



Strickler & Prieto, LLP

City of Sunland Park, New Mexico

**Basic Financial Statements and
Required Supplementary Information
Year Ended June 30, 2007
and Independent Auditor's Report**

6169



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

August 13, 2008

SAO Ref. No. 6169

The Honorable Jesus Ruben Segura, Mayor
City of Sunland Park
1000 McNutt Rd., Ste. #A
Sunland Park, NM 88063-9200

SUBJECT: Audit Report—City of Sunland Park—2006-2007 Fiscal Year—Prepared by Strickler & Prieto, LLP

Your agency audit report was received by the Office of the State Auditor (Office) on February 22, 2008. The State Auditor examination of the audit report required by Section 12-6-14 (D), NMSA 1978, has been completed. This letter is the authorization to make the final payment to the independent public accountant (IPA) who contracted to perform the agency's financial and compliance audit. In accordance with the Section 2 (B) of the audit contract, the IPA will deliver the specified number of copies of the audit to the agency.

Per Section 12-6-5 (A), NMSA 1978, **the audit report does not become public record until ten days after the date of this letter.** Once the ten day waiting period has passed the audit report shall be:

- released by the Office of the State Auditor to the Legislative Finance Committee, and the Department of Finance and Administration; and
- presented by the agency to a quorum of the agency's governing authority at a public meeting, for approval, per Section 2.2.2.10.J.(3)(d) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies*.

The independent public accountant's findings and comments are included in the audit report on pages 112 - 122. **It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments.** Section 2.2.2.10.J of the State Auditor's Rule 2.2.2 NMAC, *Requirements for Contracting and Conducting Audits of Agencies* requires that an exit conference be held with representatives of the agency's governing authority and top management. **It does not appear from the audit report that a member of the governing authority was present.**

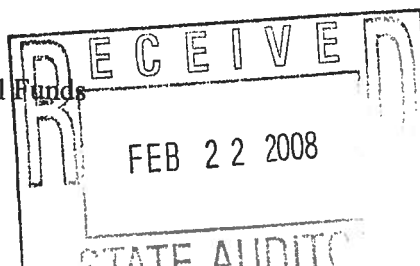
HECTOR H. BALDERAS
STATE AUDITOR

cc: Legislative Finance Committee
Department of Finance and Administration-
Local Government Division
Strickler & Prieto, LLP

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DIRECTORY OF OFFICIALS
JUNE 30, 2007

Jesus Ruben Segura
Yvette Cortez
Juan A. Fuentes
Elizabeth Martinez
Gabriela Buso
Connie Ordonez Resendiz
Maricela Monsivaiz

Enrique Palomares
Robert Lundien
Malcolm Wilson

Mayor
Mayor Pro-Tem
Councilor
Councilor
Councilor
Councilor
Councilor

City Attorney
Finance Director
City Administrator



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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and the Mayor and City Council of the
City of Sunland Park, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sunland Park, New Mexico (the "City"), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the City'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 with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City as of June 30, 2007, and the respective changes in financial position and the respective budgetary comparisons for the nonmajor governmental funds and the proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

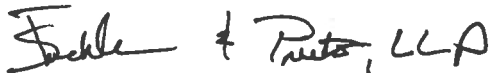
As described in Note 22 to the financial statements, the City's government-wide financial statements net assets as of the beginning of the fiscal year 2007 has been adjusted to correct certain errors resulting from the overstatement of capital assets, the overstatement of accumulated depreciation, and the understatement of due to other funds for previous years.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2008, on our consideration of the City'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.

The management's discussion and analysis on pages 4 through 18 are not a required part of the basic financial statements but are 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 and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The Schedule of Changes in Assets and Liabilities is presented for purposes of additional analysis as required by Section 2.2.2.10.AA of NMAC. 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.

Handwritten signature of Finkle & Potts, LLP in cursive script.

January 8, 2008

**CITY OF SUNLAND PARK, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Sunland Park's ("the City") annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2007.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities (net assets) at the end of the fiscal year by \$44.2 million. Net Assets are comprised of: \$33.3 million invested in capital assets, net of related debt; \$9.5 million restricted for capital projects (\$8.9 million-Construction & Improvements), debt services (\$0.3 million), and other purposes (\$0.3 million-SAP Grants); \$0.6 million unrestricted and available for governmental purposes; and \$0.7 million unrestricted and available for the City's business-type activities.
- The City's total net assets increased by approximately \$4.6 million (or 11.5 percent) over the course of this year's operations. Governmental activities increased by approximately \$5.3 million and business-type activities decreased by approximately \$703 thousand.
- The assessed property valuations for residential and non-residential increased by \$14.6 thousand (or 6.3 percent) during fiscal year 2007. The fiscal year 2007 assessed property valuations, attributable to the City, for residential and non-residential was \$247,732 (the City's total tax rate to finance general government services for 2007 was .002705 for non-residential and .003191 for residential property, respectively) compared to the \$233,180 assessed valuation of fiscal year 2006.
- The City contracted with Moule-Polyzoides Architects and Urbanists to develop a City master plan that would improve the infrastructure for Sunland Park to include a new Border Crossing in the Anapra area of town. The City received a state appropriation grant in the amount of \$300 thousand and a donation from a private individual in the amount of \$101 thousand; for a total of \$401 thousand. During the fiscal year the City spent \$311 thousand (or 77.5 percent) on the planning and design phase.
- In March of 2007, the City Administrator requested that the City's banking needs be reviewed; an assessment of banking services and audit finding indicated the City's needs had become more complex. Unfortunately the City's current bank service provider was unable to meet all of the City's needs; City Council approved the City Administrator to enter a banking service agreement with Wells Fargo, N.A., this service will provide the City the capability of utilizing direct deposit, automation of collection (Credit and/or Debit), minimize check fraud, online banking and investment opportunities
- In May of 2007 the City Administrator identified the need to contract with a collection agency. The City's Finance Department identified approximately \$211,860 in collectable debt for the City's Utility and Municipal Court services.
- In June of 2007 the City Finance and Purchasing Department requested that the City Council approve a resolution establishing policies and procedures for Capital Assets. The approved resolution increases the threshold on recordable fixed assets from \$1,000 to \$5,000.
- The City Administrator implemented more business-like policies and procedures for City Departments to follow during the budget development process. With these policies and procedures in place the City as a whole created a leaner budget for fiscal year 2008, without cutting department services internally

or externally.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section); the basic financial statements; and other required supplementary information. The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for spending.
 - Proprietary fund statements offer short and long term financial information about the activities the government operates like businesses, such as the water and sewer system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure COSP MDA-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, a section with combining statements provides more details about the City's non-major governmental funds which are added together and presented in a single column in the basic financial statements.

**Figure COSP MDA-1
Required Components of the City of Sunland Park's Annual Financial Report**

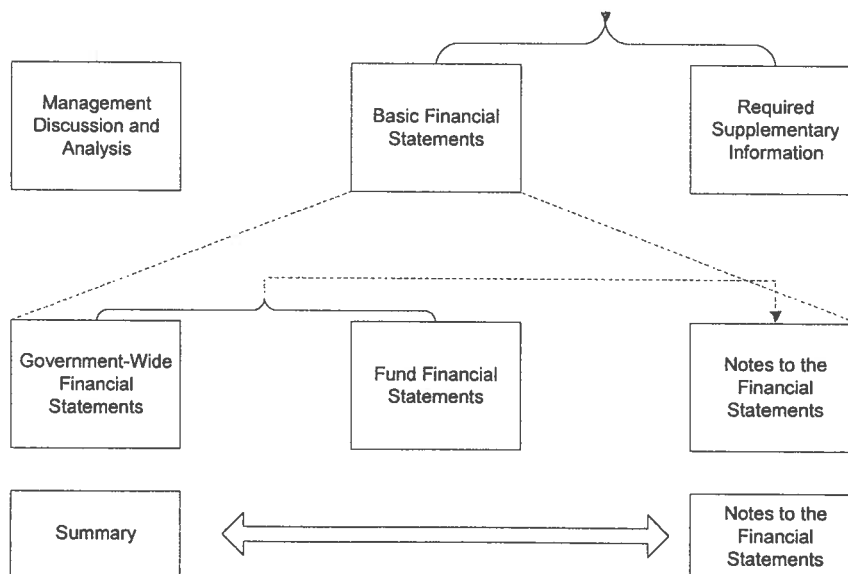


Figure COSP MDA-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and content of each of the statements.

**Figure COSP MDA-2
Major Features for the City of Sunland Park’s Government-Wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except Fiduciary Funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as Police and Parks.	Activities the City operates similar to private businesses: the waterworks and sanitary sewerage systems, and the solid waste activities.
Required Financial Statements	Statement of Net Assets	Balance Sheet	Statement of Net Assets
	Statement of Activities	Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Revenues, Expenditures, and Changes in Fund Balances Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the fiscal year or soon thereafter: no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenue and expenses during fiscal year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the fiscal year or soon thereafter	All revenue and expenses during fiscal year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used in private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current fiscal year's revenues and expenses are accounted for in the statement of activities regardless of when cash was received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, is one way to measure the City's financial health, or position.

- Over-time, increase or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the City are divided into two categories:

- *Governmental activities* – Most of the City's basic services are included here, such as the police, public works, community development, and general administration. Sales taxes and property taxes finance most of these activities.
- *Business-type activities* – The City charges fees to cover the costs of certain services it provides. The City's waterworks and sewerage system and solid waste collections are included here.

Financial Analysis of the City as a Whole

Net Assets

The following table reflects the condensed statements of net assets as of June 30, 2007 and 2006:

**Table COSP MDA-3
City of Sunland Park's Net Assets**

	2007 Governmental Activities	2006 Governmental Activities	2007 Business-Type Activities	2006 Business-Type Activities	2007 Total Primary Government	2006 Total Primary Government
Assets:						
Current and other assets	\$ 14,016,851	\$ 14,292,403	\$ 1,636,369	\$ 3,570,197	\$ 15,653,220	\$ 17,862,600
Capital assets	<u>9,247,038</u>	<u>8,511,858</u>	<u>27,690,902</u>	<u>26,871,373</u>	<u>36,937,940</u>	<u>35,383,231</u>
Total assets	<u>23,263,889</u>	<u>22,804,261</u>	<u>29,327,271</u>	<u>30,441,570</u>	<u>52,591,160</u>	<u>53,245,831</u>
Liabilities:						
Current liabilities	4,051,258	8,013,326	546,748	1,550,472	4,598,006	9,563,798
Non-current liabilities	<u>260,589</u>	<u>367,674</u>	<u>3,535,509</u>	<u>3,618,284</u>	<u>3,796,098</u>	<u>3,985,958</u>
Total liabilities	<u>4,311,847</u>	<u>8,381,000</u>	<u>4,082,257</u>	<u>5,168,756</u>	<u>8,394,104</u>	<u>13,549,756</u>
Net assets:						
Invested in capital assets	9,172,038	8,430,858	24,177,501	23,291,164	33,349,539	31,722,022
Restricted assets	9,124,521	5,156,929	354,033	1,345,880	9,478,554	6,502,809
Unrestricted assets	<u>655,483</u>	<u>835,474</u>	<u>713,480</u>	<u>635,770</u>	<u>1,368,963</u>	<u>1,471,244</u>
Total net assets	<u>18,952,042</u>	<u>14,423,261</u>	<u>25,245,014</u>	<u>25,272,814</u>	<u>44,197,056</u>	<u>39,696,075</u>
Total liabilities and net assets	<u>\$ 23,263,889</u>	<u>\$ 22,804,261</u>	<u>\$ 29,327,271</u>	<u>\$ 30,441,570</u>	<u>\$ 52,591,160</u>	<u>\$ 53,245,831</u>

As seen in Table COSP MDA-3, the City's total assets of \$52.8 million include \$15.9 million in current and other assets and \$36.9 million in Capital Assets. During fiscal year 2007, the City recorded governmental infrastructure assets acquired during the fiscal year prior to the implementation of GASB Statement No. 34 in fiscal 2004. The City recorded \$55.1 million in capital assets with accumulated depreciation of \$18.2 million.

Total assets decreased during the fiscal year by approximately \$455 thousand, which is comprised of an increase in cash of approximately \$2.6 million, an increase in capital assets of approximately \$1.6 million, and a decrease of approximately \$4.6 million of long-term receivables from contributions, taxes, and water utilities.

The City's liabilities of \$8.6 million include approximately \$3.8 million that is not due or payable in the next fiscal year and \$4.8 in current liabilities. The decrease in non-current liabilities is a result of the scheduled principle payments and enhanced method of reporting compensated absences.

Total net assets of approximately \$44.2 million is comprised of \$33.3 million invested in capital assets, net of related debt; \$9.5 million restricted for capital projects, debt service and other purposes; \$0.6 million unrestricted and available for general governmental purposes and \$0.7 million unrestricted and available for the City's business-type activities.

Changes in Net Assets

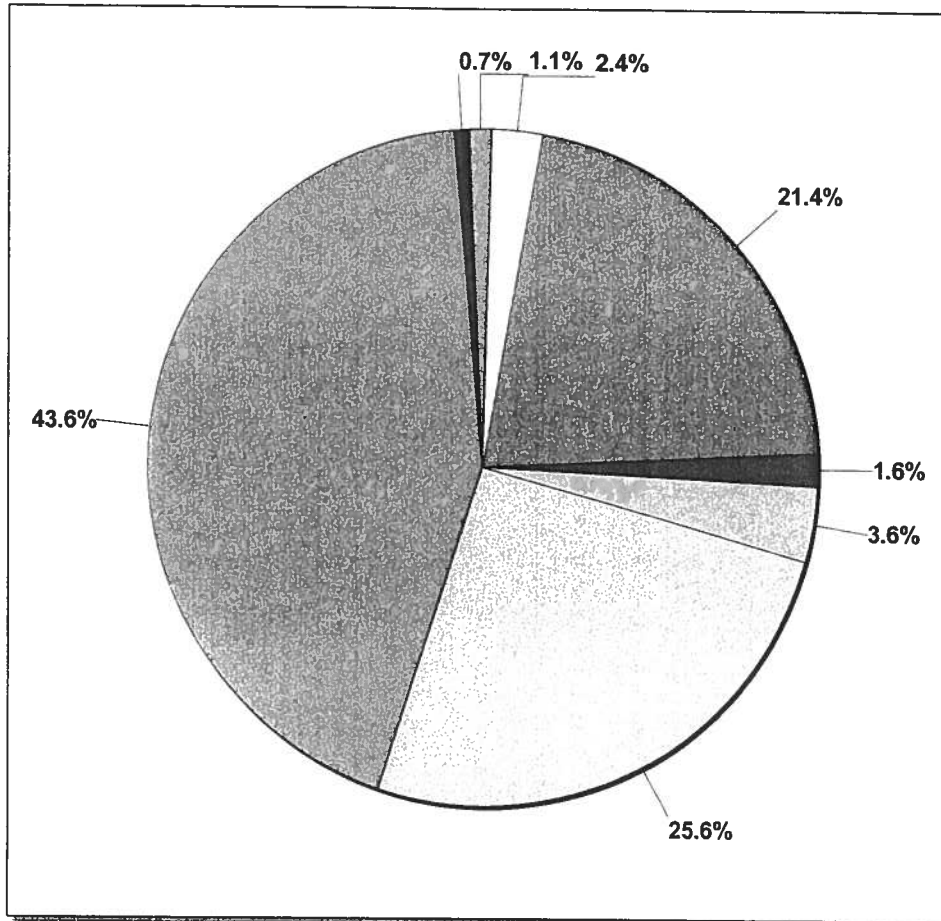
The City's combined net assets increased by approximately \$4.6 million and \$7.6 million during the fiscal year 2007 and 2006, respectively, as a result of the activity shown in Table COSP MDA-4.

Table COSP MDA-4
City of Sunland Park's Change in Net Assets

	2007 Governmental Activities	2006 Governmental Activities	2007 Business-type Activities	2006 Business-type Activities	2007 Total Primary Government	2006 Total Primary Government
Revenues						
<u>Program revenues</u>						
Charges for services	\$ 650,807	\$ 463,436	\$ 2,847,829	\$ 3,433,303	\$ 3,498,636	\$ 3,896,739
Operating grants and contributions	386,233	328,717	112,251	74,560	498,484	403,277
Capital grants and contributions	5,588,146	5,824,817	369,929	3,341,102	5,958,075	9,165,919
<u>General Revenue</u>						
Taxes, penalties and interest	3,507,728	3,664,054	-	-	3,507,728	3,664,054
Investment income	196,547	10,222	17,966	10,294	214,513	20,516
Total revenue	10,329,461	10,291,246	3,347,975	6,859,259	13,677,436	17,150,505
Expenses						
General government	1,685,814	1,377,597	-	-	1,685,814	1,377,597
Public safety	2,251,253	2,089,204	-	-	2,251,253	2,089,204
Public works	365,705	877,567	-	-	365,705	877,567
Health and healthcare	176,443	216,271	-	-	176,443	216,271
Cultural and recreational	501,609	447,065	-	-	501,609	447,065
Joint utility grants	-	-	144,677	1,054,214	144,677	1,054,214
Water	-	-	1,678,297	1,812,046	1,678,297	1,812,046
Wastewater	-	-	1,425,807	1,074,875	1,425,807	1,074,875
Solid waste	-	-	461,222	228,402	461,222	228,402
Housing Authority	-	-	229,830	229,714	229,830	229,714
Interest on long-term	4,914	7,757	158,972	140,751	163,886	148,508
Total expenses	4,985,738	5,015,461	4,098,805	4,540,002	9,084,543	9,555,463
Increase (decrease) in net assets before transfers	5,343,723	5,275,785	(750,830)	2,319,257	4,592,893	7,595,042
Transfers	(47,463)	141,826	47,463	(141,826)	-	-
Change in net assets	5,296,260	5,417,611	(703,367)	2,177,431	4,592,893	7,595,042
Net assets - Beginning of year	14,423,261	9,005,650	25,272,814	23,095,383	39,696,075	32,101,033
Prior period adjustment	(767,479)	-	675,567	-	(91,912)	-
Net assets - Beginning of year, as restated	13,655,782	9,005,650	25,948,381	23,095,383	39,604,163	32,101,033
Net assets - End of year	\$ 18,952,042	\$ 14,423,261	\$ 25,245,014	\$ 25,272,814	\$ 44,197,056	\$ 39,696,075

For the fiscal year ended June 30, 2007; government-wide revenues total \$13.7 million. Approximately 43.4 percent of all revenues is derived from capital grants & contributions, 25.5 percent from charges from services, and 21.5 percent from gross receipt taxes.

**Figure COSP MDA - 5
Source of Revenue for Fiscal Year 2007**

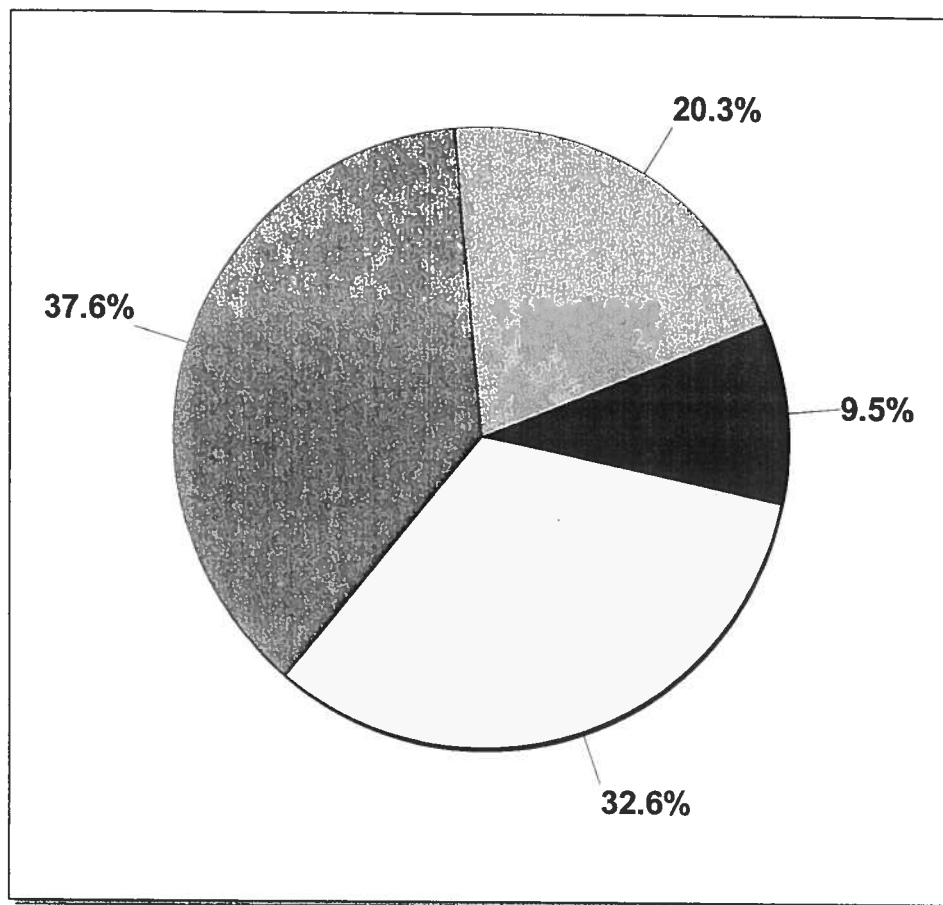


Capital grants & contributions	\$	5,958,075	43.6%
Charges for services		3,498,636	25.6%
Operating grants & contributions		498,484	3.6%
Investment income		214,513	1.6%
Gross receipts taxes		2,930,727	21.4%
Property taxes		330,142	2.4%
Franchise taxes		155,085	1.1%
Other taxes		91,774	0.7%

Capital Grants and Contributions are derived from State and Federal Appropriation Grants, and Local and private contributions to the City. This revenue resource(s) has historically been the City's largest revenue source due to the City's lack of basic infrastructure (resulting in the City being an official "Colonia") and its inability to develop and/or attract significant commercial and industrial operations within the City.

The second largest revenue source for the City is charges for services, which are derived from users of the City's waterworks and sewerage system and other business-type activities as well as athletic programs.

**Figure COSP MDA - 6
Analysis of Charges for Service - Revenue**

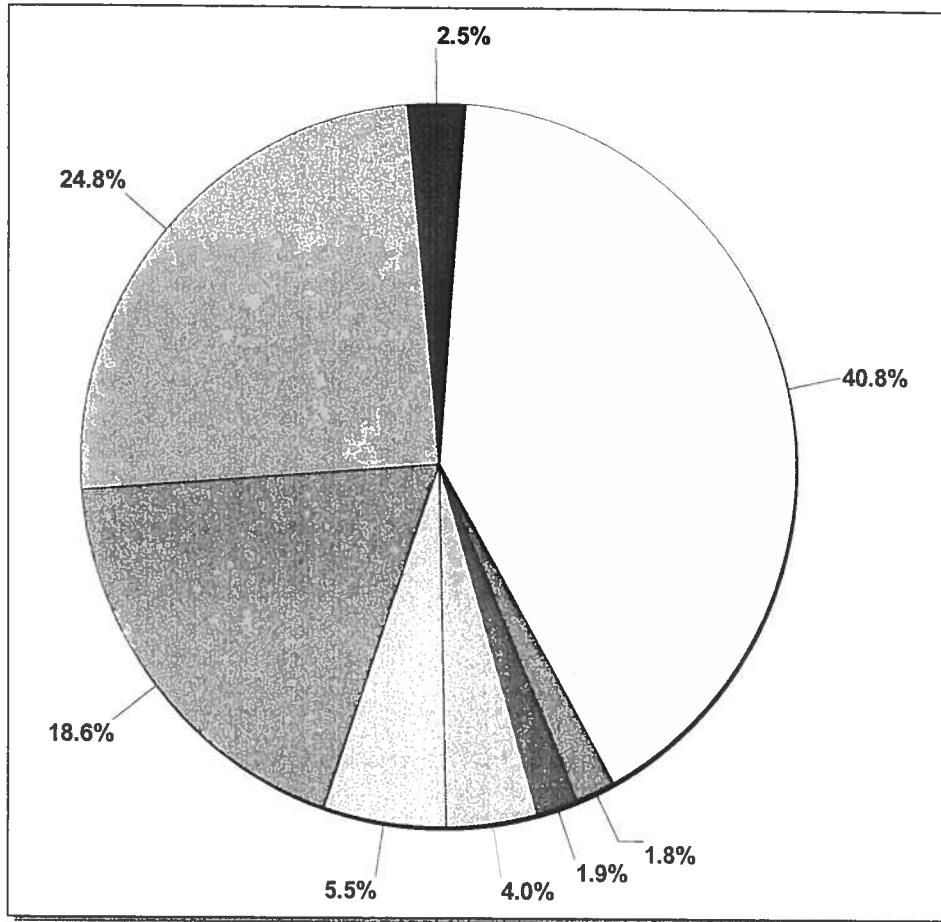


Water	1,314,943	37.6%
Sewer	1,140,140	32.6%
Solid waste	332,892	9.5%
Other charges for services	710,661	20.3%

The third largest revenue source for the entire City is the gross receipt tax, which during the 2007 fiscal year equaled \$2.9 million. The City of Sunland Park has a 1.375 percent gross receipt tax (1.250-Municipal and 0.0625-City Infrastructure) to fund general governmental activities, and a 0.0625 percent gross receipts tax that funds the City's environmental services for solid waste.

The total cost of all programs and/or services city-wide decreased by approximately \$0.5 million (or 4.8 percent); City's expenses cover a range of services including law enforcement, administration, senior recreation, and public works. Approximately 45 percent of all city expenses during the 2007 fiscal year are related to business-type activities.

**Figure COSP MDA - 7
Functional Expenses for Fiscal Year 2007**



Public safety	2,251,253	24.8%
General government	1,685,814	18.6%
Culture & recreation	501,609	5.5%
Public works	365,705	4.0%
Health & welfare	176,443	1.9%
Interest on long-term debt	163,887	1.8%
Joint utilities	3,710,002	40.8%
Housing authority	229,830	2.5%

GOVERNMENTAL ACTIVITIES

Revenues for the City's governmental activities total \$10.3 million, of which approximately 54 percent is capital grants and contributions, 28.4 percent is gross receipt taxes and 6.3 percent charges from services. A large amount of revenue was derived from a private individual in the amount of \$4.0 million to be used for the City's Border Crossing Project, and the City will receive the final \$3.0 million contribution from this private individual in fiscal year 2008. Expenditures for the City's governmental activities total approximately \$5.0 million, which resulted in an increase of net assets for the fiscal year of \$18.9 million.

Figure COSP MDA-8 presents the cost of each of the City's largest programs as well as the programs net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

As stated earlier, the cost of all governmental activities this year was approximately \$5.0 million; however, the amount that our taxpayers paid for these services through City taxes was approximately \$3.9 million. The remaining cost was related to programs that charge those who directly benefit (\$651 thousand) and from grants and contributions (\$375 thousand). The City paid for the approximately \$3.9 million "public benefit" portion with taxes, interest income and other revenues.

**Figure COSP MDA-8
City of Sunland Park, NM
Governmental Activities**

	Total cost of services	Net cost of services
General government	\$ 1,685,814	\$ 1,024,305
Public safety	2,251,253	1,926,689
Public works	365,705	(4,937,049)
Health and welfare	176,443	(11,606)
Cultural recreation	501,609	353,299
Interest on long-term debt	4,914	4,914
 Total expenses	 \$ 4,985,738	 \$ (1,639,448)

Revenues from charges for services related to governmental activities increased by \$187 thousand. This change is primarily due to a \$178 thousand increase in license and permit revenue derived from the issuance of permits (in fiscal year 2007 the City Council approved the Community Development Department to purchase and utilize a nationally acceptable Building Valuation System to replace the outdated In-house system).

As previously mentioned, gross receipts tax decreased by 3.1 percent due to a decrease in consumer spending and retail centers in the City. The assessed property valuation for real estate and personal property increased by \$14,552 (or 6.3%) during the fiscal year 2007.

Total capital grants and contributions decreased by approximately \$3.2 million (or 35.3 percent) related primarily to the Utility Department receiving bond proceeds for a 2004 series revenue bond for the acquisition of the Santa Teresa Service Company ("STSC") assets for the water and wastewater system in fiscal year 2006. The City received less proceeds for grant draw-downs due to the lack of progress on State Appropriation Grants (SAP)/Community Development Block Grants for capital projects.

General governmental expense decreased by approximately \$23 thousand (or 0.4 percent) during the fiscal year 2007, some of the significant changes by governmental function include:

- The City Administrator through an administrative directive placed a limitation on purchasing of goods and services; also imposed a hiring freeze.
- City Departments were held within departmental budgetary authority through utilization of city policies and procedures.

BUSINESS-TYPE ACTIVITIES

Revenues of the City's business-type activities decreased \$3.5 million (or 51.3 percent) and expenditures decreased \$441 thousand (or 9.7 percent), resulting in a decrease in net assets for the fiscal year of \$27.8 thousand. (Refer to Table COSP MDA-4) Factors that contributed to these results included:

- Charges for services decreased by \$585 thousand (or 17 percent).
- The water and sewer function's expense increased by approximately \$217,183 (or 7.5 percent) due primarily to an increase in the professional services, contractual services (City out-sources the water/sewer services), and the cost of utilities associated with running the water and sewer operations. The fiscal year utilities costs increased by approximately \$49,834.
- Expenses from the solid waste function increased by \$232,820 (or 101.9 percent), comprised of a \$31,229 decrease for personnel costs; increase in contractual service of \$204,716 for tipping fees (the City is having to pay tipping fees for the first time in five years, this is due to the City choosing not to renew a "host-agreement" with the landfill; \$28,805 for non-employee insurance; \$16,154 increase in office and field equipment; and \$14,374 increase in the purchase of day-to-day operating material.

FUND FINANCIAL STATEMENTS

Another major section of the basic financial statements is the fund financial statements. These statements provide more detailed information about the City's most significant funds—not the City as a whole. A fund is a grouping of related accounts used to track specific sources of funding and spending for particular purposes.

The City of Sunland Park has two kinds of funds:

- *Governmental funds* – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements are prepared on a modified accrual basis, which means they measure only current financial resources, uses and balances of spend-able resources available at the end of the fiscal year. Therefore, capital assets and other long-lived assets, along with long-term liabilities, are not presented in the governmental fund statements. Because the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.
- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. The City of Sunland Park has only one type of proprietary fund, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements: the City's waterworks and sewerage system, and solid waste activities. Proprietary fund statements are prepared on a full-accrual method and include all their assets and liabilities, current and long-term. This is the same basis used in the government-wide statements.

Financial Analysis of the City's Funds

As discussed earlier, there are two types of statements included in the basic financial statements. This discussion relates to the fund financial statements that focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. These statements are prepared on the modified accrual basis for the governmental funds and (as in the government-wide statements) on a full accrual method for the business-type activities or proprietary funds. Reconciliation from the fund statements to the government-wide statements is provided to display the differences in the two reporting methods.

The City's governmental funds reported a combined fund balance of \$10 million, an increase of \$3.7 million (or 59.6 percent) from the prior fiscal year. Unreserved fund balance constitutes \$840 thousand and the remainder of the fund balance is reserved to indicate that is not available for new spending because it has already been committed for the following:

- Capital Improvements \$8.9 million – Anapra Border Crossing, City Sports Complex, and the City Sidewalk Project.
- State Appropriation Grants \$230 thousand – Parks and Recreation, Municipal Street Projects and Community Development Block Grants.

The primary reason for changes in fund balance includes those highlighted in the financial highlights section of this document. In addition, these other changes in fund balance should be noted:

The General Fund serves as the chief operating fund of the City of Sunland Park. It is used to account for all financial resources except those that are required to be account for in another fund. The activities of the general fund include law enforcement, fire protection, administration and governmental, community development, and public works. During fiscal year 2007, the General Fund's fund balance decreased by \$256 thousand. As a measure of the general fund's liquidity, it is useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents 16.2 percent of the total general fund expenditures.

Key factors for the increase and/or decrease in fund balance include events discussed previously and the following:

- City Management has recognized that procedures and departmental over-sight of daily operating resource and limitations on operating cost need to be put into place to more realistically “buy only what you can afford”, not utilizing one-time windfalls to cover everyday expenditures.
- Continued growth in new construction for both the residential and commercial areas. During the fiscal year, 35 residential and 4 commercial building permits were issued with estimated permit construction values of \$37,688 and \$6,154 respectively. The resulting increase in property tax revenue allowed us to continue improving the quality of service that our residents should enjoy.
- City Management is continuing efforts to get all budgeted funds to stand on their own or with little long-term assistance from the General Contingency Funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the fiscal year, the City's elected officials revised the budget several times. These revisions generally are amendments and supplemental appropriations approved during the capital improvement process, adjustment to reflect the actual beginning account balances from the prior year's actual results, incorporated adjustments for carried-over items from the previous budget year, reflect any changes in estimates used when the original budget was adopted, or reflect changes for unanticipated events that may arise through the fiscal year.

- Current administration is currently applying these policies and procedures.

The General Fund accounts for all of the general services provided by the City of Sunland Park. At the end of 2007, the fund balance of the General Fund had decreased by approximately \$215 thousand on a budgetary basis.

General fund actual revenues were under budget by \$48 thousand, which is indicative of the City's policy of estimating revenues on a conservative basis in order to maintain control over expenses.

General government expenditures include all administrative functions of the City (i.e. executive, clerk, finance, Community Development, Maintenance, Streets and Highways, Parks, Police and Fire).

Overall, general fund expenditures were approximately \$48 thousand under budget. This favorable comparison of budget is a result of the combination of overbudgeted general government expenses, overbudgeted capital outlays, and transfers out, primarily for the Road Fund and the Parks Fund, that were not budgeted.

General Fund budgetary Highlights

The difference between the original budget appropriations and the final amended budget appropriation for expenditures and transfers reflects a decrease of \$344 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2007, the City had invested \$36.9 million (net of accumulated depreciation) in a broad range of capital assets including land and land improvements, building and structures improvements, machinery and equipment, infrastructure (water/sewer, etc.), and vehicles. As discussed previously, during fiscal year 2007, the City recorded governmental infrastructure assets acquired during fiscal years prior to the implementation of GASB Statement No. 34 in fiscal year 2003. The City has \$55.1 million in assets with accumulated depreciation of \$18.2 million. The increase in the City of Sunland Park's investment in capital assets that relate to activity in fiscal year 2007 was approximately \$1.8 million. Major capital assets events during the year included the following:

This year's major capital assets for governmental activities include:

- Land \$20,414—Purchase of 156 ASPEN, LOT 190, BLOCK 1 OF RIVERSIDE SUB, UNIT 4.
- Land Improvements \$200,000 - City sidewalks.
- Fixture, Furniture, and Equipment \$312,931—City purchased a new accounting software system with hardware (INCODE); City Fire Department purchased \$141,481 of equipment and apparatuses for City Fire Vehicles; a new play center (\$5,119) was purchased for the Family Services Department; and \$15,732 was spent on Desktop CPU's and Laptops.
- Vehicles \$(36,422)—a) Purchase of radar equipment of \$6,322 and confiscation by the City Police Department DEA Program of \$6,797 in vehicles, and b) The City Police Department sold \$3,744; the City's Public Works sold \$45,797.

This year's major capital assets for business-type activities include:

- Fixture, Furniture, and Equipment \$23,956—Wastewater pump replacements.
- Infrastructure \$214,458—Various additions and improvements in the Wastewater fund. (Completion of an "Outfall" project for the City's north wastewater treatment facility. Currently treated water is by pumped several miles from the facility to the Rio Grande.

Long-Term Debt

The City's outstanding notes and bonded debt decreased by \$72,808 (or 1.9 percent) during the fiscal year 2007.

Notes payable decreased by \$33,808 (or 10.8 percent); bonded debt decreased by \$39,000 (or 1.1 percent) during the fiscal year.

At the end of fiscal year 2007, the City had total long-term debt outstanding to various agencies of \$3,788,734 which represents a decrease of \$197,244 (or 4.9 percent) from the prior fiscal year.

**Figure COSP MDA - 9
Outstanding Debt
As of June 30, 2007 and 2006**

	Governmental Activity		Business-type Activity		Total Activity	
	2007	2006	2007	2006	2007	2006
Revenue bonds	\$ -	\$ -	\$ 3,310,800	\$ 3,349,800	\$ 3,310,800	\$ 3,349,800
Notes payable	75,000	81,000	202,601	230,409	277,601	311,409
Compensated absences	185,589	286,674	22,108	38,075	207,697	324,749
Total outstanding debt	\$ 260,589	\$ 367,674	\$ 3,535,509	\$ 3,618,284	\$ 3,796,098	\$ 3,985,958

Significant variances between final budgeted revenues over expenditures, and actual results on a budgetary basis, for the year ended June 30, 2007 are for the following funds:

	Budget	Actual on Budgetary Basis	Variance
General fund	(214,425)	(214,614)	(189) (1)
Nonmajor governmental funds:			
Special revenue funds	(20,600)	(74,154)	(53,554) (2)
Capital project funds	(223,026)	4,125,833	4,348,859 (3)
Proprietary funds:			
Joint utilities fund	(143,000)	3,073,582	3,216,582 (4)
Housing authority fund	(200,000)	45,697	245,697 (5)

The variances between budgeted amounts and actual budget results are due, primarily, to the City's lack of reconciliation procedures.

(1) The contract agreement with Camino Real Landfill expired causing a decrease in actual franchise fees revenues of approximately \$199 thousand. Actual property taxes of \$325 thousand exceeded budgeted of \$274 thousand. Actual gasoline taxes were \$-0- versus budgeted of \$35 thousand. Actual motor vehicle registration fees of \$31 thousand versus budgeted of \$-0-. The City received unbudgeted FEMA disaster relief funds of \$56 thousand. Actual expenditures were less than budgeted by approximately \$48 thousand due to cost saving measures within the City's general government.

(2) Actual expenditures for the Fire Protection Fund exceeded budgeted by approximately \$68 thousand; for the Juvenile Recreation Fund actual expenditures exceeded budgeted by approximately \$6 thousand, and budgeted transfers-in exceeded actual by approximately \$9 thousand; for the Child and Family Fund actual intergovernmental revenue exceeded budgeted by \$28 thousand; for the Traffic Safety Fund deficiency of revenues over expenditures exceeded budgeted by approximately \$14 thousand; for the Safe Border Fund excess of revenues over expenditures exceeded budgeted by approximately \$10 thousand.

(3) The Municipal Road Fund reflected actual intergovernmental revenue of approximately \$42 thousand versus budgeted of \$-0-, and actual operating transfers of \$-0- versus budgeted of approximately \$162; the Sports Complex reflected actual intergovernmental revenue of approximately \$230 thousand versus budgeted of \$1.1 million, and actual expenditures of approximately \$11 thousand versus budgeted of approximately \$1.1 million. In addition, the Border Crossing project reflected actual revenue from contributions of \$4 million, and interest income of approximately \$190 thousand, versus budgeted of \$-0-, respectively.

(4) Actual contribution received from an individual of \$4 million versus budgeted of \$283 thousand. Actual intergovernmental revenue of \$624 thousand versus budgeted of \$-0-. Actual capital outlays of approximately \$1.6 million versus budgeted of \$297 thousand. In addition, actual transfers were \$47 thousand versus budgeted of \$406 thousand.

(5) Budgeted operating subsidies from HUD exceeded actual by approximately \$78 thousand, and operating expenses were less than budgeted by approximately \$303 thousand due to capital expenditures not occurring in 2007.

ECONOMIC FACTORS AND NEXT YEARS BUDGET'S AND RATES

As with most municipalities, the City's primary revenues are derived from gross receipt, property, and franchise taxes. During the fiscal year 2007, we did not experience as much growth in gross receipt taxes as expected. Due to this lack of economic mercantile businesses in the City limits, and the Texas sales tax holiday City Management and the Finance Department anticipate receiving approximately the same amount in gross receipts tax revenue as in fiscal year 2007.

In fiscal year 2007, the County Assessor's Office did away with non-reassessment years, due to this policy change the City experienced an increase of approximately 1.7 percent property taxes. Therefore the City will retain the current property tax rate of 2.7 cents per \$1,000 of assessed residential valuation and 3.2 cents per \$1,000 of assessed non-residential valuation.

The City is currently reviewing user fees, permits, licenses and developer fees, which will allow the General Fund to continue to recover some of the administration overhead the City incurs on behalf of other funds. The City and the Joint Utility Authority are currently undergoing a fee study in our Water and Wastewater Funds, and in our Solid Waste Fund (a minimum of \$3 per month increase to our residential customers).

The City is continuing to look for new revenue sources and are aggressively pursuing new economic development. The City is experiencing continued growth in both residential (annexation and development) and commercial areas. This increase in revenue will assist the City and its pursuit to provide the high quality of services that our residents need and should be enjoying.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City of Sunland Park's Finance Director at (575) 589-7565 or by mail: Attn.: City of Sunland Park-Finance Director, 1000 McNutt Rd., Sunland Park, NM 88063.

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Primary Government Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 5,286,425	\$ 964,027	\$ 6,250,452
Investments	3,900,000	200,000	4,100,000
Receivables, net of allowance for uncollectibles			
Accounts	-	905	905
Taxes	463,612	10,646	474,258
Intergovernmental	508,787	-	508,787
Contribution	3,800,000	-	3,800,000
Internal balances	58,027	(58,027)	-
Restricted assets - cash	-	518,818	518,818
Capital assets			
Land, improvements and construction in progress	3,694,546	7,453,464	11,148,010
Other capital assets, net of accumulated depreciation	<u>5,552,492</u>	<u>20,237,438</u>	<u>25,789,930</u>
Total capital assets	<u>9,247,038</u>	<u>27,690,902</u>	<u>36,937,940</u>
Total assets	<u>\$ 23,263,889</u>	<u>\$ 29,327,271</u>	<u>\$ 52,591,160</u>
LIABILITIES:			
Accounts payable	\$ 147,003	\$ 266,147	\$ 413,150
Accrued liabilities and other expenses	104,255	21,123	125,378
Deferred revenue	3,800,000	-	3,800,000
Accrued interest on bonds payable	-	94,536	94,536
Tenant deposits	-	5,607	5,607
Customer deposits	-	159,335	159,335
Long-term liabilities:			
Portion due or payable within one year:			
Loan payable NM Finance	6,000	-	6,000
Revenue bonds payable	-	41,000	41,000
Notes payable	-	27,808	27,808
Compensated absences	18,559	2,211	20,770
Portion due or payable after one year:			
Loan payable NM Finance	69,000	-	69,000
Revenue bonds payable	-	3,269,800	3,269,800
Notes payable	-	174,793	174,793
Compensated absences	<u>167,030</u>	<u>19,897</u>	<u>186,927</u>
Total liabilities	<u>4,311,847</u>	<u>4,082,257</u>	<u>8,394,104</u>
NET ASSETS:			
Invested in capital assets, net of related debt	9,172,038	24,177,501	33,349,539
Restricted for:			
Debt service	-	287,433	287,433
Grants	230,245	66,600	296,845
Construction and improvement	8,894,276	-	8,894,276
Unrestricted	<u>655,483</u>	<u>713,480</u>	<u>1,368,963</u>
Total net assets	<u>\$ 18,952,042</u>	<u>\$ 25,245,014</u>	<u>\$ 44,197,056</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs: Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,631,298	\$ 606,545	\$ 54,964	\$ -	\$ (969,789)	\$ -	\$ (969,789)
Public safety	2,251,253	44,262	67,162	213,140	(1,926,689)	-	(1,926,689)
Public works	365,705	-	16,441	5,286,313	4,937,049	-	4,937,049
Health and welfare	176,443	-	188,049	-	11,606	-	11,606
Culture and recreation	501,609	-	59,617	88,693	(353,299)	-	(353,299)
Interest on long-term debt	4,914	-	-	-	(4,914)	-	(4,914)
Total governmental activities	4,931,222	650,807	386,233	5,588,146	1,693,964	-	1,693,964
Business-type activities:							
Joint utilities:							
Water	1,817,643	1,230,301	-	167,316	-	(420,026)	(420,026)
Wastewater	1,431,202	1,224,785	-	148,613	-	(57,804)	(57,804)
Solid waste	461,157	332,889	-	-	-	(128,268)	(128,268)
Housing Authority	229,831	59,854	112,251	54,000	-	(3,726)	(3,726)
Interest on long-term debt	158,973	-	-	-	-	(158,973)	(158,973)
Total business-type activities	4,098,806	2,847,829	112,251	369,929	-	(768,797)	(768,797)
Total primary government	\$ 9,030,028	\$ 3,498,636	\$ 498,484	\$ 5,958,075	1,693,964	(768,797)	925,167
General Revenues:							
Taxes:							
Gross receipts					2,930,727	-	2,930,727
Property					330,142	-	330,142
Franchise					155,085	-	155,085
Other					52,941	-	52,941
Investment income					196,547	17,966	214,513
Transfers					(47,463)	47,463	-
Total general revenues and transfers					3,617,979	65,429	3,683,408
Change in net assets					5,311,943	(703,368)	4,608,575
Net assets, beginning of year					14,423,261	25,272,814	39,696,075
Restatements					(783,162)	675,568	(107,594)
Net assets, beginning of year, as previously reported					13,640,099	25,948,382	39,588,481
Net assets, end of year					\$ 18,952,042	\$ 25,245,014	\$ 44,197,056

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 1,083,948	\$ 4,202,477	\$ 5,286,425
Investments	-	3,900,000	3,900,000
Receivables, net of allowance for uncollectibles			
Taxes	463,612	-	463,612
Intergovernmental	-	508,787	508,787
Contribution	-	3,800,000	3,800,000
Internal balances	791,493	1,875,626	2,667,119
Total assets	\$ 2,339,053	\$ 14,286,890	\$ 16,625,943
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 33,052	\$ 113,951	\$ 147,003
Accrued liabilities and other expenses	96,379	7,876	104,255
Deferred revenue	-	3,800,000	3,800,000
Internal balances	1,517,236	1,091,856	2,609,092
Total liabilities	1,646,667	5,013,683	6,660,350
FUND BALANCES:			
Reserved for capital projects funds	-	8,894,276	8,894,276
Reserved for special revenue funds	-	230,245	230,245
Unreserved	692,386	148,686	841,072
Total fund balances	692,386	9,273,207	9,965,593
Total liabilities and fund balances	\$ 2,339,053	\$ 14,286,890	\$ 16,625,943

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2007**

Total fund balances for governmental funds \$ 9,965,593

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. Those assets consist of:

Land and land improvements	855,301
Construction in progress	2,839,245
Building and improvements	2,673,759
Furniture, equipment and library books	654,331
Vehicles	2,327,440
Infrastructure	<u>13,766,897</u>
Total capital assets	23,116,973
Accumulated depreciation	<u>(13,869,935)</u>
Net capital assets	<u>9,247,038</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. (75,000)

Compensated absences liabilities are not reported in governmental funds but are reported in the statement of net assets. (185,589)

Net assets of governmental activities \$ 18,952,042

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	General Fund	Other Governmental Fund	Total Governmental Funds
REVENUES:			
Local effort taxes	\$ 1,953,867	\$ -	\$ 1,953,867
State shared taxes	1,372,800	43,032	1,415,832
License and permits	216,208	-	216,208
Intergovernmental	34,006	1,929,245	1,963,251
Charges for services	243,682	-	243,682
Fines and forfeitures	146,655	44,262	190,917
Interest	6,016	190,531	196,547
Contributions	11,130	4,000,000	4,011,130
Miscellaneous	98,766	39,262	138,028
Total revenues	4,083,130	6,246,332	10,329,462
EXPENDITURES:			
Current:			
General government	1,229,313	-	1,229,313
Public safety	1,966,401	304,857	2,271,258
Public works	334,006	-	334,006
Culture and recreation	434,622	65,460	500,082
Health and welfare	-	171,458	171,458
Capital outlay	287,811	1,762,722	2,050,533
Total expenditures	4,252,153	2,304,497	6,556,650
Excess of revenues over expenditures	(169,023)	3,941,835	3,772,812
OTHER FINANCING SOURCES (USES):			
Transfers in	-	38,377	38,377
Transfers (out)	(85,840)	-	(85,840)
Total other financing sources (uses)	(85,840)	38,377	(47,463)
Net changes in fund balances	(254,863)	3,980,212	3,725,349
Fund balances, beginning of year	947,249	5,292,995	6,240,244
Fund balances, end of year	\$ 692,386	\$ 9,273,207	\$ 9,965,593

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Net change in fund balances - total governmental funds	\$ 3,725,349
The changes in net assets reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense of \$532,191 exceeded capital outlays of \$2,050,533 in the current period.	1,518,342
Repayment of bond principal is an expenditure in the governmental funds but reduce the liability in the statement of net assets.	6,000
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This is the amount of compensated absences liability.	101,085
Property taxes collected during the fiscal year, made available to pay for the current period's expenditures, reported as deferred revenue in the funds in the previous fiscal year.	<u>(38,833)</u>
Change in net assets of governmental activities	<u>\$ 5,311,943</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Local Effort Taxes:				
Municipal gross receipts	\$ 1,359,669	\$ 1,359,669	\$ 1,371,341	\$ 11,672
Infrastructure gross receipts	143,180	143,180	135,469	(7,711)
Franchise	385,479	385,479	186,672	(198,807)
Property	273,542	273,542	325,283	51,741
Environmental	-	-	9,459	9,459
Total local effort taxes	<u>2,161,870</u>	<u>2,161,870</u>	<u>2,028,224</u>	<u>(133,646)</u>
State Shared Taxes:				
Municipal gross receipts	1,365,714	1,365,714	1,371,018	5,304
Cigarette	1,000	1,000	1,984	984
Gasoline	35,000	35,000	-	(35,000)
Motor vehicle registration	-	-	31,308	31,308
State racing commission	12,000	12,000	11,850	(150)
Total state shared taxes	<u>1,413,714</u>	<u>1,413,714</u>	<u>1,416,160</u>	<u>2,446</u>
Licenses and permits:				
Business registration	15,000	15,000	36,565	21,565
Liquor licence's	1,750	1,750	-	(1,750)
Building permits	100,000	100,000	79,144	(20,856)
Subdivision permits	80,000	80,000	200	(79,800)
Zoning permits	2,688	2,688	100,299	97,611
Total licenses and permits	<u>199,438</u>	<u>199,438</u>	<u>216,208</u>	<u>16,770</u>
Charges for Services:				
Copies and printing	5,000	5,000	3,687	(1,313)
Administration fees	20,000	20,000	20,135	135
Library	2,632	2,632	2,099	(533)
Tap-Ins	-	-	1,495	1,495
Total charges for services	<u>27,632</u>	<u>27,632</u>	<u>27,416</u>	<u>(216)</u>
Fines and forfeitures:				
Bonds	-	-	(2)	(2)
Court fines	156,525	156,525	130,557	(25,968)
Total fines and forfeitures	<u>156,525</u>	<u>156,525</u>	<u>130,555</u>	<u>(25,970)</u>
Investment Income:				
Interest	10,000	10,000	6,016	(3,984)

(Continued)

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Miscellaneous:				
Intergovernmental	\$ 58,000	\$ 58,000	\$ 34,006	\$ (23,994)
Miscellaneous	5,000	5,000	125,236	120,236
Total Miscellaneous	63,000	63,000	159,242	96,242
Total general fund revenues	\$ 4,032,179	\$ 4,032,179	\$ 3,983,821	\$ (48,358)
EXPENDITURES:				
General Government:				
Miscellaneous personnel services	\$ 100,636	\$ 105,586	\$ 50,861	\$ 54,725
Miscellaneous operating expenses	4,200	3,250	8,087	(4,837)
Legislative personnel services	72,993	72,993	72,276	717
Legislative operating expenses	96,450	84,950	125,329	(40,379)
Judicial personnel services	126,987	126,987	119,625	7,362
Judicial operating expenses	25,000	24,500	24,185	315
Finance and administration personnel services	406,045	206,045	171,318	34,727
Finance and administration operating expenses	261,475	261,475	286,910	(25,435)
Legal personnel services	123,952	123,952	128,932	(4,980)
Legal operating expenses	71,340	71,340	34,767	36,573
City Clerk personnel services	73,650	73,650	75,018	(1,368)
City Clerk operating expenses	48,563	31,563	20,093	11,470
Total general government	1,411,291	1,186,291	1,117,401	68,890
Public Safety:				
Police personnel services	1,076,865	1,076,865	973,654	103,211
Police operating expenses	309,654	306,654	418,400	(111,746)
Fire personnel services	487,556	487,556	535,417	(47,861)
Vector control personnel services	26,103	26,103	21,180	4,923
Vector control operating expenses	25,900	25,900	42,582	(16,682)
Total public safety	1,926,078	1,923,078	1,991,233	(68,155)
Public Works:				
Highway and streets operating expenses	\$ -	\$ -	\$ 663	\$ (663)
Highway and streets operating expenses	173,500	173,500	176,210	(2,710)
Maintenance personnel services	128,292	128,292	107,273	21,019
Maintenance operating expenses	41,900	41,900	63,381	(21,481)
Total public works	343,692	343,692	347,527	(3,835)
Culture and Recreation:				
Community development personnel services	236,887	236,887	208,689	28,198
Community development operating expenses	70,375	68,875	73,208	(4,333)
Library personnel services	60,967	60,967	58,958	2,009
Library operating expenses	12,195	13,880	69,828	(55,948)
Recreation/Senior citizens personnel services	46,033	46,033	40,528	5,505
Recreation/Senior citizens operating expenses	17,750	17,750	21,340	(3,590)
Total culture and recreation	444,207	444,392	472,551	(28,159)

(Continued)

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Capital Outlay:				
General Government	175,564	200,564	150,287	50,277
Public safety	12,000	15,000	11,989	3,011
Public works	22,000	4,000	-	4,000
Culture and recreation	88,000	87,815	21,607	66,208
Total capital outlay	297,564	307,379	183,883	123,496
Total expenditures	\$ 4,422,832	\$ 4,204,832	\$ 4,112,595	\$ 92,237
Operating Transfers Out:				
Parks fund	\$ 29,000	\$ 9,000	18,495	\$ (9,495)
CDBG Fire	50,000	-	-	-
Child and family	-	7,997	16,434	(8,437)
Road fund	-	17,667	36,304	(18,637)
Water/Wastewater	51,272	-	-	-
EMS fund	4,500	7,108	14,607	(7,499)
Correctional fund	33,000	-	-	-
Total transfers out	167,772	41,772	85,840	(44,068)
Total expenditures and transfers out	4,590,604	4,246,604	4,198,435	48,169
Deficiency of revenues and other sources over expenditures and other uses	(558,425)	(214,425)	\$ (214,614)	\$ (189)
Beginning cash available to absorb budget deficiency	925,504	944,062		
Excess of revenues and other financing sources over expenditures and other uses	\$ 367,079	\$ 729,637		

(Concluded)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2007**

	Joint Utilities	Housing Authority	Total Enterprise Funds
ASSETS:			
Current assets			
Cash and cash equivalents	\$ 652,365	\$ 311,662	\$ 964,027
Accounts receivable, net	-	905	905
Taxes receivable	10,646	-	10,646
Due from other funds	21,792	-	21,792
Investments	-	200,000	200,000
Total current assets	684,803	512,567	1,197,370
Restricted assets			
Tenant deposits	-	5,450	5,450
Customer deposits	159,335	-	159,335
Debt service	287,433	-	287,433
Cash - grants	66,600	-	66,600
Total restricted assets	513,368	5,450	518,818
Capital assets			
Capital assets	29,181,590	2,856,455	32,038,045
Less accumulated depreciation and amortization	(3,632,793)	(714,350)	(4,347,143)
Net capital assets	25,548,797	2,142,105	27,690,902
Total assets	\$ 26,746,968	\$ 2,660,122	\$ 29,407,090

(Continued)

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007**

	Joint Utilities	Housing Authority	Total Enterprise Funds
LIABILITIES:			
Current liabilities			
Accounts payable	\$ 265,912	\$ 235	\$ 266,147
Accrued liabilities and other expenses	17,737	3,386	21,123
Accrued compensated absences	1,475	736	2,211
Due to other funds	63,527	16,292	79,819
Notes payable within one year	27,808	-	27,808
	<u>376,459</u>	<u>20,649</u>	<u>397,108</u>
Total current liabilities			
Current liabilities payable from restricted assets			
Tenant deposits	-	5,607	5,607
Customer deposits	159,335	-	159,335
Revenue bonds payable within one year	41,000	-	41,000
Accrued interest on bonds payable	94,536	-	94,536
	<u>294,871</u>	<u>5,607</u>	<u>300,478</u>
Total payable from restricted assets			
Non-current liabilities			
Notes payable	174,793	-	174,793
Revenue bonds payable	3,269,800	-	3,269,800
Accrued compensated absences	13,270	6,627	19,897
	<u>3,457,863</u>	<u>6,627</u>	<u>3,464,490</u>
Total non-current liabilities			
Total liabilities			
	<u>4,129,193</u>	<u>32,883</u>	<u>4,162,076</u>
NET ASSETS:			
Invested in capital assets, net of related debt	22,035,396	2,142,105	24,177,501
Restricted for:			
Debt service	287,433	-	287,433
Grants	66,600	-	66,600
Unrestricted	228,346	485,134	713,480
	<u>22,617,775</u>	<u>2,627,239</u>	<u>25,245,014</u>
Total net assets			
Total liabilities and net assets			
	<u>\$ 26,746,968</u>	<u>\$ 2,660,122</u>	<u>\$ 29,407,090</u>

(Concluded)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Joint Utilities	Housing Authority	Total Enterprise Funds
Operating revenues			
Joint utilities sales	\$ 2,451,536	\$ -	\$ 2,451,536
Rental income	-	59,852	59,852
Other operating revenue	30,461	-	30,461
Other charges for services	305,978	2	305,980
	<u>2,787,975</u>	<u>59,854</u>	<u>2,847,829</u>
Total operating revenues			
Operating expenses			
Personnel services	150,519	88,799	239,318
Professional services	1,353,363	13,256	1,366,619
Utilities	655,396	20,822	676,218
Operating expenses	1,098,031	35,346	1,133,377
Depreciation expense	452,693	71,607	524,300
	<u>3,710,002</u>	<u>229,830</u>	<u>3,939,832</u>
Total operating expenses			
Operating loss	<u>(922,027)</u>	<u>(169,976)</u>	<u>(1,092,003)</u>
Nonoperating revenues (expenses)			
Intergovernmental revenues	315,929	166,251	482,180
Interest income	7,211	10,755	17,966
Interest expense	(158,973)	-	(158,973)
	<u>164,167</u>	<u>177,006</u>	<u>341,173</u>
Total nonoperating revenues (expenses)			
Income before transfers	(757,860)	7,030	(750,830)
Transfers in	279,925	-	279,925
Transfers out	(232,462)	-	(232,462)
	<u>47,463</u>	<u>-</u>	<u>47,463</u>
Total transfers, net			
Changes in net assets	<u>(710,397)</u>	<u>7,030</u>	<u>(703,367)</u>
Net assets, beginning of year, as previously reported	22,652,605	2,620,209	25,272,814
Restatements	675,567	-	675,567
	<u>23,328,172</u>	<u>2,620,209</u>	<u>25,948,381</u>
Net assets, beginning of year, as restated			
Net assets, end of year	<u>\$ 22,617,775</u>	<u>\$ 2,627,239</u>	<u>\$ 25,245,014</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007**

	Joint Utilities	Housing Authority	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 2,626,074	\$ 66,004	\$ 2,692,078
Cash payments to suppliers for good and services	(3,708,243)	(71,812)	(3,780,055)
Cash payments to employees for services	(167,631)	(85,228)	(252,859)
Other operating revenues	32,118	-	32,118
Other charges for services	305,978	-	305,978
	<u>(911,704)</u>	<u>(91,036)</u>	<u>(1,002,740)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Proceeds from grants	315,929	166,251	482,180
Change in interfund balances	432,699	-	432,699
Operating transfers, net	47,463	-	47,463
	<u>796,091</u>	<u>166,251</u>	<u>962,342</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(877,442)	(38,136)	(915,578)
Principal payment on revenue bonds	(39,000)	-	(39,000)
Principal payment on note maturities	(27,808)	-	(27,808)
Interest paid on bonds, notes and lease obligations	(160,333)	-	(160,333)
	<u>(1,104,583)</u>	<u>(38,136)</u>	<u>(1,142,719)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest from investments	7,211	10,832	18,043
	<u>7,211</u>	<u>10,832</u>	<u>18,043</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,212,985)	47,911	(1,165,074)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,378,718	269,201	2,647,919
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,165,733	\$ 317,112	\$ 1,482,845
Cash and cash equivalents consist of:			
Unrestricted cash and cash equivalents	\$ 652,365	\$ 311,662	\$ 964,027
Restricted cash and cash equivalents	513,368	5,450	518,818
	<u>\$ 1,165,733</u>	<u>\$ 317,112</u>	<u>\$ 1,482,845</u>

(Continued)

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007**

	Joint Utilities	Housing Authority	Total Enterprise Funds
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:			
Operating loss	\$ (922,027)	\$ (169,976)	\$ (1,092,003)
Adjustment to reconcile operating income to net cash used in operating activities:			
Depreciation and amortization	452,693	71,607	524,300
(Increase) decrease in assets			
Accounts receivable	174,538	6,150	180,688
Taxes receivable	1,657	-	1,657
Increase (decrease) in liabilities			
Accounts payable	(660,729)	(2,388)	(663,117)
Accrued expenses	(5,212)	2,426	(2,786)
Compensated absences	(17,112)	1,145	(15,967)
Customer deposit	64,488	-	64,488
Total adjustment	<u>10,323</u>	<u>78,940</u>	<u>89,263</u>
Net cash used in operating activities	<u>\$ (911,704)</u>	<u>\$ (91,036)</u>	<u>\$ (1,002,740)</u>

(Concluded)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

	Agency Fund
ASSETS:	
Cash and cash equivalents	\$ <u>120,769</u>
LIABILITIES:	
Due to other governmental agency	<u>120,769</u>
Net assets	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the City of Sunland Park, New Mexico (the "City"), is presented to assist in understanding the City's financial statements. The financial statements and notes are representations of the City's management, who is responsible for their integrity and objectivity.

The City of Sunland Park, New Mexico, a political subdivision of the State of New Mexico, operates under the mayor-council form of government. The City provides the following authorized services: public safety, highway and streets, sanitation, health and welfare, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The following is a summary of the City's accounting policies.

A. Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including or excluding a potential component unit with 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, or whether the activity is conducted within the geographic boundaries of the government and is generally available to 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. Based upon the application of these criteria, the City of Sunland Park has no component units.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-Wide Financial Statements—The statement of net assets and the statement of activities report information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specially associated with a program or function and, therefore, are clearly identifiable to a particular function.

The net assets of the City are reported in three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Restricted net assets result from constraints placed on the use of net assets when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

Program revenues include fees, fines, and charges paid by the recipients of good and services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements—The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

The City reports the following major governmental fund:

General Fund—The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those accounted for in another fund.

The City reports the following major enterprises funds:

Joint Utilities Fund—The fund accounts for the activities of the City's water, wastewater and solid waste utility, which provides service to the residents of the City of Sunland Park and Santa Teresa, New Mexico.

Housing Authority Fund—The fund accounts for pre-construction, construction, and operations and maintenance of the local Housing Authority. The Housing Authority is not a legally separate organization with a separate elected governing body, however, management is operated separately from the City.

The City also reports the following fund types:

Special Revenue Funds—To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Project Funds—To account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Agency Fund—This fund is used to account for revenues collected at the branch office of the New Mexico Motor Vehicle Department and funds remitted to the State.

Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements—The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Derived tax revenues such as sales taxes are recognized in the period when the underlying exchange transaction has occurred and the resources are available.

Governmental Fund Financial Statements—Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

All governmental and business-type activities of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The City elected not to apply FASB Statement and Interpretations issued after November 30, 1989.

New Governmental Accounting Standards—GASB has issued Statement No. 43 "*Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*". This statement was issued in April 2004 and is effective for Phase III governments in fiscal year 2010.

GASB has issued Statement No. 45 "*Accounting and Financial Reporting by Employers for Postemployment benefits other than Pensions*". This statement was issued in June 2004 and is effective for Phase III governments in fiscal year 2010.

GASB has issued Statement No. 49 "*Accounting and Financial Reporting for Pollution Remediation Obligations*". This statement was issued in November 2006 and is effective for Phase III governments in fiscal year 2008.

GASB has issued Statement No. 50 "Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27". This statement was issued in May 2007 and is effective for Phase III governments in fiscal year 2008.

GASB has issued Statement No. 51 "Accounting and Financial Reporting for Intangible Assets". This statement was issued in June 2007 and is effective for Phase III governments in fiscal year 2010.

Management has not yet determined the impact of the above statements on the financial statements.

C. Budgets

Budgets for General, Special Revenues, Capital Projects, the Joint Utilities and Housing Authority Enterprise funds are prepared by management and approved by the local council and the New Mexico Department of Finance and Administration.

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a "by fund" basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local council approval. If a transfer between "funds" or a budget increase is required, approval must also be obtained from the Department of Finance and Administration.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

D. Cash and Cash Equivalents, Investments, Restricted Cash

Cash and cash equivalents are considered to be cash on hand, demand deposits, and other short-term investments with original maturities of three months or less from the date of acquisition. Restricted cash represents amounts for customer deposits, tenant deposits, debt service and community development.

State statute authorize the City to invest in interest bearing accounts with local financial institutions, direct obligations of the U.S. Treasury or New Mexico political subdivision, and the State Treasurer's Investment Pool. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates.

New Mexico Statues require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the uninsured public monies held on deposit. Collateral pledge is held in safekeeping by other financial institutions, with safekeeping receipts held by the City. The pledge securities remain in the name of the financial institution.

E. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances between governmental activities and fiduciary funds are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

The allowance for doubtful accounts is based on management's assessment of the collectibility of specific customer accounts, the aging of the accounts receivable, historical experience, and other currently available evidence.

F. Capital Assets

All purchased capital assets are valued at cost where historical records are available and at an estimated cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets, which include property, plant, equipment, software, and infrastructure assets are reported in the applicable governmental activities columns in the government-wide financial statements.

The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

	Government Activities	Business-type Activities
Buildings and improvements	20 - 50	20 - 50
Water and sewer system	50	50
Furniture, equipment and library books	5 - 10	5 - 10
Vehicles	5 - 10	5 - 10
Capital lease	-	5
Infrastructure	20 - 50	

G. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund

statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

H. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets.

I. Deferred Revenue

Deferred revenues represent a promise to give to the City \$3,800,000 over the next year. The deferred revenue will be recognized in the period when earned.

J. Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Concentration of Credit Risk

Financial instruments that potentially subject the City to a concentration of credit risk consist primarily of cash, investments, and taxes receivable. The City places its cash in federally insured financial institutions which collateralize 50% of the City's deposits with securities issued by the United States Government and in United States Government Treasury notes. The City's investments are invested by the State Treasurer in short-term investment funds. Concentration of credit risk with respect to taxes receivable is limited due to the amounts being primarily government related.

L. Analysis for Impairment

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based upon a comparison of future cash flows to the recorded value of the assets. Impairment losses are measures based upon the fair value of the impaired assets. No such impairment losses were recorded during the year ended June 30, 2007.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results may differ from those estimates.

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Cash and deposits—The city maintains cash in two financial institutions. The City's deposits are carried at cost.

As of June 30, 2007 the amount of cash reported on the financial statements differs from the amount of deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Per Institution	Reconciling Items	Per Financial Statements
Cash on hand	\$ 1,300	\$ -	\$ 1,300
Checking accounts:			
Main Bank:			
General Operating	1,072,795	(183,670)	889,125
Police and Fire	42,944	(64)	42,880
Border crossing	4,227,951	-	4,227,951
Fire protection	7,819	(38,864)	(31,045)
Health facility fund	3,872	(500)	3,372
Federal equitable sharing fund	150,929	-	150,929
HIDTA	8,821	(2,012)	6,809
Clarifier	9,961	-	9,961
99 - CDBG	3,986	-	3,986
Government tax relief	62,762	(1,799)	60,963
FMHA debt service	99,913	-	99,913
Water fund	52,750	-	52,750
Water fund	60,510	-	60,510
Water fund	774,597	(69,452)	705,145
Meter deposits	24,332	-	24,332
Water fund	14,615	-	14,615
RUS 80-3311R	28,770	-	28,770
RUS 2156R	29,583	-	29,583
RUS Debt Service	68,658	-	68,658
Housing Authority operating	305,955	(7,502)	298,453
Housing Authority capital fund	13,209	-	13,209
Housing Authority tenant deposits	5,604	(154)	5,450
	<u>7,070,336</u>	<u>(304,017)</u>	<u>6,766,319</u>
Wells Fargo Bank			
RUS 80WW/OP-Debt Service	1,651	-	1,651
	<u>7,071,987</u>	<u>(304,017)</u>	<u>6,767,970</u>
Total deposits			
	<u>\$ 7,073,287</u>	<u>\$(304,017)</u>	<u>\$ 6,769,270</u>
Total cash and deposits			

New Mexico State Statues authorize the City to deposit cash with a bank, savings and loan association, or credit union whose deposits are insured by an agency of the United States. All cash deposits that exceed the Federal Deposit Insurance Corporation (FDIC) amount of \$100,000, are required to be collateralized with eligible securities, as described by New Mexico State Statues, in amounts equal to at least 50% of the deposits.

The City maintains cash in two financial institutions, Main Bank in Sunland Park, New Mexico ("Main Bank") and Wells Fargo in Santa Teresa, New Mexico. Collateral is held in safekeeping at the Federal Home Loan Bank of Dallas ("Bank") in the form of an Irrevocable Standby Letter of Credit ("LOC"). The LOC was offered in favor of the City for a sum not exceeding \$3,900,000 on the account of Main Bank.

Custodial Credit Risk–Deposits– Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for custodial risk requires all deposits in excess of \$100,000 to be 50% collateralized by obligations of the United States. As of June 30, 2007, \$6,970,335 of the City's bank balance of \$7,070,336 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,070,336
Uninsured and collateral held by pledging bank's trust department, not in the City's name	<u>3,900,000</u>
Total	<u>\$ 6,970,336</u>

As of June 30 2007, the City had the following investments:

Investment	Weighted Average Maturity	Fair Value
New Mexico State LGIP Fund (Pool-4101)	Six months	<u>\$ 4,100,000</u>

The investments are valued at fair value based on quoted market prices as of June 30, 2007.

The State Treasurer Local Government Investment Pool ("LGIP") is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978.

The pool does not have unit shares. Per Section 6-10-10-.1 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested.

Participation in the LGIP is voluntary.

Interest Rate Risk—In accordance with state law, the City does not purchase any investments with maturities greater than two years.

Credit Risk—In accordance with state law, investments in Investment Pools must be rated at least AAA by at least one nationally recognized rating service.

Investment Policy—The City's investment policy allows for investments in Obligations of the United States, its agencies and instrumentalities; certificates of deposits issued by state or national banks domiciled in the state of New Mexico, fully collateralized direct repurchase agreements with defined termination dates; money market mutual funds that are registered and regulated by the Securities and Exchange Commission, have dollar weighted average stated maturity of 90 days or less, rated AAA by at least one nationally recognized rating service and seek to maintain a net assets value of \$1 per share; and local government investment pools as allowed by the New Mexico Public Funds Investment Act.

3. RECEIVABLES

Governmental activities receivables are the following at June 30, 2007:

	General Fund	Special Revenue Funds	Capital Projects Funds	Total Governmental Activities
Taxes	\$ 463,612	\$ -	\$ -	\$ 463,612
Grants	-	37,551	471,236	508,787
Contribution	-	-	3,800,000	3,800,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 463,612</u>	<u>\$ 37,551</u>	<u>\$ 4,271,236</u>	<u>\$ 4,772,399</u>

The governmental fund financial statements include a contribution receivable of \$3,800,000 at June 30, 2007. During fiscal year 2006, the City received a private donation in the amount of \$11,800,000 to help fund the City's planned Border Crossing Project. The donation is payable over a three year period, with the first payment of \$4,000,000 paid in March 2006 and the second payment of \$4,000,000 paid in March 2007. The balance remaining of \$3,800,000 has been recorded as a contribution receivable and deferred revenue in the Capital Projects Fund.

Business-type receivables are as follows at June 30, 2007:

	Joint Utilities	Housing Authority	Total
Taxes	\$ 10,646	\$ -	\$ 10,646
Other	-	905	905
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 10,646</u>	<u>\$ 905</u>	<u>\$ 11,551</u>

4. ACCRUED LIABILITIES AND OTHER EXPENSES

Governmental activities accrued liabilities and other expenses are as follows at June 30, 2007:

	General Fund	Special Revenue Funds	Capital Projects Funds	Total Governmental Activities
Salaries and payroll taxes	<u>\$ 96,379</u>	<u>\$ 7,876</u>	<u>\$ -</u>	<u>\$ 104,255</u>

Business-type accrued liabilities and other expenses are as follows at June 30, 2007:

	Joint Utilities	Housing Authority	Total
Salaries and payroll taxes	\$ 4,089	\$ 3,386	\$ 7,475
Gross receipts tax	13,648	-	13,648
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 17,737</u>	<u>\$ 3,386</u>	<u>\$ 21,123</u>

5. DEFERRED REVENUE AND CONTRIBUTION

The governmental fund financial statements include deferred revenue of \$3,800,000 at June 30, 2007. The City received a private donation in the amount of \$11,800,000 to help fund the City's planned Border Crossing Project.

The donation is payable over a three year period, with the first payment of \$4,000,000 paid in March 2006 and the second payment of \$4,000,000 paid in March 2007. The balance remaining of \$3,800,000 has been recorded as a contribution receivable and deferred revenue in the Capital Projects Fund.

6. PROPERTY TAX

Property Tax—A tax is imposed upon all property located within the City limits subject to valuation for property taxation purposes under Article 36, Chapter 7, NMSA 1978. Property tax rates for the calendar year are set no later than September 1 each calendar year by the New Mexico Secretary of Finance and administration. The rates of tax are used by the Dona Ana County assessor to develop the property tax schedule by October 1st. Tax notices are sent by the Dona Ana County treasurer to property owners by November 1st of each year. Taxes are payable in equal semiannual installments by November 10th and April 10th of the subsequent year. Thirty days later the bill becomes delinquent and the county treasurer assesses penalties and interest. Property taxes are attached as an enforceable lien on property as of the first day of each calendar (tax) year. Taxes are collected on behalf of the City by the county treasurer, and are remitted to the City in the month following collection.

The city is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the City. The City's total tax rate to finance general government services for 2007 was \$2.705 per \$1,000 for non-residential and \$3.191 for residential property..

7. BUDGETARY RECONCILIATIONS

The Combined Statements of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis, presents comparison of legally adopted budgets with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of revenues and other sources over (under) expenditures and other uses of the year ended June 30, 2007 is presented below:

	General Fund	Special Revenue	Capital Projects
Excess (deficiency) of revenue and other sources over expenditures and other (uses), GAAP basis	\$ (254,863)	\$ 12,572	\$ 3,967,640
Increases (decreases):			
Revenue accruals, net	(99,309)	(106,707)	(590,765)
Expenditure accruals, net	<u>139,558</u>	<u>19,980</u>	<u>748,956</u>
Excess (deficiency) of revenues over expenditures expenditures and other (uses), Non-GAAP budgetary basis	<u>\$ (214,614)</u>	<u>\$ (74,155)</u>	<u>\$ 4,125,831</u>

8. CAPITAL ASSETS

Changes in Capital Assets—Capital asset activity for the City's primary government for the year ended June 30, 2007, was as follows:

	Beginning Balance	Increases	Prior Period Adjustments	Ending Balance
Government activities:				
Capital assets not being depreciated:				
Land	\$ 103,683	\$ 20,414	\$ -	\$ 124,097
Construction in progress	2,045,010	1,358,853	(564,618)	2,839,245
Total capital assets not being depreciated	2,148,693	1,379,267	(564,618)	2,963,342
Other capital assets:				
Buildings and improvements	3,288,249	-	(614,490)	2,673,759
Land improvements	-	200,000	531,204	731,204
Furniture, equipment and library books	900,066	458,147	(703,882)	654,331
Vehicles	2,165,911	13,119	148,410	2,327,440
Infrastructure	13,803,849	-	(36,952)	13,766,897
Total other capital assets	20,158,075	671,266	(675,710)	20,153,631
Less accumulated depreciation for:				
Buildings and improvements	1,264,646	67,616	(345,488)	986,774
Land improvements	-	21,898	302,986	324,884
Furniture, equipment and library books	497,204	58,862	(249,116)	306,950
Vehicles	1,324,596	184,948	(164,564)	1,344,980
Infrastructure	10,708,464	198,867	(984)	10,906,347
Total accumulated depreciation	13,794,910	532,191	(457,166)	13,869,935
Total other capital assets, net	6,363,165	139,075	(218,544)	6,283,696
Governmental Activity Capital Assets, Net	\$ 8,511,858	\$ 1,518,342	\$ (783,162)	\$ 9,247,038
Business-type activities:				
Capital assets not being depreciated:				
Land and Water Rights	\$ 2,342,782	\$ -	\$ (150,000)	\$ 2,192,782
Construction in progress	4,506,284	677,163	-	5,183,447
Total capital assets not being depreciated	6,849,066	677,163	(150,000)	7,376,229
Capital assets being depreciated:				
Building and improvements	2,636,489	-	91,581	2,728,070
Land improvements	-	-	77,235	77,235
Water and sewer systems	21,267,664	-	(21,267,664)	-
Vehicles	12,000	-	24,051	36,051
Equipment	89,573	23,956	64,808	178,337
Capital lease	160,000	-	(160,000)	-
Infrastructure	-	214,458	21,427,664	21,642,122
Total capital assets being depreciated	24,165,726	238,414	257,675	24,661,815
Less accumulated depreciation	4,143,419	524,300	(320,577)	4,347,142
Total capital assets being depreciated, net	20,022,307	(285,886)	(62,902)	20,314,673
Business-type activities capital assets, net	\$ 26,871,373	\$ 391,277	\$ (212,902)	\$ 27,690,902

Construction in progress includes jobs authorized at June 30, 2007 and is composed of the following:

	Estimated Cost	Cost Incurred to Date
Governmental activities:		
River Trail	\$ 355,187	\$ 14,765
Sports Complex	5,437,693	753,324
Fire Substation Phase II	550,000	321,361
Guy Keating projects	252,572	367,023
Sidewalk Improvements	700,000	582,252
Crawford Anapra road	440,000	11,295
Border Crossing project	12,565,000	765,000
Other	-	24,225
	<u>\$ 20,300,452</u>	<u>\$ 2,839,245</u>
Business-type activities:		
Wastewater system expansion project	\$ 4,358,465	\$ 4,011,960
Industrial tank replacement	612,248	1,171,487
	<u>\$ 4,970,713</u>	<u>\$ 5,183,447</u>

Depreciation Expense—Depreciation expense was charged to functions of the government as follows, for the year ended June 30, 2007:

	Government Activities	Business-Type Activities
General government	\$ 431,488	\$ -
Public safety	49,694	-
Public works	34,441	-
Health and welfare	7,051	-
Culture and recreation	9,517	-
Joint utilities		437,726
Housing Authority		86,574
	<u>\$ 532,191</u>	<u>\$ 524,300</u>
Total depreciation expense		

9. ACCRUED COMPENSATED ABSENCES

The City's leave policy allows employees to accumulate sick leave and vacation leave. Upon termination, any accumulated vacation will be paid to the employee not to exceed 288 hours. Ten percent of the accumulated sick leave is paid upon termination to employees who have accumulated more than five years. As of June 30, 2007 employees had approximately 12,336 hours of accumulated vacation leave, totaling \$199,618, and approximately 16,232 hours of accumulated sick leave, totaling \$8,079.

10. LONG-TERM DEBT

Changes in long-term debt during the year ended June 30, 2007, were as follows:

	Balance June 30, 2006	Increase	Decreases	Balance June 30, 2007	Due Within One Year
Governmental activities:					
New Mexico Finance Authority loan	\$ 81,000	\$ -	\$ (6,000)	\$ 75,000	\$ 6,000
Compensated absences	286,674	106,912	(207,997)	185,589	18,559
	<u>\$ 367,674</u>	<u>\$ 106,912</u>	<u>\$ (213,997)</u>	<u>\$ 260,589</u>	<u>\$ 24,559</u>
Business-type activities:					
Water System Improvement Revenue Bonds, Series 92A	\$ 573,100	\$ -	\$ (10,000)	\$ 563,100	\$ 10,000
Water System Improvement Revenue Bonds, Series 92B	155,700	-	(3,000)	152,700	3,000
Joint Water and Wastewater System Improvement Revenue Bonds, Series 2002	485,000	-	(5,000)	480,000	6,000
Water and wastewater system Revenue Bonds. Series 2004	2,136,000	-	(21,000)	2,115,000	22,000
Note payable - NM Environment Department	230,409	-	(27,808)	202,601	27,808
Compensated absences	38,075	10,844	(26,811)	22,108	2,211
	<u>\$ 3,618,284</u>	<u>\$ 10,844</u>	<u>\$ (93,619)</u>	<u>\$ 3,535,509</u>	<u>\$ 71,019</u>

Compensated absences typically have been liquidated in the fund to which the employees are assigned.

Governmental Activities Long-Term Debt

New Mexico Finance Authority Loan

On July 20, 1995 the City of Sunland Park borrowed \$128,000 from the New Mexico Finance Authority for the purpose of securing funds for construction of a fire station. Principal is due annually on August 1st.

Loan principal and interest payments for each of the next five years and thereafter are as follows:

Year Ending June 30:	Principal	Interest	Total
2008	\$ 6,000	\$ 4,536	\$ 10,536
2009	7,000	4,127	11,127
2010	7,000	3,686	10,686
2011	8,000	1,733	9,733
2012	8,000	2,962	10,962
2013-2016	39,000	6,363	45,363
Totals	\$ 75,000	\$ 23,407	\$ 98,407

Business-type Activities Long-Term Debt

Water and Sewer Revenue Bonds

The City of Sunland Park authorized the issuance of 1992 Series A, \$661,100 and Series B, \$177,700, Water System Improvement Revenue Bonds, interest rate of 5.5% for the purpose of securing funds for construction improvements to the water system for the City.

In 2003, the City adopted an amended loan resolution authorizing the issuance of the City of Sunland Park Joint Water and Wastewater System Improvement Revenue Bonds, Series 2002, to FMHA in the amount of \$500,000, interest rate of 4.5%, for the purpose of financing improvements to the City's Joint Water and Wastewater System. The bonds are payable and collectible solely from net revenues to be derived from the operation of the City's Joint Water and Wastewater System. In 2002 and 2003, the City incurred expenditures of \$500,000 which were applied toward the loan proceeds. A grant agreement with RUS was also adopted in March 2001, and authorized in July 16, 2002, in the amount of \$3,311,000 for the improvement of the City's Joint Water and Wastewater System.

In December 2004, the City issued Water and Wastewater System Revenue Bonds, Series 2004, in the amount of \$2,156,000 to finance certain costs incurred by the City in connection with the acquisition by the City of Santa Teresa Service Company ("STSC") assets of the water and wastewater system. (See Note 20).

Water and wastewater revenue bonds requirements to maturity are as follows:

Year Ending June 30:	Principal	Interest	Total
2008	\$ 41,000	\$ 156,144	\$ 197,144
2009	43,000	154,169	197,169
2010	44,000	152,094	196,094
2011	46,000	149,974	195,974
2012	49,000	147,754	196,754
2013-2017	283,000	700,890	983,890
2018-2022	356,000	625,710	981,710
2023-2027	452,000	530,490	982,490
2028-2032	573,000	409,600	982,600
2033-2037	509,800	271,684	781,484
2038-2042	565,000	157,050	722,050
2043-2045	349,000	30,780	379,780
Totals	\$ 3,310,800	\$ 3,486,339	\$ 6,797,139

Notes Payable-NM Environment Improvement Division

On January 1, 1994 the City of Sunland Park borrowed \$483,604 from the New Mexico Environment Improvement Division. The proceeds of the note were used to add transmission lines for the wastewater collection system. The loan was refinanced in August 2001 with new terms. Annual installments of \$30,112, including interest, accrued at 1% per annum, are due through August 1, 2013.

Annual debt service requirements are as follows:

Year Ending June 30:	Principal	Interest	Total
2008	\$ 27,808	\$ 2,026	\$ 29,834
2009	28,367	1,745	30,112
2010	28,651	1,461	30,112
2011	28,937	1,175	30,112
2012	29,227	885	30,112
2013-2014	59,611	891	60,502
Totals	<u>\$ 202,601</u>	<u>\$ 8,183</u>	<u>\$ 210,784</u>

Operating Lease Income

The city has entered into an operating lease agreement in which the City, as lessor, leases a building for the purpose of conducting a commercial banking operation in exchange for annual lease payments which are reported as rental income. The initial term of the lease is 5 years commencing April 1, 1996 with renewal options for an additional two 5-year lease terms with terms and conditions remaining the same until March 31, 2011. Total rent for the initial term and for any subsequent terms is \$5,000 per year.

At June 30, 2007, the minimum future lease payments due under the operating lease are as follows:

Year Ending June 30:	Operating Leases
2008	\$ 5,000
2009	5,000
2010	5,000
2011	3,750
Totals	<u>\$ 18,750</u>

11. INTERFUND RECEIVABLES, PAYABLES, TRANSFERS

The composition of interfund balances as of June 30, 2007, is as follows:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	Amount
Nonmajor governmental General fund	General fund	\$ 1,517,236
Nonmajor governmental General fund	Enterprise fund - Housing Authority	16,292
Nonmajor governmental	Enterprise fund - Joint Utilities	41,735
General fund	Nonmajor governmental	791,493
Nonmajor governmental	Nonmajor governmental	<u>300,363</u>
		<u>\$ 2,667,119</u>

The outstanding balances between funds result mainly from the time lag between the dates that the payments between funds are made.

The amounts payable relate primarily to capital improvement projects in the governmental funds.

Interfund transfers

General Fund	Nonmajor Governmental funds	Enterprise Fund - Joint Utilities	Total
Transfers In:			
<u>\$ -</u>	<u>\$ 38,377</u>	<u>\$ 47,463</u>	<u>\$ 85,840</u>
Transfers Out:			
<u>\$ 85,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,840</u>

Transfers are used to move unrestricted fund revenues to supplement other funds sources for joint utilities and various programs that the City must account for in other governmental funds in accordance with budgetary authorizations, including amounts provided as matching funds for grant programs.

12. RETIREMENT PLAN

Substantially all of the City's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees 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 City has chosen to enroll in a plan that requires the following contribution percentages:

	City	Employees
Police	15%	7%
Fire	11%	8%
All other contributing employees	7%	7%

Contribution requirements for the year ended:

	City	Employee	Total
June 30, 2005	\$ 111,697	\$ 83,445	\$ 195,142
June 30, 2006	\$ 207,851	\$ 139,509	\$ 347,360
June 30, 2007	\$ 201,319	\$ 144,717	\$ 346,036

The payroll for employees covered by the Plan for the year ended June 30, 2007 was \$2,280,635. The City's total payroll was \$2,592,241.

13. DEFERRED COMPENSATION PLAN

The City offers its employees, that were employed before the adoption of the State plan, a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. Employees of the City who are participating in the plan had the option of remaining in the plan or moving into the State plan. Several employees made the election to remain in the 457 plan. The elected officials of the City have also elected to stay in the 457 plan. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all the income attributable to those amounts, property, or rights are solely the property and rights of the plan participants. The City has three participants in the plan as of June 30, 2007, the covered participants are required to contribute 7 percent of their gross salary to the plan. The City contributes a required matching contribution of 7 percent of gross salaries. Total employee and employer contributions were \$16,729 for the year ended June 30, 2007.

14. POST EMPLOYMENT HEALTH CARE BENEFITS

The New Mexico Retiree Health Care Act (NMRHCA) (Chapter 10, Article 76 NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments of the out-of-pocket payments of eligible retirees.

Monies flow to Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on a person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of

retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each active full-time participating employee contributes to the fund and employee contribution equal to .65 percent of the employee's annual salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5) if the eligible participant retired prior to employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, retiree), and the net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. The report may be obtained by writing to the Retiree Healthy Care Authority, Carlmont Business Plaza, 4308 Carlisle Blvd., NE Suite 104, Albuquerque, NM 87107.

For the fiscal year ended June 30, 2007, the City of Sunland Park remitted \$30,011 in employer contributions and \$15,006 in employee contributions to the Retiree Health Care Authority.

15. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City had joined together with other municipalities in the State and obtained insurance through the New Mexico Self Insurer's Fund, public entity risk pool currently operating as a common risk management and insurance program for state governments. The City pays semi-annual premiums to New Mexico Self Insurer's Fund for its general insurance coverage and all risks of loss is transferred.

16. OPERATING SUBSIDIES

The Public Housing Authority receives operating subsidy funding from HUD under the Performance Funding System and the amount is calculated on HUD Form 52723. After the end of each year, the amount of utilities, rent shortfall, and targeted invested income estimated for the initial operating subsidy calculation are adjusted to actual. If the estimated utility expenses are higher than actual, the difference is returned to HUD. If the actual investment income is more than targeted investment income, the difference is also returned to HUD. If there is a rent shortfall, HUD will increase the amount due to the Public Housing Authority.

17. ECONOMIC DEPENDENCY

Substantially all revenues of the Public Housing Authority are received from programs directed by the United States Department of Housing and Urban Development. Receipt of these funds is contingent upon the Public Housing Authority's continued compliance with the grant provisions and the maintenance of the grant programs by the United States Department of Housing and Urban Development.

18. EXPENDITURES BEYOND APPROPRIATIONS

Individual funds with deficit fund balances at June 30, 2007 are as follows:

	<u>Deficit Fund Balance / Net Assets</u>
Special Revenue - Fire Protection	\$ 51,064
Special Revenue - Dona Ana County Grant	1,000
Special Revenue - New Mexico Beautification	24,260
Special Revenue - Child and Family Program	30,914
Special Revenue - Traffic Safety	19,098
Capital Project - La Clinica de Familia	696
Capital Project - Crawford Anapra Road	9,518
Capital Project - City Sidewalk Improvement	724
Capital Project - Community Center	17,168

Management expects fund balance deficits will be eliminated through increased general fund appropriations.

The following funds over-expended budgeted amounts at June 30, 2007 as follows:

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures</u>
Special Revenue - Fire Protection	\$ 67,084	\$ 135,112	\$(68,028)
Special Revenue - Juvenile Recreation	29,000	35,240	(6,240)
Special Revenue - Law Enforcement	32,000	33,327	(1,327)
Special Revenue - Health Facility	-	2,000	(2,000)
Special Revenue - Court Automation	20,881	47,990	(27,109)
Special Revenue - New Mexico Beautification	7,500	7,538	(38)
Special Revenue - Traffic Safety Fund	-	29,991	(29,991)
Special Revenue - Operation Safe Border	-	18,855	(18,855)
Joint Utilities	3,264,006	5,062,019	(1,798,013)

19. CONTINGENCIES

The City receives financial assistance from federal and state grants and entitlements. Amounts received, or receivable, from grantor agencies are subject to audit and adjustment by grantor agencies. The City believes that liabilities resulting from disallowed amounts will not have a material effect on the City's financial statements.

Through the ordinary course of its operations, the City becomes subject to various claims and litigation. Management and legal counsel are of the opinion that settlement of these claims and pending litigation will not have a material adverse effect on the City's financial statements.

20. JOINT WATER AND WASTEWATER OPERATING AUTHORITY

A Memorandum of Understanding ("MOU") for a Joint Water Operating Authority was entered into on February 10, 2005 by and between the City, the County of Dona Ana, New Mexico (the "County"), and Verde Realty Master Limited Partnership ("Verde"), a significant landowner and real estate developer in Dona Ana County.

Representatives of the City, County and Verde developed a commitment to establish an Interim Joint Authority leading to a Joint Water and Wastewater Utility Authority for the purpose of combining the City Water and Wastewater utility facilities with certain County Water and Wastewater utility facilities effectively creating a joint agency utility with a defined geographic service area. The MOU addresses (1) Interim Joint Authority composition and powers, (2) an agreement to develop a Joint Power Agreement and the timing of the development of a JPA, (3) an interim and permanent service territory, (4) City and County debt and other obligations, (5) the development of a separate interim JPA addressing zoning, planning, platting and subdivision issues, (6) resolution of pending litigation, (7) The County's La Union treatment plant, and (8) City Authority to annex in the interim.

The parties agreed that the MOU may be amended in writing upon approval of the governing bodies of each party and shall not become effective until signed by the parties.

The parties agreed to the formation of an Interim Joint Authority ("IJA") (and interim and joint advisory board) composed of (1) two elected official from the City, (2) two County Commissioners (one of the individuals would be the commissioner whose district includes the City), (3) the New Mexico Senator (or a delegate) whose district includes the City/Santa Teresa area, (4) the New Mexico Representative (or a delegate) whose district includes the City/Santa Teresa area, and (5) one member selected by the majority of the six members. The member shall be a professional with real property development or engineering experience or a background in economic development.

The City's responsibilities and duties, under the IJA include: (a) report to the IJA and the County any prerequisites and other asset transfer considerations; (b) present to the IJA and the County audited utility financial statements for the years 2005-2006; (c) pursue legislative enhancement of the powers of the Utility Authority, to include, among other things, exemption from the Public Utilities Act; (d) assist the IJA with administrative staffing and facilities; (e) work with the County in the development of a Joint Powers Agreement ("JPA"); (f) provide financial assistance on a 50/50 basis with the County to the IJA for reasonable and necessary administrative expenses that cannot be provided through in-kind contribution or service; and (g) provide monthly reports to the IJA of the progress in the creation of the JPA, and, monthly unaudited financial statements for the water and wastewater utilities.

21. RESTATEMENTS

In the government-wide financial statements net assets as of beginning of fiscal year 2007 has been adjusted to correct certain errors resulting from the understatement and overstatement of assets and liabilities with the following change to net assets:

Overstatement of governmental activities capital assets	\$ (1,240,328)
Overstatement of governmental activities accumulated depreciation	<u>457,166</u>
Restatements	<u>\$ (783,162)</u>
Understatement of business-type activities capital assets	\$ 107,675
Overstatement of business-type activities accumulated depreciation	320,577
Understatement of cash balances	9,715
Overstatement of accounts payable	391,234
Overstatement of accounts receivable	<u>(153,633)</u>
Restatements	<u>\$ 675,568</u>

CITY OF SUNLAND PARK, NEW MEXICO

Description of Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The special revenue funds are as follows:

Fire Protection Fund

State Statutes Section 59-15 provides that revenues accumulated by the State from taxes on fire and vehicle insurance companies and deposited in the fire protection fund be distributed to local public bodies for the operation, betterment, and maintenance of the local fire departments. This fund is used to account for the operations of the City's fire protection agency. Expenses do not include personnel costs (NMSA 59A-53-1).

Juvenile Recreation Fund

State Statutes Section 7-12 provides for the distribution of funds from the State, County, and Municipality Recreation Fund (supported by cigarette taxes) to municipalities for the recreational facilities and salaries of instructors and other employees necessary to the operation of such facilities. This fund is used to account for the receipt and disbursement of these monies (NMSA 1978, Section 7-21-1 through 7-12-17).

Emergency Medical Services Fund

State Statutes Section 24-10A provides for the distribution of funds from the State Emergency Medical Services Fund to local public bodies for the purchase, repair, and maintenance of rescue units, ambulance vehicles, emergency equipment, and communications equipment. This fund is used to account for the receipt and disbursement of these monies (NMSA 24-10A-1 to 24-10A-10).

Correctional Fund

To account for care of prisoners' expenditures not included in the General Fund. Financing is provided by fees collected by the Municipal Judge (NMSA 1978, Section 35-14-11 and City Council ordinance).

Law Enforcement Fund

State Statutes Section 29-13 provides for the distribution of funds from the State Law Enforcement Protection Fund to municipal and county police and sheriff departments for the maintenance and improvement of those departments in order to enhance the efficiency and effectiveness of law enforcement services provided. This fund is used to account for specific law enforcement expenditures not included in the general fund. Financing is provided by a state allotment and can only be used for law enforcement equipment and personnel training (NMSA 1978, Section 29-13-4.A).

Health Facility Fund

To account for federal funds used for the construction of a new addition to the Sunland Park Public Health Office. Funds were provided by federal grants passed through the New Mexico Department of Health. Authorized by federal regulation CFDA 10.557. The project is completed.

Court Automation Fund

This fund was established by legislation to assist municipal courts in the cost associated with the automation requirements.

Dona Ana County Grant Fund

This fund is to account for the grant from Dona Ana County for expenditures incurred for Anapra Park Improvements.

Sunland Park Youth Center Fund

This fund is to provide child care while public related forums directed to family and parenting skills development are performed.

New Mexico Beautification Fund

This fund is to account for the grant from the New Mexico State Highway and Transportation Department for expenditures incurred for aid and litter control and beautification projects (NMSA 67-16-1 to 67-16-14).

Senior Citizen Center Fund

To account for the 1998 Community Development Block Grant for expenditures for construction of the Senior Citizen's Center (Title I-Housing and Community Development Act and P.L. 93-383). CFDA 14.228.

Community Oriented Policing Services (COPS) Federal Fund

To account for the grant from the U.S. Department of Justice for the purposes of hiring or rehiring law enforcement officers to address crime and related problems through community policing (Title I-Omnibus Crime Control and Safe Streets Act of 1968). CFDA 16.710.

Child and Family Program Fund

To account for state grant program fund from the Children, Youth and Families Department, that are used to provide family intervention and preschool opportunities for children living in Sunland Park, New Mexico. Authorized by City Resolution.

Traffic Safety Fund

To account for the grant from the Traffic Safety Bureau of the New Mexico State Highway and Transportation Department for expenditures of enforcement of traffic safety laws (NMSA 66-8-130-A).

Paso Del Norte Walk Path

To account for the development of a walk path for the community of the City of Sunland Park. Funds are provided by local grants.

H.I.D.T.A. Fund

To account for receipts and disbursements of funds of the Federal High Intensity Drug Trafficking Area Grants (Anti-Drug Abuse Act of 1988, P.L. 101-509-3-A).

Federal Equitable Sharing Fund

To account for federal funds from federally forfeited cash, property and proceeds to be used for law enforcement purposes.

911 Rural Addressing Fund

To account for receipts and disbursements of funds of the Congestion, Mitigation, and Air Quality ("CMAQ") funding from the State of New Mexico for public transportation for the City of Sunland Park's citizens.

Operation Safe Border

To account for state grant program fund from the State of New Mexico that are used to provide improvements to the enforcement efforts of illegal border crossings.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. The Capital Projects Funds are as follows:

CDBG Fire/Police Sub-station

To account for federal grant (CDBG) revenues and expenditures for Fire/Police Sub-station structure for housing emergency vehicles and for two offices, one for the Fire Department and one for the Police Department. CFDA 14.228

Municipal (Local Government) Road Fund

To account for all resources used for the resurfacing and renovation of municipal streets. Funds are provided primarily from state grants and gasoline tax.

Street Lighting Phase II Fund

To account for the design, purchase and construction of the street lighting projects within the city limits. Funds are provided by state appropriations and state grants.

Sports (Municipal) Complex

To account for the development of Recreational Facilities for the community of the City of Sunland Park. Funds are provided by State and local appropriations.

Red Mender

To account for the development of a park for the community of the City of Sunland Park. Funds are provided by State appropriations.

Guy Keating

To account for the development of a drainage system and paving of roads for the Guy Keating subdivision.

La Clinica De Familia

To account for the improvements to the parking area at La Clinica de Familia at the Sunland Park Medical and Dental Clinic.

Library

To account for the acquisition of library books for the Community Library of the City of Sunland Park. Funds are provided by State appropriations.

Border Crossing Project

To account for funding received from the New Mexico Department of Transportation for the plan, design, and construction of border crossing facilities in the City and Dona Ana County.

Crawford Anapra Road

To account for state grant revenues and expenditures to plan, design and construct improvements to streets in the City and Dona Ana County, and to Crawford road and Santa Teresa drive in the City and Dona Ana County.

City Sidewalk Improvement and Entrance

To account for funds received under the State of New Mexico Legislature appropriations for plan, design, and construction of sidewalk improvements in the City and Dona Ana County.

Community (Center) Services Fund

To account for the development of Recreational Facilities for the community of the City of Sunland Park. Funds are provided by State and local appropriations.

SP Wastewater System Improvements

To account for the design, purchase and construction of water/wastewater system projects within the city limits. Funds are provided by state grants.

Arsenic Abatement

To account for all resources used for the abatement of arsenic traces in the water supply system within the city limits and Dona Ana County. Funds are provided by state appropriations and state grants.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SUNLAND PARK, NEW MEXICO

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 228,408	\$ 3,974,069	\$ 4,202,477
Investments	-	3,900,000	3,900,000
Receivables, net of allowance for uncollectibles			
Intergovernmental	37,551	471,236	508,787
Contribution	-	3,800,000	3,800,000
Internal balances	850,770	1,024,856	1,875,626
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 1,116,729	\$ 13,170,161	\$ 14,286,890
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 8,983	\$ 104,968	\$ 113,951
Accrued liabilities and other expenses	7,876	-	7,876
Accounts payable - construction	-	-	-
Internal balances	720,939	370,917	1,091,856
Deferred revenue	-	3,800,000	3,800,000
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	737,798	4,275,885	5,013,683
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE:			
Reserved for capital projects funds	-	8,894,276	8,894,276
Reserved for special revenues funds	230,245	-	230,245
Unreserved	148,686	-	148,686
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	378,931	8,894,276	9,273,207
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ 1,116,729	\$ 13,170,161	\$ 14,286,890
	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES:			
State shared taxes	\$ 988	\$ 42,044	\$ 43,032
Intergovernmental	448,670	1,480,575	1,929,245
Fines and forfeitures	44,262	-	44,262
Interest	909	189,622	190,531
Contributions	-	4,000,000	4,000,000
Miscellaneous	39,262	-	39,262
	<u>534,091</u>	<u>5,712,241</u>	<u>6,246,332</u>
Total revenues			
EXPENDITURES:			
Current:			
Public safety	304,857	-	304,857
Culture and recreation	65,460	-	65,460
Health and welfare	171,458	-	171,458
Capital outlay	107,746	1,654,976	1,762,722
	<u>649,521</u>	<u>1,654,976</u>	<u>2,304,497</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	(115,430)	4,057,265	3,941,835
OTHER FINANCING SOURCES:			
Transfers in (out)	128,002	(89,625)	38,377
	<u>128,002</u>	<u>(89,625)</u>	<u>38,377</u>
Total other financing sources			
Net changes in fund balances	12,572	3,967,640	3,980,212
Fund balances, beginning of year	366,359	4,926,636	5,292,995
	<u>378,931</u>	<u>8,894,276</u>	<u>9,273,207</u>
Fund balances, end of year			

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007

	Fire Protection Fund	Juvenile Recreation Fund	Emergency Medical Services Fund	Correctional Fund	Law Enforcement Fund	Health Facility Fund	Court Automation Fund	Dona Ana County Grant	Sunland Park Youth Center
ASSETS:									
Cash	\$ (37,482)	\$ (9,826)	\$ 6,437	\$ 84,320	\$ (75)	\$ 3,372	\$ 18,324	\$ -	\$ -
Intergovernmental receivable	-	-	-	-	-	-	-	-	-
Due from other funds	373,156	134,693	13,057	102,590	32,000	-	23,980	-	-
Total assets	\$ 335,674	\$ 124,867	\$ 19,494	\$ 186,910	\$ 31,925	\$ 3,372	\$ 42,304	\$ -	\$ -
LIABILITIES AND FUND BALANCE:									
Liabilities:									
Accounts payable	\$ 2,218	\$ -	\$ 1,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities and other expenses	-	-	-	-	-	2,500	51	-	-
Due to other funds	384,520	78,426	-	23,665	30,148	-	17,044	1,000	-
Total liabilities	386,738	78,426	1,084	23,665	30,148	2,500	17,095	1,000	-
Fund Balances:									
Reserved for special revenue funds	-	-	-	-	-	-	-	-	-
Undesignated	(51,064)	46,441	18,410	163,245	1,777	872	25,209	(1,000)	-
Total fund balances	(51,064)	46,441	18,410	163,245	1,777	872	25,209	(1,000)	-
Total liabilities and fund balances	\$ 335,674	\$ 124,867	\$ 19,494	\$ 186,910	\$ 31,925	\$ 3,372	\$ 42,304	\$ -	\$ -

(Continued)

CITY OF SUNLAND PARK, NEW MEXICO

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007**

	New Mexico Beautification Fund	Senior Citizen Center Fund	COPS Federal Funds	Child and Family Program Fund	Traffic Safety Fund	Paso Del Norte Walk Path Fund	HIDTA Fund	Federal Equitable Sharing Fund	911 Rural Addressing Fund
ASSETS:									
Cash	\$ (6,991)	\$ 462	\$ 20,733	\$ (30,709)	\$ (16,324)	\$ 33,235	\$ 6,809	\$ 150,929	\$ -
Intergovernmental receivable	-	-	-	37,551	-	-	-	-	-
Due from other funds	-	-	46,930	64,041	-	-	5,295	-	55,028
Total assets	\$ (6,991)	\$ 462	\$ 67,663	\$ 70,883	\$ (16,324)	\$ 33,235	\$ 12,104	\$ 150,929	\$ 55,028
LIABILITIES AND FUND BALANCE:									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ 5,230	\$ -	\$ -	\$ -	\$ 451	\$ -
Accrued liabilities and other expenses	-	-	-	5,325	-	-	-	-	-
Due to other funds	17,269	-	-	91,242	2,774	14,765	-	-	55,028
Total liabilities	17,269	-	-	101,797	2,774	14,765	-	451	55,028
Fund Balances:									
Reserved for special revenues funds	(24,260)	462	67,663	(30,914)	(19,098)	18,470	12,104	150,478	-
Undesignated	-	-	-	-	-	-	-	-	-
Total fund balances	(24,260)	462	67,663	(30,914)	(19,098)	18,470	12,104	150,478	-
Total liabilities and fund balances	\$ (6,991)	\$ 462	\$ 67,663	\$ 70,883	\$ (16,324)	\$ 33,235	\$ 12,104	\$ 150,929	\$ 55,028

(Continued)

CITY OF SUNLAND PARK, NEW MEXICO
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007

	Operation Safe Border	Total	
ASSETS:			
Cash	\$ 5,194	\$ 228,408	
Intergovernmental receivable	-	37,551	
Due from other funds	-	850,770	
Total assets	\$ 5,194	\$ 1,116,729	
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ 8,983	
Accrued liabilities and other expenses	-	7,876	
Due to other funds	5,058	720,939	
Total liabilities	5,058	737,798	
Fund Balances:			
Reserved for special revenues funds		230,245	
Undesignated	136	148,686	
Total fund balances	136	378,931	
Total liabilities and fund balances	\$ 5,194	\$ 1,116,729	

(Concluded)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Fire Protection Fund	Juvenile Recreation Fund	Emergency Medical Services Fund	Correctional Fund	Law Enforcement Fund	Health Facility Fund	Court Automation Fund	Dona Ana County Grant	Sunland Park Youth Center
Revenues:									
State shared taxes	\$ -	\$ 988	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	89,240	-	6,655	-	31,400	-	54,964	-	-
Fines and forfeitures	-	-	-	44,262	-	-	-	-	-
Interest	278	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	89,518	988	6,655	44,262	31,400	-	54,964	-	-
Expenditures:									
Current									
Public safety	128,678	-	5,919	41,362	13,672	-	28,567	-	-
Culture and recreation	-	35,241	-	-	-	-	-	-	1,000
Health and welfare	-	-	-	-	-	2,000	-	-	-
Capital outlay	28,750	-	6,785	-	17,803	-	-	-	-
Total expenditures	157,428	35,241	12,704	41,362	31,475	2,000	28,567	-	1,000
Excess (deficiency) of revenues over expenditures	(67,910)	(34,253)	(6,049)	2,900	(75)	(2,000)	26,397	-	(1,000)
Other financing sources:									
Transfers in	-	24,427	11,402	81,420	-	-	11,369	-	-
Net changes in fund balances	(67,910)	(9,826)	5,353	84,320	(75)	(2,000)	37,766	-	(1,000)
Fund balance, beginning of year	16,846	56,267	13,057	78,925	1,852	2,872	(12,557)	(1,000)	1,000
Fund balance, end of year	\$ (51,064)	\$ 46,441	\$ 18,410	\$ 163,245	\$ 1,777	\$ 872	\$ 25,209	\$ (1,000)	\$ -

(Continued)

CITY OF SUNLAND PARK, NEW MEXICO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	New Mexico Beautification Fund	Senior Citizen Center Fund	COPS Federal Funds	Child and Family Program Fund	Traffic Safety Fund	Paso Del Norte Walk Path Fund	HIDTA Fund	Federal Equitable Sharing Fund	911 Rural Addressing Fund
Revenues:									
State shared taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	9	-	-	188,049	16,441	-	-	32,805	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	43	588	-
Miscellaneous	-	-	-	-	-	-	-	39,262	-
Total revenues	9	-	-	188,049	16,441	-	43	72,655	-
Expenditures:									
Current									
Public safety	-	-	-	-	32,765	-	-	29,981	-
Culture and recreation	14,454	-	-	-	-	14,765	-	-	-
Health and welfare	-	-	-	169,458	-	-	-	-	-
Capital outlay	-	-	-	11,643	-	-	-	42,765	-
Total expenditures	14,454	-	-	181,101	32,765	14,765	-	72,746	-
Excess (deficiency) of revenues over expenditures	(14,445)	-	-	6,948	(16,324)	(14,765)	43	(91)	-
Other financing sources:									
Transfers in	-	-	-	(616)	-	-	-	-	-
Net changes in fund balances	(14,445)	-	-	6,332	(16,324)	(14,765)	43	(91)	-
Fund balance, beginning of year	(9,815)	462	67,663	(37,246)	(2,774)	33,235	12,061	150,569	-
Fund balance, end of year	\$ (24,260)	\$ 462	\$ 67,663	\$ (30,914)	\$ (19,098)	\$ 18,470	\$ 12,104	\$ 150,478	\$ -

(Continued)

CITY OF SUNLAND PARK, NEW MEXICO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Operation Safe Border	Total
Revenues:		
State shared taxes	\$ -	\$ 988
Intergovernmental	29,107	448,670
Fines and forfeitures	-	44,262
Interest	-	909
Miscellaneous	-	39,262
Total revenues	29,107	534,091
Expenditures:		
Current		
Public safety	23,913	304,857
Culture and recreation	-	65,460
Health and welfare	-	171,458
Capital outlay	-	107,746
Total expenditures	23,913	649,521
Excess (deficiency) of revenues over expenditures	5,194	(115,430)
Other financing sources:		
Transfers in	-	128,002
Net changes in fund balances	5,194	12,572
Fund balance, beginning of year	(5,058)	366,359
Fund balance, end of year	\$ 136	\$ 378,931

(Concluded)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**FIRE PROTECTION FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 67,084	\$ 67,084	\$ 78,326	\$ 11,242
Interest	-	-	278	278
Total revenues	67,084	67,084	78,604	11,520
EXPENDITURES:				
Current:				
Public safety	46,000	46,000	106,362	(60,362)
Capital outlay	21,084	21,084	28,750	(7,666)
Total expenditures	67,084	67,084	135,112	(68,028)
Deficiency of revenues over expenditures	\$ -	\$ -	\$ (56,508)	\$ (56,508)

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule	\$ 78,604
Differences-budget to GAAP:	
Intergovernmental funds are budgeted to the extent expected to be collected, rather than on the modified accrual basis	10,914
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	\$ 89,518

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriation from the budgetary comparison schedule	\$ 135,112
Differences-budget to GAAP:	
The City budgets for public safety only to the extent expected to be paid, rather than on the modified accrual basis.	22,316
Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	\$ 157,428

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**JUVENILE RECREATION FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ -	\$ -	\$ 988	\$ 988
EXPENDITURES:				
Current:				
Culture and recreation	29,000	29,000	35,240	(6,240)
Total expenditures	29,000	29,000	35,240	(6,240)
Deficiency of revenues over expenditures	(29,000)	(29,000)	(34,252)	(5,252)
OTHER FINANCING SOURCES:				
Transfers in	9,000	9,000	-	(9,000)
Deficiency of revenues and other sources over expenditures	\$ (20,000)	\$ (20,000)	\$ (34,252)	\$ (14,252)

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule

\$ 988

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 988

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriation from the budgetary comparison schedule

\$ 35,240

Differences-budget to GAAP:

The City budgets for culture and recreation only to the extent expected to be paid, rather than on the modified accrual basis.

1

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 35,241

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**EMERGENCY MEDICAL SERVICES FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 8,392	\$ 8,392	\$ 6,655	\$ (1,737)
EXPENDITURES:				
Current:				
Public safety	14,500	14,500	11,579	2,921
Capital outlay	1,000	1,000	1,125	(125)
Total expenditures	15,500	15,500	12,704	2,796
Deficiency of revenues over expenditures	(7,108)	(7,108)	(6,049)	1,059
OTHER FINANCING SOURCES:				
Transfers in	7,108	7,108	-	(7,108)
Deficiency of revenues and other sources over expenditures	\$ -	\$ -	\$ (6,049)	\$ (6,049)

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule

\$ 6,655

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 6,655

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule

\$ 12,704

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 12,704

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

CORRECTIONAL FUND

STATEMENT OF REVENUES AND EXPENDITURES

**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ 55,011	\$ 55,011	\$ 44,262	\$ (10,749)
EXPENDITURES:				
Current:				
Public safety	55,011	55,011	39,889	15,122
Excess of revenues over expenditures	-	-	4,373	4,373
OTHER FINANCING SOURCES:				
Transfers in	-	-	(633)	(633)
Excess of revenues and other sources over expenditures	\$ -	\$ -	\$ 3,740	\$ 3,740

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule

\$ 44,262

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 44,262

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriation from the budgetary comparison schedule

\$ 39,889

Differences-budget to GAAP:

The City budgets for public safety only to the extent expected to be paid, rather than on the modified accrual basis.

1,473

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 41,362

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

LAW ENFORCEMENT FUND

STATEMENT OF REVENUES AND EXPENDITURES

**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 31,400	\$ 31,400	\$ 31,400	\$ -
EXPENDITURES:				
Current:				
Public safety	26,400	26,200	15,524	10,676
Capital outlay	5,000	5,800	17,803	(12,003)
Total expenditures	\$ 31,400	32,000	33,327	(1,327)
Deficiency of revenues over expenditures	\$ -	\$ (600)	\$ (1,927)	\$ (1,327)

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule

\$ 31,400

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 31,400

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriation from the budgetary comparison schedule

\$ 33,327

Differences-budget to GAAP:

The City budgets for public safety only to the extent expected to be paid, rather than on the modified accrual basis.

(1,852)

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 31,475

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

HEALTH FACILITY FUND

STATEMENT OF REVENUES AND EXPENDITURES

**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Current:				
Health and welfare	-	-	2,000	(2,000)
Deficiency of revenues over expenditures	\$ -	\$ -	\$ (2,000)	\$ (2,000)

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule

\$ 2,000

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 2,000

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule

\$ 2,000

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 2,000

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**COURT AUTOMATION
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 20,881	\$ 20,881	\$ 54,964	\$ 34,083
EXPENDITURES:				
Current:				
Public safety	-	-	47,990	(47,990)
Capital Outlay	20,881	20,881	-	20,881
Total expenditures	20,881	20,881	47,990	(27,109)
Excess of revenues and other sources over expenditures	\$ -	\$ -	\$ 6,974	\$ 6,974

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule

\$ 54,964

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 54,964

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriation from the budgetary comparison schedule

\$ 47,990

Differences-budget to GAAP:

The City budgets for public safety only to the extent expected to be paid, rather than on the modified accrual basis.

(19,423)

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 28,567

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**NEW MEXICO BEAUTIFICATION
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 7,500	\$ 7,500	\$ 7,465	\$ (35)
EXPENDITURES:				
Current:				
Culture and recreation	7,500	7,500	7,538	(38)
Deficiency of revenues over expenditures	\$ -	\$ -	\$ (73)	\$ (73)

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule	\$ 7,465
Differences-budget to GAAP:	
Intergovernmental funds are budgeted to the extent expected to be collected, rather than on the modified accrual basis	(7,456)
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	\$ 9

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriation from the budgetary comparison schedule	\$ 7,538
Differences-budget to GAAP:	
The City budgets for culture and recreation only to the extent expected to be paid, rather than on the modified accrual basis.	6,916
Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	\$ 14,454

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**CHILD AND FAMILY PROGRAM FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 185,900	\$ 185,900	\$ 214,061	\$ 28,161
EXPENDITURES:				
Current:				
Health and welfare	193,897	193,897	173,962	19,935
Capital outlay	-	-	11,643	(11,643)
Total expenditures	193,897	193,897	185,605	8,292
Excess (deficiency) of revenues over expenditures	(7,997)	(7,997)	28,456	36,453
OTHER FINANCING SOURCES:				
Transfers in	7,997	7,997	(616)	(8,613)
Excess of revenues and other sources over expenditures	\$ -	\$ -	\$ 27,840	\$ 27,840

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule	\$ 214,061
Differences-budget to GAAP:	
Intergovernmental funds are budgeted to the extent expected to be collected, rather than on the modified accrual basis	(26,012)
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	\$ 188,049

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriation from the budgetary comparison schedule	\$ 185,605
Differences-budget to GAAP:	
The City budgets for health and welfare only to the extent expected to be paid, rather than on the modified accrual basis.	(4,504)
Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	\$ 181,101

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

TRAFFIC SAFETY FUND

STATEMENT OF REVENUES AND EXPENDITURES

**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 16,441	\$ 16,441
EXPENDITURES:				
Current:				
Public safety	-	-	29,991	(29,991)
Deficiency of revenues over expenditures	\$ -	\$ -	\$ (13,550)	\$ (13,550)

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the
budgetary comparison schedule

\$ 16,441

Total revenues as reported on the Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 16,441

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriation from the
budgetary comparison schedule

\$ 29,991

Differences-budget to GAAP:

The City budgets for public safety only to the extent expected to be paid,
rather than on the modified accrual basis.

2,774

Total expenditures as reported on the Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 32,765

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**PASO DEL NORTE WALK PATH
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 268,802	\$ 268,802	\$ -	\$ (268,802)
EXPENDITURES:				
Capital outlay	268,802	268,802	-	268,802
Deficiency of revenues over expenditures	\$ -	\$ -	\$ -	\$ -

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule

\$ -

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ -

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriation from the budgetary comparison schedule

\$ -

Differences-budget to GAAP:

The City budgets for culture and recreation only to the extent expected to be paid, rather than on the modified accrual basis.

14,765

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 14,765

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**HIGH INTENSITY DRUG TRAFFICKING AREA
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Interest	\$ -	\$ -	\$ 35	\$ 35
Excess of revenues and other sources over expenditures	\$ -	\$ -	\$ 35	\$ 35

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule	\$ 35
Differences-budget to GAAP:	
Earnings from interests is budgeted to the extent expected to be collected, rather than on the modified accrual basis	8
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	\$ 43

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriation from the budgetary comparison schedule	\$ -
Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	\$ -

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**FEDERAL EQUITABLE SHARING FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 32,804	\$ (67,196)
Interest	125	125	39,850	39,725
Total revenue	100,125	100,125	72,654	(27,471)
EXPENDITURES:				
Current				
Public Safety	36,800	36,800	38,526	(1,726)
Capital outlay	63,325	63,325	42,765	20,560
Total expenditures	100,125	100,125	81,291	18,834
Deficiency of revenues over expenditures	\$ -	\$ -	\$ (8,637)	\$ (8,637)

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule \$ 72,654

Differences-budget to GAAP:

Intergovernmental funds are budgeted to the extent expected to be collected, rather than on the modified accrual basis 1

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds \$ 72,655

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriation from the budgetary comparison schedule \$ 81,291

Differences-budget to GAAP:

The City budgets for public safety only to the extent expected to be paid, rather than on the modified accrual basis. (8,545)

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds \$ 72,746

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

OPERATION SAFE BORDER

STATEMENT OF REVENUES AND EXPENDITURES

**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 29,107	\$ 29,107
EXPENDITURES:				
Current				
Public Safety	-	-	18,855	(18,855)
Excess of revenues over expenditures	\$ -	\$ -	\$ 10,252	\$ 10,252

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule

\$ 29,107

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 29,107

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriation from the budgetary comparison schedule

\$ 18,855

Differences-budget to GAAP:

The City budgets for public safety only to the extent expected to be paid, rather than on the modified accrual basis.

5,058

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 23,913

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2007**

	CDBG Fire-Police Substation	Municipal Road Fund	Street Lighting Phase II Fund	Sports Complex	Red Mender	Guy Keating	La Clinica De Familia
ASSETS:							
Cash	\$ 42,880	\$ 118,277	\$ 7,277	\$ (61,771)	\$ 1,654	\$ 38,620	\$ -
Investments	-	-	-	-	-	-	-
Intergovernmental receivable	98,419	-	-	50,051	-	-	-
Contributions receivable	-	-	-	-	-	-	-
Due from other fund	308,592	110,967	9,506	501,605	829	10,115	52,084
Total assets	\$ 449,891	\$ 229,244	\$ 16,783	\$ 489,885	\$ 2,483	\$ 48,735	\$ 52,084

LIABILITIES AND FUND BALANCE:

Liabilities:							
Accounts payable-construction	\$ 98,419	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	305,609	-	-	-	-	-	52,780
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	404,028	-	-	-	-	-	52,780
Fund Balances:							
Reserved:							
For Capital Projects Funds	45,863	229,244	16,783	489,885	2,483	48,735	(696)
Total liabilities and fund balance	\$ 449,891	\$ 229,244	\$ 16,783	\$ 489,885	\$ 2,483	\$ 48,735	\$ 52,084

(Continued)

CITY OF SUNLAND PARK, NEW MEXICO

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2007**

	Library	Border Crossing	Crawford Anapra Road	City Sidewalk Improvement	Community Park Improvements	SP Wastewater System Improv	Total
ASSETS:							
Cash	\$ -	\$ 3,861,241	\$ (8,292)	\$ (724)	\$ (25,093)	\$ -	\$ 3,974,069
Investments	-	3,900,000	-	-	-	-	3,900,000
Intergovernmental receivable	-	300,000	8,292	-	14,474	-	471,236
Contributions receivable	-	3,800,000	-	-	-	-	3,800,000
Due from other fund	3,010	28,148	-	-	-	-	1,024,856
Total assets	\$ 3,010	\$ 11,889,389	\$ -	\$ (724)	\$ (10,619)	\$ -	\$ 13,170,161

LIABILITIES AND FUND BALANCE:

Liabilities:							
Accounts payable-construction	\$ -	\$ -	\$ -	\$ -	\$ 6,549	\$ -	\$ 104,968
Due to other funds	3,010	-	9,518	-	-	-	370,917
Deferred revenue	-	3,800,000	-	-	-	-	3,800,000
Total liabilities	3,010	3,800,000	9,518	-	6,549	-	4,275,885
Fund Balances:							
Reserved:							
For Capital Projects Funds	-	8,089,389	(9,518)	(724)	(17,168)	-	8,894,276
Total liabilities and fund balance	\$ 3,010	\$ 11,889,389	\$ -	\$ (724)	\$ (10,619)	\$ -	\$ 13,170,161

(Concluded)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	CDBG Fire-Police Substation	Municipal Road Fund	Street Lighting Phase II Funds	Sports Complex	Red Mender	Guy Keating	La Clinica De Familia
Revenues:							
State shared taxes	\$ -	\$ 42,044	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	91,095	-	-	87,863	830	49,782	(696)
Interest	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total revenues	91,095	42,044	-	87,863	830	49,782	(696)
Expenditures:							
Capital outlay	144,746	2,250	-	87,789	-	11,162	-
Excess (deficiency) of revenues over expenditures	(53,651)	39,794	-	74	830	38,620	(696)
Other Financing Sources:							
Transfers in (out)	-	40,896	-	(130,521)	-	-	-
Net changes in fund balances	(53,651)	80,690	-	(130,447)	830	38,620	(696)
Fund balance, beginning of year	99,514	148,554	16,783	620,332	1,653	10,115	-
Fund balance, end of year	\$ 45,863	\$ 229,244	\$ 16,783	\$ 489,885	\$ 2,483	\$ 48,735	\$ (696)

(Continued)

CITY OF SUNLAND PARK, NEW MEXICO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Library	Border Crossing	Crawford Anapra Road	City Sidewalk Improvement	Community Park Improvements	SP Wastewater System Improv.	Total
Revenues:							
State shared taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,044
Intergovernmental	-	378,250	75,062	583,915	14,474	200,000	1,480,575
Interest	-	189,622	-	-	-	-	189,622
Other	-	4,000,000	-	-	-	-	4,000,000
Total revenues	-	4,567,872	75,062	583,915	14,474	200,000	5,712,241
Expenditures:							
Capital outlay	-	508,168	84,580	584,639	31,642	200,000	1,654,976
Excess (deficiency) of revenues over expenditures	-	4,059,704	(9,518)	(724)	(17,168)	-	4,057,265
Other Financing Sources:							
Transfers in (out)	-	-	-	-	-	-	(89,625)
Net changes in fund balances	-	4,059,704	(9,518)	(724)	(17,168)	-	3,967,640
Fund balance, beginning of year	-	4,029,685	-	-	-	-	4,926,636
Fund balance, end of year	\$ -	\$ 8,089,389	\$ (9,518)	\$ (724)	\$ (17,168)	\$ -	\$ 8,894,276

(Concluded)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**CDBG 00 FIRE POLICE SUBSTATION
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 550,000	\$ 550,000	\$ -	\$ (550,000)
EXPENDITURES:				
Capital outlay	550,000	550,000	46,700	503,300
Deficiency of revenues over expenditures	\$ -	\$ -	\$ (46,700)	\$ (46,700)

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule

\$ -

Differences-budget to GAAP:

 Intergovernmental funds are budgeted to the extent expected to be collected, rather than on the modified accrual basis

91,095

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 91,095

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule

\$ 46,700

Differences-budget to GAAP:

 The City budgets for capital outlays only to the extent expected to be paid, rather than on the modified accrual basis.

98,046

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 144,746

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

MUNICIPAL ROAD FUND

STATEMENT OF REVENUES AND EXPENDITURES

**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ -	\$ -	\$ 42,065	\$ 42,065
Intergovernmental	53,000	53,000	-	(53,000)
	<u>53,000</u>	<u>53,000</u>	<u>-</u>	<u>(53,000)</u>
Total revenues	53,000	53,000	42,065	(10,935)
EXPENDITURES:				
Capital outlay	70,667	70,667	2,250	68,417
	<u>70,667</u>	<u>70,667</u>	<u>2,250</u>	<u>68,417</u>
Excess (Deficiency) of revenues over expenditures	(17,667)	(17,667)	39,815	57,482
OTHER FINANCING SOURCES:				
Transfers out	(143,858)	(143,858)	-	143,858
	<u>(143,858)</u>	<u>(143,858)</u>	<u>-</u>	<u>143,858</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (161,525)</u>	<u>\$ (161,525)</u>	<u>\$ 39,815</u>	<u>\$ 201,340</u>

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule

\$ 42,065

Differences-budget to GAAP:

State shared taxes are budgeted to the extent expected to be collected, rather than on the modified accrual basis

(21)

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 42,044

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule

\$ 2,250

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 2,250

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

SPORTS COMPLEX

STATEMENT OF REVENUES AND EXPENDITURES

**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 1,084,691	\$ 1,083,491	\$ 230,420	\$ (853,071)
EXPENDITURES:				
Capital outlay	1,084,691	1,083,492	110,420	973,072
Excess (deficiency) of revenues over expenditures	\$ -	\$ (1)	\$ 120,000	\$ 120,001

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule

\$ 230,420

Differences-budget to GAAP:

Intergovernmental funds are budgeted to the extent expected to be collected, rather than on the modified accrual basis

(142,557)

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 87,863

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule

\$ 110,420

Differences-budget to GAAP:

The City budgets for capital outlays only to the extent expected to be paid, rather than on the modified accrual basis.

(22,631)

Transfers to other funds are budgeted to the extent expected to be paid, rather than on the modified accrual basis

130,521

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 218,310

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

RED MENDER

STATEMENT OF REVENUES AND EXPENDITURES

**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
OTHER FINANCING SOURCES:				
Transfers in	\$ 38,500	\$ 38,500	\$ -	\$ (38,500)
Excess of revenues over expenditures	<u>\$ 38,500</u>	<u>\$ 38,500</u>	<u>\$ -</u>	<u>\$ (38,500)</u>

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the
budgetary comparison schedule

\$ -

Differences-budget to GAAP:

Intergovernmental funds are budgeted to the extent expected to be collected,
rather than on the modified accrual basis

830

Total revenues as reported on the Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 830

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriations from the
budgetary comparison schedule

\$ -

Total expenditures as reported on the Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ -

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

GUY KEATING

STATEMENT OF REVENUES AND EXPENDITURES

**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 13,585	\$ 13,585	\$ -	\$ (13,585)
EXPENDITURES:				
Capital outlay	13,585	13,585	11,162	2,423
Deficiency of revenues over expenditures	\$ -	\$ -	\$ (11,162)	\$ (11,162)

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule

\$ -

Differences-budget to GAAP:

Intergovernmental funds are budgeted to the extent expected to be collected, rather than on the modified accrual basis

49,782

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 49,782

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule

\$ 11,162

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 11,162

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**LA CLINICA DE FAMILIA
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 2,975	\$ 2,975	\$ 696	\$ (2,279)
EXPENDITURES:				
Capital outlay	2,975	2,975	-	2,975
Excess of revenues over expenditures	\$ -	\$ -	\$ 696	\$ 696

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule	\$ 696
Differences-budget to GAAP:	
State shared taxes are budgeted to the extent expected to be collected, rather than on the modified accrual basis	(1,392)
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	\$ (696)

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule	\$ -
Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	\$ -

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

BORDER CROSSING

STATEMENT OF REVENUES AND EXPENDITURES

**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 532,500	\$ 532,500	\$ 350,102	\$ (182,398)
Interest	-	-	189,622	189,622
Contribution	-	-	4,000,000	4,000,000
	<u>532,500</u>	<u>532,500</u>	<u>4,539,724</u>	<u>4,007,224</u>
Total revenues				
EXPENDITURES:				
Capital outlay	<u>632,500</u>	<u>632,500</u>	<u>508,168</u>	<u>124,332</u>
Total expenditures	<u>632,500</u>	<u>632,500</u>	<u>508,168</u>	<u>124,332</u>
Excess (deficiency) of revenues and other sources over expenditures	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>\$ 4,031,556</u>	<u>\$ 4,131,556</u>

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule \$ 4,539,724

Differences-budget to GAAP:

Intergovernmental funds are budgeted to the extent expected to be collected, rather than on the modified accrual basis 28,148

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds \$ 4,567,872

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule \$ 508,168

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds \$ 508,168

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

CRAWFORD ANAPRA ROAD

STATEMENT OF REVENUES AND EXPENDITURES

**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 440,000	\$ 440,000	\$ 94,098	\$ (345,902)
EXPENDITURES:				
Capital outlay	440,000	440,000	84,580	355,420
Excess of revenues over expenditures	\$ -	\$ -	\$ 9,518	\$ 9,518

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule

\$ 94,098

Differences-budget to GAAP:

Intergovernmental funds are budgeted to the extent expected to be collected, rather than on the modified accrual basis

(19,036)

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 75,062

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule

\$ 84,580

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 84,580

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**CITY SIDEWALK IMPROVEMENT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 733,471	\$ 733,471	\$ -	\$ (733,471)
EXPENDITURES:				
Capital outlay	733,471	733,471	584,639	148,832
Deficiency of revenues over expenditures	-	-	(584,639)	(584,639)
OTHER FINANCING SOURCES:				
Transfers in	-	-	583,915	583,915
Deficiency of revenues over expenditures	\$ -	\$ -	\$ (724)	\$ (724)

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule

\$ -

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ -

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule

\$ 584,639

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 584,639

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**COMMUNITY PARK IMPROVEMENTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 942,000	\$ 942,000	\$ 14,474	\$ (927,526)
EXPENDITURES:				
Capital outlay	942,000	942,000	31,642	910,358
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ (17,168)	\$ (17,168)

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the
 budgetary comparison schedule

\$ 14,474

Total revenues as reported on the Combining Statement of Revenues,
 Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 14,474

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriations from the
 budgetary comparison schedule

\$ 31,642

Total expenditures as reported on the Combining Statement of Revenues,
 Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ 31,642

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

MUNICIPAL COMPLEX

STATEMENT OF REVENUES AND EXPENDITURES

**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 250,000	\$ 250,000	\$ -	\$ (250,000)
EXPENDITURES:				
Capital outlay	250,000	250,000	-	250,000
Excess of revenues over expenditures	\$ -	\$ -	\$ -	\$ -

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the
budgetary comparison schedule

\$ -

Total revenues as reported on the Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ -

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriation from the
budgetary comparison schedule

\$ -

Total expenditures as reported on the Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ -

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**SP WATER SYSTEM IMPROVEMENTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 300,000	\$ 300,000	\$ 200,000	\$ (100,000)
EXPENDITURES:				
Capital outlay	300,000	300,000	200,000	100,000
Excess of revenues over expenditures	\$ -	\$ -	\$ -	\$ -

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the
 budgetary comparison schedule \$ 200,000

Total revenues as reported on the Combining Statement of Revenues,
 Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds \$ 200,000

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriations from the
 budgetary comparison schedule \$ 200,000

Total expenditures as reported on the Combining Statement of Revenues,
 Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds \$ 200,000

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

ARSENIC ABATEMENT

STATEMENT OF REVENUES AND EXPENDITURES

**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 700,000	\$ 700,000	\$ -	\$ (700,000)
EXPENDITURES:				
Capital outlay	700,000	700,000	-	700,000
Excess of revenues over expenditures	\$ -	\$ -	\$ -	\$ -

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule

\$ -

Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ -

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule

\$ -

Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds

\$ -

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

JOINT UTILITIES FUND

STATEMENT OF REVENUES AND EXPENDITURES

BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS

FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
OPERATING REVENUES:				
Joint utilities sales	\$ 1,593,722	\$ 3,243,722	\$ 3,095,060	\$ (148,662)
Other operating revenues	268,000	283,000	4,337,542	4,054,542
Total operating revenues	1,861,722	3,526,722	7,432,602	3,905,880
OPERATING EXPENSES:				
Personnel services	276,063	276,063	173,192	102,871
Professional services	1,630,364	1,320,510	1,441,358	(120,848)
Utilities	460,000	578,000	708,772	(130,772)
Operating expenses	760,908	792,079	1,049,307	(257,228)
Capital outlay	1,901,484	297,354	1,689,390	(1,392,036)
Total operating expenses	5,028,819	3,264,006	5,062,019	(1,798,013)
Operating loss	(3,167,097)	262,716	2,370,583	2,107,867
Nonoperating revenues (expenses)				
Intergovernmental revenue	1,325,926	-	623,883	623,883
Interest income	-	-	196,833	196,833
Principal and interest expense	-	-	(165,333)	(165,333)
Operating transfers, net	377,345	(405,716)	47,616	453,332
Total nonoperating revenues (expense)	1,703,271	(405,716)	702,999	1,108,715
Net income (loss)	\$ (1,463,826)	\$ (143,000)	\$ 3,073,582	\$ 3,216,582

(Continued)

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule	\$ 8,300,934
Differences-budget to GAAP:	
Joint utility sales is budgeted to the extent expected to be collected, rather than on the modified accrual basis	(643,524)
Other operating revenue is budgeted to the extent expected to be collected, rather than on the modified accrual basis	(4,001,103)
Intergovernmental funds are budgeted to the extent expected to be collected, rather than on the modified accrual basis	(307,954)
Interest income is budgeted to the extent expected to be collected, rather than on the modified accrual basis	(189,622)
Transfer from other funds are budgeted to the extent expected to be collected, rather than on the modified accrual basis	<u>(153)</u>
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	<u>\$ 3,158,578</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule	\$ 5,227,352
Differences-budget to GAAP:	
The City budgets for operating expenses only to the extent expected to be paid, rather than on the modified accrual basis	(1,352,017)
Interest expense is budgeted to the extent expected to be paid, rather than on the modified accrual basis	<u>(6,360)</u>
Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	<u>\$ 3,868,975</u>

(Concluded)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

HOUSING AUTHORITY FUND

STATEMENT OF REVENUES AND EXPENDITURES

**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Final Budget Positive (Negative)
OPERATING REVENUES:				
Rental Income	\$ 138,950	\$ 60,396	\$ 62,785	\$ 2,389
Total operating revenues	<u>138,950</u>	<u>60,396</u>	<u>62,785</u>	<u>2,389</u>
OPERATING EXPENSES:				
Personnel services	96,967	96,967	84,991	11,976
Operating expenses	<u>595,983</u>	<u>420,952</u>	<u>109,182</u>	<u>311,770</u>
Total operating expenses	<u>692,950</u>	<u>517,919</u>	<u>194,173</u>	<u>323,746</u>
Operating loss	<u>(554,000)</u>	<u>(457,523)</u>	<u>(131,388)</u>	<u>326,135</u>
OTHER FINANCING SOURCES:				
Intergovernmental subsidy	174,000	249,945	167,074	(82,871)
Interest income	-	18,784	10,011	(8,773)
Transfer in	<u>180,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>354,000</u>	<u>268,729</u>	<u>177,085</u>	<u>(91,644)</u>
Net income (loss)	<u>\$ (200,000)</u>	<u>\$ (188,794)</u>	<u>\$ 45,697</u>	<u>\$ 234,491</u>

(Continued)

Budget to GAAP reconciliation

Sources/Inflows of resources

Actual amounts (budgetary basis) available for appropriation from the budgetary comparison schedule	\$ 239,870
Differences-budget to GAAP:	
Rental income is budgeted to the extent expected to be collected, rather than on the modified accrual basis	(2,933)
Other operating revenue is budgeted to the extent expected to be collected, rather than on the modified accrual basis	2
Intergovernmental funds are budgeted to the extent expected to be collected, rather than on the modified accrual basis	(823)
Interest income is budgeted to the extent expected to be collected, rather than on the modified accrual basis	744
	<hr/>
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	\$ 236,860

Uses/Outflows of resources

Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedule	\$ 194,173
Differences-budget to GAAP:	
The City budgets for operating expenses only to the extent expected to be paid, rather than on the modified accrual basis	35,657
	<hr/>
Total expenditures as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	\$ 229,830

(Concluded)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**MOTOR VEHICLE AGENCY FUND
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2007**

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
ASSETS:				
Cash and cash equivalents	<u>\$ 79,304</u>	<u>\$ 3,263,854</u>	<u>\$ 3,222,389</u>	<u>\$ 120,769</u>
LIABILITIES:				
Due to other governmental agency	<u>\$ 79,304</u>	<u>\$ 3,263,854</u>	<u>\$ 3,222,389</u>	<u>\$ 120,769</u>

See accompanying notes to financial statements.

SINGLE AUDIT SECTION

CITY OF SUNLAND PARK, NEW MEXICO

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA No.</u>	<u>Contract/Grant Project/State Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development/ Passed Through State of New Mexico Department of Finance and Administration				
Community Development Block Grant-Santa Teresa Clarifier	14.228	04-C-NR-I-7-G-37	\$ 509,500	\$ 248,087
Community Development Block Grant-Fire Substation Phase II	14.228	05-C-NR-I-3-G-7	550,000	144,747
Jobs and Growth Act of 2003 (Governor's Relief)	14.228	03-T-013	2,054,965	117,390
U.S. Department of Housing and Urban Development/ New Mexico State Office				
Low Rent Public Housing	14.850	NM075-001-02	112,251	112,251
Capital Fund Program	14.872	NM02P075501-00	54,000	<u>54,000</u>
				<u>166,251</u>
Total U.S. Department of Housing and Urban Development				<u>676,475</u>
U.S. Department of Transportation Passed through New Mexico Department of Transportation				
Presidential Permit-Border Crossing	20.205	TPU-7713(10)	465,000	<u>116,250</u>
Total Expenditures of Federal Awards			\$	<u>792,725</u>

CITY OF SUNLAND PARK, NEW MEXICO

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City of Sunland Park (the "City"). The City is defined in Note 1 of the City's financial Statements. All federal awards received, including those received through other agencies are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 1 of the City's financial statements

3. HIGH INTENSITY DRUG TRAFFICKING AREA (HIDTA)

The HIDTA program was excluded from the Schedule of Expenditures of Federal Awards because funds received and expended under HIDTA are not considered federal award grant funds. The City acted as an agent for the program and received a fee for administering the program. The City did not have authority over the type and amount of expenditures incurred by the program.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Hector H. Balderas, State Auditor
and the Mayor and City Council of the
City of Sunland Park, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparison for the general fund, the combining and individual funds and budgetary comparisons presented as supplementary information of the City of Sunland Park, New Mexico (the "City") as of and for the year ended June 30, 2007, and have issued our report thereon dated January 8, 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 City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items IC 2-01, IC 3-04, IC 2-06, IC 3-10, and IC 3-11, and CF 2-03 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 City's internal control.

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, of the significant deficiencies described above, we consider items IC 2-01, IC 3-04, IC 2-06, IC 3-10, and IC 3-11 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as items CF 2-04 and CF 2-03.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, the City's management, the State Auditor, the New Mexico Legislature, 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.



January 8, 2008



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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, State Auditor
and the Mayor and City Council of the
City of Sunland Park, New Mexico

Compliance

We have audited the compliance of the City of Sunland Park, New Mexico (the "City"), 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, 2007. The City'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 City's management. Our responsibility is to express an opinion on the City'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 City'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 on the City's compliance with those requirements.

As described in item FA 2-01 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding its Accounting and Internal Control Processes that are applicable to its major federal programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City 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, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal

program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but 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 City's internal control over compliance.

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

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 its 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FA 2-01, FA 2-02 and FA 2-03 to be significant deficiencies.

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. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items FA 2-01 and FA 2-02 to be material weaknesses.

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

The report is intended solely for the information and use of the City Council, the City's management, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



January 8, 2008

CITY OF SUNLAND PARK, NEW MEXICO

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No
Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported
Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No
Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant-Santa Teresa Clarifier
14.228	Community Development Block Grant-Fire Substation Phase II
14.228	Jobs and Growth Act of 2003 (Governor's Relief)

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee?? Yes No

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

A. Reportable Conditions in Internal Control

IC 2-01 Insufficient Attention Given to Accounting and Internal Control Processes

Condition

An accounting procedures manual was not adopted and policies and procedures that adequately define accounting and reporting responsibilities among employees responsible for handling assets, liabilities, revenues and expenditures were not documented.

Criteria

Failure to implement and follow sound accounting and internal control policies and procedures increases the risk that unauthorized transactions could occur, funds could be inappropriately accounted for, and transactions could be inaccurately recorded and reported.

Cause

Inadequate accounting system and employees lack proper training and supervision.

Effect

Employees are not performing the proper accounting procedures to generate reliable financial records that can be utilized for reporting and decision making.

Recommendation

Management should continue to monitor that corrective action is being taken and that all audit findings are resolved. Management should document Accounting Department responsibilities, policies and procedures to correct existing deficiencies in the accounting and internal controls environment and to cover situations where personnel are unavailable due to vacation, illness or termination. Because the City is growing rapidly, we recommend that procedures for transaction initiation, authorization and processing be formally documented as soon as possible.

Written procedures, instructions, and assignments of duties will also prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can help to assure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in a form that management can use to make sound and effective decisions. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs. It will take some time and effort for management to develop a manual; however that time and effort will be more than offset by time saved in training and supervising accounting personnel. The City has implemented a new accounting software system which should improve the overall accounting process.

Management's Response

City Management concurs with the finding that all aspects of the City's departments should be clearly documented in an up-to-date procedures manual. The lack of complete written policies and procedures has increased the risk of loss to the City, and disruptions in City operations. A Finance Procedure Manual is currently being written that will clearly describe in an easy-to-use document the internal control policies and procedures;

these instructions will be supplemented with detailed policies and procedures related to all financial and accounting activities that the City is engaged in. These written procedures will be viewed as a beneficial training aid; and a valuable resource in the event that a City employee leaves. These manuals and/desk procedures will include sufficient information to permit an individual who is unfamiliar with the operations to perform the necessary financial activities. All City Departments will be encouraged to implement desk procedures manual by fiscal year end.

IC 3-04 Lack of Separation of Duties

Condition

The same person who records cash receipts, also reconciles the general ledger for all bank accounts, prepares some deposit slips, transfers funds between accounts, prepares journal entries to correct errors in posting of all transactions and posts the budget on the system. There are no controls in place to ensure separation of duties among employees.

Criteria

A strong system of controls requires separation between custody of assets, recording of transactions and authorization of transactions. If a small number of employees does not allow for proper separation of duties, supervisory review can be used to compensate for the lack of separation of duties.

Changes to the general ledger transaction listing (cash basis) should not be made without a strong approval process.

Cause

Separation of duties over cash receipts and disbursements is difficult to achieve in a small office environment.

Effect

Theft or defalcation could occur and remain undetected when proper controls are not in place over cash receipts and disbursements.

Recommendation

Although the City's office staff is small, steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Internal control is most effective when the bank reconciliation is prepared by someone not responsible for entries in the cash receipt. The person that posts and generates payroll checks should not be the same person that adds new employees to the system and the same person that reconciles payroll cash transactions. Also, the person that posts and reconciles transactions should not be the same person that corrects his or her own errors. Because this is difficult to implement with an accounting department of just a few individuals, all of whom are involved in day-to-day record keeping, test reconciliation's should be made periodically by management, who, in addition, should review and approve, in writing, all reconciliation's which he or she does not prepare personally.

In order to avoid erroneous or unauthorized journal entries being posted, it is recommended that journal entries with sufficient explanations and supporting documents be initialed by the preparer and reviewed and authorized, in writing, by a supervisor. All journal entries should be numbered sequentially to facilitate identification and audit trail.

Management's Response

The City Finance Department concurs with the finding. City Management is aware that the fundamental element of internal control is the separation of duties so that an individual cannot perpetuate and conceal errors and irregularities in the normal course of his/her duties. The City Finance Director will perform the following to address the auditor's recommendation:

- Will establish internal controls for the separation of duties within the department and the INCODE System.
- Establishment of review and approval procedures.
- Desk procedures with sufficient information to permit an individual who is unfamiliar with the operations to perform the necessary financial activities will be put into place.
- Establishment of a Finance Procedure Manual (account payable through fixed asset management).
- Establishment of Cash Control Policies.

IC 2-06 Accounting for Grants

Condition

The Grant Department has implemented procedures to track cash receipts and disbursements for most grants but there is no system in place to record revenues and expenses accrued and to agree the amounts submitted for grant reimbursement to the amounts recorded in the cash basis general ledger listing. The departments that are receiving funding from granting agencies prepare reports without reconciling the data to the general ledger.

Criteria

Generally accepted accounting principles for reimbursable type grants require that revenues equal expenses for each accounting period. This is achieved through the recording of grant receivables or deferred revenue, as appropriate.

Cause

The City does not have a procedure in place to reconcile expenditures charged to the grants to the general ledger. In addition, there are no procedures in place to provide for the proper line of communications between the grant's department and the accounting office.

Effect

Without a system in place to agree reimbursement requests to the general ledger, the City's accounting records will not reflect an accurate presentation of grant funds received and spent. In addition, errors in accounting for grants may remain undetected and reports submitted to granting agencies may not be correct or agree to the City's general ledger transaction listing report.

Recommendation

Grant reimbursement requests should be agreed to and reconciled to the general ledger transaction listing, prior to submission, and supervisory review should be used to ensure that grants accounted for are recorded properly. Also, the records should show amounts owed by the granting agencies and amounts owed to vendors and contractors. If the grant is received in advance, the City should record the amount received as deferred revenue. Reconciliations to the general ledger should be prepared at least monthly to ensure proper recording of transactions. Converting the City's records to a full accrual basis will also help facilitate proper accounting and reporting for all grants.

Management's Response

City Management and the Finance Department concur with the finding. The City Finance Department and the Community Development Grant Administrators will perform the following to address the auditor's recommendation:

- A Grant/Project record (spreadsheet) will be kept by both departments (Grant award, expiration date, revenue (to include identifiable A/R), expenditures, encumbrances, and project balance);
- Draw-down request will be sent to the Finance Department prior submittal to the granting agency;
- Finance will update its Grant/Project spreadsheets and review draw-down request prior to giving the Grant Administrator approval to proceed;
- Finance will have the responsibility of determination of proper accounting of revenue received.
- Departments will complete a Grant/Project Schedule Summary that will allow management and staff to monitor the status of Grants and/or projects.

IC 3-10 Accounts Payable

Condition

An aging of accounts payable is not being prepared periodically. Vendor and contractor accounts payable are not aged by days or months outstanding. The accounting department does not maintain a list of invoices outstanding by vendor nor does it reconcile the list with vendor statements periodically. The City does not record payables in any type of subsidiary ledger that would flow to a general ledger.

Criteria

To ensure accuracy and reliability of the City's records, invoices should be recorded as payables in a separate subsidiary ledger when received and reconciled with the vendor statements periodically.

Cause

There were no procedures in place to ensure the recording of the payables in a separate subsidiary ledger.

Effect

The City is relying on third party statements to determine the balance of some major payables. Consequently, the City is unable to readily identify outstanding invoices and accounts payable information, unable to prevent incorrect charges on a timely basis, and unable to provide management with accurate interim reports and cash flow analysis.

Recommendation

The City should establish a separate subsidiary ledger and record all approved invoices from vendors as they are received. Balances should be analyzed on a monthly basis with all reconciling items noted and discrepancies resolved with the vendors. Timely analysis can help prevent incorrect charges, and should result in more accurate interim reports and cash flow analysis for management's use.

Management's Response

The City Finance Department concurs with the finding. An Accounts Payable Module is part of the new financial management software program (INCODE) that the City paced on line in fall 2006. This Module has the capability to produce aging schedules of 30, 60, 90 and 120 day intervals. It enables the Finance Department to

readily identify outstanding invoices and accounts payable information. Accounts payable personnel will undergo the necessary training to enable them to access and utilize the software system's features. The accounting operations manual that staff is currently drafting (described in Finding IC 2-01) will include procedures for properly handling payables.

IC 3-11 Budget Reconciliations

Condition

Budgeted revenues, expenditures and transfers approved by the DFA are posted by line item on the system. Actual receipts and disbursements are not being reconciled to the approved amounts after posting of the original budget and amendments. The original budget posted on the system is not updated for the amendments approved throughout the year.

Criteria

Budgeted revenues, expenditures and transfers posted to the accounting system should reflect amounts approved by the DFA including the approved amendments made throughout the year.

Cause

A supervisory review process is not in place to ensure that approved original and amendments to the budget are correctly posted to the accounting records.

Effect

System reports that compare actual amounts to budgeted amounts may be misstated and erroneous decisions could be made based on these reports.

Recommendation

The City should reconcile any data entered on the system to the source documents periodically to ensure reliability of the data and usefulness of the information.

Management's Response

The City Finance Department will schedule a budgetary and cash walkthrough spreadsheet at the end of the 6th, 9th, 11th and 12th of the month. This review will indicate the variance between the City's Budgets to General Ledger actuals. These spreadsheet schedules will ensure that City's actual line item revenues and/or expenditures do not supersede budgetary authority. The Finance Department will be responsible for overseeing and notifying City Departments for department funds which exceed budgetary authority; so that the proper budget resolution and revision can be submitted to City Council and DFA for approval prior to year-end.

B. Compliance Findings

CF 2-04 Legal Compliance With Budget

Condition

Section 6-6-6 of the New Mexico state statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payments in excess of the approved budget. During the fiscal year ended June 30, 2007, the City remitted payments for goods and services in excess of the adopted budget within the following funds:

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures</u>
Special revenue—Fire Protection	\$ 67,084	\$ 135,112	\$(68,028)
Special revenue—Juvenile recreation	29,000	35,240	(6,240)
Special revenue—Law Enforcement	32,000	33,327	(1,327)
Special revenue—Health Facility	-	2,000	(2,000)
Special revenue—Court Automation	20,881	47,990	(27,109)
Special revenue—New Mexico Beautification	7,500	7,538	(38)
Special revenue—Traffic Safety Fund	-	29,991	(29,991)
Special revenue—Operation Safe Border	-	18,855	(18,855)
Joint Utilities	3,264,006	5,062,019	(1,798,013)

Criteria

New Mexico State Statutes Section 6-6-6 states that all approved budgets shall bind all officials and governing authorities and no official can pay any claims in excess of the approved budget. City Officials and governing authorities have the obligation to follow applicable state statutes.

Cause

The City does not have controls in place to ensure that it is not expending funds in excess of approved budgeted amounts.

Effect

Non-compliance with New Mexico state statutes subjects City officials and personnel to punishment as defined by state statutes.

Recommendation

Accounting personnel should closely monitor expenditures and budget restrictions, if a change is needed to the budget, accounting personnel should ensure that such changes are presented to the Council and the New Mexico Department of Finance and Administration. If no changes in the budget are deemed necessary, then no payments should be remitted that would cause the total expenditures to exceed the legal budget.

Management's Response

As with the audit finding IC 3-11 Budget Reconciliation, schedules will be completed to indicate variances between the City's Departmental Budgets to General Ledger actuals. These spreadsheet schedules will ensure that City's actual line item revenues and/or expenditures do not supersede budgetary authority. The Finance Department will be responsible for overseeing and notifying City Departments for department funds which exceed budgetary authority; so that the proper budget resolution and revision can be submitted to City Council and DFA for approval prior to year-end.

CF 2-03 Submission of Audit Report for Fiscal Year June 30, 2007

Condition

The 2007 audit report for the City will be delivered to the Office of the State Auditor after the December 1 due date. The audit report was submitted to the Office of the State Auditor on February 22, 2008.

Criteria

State regulation 2.2.2.9 NMAC requires that audit reports for municipalities and special districts be submitted by December 1, and that late audits be reported as findings in the next audit report.

Cause

The City's records were not in a condition to be audited and enable the external auditors to timely prepare and submit the audit report.

Effect

Delays on the submission of the audit report could have an impact on State of New Mexico appropriations as the Legislature begins their session in January of each calendar year. Further, users of the financial statements such as legislators, creditors, state and federal grantors, etc., do not have timely audit reports and financial statements for their review.

Recommendation

It is recommended that the City adhere to the New Mexico State Audit Rule governing audits and ensure that an auditor is selected on a timely basis. The conversion from cash basis to the accrual basis, reconciliation's of general ledger accounts to subsidiary ledgers should be performed during the fiscal year to allow for timely, accurate closing and to eliminate end-of-year audit adjustments as much as possible.

Management's Response

The City hired in May 2007 a new Finance Director who possesses the necessary background in accounting. The new Finance Director will enable the City to properly record transactions and generate financial records to provide management with the necessary tools to make timely decisions and comply with any reporting compliance requirements. Furthermore, the preparation of timely financial information will enable the external auditors to perform the audit and report to the appropriate regulatory agencies in a timely manner.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Reportable Conditions in Internal Control — All Programs

FA 2-01 Insufficient Attention Given to Accounting and Internal Control Processes

Condition

An accounting procedures manual was not adopted and policies and procedures that adequately define accounting and reporting responsibilities among employees responsible for handling assets, liabilities, revenues and expenditures were not documented.

Criteria

Failure to implement and follow sound accounting and internal control policies and procedures increases the risk that unauthorized transactions could occur, funds could be inappropriately accounted for, and transactions could be inaccurately recorded and reported.

Cause

Inadequate accounting system and employees lack proper training and supervision.

Effect

Employees are not performing the proper accounting procedures to generate reliable financial records that can be utilized for reporting and decision making.

Recommendation

Management should continue to monitor that corrective action is being taken and that all audit findings are resolved. Management should document Accounting Department responsibilities, policies and procedures to correct existing deficiencies in the accounting and internal controls environment and to cover situations where personnel are unavailable due to vacation, illness or termination. Because the City is growing rapidly, we recommend that procedures for transaction initiation, authorization and processing be formally documented as soon as possible.

Written procedures, instructions, and assignments of duties will also prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can help to assure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in a form that management can use to make sound and effective decisions. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs. It will take some time and effort for management to develop a manual; however that time and effort will be more than offset by time saved in training and supervising accounting personnel. The City has implemented a new accounting software system which should improve the overall accounting process.

Management's Response

City Management concurs with the finding that all aspects of the City's departments should be clearly documented in an up-to-date procedures manual. The lack of complete written policies and procedures has increased the risk of loss to the City, and disruptions in City operations. A Finance Procedure Manual is currently being written that will clearly describe in an easy-to-use document the internal control policies and procedures; these instructions will be supplemented with detailed policies and procedures related to all financial and accounting activities that the City is engaged in. These written procedures will be viewed as a beneficial training aid; and a valuable resource in the event that a City employee leaves. These manuals and/desk procedures will

include sufficient information to permit an individual who is unfamiliar with the operations to perform the necessary financial activities. All City Departments will be encouraged to implement desk procedures manual by fiscal year end.

FA 2-02 Lack of Internal Controls Over Compliance

Condition

The City does not have a grant management process in fiscal year 2007 that meets all of the administrative requirements of OMB Circular A-133.

1. There is little communication between the departments receiving the grants and the Finance Office. The Finance Office is unaware of some of the grants that the City receives.
2. The City has no formal method of ensuring that all grants are being properly reported on the Schedule of Expenditures of Federal Awards in the City's Single Audit Report.
3. The City does not reconcile grant expenditures per the Schedule of Expenditures of Federal Awards in the City's Single Audit Report or the federal financial reports to the general ledger for all the grants.

Criteria

OMB Circular A-133 defines internal control pertaining to the compliance requirements for federal programs as a process effected by an entity's management and other personnel designed to provide reasonable assurance regarding the achievement of the following objectives for federal programs:

1. Transactions are properly recorded and accounted for to:
 - (a) Permit the preparation of reliable financial statements and federal reports.
 - (b) Maintain accountability over assets
 - (c) Demonstrate compliance with laws, regulations, and other compliance requirements.
2. Transactions are executed in compliance with:
 - (a) The laws, regulations, and provisions of contracts or grant agreements that could have a direct and material effect on a federal program.
 - (b) Any other laws and regulations that are identified in the Compliance Supplement.
3. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Cause

The City does not have a grant management process in place that meets all of the administrative requirements of OMB A- 133.

Effect

The City could not prepare the Schedule of Expenditures of Federal Awards. The lack of centralized information could result in the City being unaware of grant requirements and responsibilities, such as matching requirements, reporting requirements and other compliance requirements.

Recommendation

In order to improve the grant management process, we recommend the following:

1. The City should designate one department such as the Finance Department to maintain and organize grant information. This would result in the City having a better understanding of grants that were received and the City's responsibilities for the receipt of federal funds.

2. The City should maintain (centrally or coordinated through responsible departments) a summary of all federal funds received during the year, including important information, such as CFDA numbers, federal regulations, etc. This will ensure that all grant information is accurate and complete on the Schedule of Expenditures of Federal Awards and that the City is in compliance with grant regulations and requirements.
3. All federal financial reporting should be completed from or reconciled to the central accounting system.
4. City personnel should reconcile all grant expenditures to the City's general ledger to ensure that sufficient funds remain to fund program expenditures.

Management's Response

The City Finance Department concurs with the finding. City Finance Department and the Community Development Grant Administrators will perform the following to address the auditor's recommendation:

- A Grant/Project record (spreadsheet) will be kept by both departments (Grant award, expiration date, revenue (to include identifiable A/R), expenditures, encumbrances, and project balance);
- Draw-down request will be sent to the Finance Department prior submittal to the granting agency;
- Finance will update its Grant/Project spreadsheets and review draw-down request prior to giving the Grant Administrator approval to proceed;
- Finance will have the responsibility of determination of proper accounting of revenue received.

FA 2-03 Submission of Reporting Package for Fiscal Year June 30, 2007

Condition

The 2007 audit report for the City of Sunland Park was not submitted to the Federal Clearinghouse within the required period which is 9 months after the end of the period audited.

Criteria

The non-Federal entity shall transmit the reporting package, which shall include the non-Federal entity's financial statements, schedule of expenditures of Federal awards, corrective action plan, and auditor's reports developed pursuant to this section, to a Federal clearinghouse designated by the Director, and make it available for public inspection within the earlier of:

- (1) 30 days after receipt of the auditor's report; or
- (2) (A) for a transition period of at least 2 years after the effective date of the Single Audit Act Amendments of 1996, as established by the Director, 13 months after the end of the period audited; or
(B) for fiscal years beginning after the period specified in subparagraph (A), 9 months after the end of the period audited, or within a longer timeframe authorized by the Federal agency, determined under criteria issued under section 7504, when the 9-month timeframe would place an undue burden on the non-Federal entity.

Cause

The audit report was not completed on time to properly submit the package before the due date due to delays in obtaining information from the City Attorney and external legal counsel.

Effect

The City did not comply with the OMB Circular A-133 requirement. the submission of audit reports on an untimely manner could have an adverse effect on federal and state funding.

Recommendation

It is recommended that the City become familiar with and adhere to the Single Audit requirements. The accounting procedures and related documentation need to be brought up to standards. Reconciliation's of general ledger accounts to subsidiary ledgers should be performed during the fiscal year to allow for timely, accurate closing and to eliminate end-of-year audit adjustments as much as possible.

Management's Response

The City hired in May 2007 a new Finance Director who possesses the necessary background in accounting. The new Finance Director will enable the City to properly record transactions and generate financial records to provide management with the necessary tools to make timely decisions and comply with any reporting compliance requirements. Furthermore, the preparation of timely financial information will enable the external auditors to perform the audit and report to the appropriate regulatory agencies in a timely manner.

CITY OF SUNLAND PARK, NEW MEXICO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

Prior Audit Findings	Current Status
<u>Financial Statement Findings</u>	
IC 2-01 General Compliance Insufficient attention given to accounting and internal control processes	Repeat
IC 2-02 General Compliance Compliance with GAAP	Resolved
IC 2-03 General Compliance Schedules and Reconciliation's	Resolved
IC 3-04 General Compliance Separation of Duties	Repeat
IC 2-06 General Compliance Accounting for grants	Repeat
IC 3-07 General Compliance Utility Aging Receivable Schedule	Resolved
IC 2-05 General Compliance Old Outstanding Receivables — Water Utility	Resolved
IC 3-10 General Compliance Accounts Payable	Repeat
IC 3-11 State Compliance Budget Reconciliation's	Repeat
CF 2-04 State Compliance Legal compliance with budget	Repeat
CF 2-03 State Compliance Submission of reporting package for fiscal year June 30, 2007	Repeat
<u>Federal Award Findings and Questioned Costs</u>	
FA 2-01 General Compliance Insufficient attention given to accounting and internal control processes	Repeat
FA 2-02 General Compliance Lack of internal controls over compliance	Repeat
FA 2-03 Federal Compliance Submission of Reporting Package for fiscal year June 30, 2007	Repeat

CITY OF SUNLAND PARK, NEW MEXICO

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2007**

Audit Finding	Corrective Action Plan	Person Responsible	Completion Date
IC 2-01 Insufficient attention given to accounting & internal control processes	A Finance Procedures Manual is being written that will describe the internal control policies and procedures and will be supplemented with detailed polices and procedures related to financial and accounting activities the City engages in. All City departments will be encouraged to to implement the Procedures manual by fiscal year end.	Finance Director / Staff	June 30, 2008
IC 3-04 Separation of duties	The Finance Director will establish internal controls for the separation of duties within the department and the INCODE system; a manual of policies and procedures specifying the operations necessary to perform financial activities will be implemented; a Finance Procedures Manual will be implemented; and Cash Control Policies will be developed and implemented.	Finance Director	June 30, 2008
IC 2-06 Accounting for Grants	A grant/project record will be maintained by the Community Development department and the Finance department; notification of the claims for reimbursement will be made on a timely basis; the Finance department will review and approve the transactions; the Finance department will bear the responsibility of the proper recording of grant revenue; a grant/project summary will be implemented to enable management and staff to monitor the status of the grant projects.	Gordon W. Cook, C. D. Director. Finance Director.	June 30, 2008
IC 3-10 Accounts Payable	The accounts payable personnel will undergo the necessary training to enable them to access and utilize the INCODE software capabilities. In addition, an accounting operations manual, that will include procedures for the management of account payable, is being developed.	Finance Director	June 30, 2008

IC 3-11 Budget Reconciliation	The Finance department will schedule a "budgetary and "cash" walk-through schedules" at the end of the 6th, 9th, 11th, and 12th of the month to denote variances between the approved budget amounts and actual results, and, thus, prevent potential violations to the budgetary authority, and to prepare, and submit to the proper authorities, the necessary budget resolutions.	Finance Director	June 30, 2008
CF 2-04 Legal Compliance with Budget	The Finance department will schedule a "budgetary and "cash" walk-through schedules" at the end of the 6th, 9th, 11th, and 12th of the month to denote variances between the approved budget amounts and actual results, and, thus, prevent potential violations to the budgetary authority, and to prepare, and submit to the proper authorities, the necessary budget resolutions.	Finance Director	June 30, 2008
CF 2-03 Submission of Audit Report for Fiscal Year June 30, 2007	The new Finance Director, installed in May 2007, possesses the necessary governmental accounting training and background to enable the Finance department to properly record transactions and prepare financial data to provide City management with the proper decision making tools.	Finance Director	June 30, 2008
FA 2-01 Insufficient Attention Given to Accounting and Internal Control Processes	A Finance Procedures Manual is being written that will describe the internal control policies and procedures and will be supplemented with detailed polices and procedures related to financial and accounting activities the City engages in. All City departments will be encouraged to to implement the Procedures manual by fiscal year end.	Finance Director	June 30, 2008

<p>FA 2-02 Lack of Internal Controls Over Compliance</p>	<p>A grant/project record will be maintained by the Community Development department and the Finance department; notification of the claims for reimbursement will be made on a timely basis; the Finance department will review and approve the transactions; the Finance department will bear the responsibility of the proper recording of grant revenue; a grant/project summary will be implemented to enable management and staff to monitor the status of the grant projects.</p>	<p>Finance Director. Gordon W. Cook, C. D. Director.</p>	<p>June 30, 2008</p>
<p>FA 2-03 Submission of Reporting Package for Fiscal Year June 30, 2007</p>	<p>The new Finance Director, installed in May 2007, possesses the necessary governmental accounting training and background to enable the Finance department to properly record transactions and prepare financial data to provide City management with the proper decision making tools.</p>	<p>Finance Director</p>	<p>June 30, 2008</p>

CITY OF SUNLAND PARK, NEW MEXICO

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2007**

An exit conference was conducted on November 20, 2007 in a closed meeting of the City Council pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

City of Sunland Park

Robert Lundien
Malcolm Wilson
Loretta Galaviz

Finance Director
City Administrator
Accounting Clerk

Strickler & Prieto, LLP

Milosh Emilio Filetto

In-Charge Auditor

Financial Statement Preparation

The City's independent public accountants prepared the accompanying financial statements; however, the City is responsible for the financial statement content.