows

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the Agency's financial statements are the estimated useful lives of capital assets.

NOTE 2. Stewardship, Compliance and Accountability

A. Budgetary Information

The Executive Director annually obtains from HUD approved operating budgets for the fiscal year commencing the following July 1. The Agency's Commission is required to obtain approval from HUD for any revisions that alter the total expenditures, the legal level of budgetary control, of any grant programs. HUD program budgets are prepared on a regulatory basis which is comparable to the GAAP financial presentation included in this report. Therefore, budgetary data for the Agency's programs are included as supplementary information.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2008, the Authority over expended the Section 8 appropriations by \$9,085. HUD prohibits expenditures in excess of total appropriation; therefore, over expended funds would represent violations of regulatory provisions.

C. Deficit Fund Equity/Beginning Net Assets

For the year ended June 30, 2008, there were no deficit equity balances in any of the funds under the Agency's management.

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NOTE 3. Deposits and Investments

State statutes authorize the investment of Agency funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Agency properly followed State investment requirements as of June 30, 2008.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Agency. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a deposit policy for custodial credit risk. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Agency for at least one half of the amount on deposit with the institution. As of June 30, 2008, \$870,983 of the Agency's bank balances was exposed to custodial credit risk as follows:

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Year Ended June 30, 2008

NOTE 3. Deposits and Investments (continued)

	<u>Bank of Clovis</u>	<u>Wells Fargo Bank</u>	<u>Total</u>
Total amount of deposits	\$ 300,087	\$ 770,896	\$ 1,070,983
FDIC coverage	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Total uninsured public funds	200,087	670,896	870,983
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the Agency's name	<u>197,114</u>	<u>670,896</u>	<u>868,010</u>
Uninsured and uncollateralized	<u>\$ 2,973</u>	<u>\$ -</u>	<u>\$ 2,973</u>
Collateral requirement (50% of uninsured public funds)	\$ 100,044	\$ 335,448	\$ 435,492
Pledged security	<u>197,114</u>	<u>979,986</u>	<u>1,177,100</u>
Over (under) collateralization	<u>\$ 97,071</u>	<u>\$ 644,538</u>	<u>\$ 741,609</u>

The collateral pledged is listed on Schedule II on this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico.

Reconciliation to the Statement of Net Assets

The carrying amount of deposits and investments shown above are included in the Agency's statement of net assets as follows:

Carrying amount	Deposits	\$ <u>1,071,101</u>
Included in the following statement of net assets captions	Cash	\$ 1,025,216
	Restricted cash	45,885
		<u>\$ 1,071,101</u>

NOTE 4. Interfund Transactions

The Low Rent Public Housing owns the administration building and received rent revenue from Section 8 in the amount of \$3,000 for the year ended June 30, 2008.

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NOTE 5. Capital Assets

Land, structures, equipment and furnishings capital asset activity for each fund consists of the following at June 30, 2008. Capital projects fund grant monies and capital assets are transferred into the Low Rent fund as grant amounts are expended and grant years are closed out:

	<u>Balance June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Low-Rent Public Housing				
<i>Capital assets not being depreciated:</i>				
Land	\$ 179,270	\$ -	\$ -	\$ 179,270
 <i>Capital assets being depreciated:</i>				
Land improvements	327,570	29,256	-	356,826
Buildings and improvements	5,267,027	80,070	-	5,347,097
Dwelling equipment	211,567	17,698	3,613	225,652
Nondwelling equipment	<u>218,754</u>	<u>22,078</u>	<u>-</u>	<u>240,832</u>
 <i>Total capital assets being depreciated</i>	 <u>6,024,918</u>	 <u>149,102</u>	 <u>3,613</u>	 <u>6,170,407</u>
 Less: accumulated depreciation for:				
Land improvements	87,218	17,648	-	104,866
Buildings and improvements	4,259,632	37,625	-	4,297,257
Dwelling equipment	174,367	34,213	3,450	205,130
Nondwelling equipment	<u>111,275</u>	<u>38,537</u>	<u>-</u>	<u>149,812</u>
 <i>Total accumulated depreciation</i>	 <u>4,632,492</u>	 <u>128,023</u>	 <u>3,450</u>	 <u>4,757,065</u>
 <i>Total capital assets being depreciated, net</i>	 <u>1,392,426</u>	 <u>21,079</u>	 <u>163</u>	 <u>1,413,342</u>
 <i>Total capital assets, net</i>	 <u>\$ 1,571,696</u>	 <u>\$ 21,079</u>	 <u>\$ 163</u>	 <u>\$ 1,592,612</u>
 Section 8 Vouchers				
<i>Capital assets being depreciated:</i>				
Nondwelling equipment	\$ 73,042	\$ 6,663	\$ -	\$ 79,705
 Less: accumulated depreciation for:				
Nondwelling equipment	<u>42,943</u>	<u>15,948</u>	<u>-</u>	<u>58,891</u>
 <i>Total capital assets being depreciated, net</i>	 <u>30,099</u>	 <u>(9,285)</u>	 <u>-</u>	 <u>20,814</u>
 <i>Total capital assets, net</i>	 <u>\$ 30,099</u>	 <u>\$ (9,285)</u>	 <u>\$ -</u>	 <u>\$ 20,814</u>

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NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

NOTE 6. Long-term Debt

The following summarizes changes in long-term debt during the year ended June 30, 2008:

	<u>Balance June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
<i>Compensated absences</i>					
Low-rent public housing	\$ 8,583	\$ 13,106	\$ 13,768	\$ 7,920	\$ 4,876
Section 8 vouchers	<u>6,833</u>	<u>11,140</u>	<u>12,403</u>	<u>5,570</u>	<u>3,172</u>
	<u>\$ 15,416</u>	<u>\$ 24,246</u>	<u>\$ 26,171</u>	<u>\$ 13,490</u>	<u>\$ 8,048</u>

Current maturities of compensated absences are reported as accrued expenses in the basic financial statements.

NOTE 7. PERA Pension Plan

Plan Description

All employees of the Agency who do not meet the criteria for exclusion participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

The Agency's plan members are covered under the Municipal Plan I. Under Plan I, members are required to contribute 7.0% of their gross salary. The Agency is required to contribute 7.0% of the gross covered salary. The contribution requirements of plan members and the Agency are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Agency's contributions to PERA for the years ended June 30, 2008, 2007, and 2006 were \$29,456, \$28,154, and \$27,168 equal to the amount of the required contributions for the years, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 8. Retiree Health Care Act

The Agency has not elected to participate in New Mexico Public Employee Health Care Act plan and there are no required contributions for fiscal year ending June 30, 2008.

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

NOTE 9. Commitments Under Contractual Agreements

The Agency had commitments at June 30, 2008 for two contracts for which no work had yet been performed as of the end of the fiscal year. These contracts were for replacement of cabinets in the total amount of \$30,990 and repair of roofs in the total amount of \$47,952.

NOTE 10. Concentrations

88% of the Agency's revenues are derived from grants from HUD. Reduction or interruption of these funds is not expected, however, if reduction or interruption of funding occurred it would have a material impact on the operations of the Agency.

NOTE 11. Risk Management

The Housing Insurance Authority provides coverage for all risks except for flood, earthquake, and boiler and machinery in the amount of \$9,777,000 for Agency owned building and improvements with a \$1,000 deductible per occurrence. General liability coverage is afforded to all employees and board members with a limit of \$1,000,000 in the aggregate and per occurrence. The automobile and property liability limit is a combined single limit of \$300,000 with a \$250 deductible. Omaha Property and Casualty provide coverage for flood with a separate \$1,000 deductible per occurrence. Ohio Casualty provides coverage for public employee dishonesty with \$100,000 per employee covered. Worker's Compensation insurance is purchased through New Mexico Mutual Casualty Company with a bodily injury by an accident or disease limit of \$100,000 per individual. Injury by disease has a limit of \$500,000 per policy.

NOTE 12. Contingent Liabilities

The Agency participates in a number of federal programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed due to noncompliance with grant program regulations, the Agency may be required to reimburse the grantor government. As of June 30, 2008, significant amounts of grant expenditures have not been audited by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be discovered in subsequent grantor audits may be disallowed by the grantor. Amounts of disallowed grant expenditures, if any, cannot be determined at this time. The Agency expects such amounts, if any, will not have a material effect on any of the individual funds or the overall financial position of the Agency.

NOTE 13. Subsequent Events

As of the year ended June 30, 2008 the Agency owed \$11,284 to the City of Clovis for payments in lieu of taxes (PILOT). On September 18, 2008 the City passed a resolution waiving the payment; therefore, the Agency adjusted this payable to zero as of the end of the fiscal year.

NOTE 14. Correction of an Error

Over the past two fiscal years, the Agency transferred \$471,024 of capital assets from the Public Housing Capital Fund to the Low Rent Public Housing Fund. In the current year, the agency maintained \$170,461 of capital assets in the Public Housing Capital Fund and the remainder have been correctly transferred out to the Low Rent Public Housing Fund.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
LOW RENT PUBLIC HOUSING
Year Ended June 30, 2008

Statement A-1

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Tenant rent	\$ 250,000	\$ 250,000	\$ 296,919	\$ 46,919
Other operating revenue	29,030	29,030	37,684	8,654
<i>Total revenues</i>	279,030	279,030	334,603	55,573
Expenses:				
Current:				
Personnel services	219,725	220,725	195,663	25,062
Employee benefits	60,000	67,800	61,338	6,462
Contractual services	122,470	123,870	162,092	(38,222)
Utilities	167,420	198,020	196,152	1,868
Repairs and maintenance	96,131	122,441	106,140	16,301
<i>Total expenses</i>	665,746	732,856	721,385	11,471
Operating income (loss)	(386,716)	(453,826)	(386,782)	67,044
Non-operating revenues (expenses):				
HUD operating subsidy	340,000	513,692	347,627	(166,065)
Transfers from other funds	-	-	376,216	376,216
Investment income	-	-	59	59
Insurance recovery	-	-	33,903	33,903
Loss on disposal of assets	-	-	(164)	(164)
<i>Total non-operating revenues (expenses)</i>	340,000	513,692	757,641	243,949
Change in net assets before GAAP adjustments	\$ (46,716)	\$ 59,866	370,859	\$ 310,993
(Expenses) not budgeted:				
Depreciation			(128,023)	
Change in net assets as reported in statement of revenues, expenses and changes in net assets			\$ 242,836	

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

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
PUBLIC HOUSING CAPITAL FUND
Year Ended June 30, 2008

Statement A-2

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Tenant rent	\$ -	\$ -	\$ -	\$ -
Other operating revenue	-	-	-	-
	-	-	-	-
<i>Total revenues</i>	-	-	-	-
Expenses:				
Current:				
Personnel services	-	-	-	-
Employee benefits	-	-	-	-
Contractual services	-	-	-	-
Utilities	-	-	-	-
Repairs and maintenance	-	-	-	-
	-	-	-	-
<i>Total expenses</i>	-	-	-	-
Operating income (loss)	-	-	-	-
Non-operating revenues (expenses):				
HUD grants	-	-	233,489	233,489
Transfer of capital grants to low rent fund	-	-	(336,220)	(336,220)
Investment income	-	-	-	-
Loss on disposal of assets	-	-	-	-
	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	-	-	(102,731)	(102,731)
Change in net assets before GAAP adjustments	\$ -	\$ -	(102,731)	\$ (102,731)
(Expenses) not budgeted:				
Depreciation			-	
Change in net assets as reported in statement of revenues, expenses and changes in net assets			\$ (102,731)	

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

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
HOUSING CHOICE VOUCHERS SECTION 8
Year Ended June 30, 2008

Statement A-3

	Budgeted Amounts			Variance with Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Administrative fees earned	\$ 322,000	\$ 322,000	\$ 336,078	\$ 14,078
Other operating revenue	3,000	3,000	23,146	20,146
<i>Total revenues</i>	325,000	325,000	359,224	34,224
Expenses:				
Current:				
Personnel services	205,625	205,625	204,283	1,342
Employee benefits	33,000	35,700	37,909	(2,209)
Contractual services	77,340	77,540	75,127	2,413
Repairs and maintenance	6,000	6,000	16,631	(10,631)
<i>Total expenses</i>	321,965	324,865	333,950	(9,085)
Operating income (loss)	3,035	135	25,274	25,139
Non-operating revenues (expenses):				
Intergovernmental HUD	-	-	1,901,457	1,901,457
Housing assistance payments	-	-	(1,687,830)	(1,687,830)
Insurance recovery	-	-	6,510	6,510
<i>Total non-operating revenues (expenses)</i>	-	-	220,137	220,137
Change in net assets before GAAP adjustments	\$ 3,035	\$ 135	245,411	\$ 245,276
(Expenses) not budgeted:				
Depreciation			(15,948)	
Change in net assets as reported in statement of revenues, expenses and changes in net assets			\$ 229,463	

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

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES
Year Ended June 30, 2008

Statement A-4

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Tenant rent	\$ -	\$ -	\$ -	\$ -
Other operating revenue	-	-	-	-
	-	-	-	-
<i>Total revenues</i>	-	-	-	-
Expenses:				
Current:				
Personnel services	-	-	-	-
Employee benefits	-	-	-	-
Contractual services	-	-	-	-
Utilities	-	-	-	-
Repairs and maintenance	-	-	-	-
	-	-	-	-
<i>Total expenses</i>	-	-	-	-
Operating income (loss)	-	-	-	-
Non-operating revenues (expenses):				
Intergovernmental HUD	-	-	39,996	39,996
Transfer of grants to low rent fund	-	-	(39,996)	(39,996)
Investment income	-	-	-	-
Loss on disposal of assets	-	-	-	-
	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	-	-	-	-
Change in net assets before GAAP adjustments	\$ -	\$ -	-	\$ -
(Expenses) not budgeted:				
Depreciation			-	
Change in net assets as reported in statement of revenues, expenses and changes in net assets			\$ -	

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

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
SCHEDULE OF DEPOSITS BY DEPOSITORY FOR PUBLIC FUNDS
June 30, 2008

Schedule I

<u>Name of Depository</u>	<u>Account Type</u>	<u>Bank Balance 6/30/08</u>	<u>Reconciling Items</u>	<u>Reconciled Balance 6/30/08</u>
<i><u>Bank of Clovis</u></i>				
Public Housing	Checking	\$ 246,363	\$ (756)	\$ 245,607
General Fund	Checking	3,534	(1,150)	2,384
Tenant Deposits	Checking	12,520	(293)	
Operating	Savings	4,998	911	5,909
FSS Escrow	Checking	32,671	988	33,659
<i><u>Wells Fargo Bank</u></i>				
Operating	Checking	762,386	4,020	766,406
Payroll	Checking	8,510	(3,751)	4,759
		<u>\$ 1,070,982</u>	<u>\$ (31)</u>	1,058,724
<i><u>Basic Financial Statement Reconciliation</u></i>				
Add: Cash on Hand				<u>150</u>
				<u>\$ 1,058,874</u>
<i><u>Total Agency Cash as of June 30, 2008</u></i>				
Cash				\$ 1,025,216
Restricted cash				45,885
				<u>\$ 1,071,101</u>

See independent auditor's report

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
June 30, 2008

Schedule II

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Name and Location of Safekeeper</u>	<u>Fair Market Value 6/30/08</u>
Bank of Clovis	GNMA #36225A5R7 Due - 9/15/2013	Plains Capital Bank Lubbock, TX	\$ 63,087
	FNMA #31371KWB3 Due 11/01/2012	Plains Capital Bank Lubbock, TX	<u>134,027</u>
			197,114
Wells Fargo Bank, NA	FNCL #3128MS7G9 Due - 6/1/2037	Wells Fargo California	297,643
	FNCL #31407HRFS Due - 2/1/2036	Wells Fargo California	231,028
	FNCL #31409CV69 Due - 5/1/2036	Wells Fargo California	358,687
	FNCL #31409CV69 Due - 2/1/2036	Wells Fargo California	<u>92,628</u>
			<u>979,986</u>
			<u>\$ 1,177,100</u>

See independent auditor's report

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
FINANCIAL DATA SCHEDULE
June 30, 2008

PHA: NM002

<u>Line Item No.</u>		<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund</u>	<u>Housing Choice Vouchers</u>
111	Cash - Unrestricted	\$ 258,810	\$ -	\$ 491,413
113	Cash - Restricted	-	-	274,993
114	Cash - Tenant security deposits	12,227	-	-
115	Cash - Restricted for payment of current liabilities	3,947	-	29,711
100	<i>Total cash</i>	<u>274,984</u>	<u>-</u>	<u>796,117</u>
125	Accounts receivable - miscellaneous	7,390	-	3,738
126	Accounts receivable - tenant	2,929	-	-
144	Interprogram due from	20,864	-	-
120	<i>Total receivables, net of allowance for doubtful accounts</i>	<u>31,183</u>	<u>-</u>	<u>3,738</u>
142	Prepaid expenses and other assets	37,082	-	3,986
143	Inventories	9,928	-	-
150	<i>Total current assets</i>	<u>353,177</u>	<u>-</u>	<u>803,841</u>
161	Land	179,270	-	-
162	Buildings	5,200,526	146,571	-
163	Furniture, equipment and machinery - dwelling	225,652	-	-
164	Furniture, equipment and machinery - administration	240,832	-	79,705
165	Leasehold improvements	332,937	23,890	-
166	Accumulated depreciation	(4,757,066)	-	(58,891)
160	<i>Total fixed assets, net of accumulated depreciation</i>	<u>1,422,151</u>	<u>170,461</u>	<u>20,814</u>
190	<i>Total assets</i>	<u>\$ 1,775,328</u>	<u>\$ 170,461</u>	<u>\$ 824,655</u>
312	Accounts payable < 90 days	\$ 31,689	\$ -	\$ 1,577
321	Accrued wages and payroll taxes	13,118	-	8,876
322	Accrued compensated absences - current maturities	4,876	-	3,172
331	Accounts payable-HUD PHA programs	3,947	-	29,711
341	Tenant security deposits	12,227	-	-
342	Deferred revenue	-	-	-
345	Other current liabilities	-	-	-
347	Interprogram due to	-	-	20,864
350	<i>Total current liabilities</i>	<u>65,857</u>	<u>-</u>	<u>64,200</u>
354	Accrued compensated absences - noncurrent	2,747	-	2,694
350	<i>Total noncurrent liabilities</i>	<u>2,747</u>	<u>-</u>	<u>2,694</u>
300	<i>Total liabilities</i>	<u>68,604</u>	<u>-</u>	<u>66,894</u>
508.1	Invested in capital assets, net of related debt	1,422,151	170,461	20,814
511.1	Restricted net assets	-	-	304,704
512.1	Unrestricted net assets	284,573	-	432,243
513	<i>Total net assets</i>	<u>1,706,724</u>	<u>170,461</u>	<u>757,761</u>
600	<i>Total liabilities and net assets</i>	<u>\$ 1,775,328</u>	<u>\$ 170,461</u>	<u>\$ 824,655</u>

See independent auditor's report

<u>Resident Opportunity Supp. Serv.</u>	<u>Total June 30, 2008</u>
\$ -	\$ 750,223
	274,993
-	12,227
-	33,658
<u>-</u>	<u>1,071,101</u>
-	11,128
-	2,929
	20,864
<u>-</u>	<u>34,921</u>
-	41,068
-	9,928
<u>-</u>	<u>1,157,018</u>
-	179,270
-	5,347,097
-	225,652
-	320,537
-	356,827
-	(4,815,957)
<u>-</u>	<u>1,613,426</u>
<u>\$ -</u>	<u>\$ 2,770,444</u>
\$ -	\$ 33,266
-	21,994
-	8,048
-	33,658
-	12,227
-	-
-	-
-	20,864
<u>-</u>	<u>130,057</u>
	5,441
<u>-</u>	<u>5,441</u>
-	135,498
-	1,613,426
-	304,704
-	716,816
<u>-</u>	<u>2,634,946</u>
<u>\$ -</u>	<u>\$ 2,770,444</u>

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2008

<u>Line Item No.</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund</u>	<u>Housing Choice Vouchers</u>
703 Net tenant rental revenue	\$ 296,919	\$ -	\$ -
705 <i>Total tenant revenue</i>	<u>296,919</u>	<u>-</u>	<u>-</u>
706 HUD PHA operating grants	347,627	63,028	1,901,457
706.1 Capital grants	-	170,461	-
706.2 Ongoing administrative fees earned	-	-	336,078
708 Other government grants	-	-	-
711 Investment Income	59	-	-
714 Fraud recovery	-	-	22,112
715 Other revenue	71,587	-	7,545
716 Loss on sale of assets	(164)	-	-
700 <i>Total revenue</i>	<u>716,028</u>	<u>233,489</u>	<u>2,267,192</u>
911 Administrative salaries	64,903	-	180,767
912 Auditing Fees	10,712	-	10,715
915 Employee benefit contributions - administrative	61,339	-	37,909
916 Other operating - administrative	86,006	-	43,583
921 Tenant services - salaries	30,899	-	23,516
931 Water	44,125	-	-
932 Electricity	67,167	-	-
933 Gas	74,043	-	-
938 Other utilities expense	10,817	-	-
941 Ordinary maintenance and operations - labor	99,656	-	-
942 Ordinary maintenance and operations - materials and other	56,188	-	9,532
943 Ordinary maintenance and operations - contract costs	42,934	-	7,100
961 Insurance premiums	72,596	-	20,829
962 Other general expenses	-	-	-
969 <i>Total operating expenses</i>	<u>721,385</u>	<u>-</u>	<u>333,951</u>
970 <i>Excess operating revenue over operating expenses</i>	<u>(5,357)</u>	<u>233,489</u>	<u>1,933,241</u>
973 Housing assistance payments	-	-	1,687,830
974 Depreciation expense	128,023	-	15,948
900 <i>Total expenses</i>	<u>849,408</u>	<u>-</u>	<u>2,037,729</u>
1001 Transfers In	103,024	-	-
1002 Transfers Out	-	(63,028)	-
1010 <i>Total other financing sources</i>	<u>103,024</u>	<u>(63,028)</u>	<u>-</u>
1000 <i>Excess (deficiency) of operating revenues over (under) expenses</i>	<u>\$ (30,356)</u>	<u>\$ 170,461</u>	<u>\$ 229,463</u>

See independent auditor's report

<u>Resident Opportunity Supp. Serv.</u>	<u>Total June 30, 2008</u>
\$ -	\$ 296,919
-	296,919
-	2,312,112
-	170,461
	336,078
39,996	39,996
-	59
-	22,112
-	79,132
-	(164)
<u>39,996</u>	<u>3,256,705</u>
-	245,670
-	21,427
-	99,248
-	129,589
-	54,415
-	44,125
-	67,167
-	74,043
-	10,817
-	99,656
-	65,720
-	50,034
-	93,425
-	-
-	<u>1,055,336</u>
<u>39,996</u>	<u>2,201,369</u>
-	1,687,830
-	<u>143,971</u>
-	<u>2,887,137</u>
-	103,024
<u>(39,996)</u>	<u>(103,024)</u>
<u>(39,996)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 369,568</u>

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2008

<u>Line Item No.</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund</u>	<u>Housing Choice Vouchers</u>
1103 Beginning equity	\$ 1,650,292	\$ 86,788	\$ 527,766
1104 Prior Period Adjustments and Equity Transfers	\$ 86,788	\$ (86,788)	\$ 532
1120 Unit months available	1,572	-	7,296
1121 Number of unit months leased	1,548	-	5,921

See independent auditor's report

<u>Resident Opportunity Supp. Serv.</u>	<u>Total June 30, 2008</u>
\$ -	\$ 2,264,846
\$ -	\$ 532
	8,868
	7,469

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COMPLIANCE



Accounting & Consulting Group, LLP

**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***

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Board of Commissioners
Clovis Housing and Redevelopment Agency, Inc.
Clovis, New Mexico

We have audited the financial statements of the business-type activities of Clovis Housing and Redevelopment Agency, Inc. (Agency), a component unit of the City of Clovis, New Mexico, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 21, 2008. We have also audited the budgetary comparisons presented as supplemental information in the accompanying financial statements as of and for the year ended June 30, 2008. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiencies described as FS 2007-2 and FS 2008-01 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Certified Public Accountants

2700 San Pedro Northeast [87110-333] – P.O. Box 3130, Albuquerque, New Mexico 87190-3130
866.307.2727 – 505.883.2727 – Fax 505.884.6719 – albuquerque.office@acgnm.com – www.acgnm.com

Alamogordo – Albuquerque – Carlsbad – Clovis – Hobbs – Lubbock

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as FS 2007-01.

We noted certain matters that are required to be reported under Government Auditing Standards January 2008 Revision paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as FS 2008-02.

The Agency'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 Agency's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Commissioners, management, the Office of the State Auditor, the New Mexico State Legislature and its committees, and the New Mexico Department of Finance and Administration and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico

November 21, 2008, except for Note 14, as to which the date is June 3, 2009

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Board of Commissioners
Clovis Housing and Redevelopment Agency, Inc.
Clovis, New Mexico

Compliance

We have audited the compliance of Clovis Housing and Redevelopment Agency, Inc. (the Agency), a component unit of the City of Clovis, New Mexico, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Agency's major federal programs are identified in the summary of auditor's 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 Agency's management. Our responsibility is to express an opinion on the Agency'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 Agency'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 the Agency's compliance with those requirements.

In our opinion, Clovis Housing and Redevelopment Agency, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Clovis Housing and Redevelopment Agency, Inc 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 Agency'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, 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 Agency's internal control over compliance.

Certified Public Accountants

2700 San Pedro Northeast [87110-333] – P.O. Box 3130, Albuquerque, New Mexico 87190-3130
866.307.2727 – 505.883.2727 – Fax 505.884.6719 – albuquerque.office@acgnm.com – www.acgnm.com

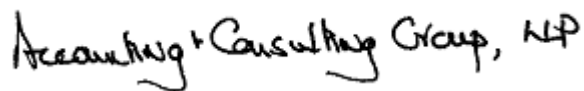
Alamogordo – Albuquerque – Carlsbad – Clovis – Hobbs – Lubbock

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

This report is intended solely for the information and use of the Board of Commissioners, management, the Office of the State Auditor, the New Mexico State Legislature and its committees, and the New Mexico Department of Finance and Administration and 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.

A handwritten signature in black ink that reads "Accounting & Consulting Group, LLP". The signature is written in a cursive, slightly slanted style.

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 21, 2008, except for Note 14, as to which the date is June 3, 2009

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Schedule IV

	Federal CFDA Number	Grant Contract Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
<i>Direct Programs:</i>			
Public and Indian Housing Operating Subsidy	14.850	NM00200102J	\$ 347,627
Housing Choice Vouchers Section 8 (1)	14.871	NM065VO	2,037,728
Capital Fund	14.872	NM02P00250103	233,489
Resident Opportunity and Supportive Services	14.870	N/A	39,996
Total U.S. Department of Housing and Urban Development			\$ 2,658,840

(1) Audited as Major Program

See independent auditor's report

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Basis of Presentation of Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Clovis Housing and Redevelopment Agency, Inc. and is presented on the modified 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, or used in the preparation of the governmental fund financial statements may not be consistent with amounts used in the Schedule of Expenditures of Federal Awards.

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STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Schedule V

Section I. Summary of Auditor Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness (es) identified? Yes x No

Significant deficiency(ies) identified that are not considered to be material weakness(es): x Yes No

Noncompliance material to financial statements noted? Yes x No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes x No

Significant deficiency(ies) identified that are not considered to be material weakness(es): Yes x No

Type of auditor's 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 OMB Circular A-133? Yes x No

Identification of major programs:

CFDA Number(s)

14.871

Name of Federal Program or Cluster

Housing Choice Vouchers Section 8

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 Yes x No

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Schedule V

Section II. Financial Statement Findings

FS 2007-01: Budgetary Authority Exceeded

Criteria

Section 6-6-6, NMSA 1978, states that when any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof, and no official shall pay any check or warrant in excess thereof.

Condition

The Housing Choice Vouchers Section 8 program exceeded budgetary authority by \$9,085 for the fiscal year ended June 30, 2008.

Effect

The effect of this condition is expenditure in excess of authorized amounts.

Cause

The budget was not adjusted for increased expenditures in the Section 8 program.

Recommendation

The Agency should implement budget to actual reviews in sufficient time to request budget adjustments prior to actual expenditures exceeding budgetary authority.

Agency Response

The Section 8 budget exceeded due to auto body work that was done on a vehicle that we budgeted as a fixed asset because the work was over the NM statute of \$5,000.00. The auditor adjusted the cost to expense. The agency will be more aware of any such expenses and ensure that they are budgeted where appropriate.

FS 2007-02: Preparation of Financial Statements

Criteria

According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

Condition

The financial statements and related disclosures are not being prepared by the Agency.

Effect

When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Cause

The Agency's personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting, including the preparation of financial statements and related footnote disclosures.

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Schedule V

Recommendation

We recommend the Agency's management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

Selection of appropriate accounting policies based on standards issue by the Governmental Accounting Standards Board (GASB),
Generally Accepted Accounting Principles (specifically as applied to governmental units),
And the Financial Accounting Standards Board (FASB);
Understanding the financial reporting entity;
Government-wide financial statements;
Fund financial statements;
Notes to the financial statements;
Required supplementary information;
Management's discussion and analysis;
And supplementary information required by the Office of the State Auditor

In addition, we recommend that the Agency develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Agency Response

The Agency has no response to this finding. We do not concur with this finding as we are a small housing authority and the cost to fully implement the recommendations would be astronomical.

FS 2008-01 Deficiencies in Internal Control Structure Design, Operation, and Oversight

Criteria

The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Condition

During our overall review of the internal control structure of the organization, we noted some areas where management's review is not documented. It appears that there are reviews taking place as there were no exceptions noted with regards to the operational effectiveness of the related internal controls. The areas we found where there is no documentation of review are: changes to the payroll master file; review and mailing of vouchers after electronic signature, and HAP disbursements.

Effect

There is no way for agency officials to determine that the next step in the internal control process is authorized and can be completed because there is no documentation indicating the previous step has been reviewed. In addition, there is no audit trail available showing that a review by management has taken place in these areas.

Cause

There is no signature or other evidence of management reviews of: changes to the payroll master file; review and mailing of vouchers after electronic signature; and review of HAP disbursements.

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Schedule V

Recommendation

The Agency should implement a documentation step i.e. signature/initial in the internal control processes of changes to the payroll master file, review and mailing of vouchers after electronic signature and HAP disbursements to ensure that agency officials know that they can proceed in the internal control process. All changes to the payroll master file should be reviewed and approved by the Executive Director. All vouchers should be reviewed subsequent to electronic signature and should be mailed by someone other than the bookkeeper. All reviews of HAP disbursements should be documented by the Executive Director.

Agency Response

All changes to payroll will be reviewed and approved by the Executive Director. All vouchers will be more thoroughly reviewed subsequent to signatures. All HAP disbursements will be more thoroughly reviewed and documented by the Executive Director. The Housing Authority does not see any risk in the bookkeeper mailing the checks and it would not be cost effective to the HA to hire an additional person just to mail the checks.

FS 2008-02: Lack of proper signature

Criteria

The Agency appears to have an unwritten policy of having both the tenant and the housing personnel sign off the Total Tenant Payment (TTP) form in the tenant file.

Condition

During our testwork, we noted that the TTP form in 1 of 40 files tested was not signed by housing personnel. Signatures by the tenant and housing personnel were found on all of the other 39 files in our sample,

Effect

The Agency did not consistently follow its own internal control policy which could result in errors on the form.

Cause

The missing signature was overlooked by the Agency.

Recommendation

Tenant files should be monitored closely to ensure that all required documentation is maintained. In addition, all of the agency's internal controls should be adhered to in maintaining tenant files.

Agency Response

The HA will continue to monitor tenant files to ensure that all required documentation is maintained.

STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Schedule V

Section III. Findings – Prior Year Audit

2007-1: Budgetary Authority Exceeded – Repeated

2007-2: Preparation of Financial Statements – Repeated

2007-3: Capital Assets Threshold for Capitalization – Resolved and not repeated.

2007-4: Disposal of Property – Resolved and not repeated.

2007-5: Equipment Donation – Resolved and not repeated.

2007-6: Tenant File Documentation – Resolved and not repeated.

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STATE OF NEW MEXICO
CLOVIS HOUSING AND REDEVELOPMENT AGENCY, INC.
A COMPONENT UNIT OF CITY OF CLOVIS
OTHER DISCLOSURES
Year Ended June 30, 2008

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Although it would be preferred and desirable for the Agency to prepare its own GAAP-basis financial statements, it is felt that the Agency's personnel do not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

B. EXIT CONFERENCE

The contents of this report were discussed with Clovis Housing and Redevelopment Agency, Inc. representatives on December 1, 2008. The following individuals were in attendance.

Clovis Housing and Redevelopment Agency, Inc.
Charlotte Molette, Executive Director
Rev. George Morgan Sr., Vice-Chairman
Waymon L. Dowdy, Sr., Housing Director
Sherre Lott, Accounting Administrative Assistant

Auditors
Robert Cordova, CPA
Trudy McGregor, CPA
Jeff McWhorter, CPA