

City of Sunland Park
New Mexico

*Basic Financial Statements and
Required Supplementary Information
For the Year Ended June 30, 2008
And Independent Auditors' Report*

CITY OF SUNLAND PARK, NEW MEXICO

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CITY OF SUNLAND PARK, NEW MEXICO

DIRECTORY OF OFFICIALS

2008

**Martin Resendez
Daniel Salinas
Christian Lira
Carmen Rodriguez
Annette Diaz
Jessica Avila**

**Andrew Moralez
Elizabeth Gamez
Helen B. Gonzalez**

**Mayor
Mayor Pro-Tem
Councilor
Councilor
Councilor
Councilor**

**City Manager
City Clerk
Finance Director**

INDEPENDENT AUDITORS' REPORT

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

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City of Sunland Park, New Mexico (the "City"), as of and for the year ended 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. We also were engaged to audit the financial statements of each of the City's nonmajor governmental funds, and the budgetary comparisons for major capital projects fund, major enterprise funds and all nonmajor funds the presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended 2008, as listed in the table of contents. These financial statements are the responsibility of the City's management.

Prior to the commencement of fieldwork, the City's accounting software failed and all general ledger and related accounting data was lost. The City's data backup system also failed, leaving no backup information available. As a result of these failures, the City cannot provide general ledger detail to amounts reported on its trial balance. The City cannot provide subsidiary ledgers for cash, accounts receivable, accounts payable, accruals or any asset, liability, revenue, expense, or fund balance and net asset account.

We were unable to obtain detail to any general ledger account and subsidiary ledgers and audit that detail and ledgers because of the failure of the City's accounting software and data backup system. We were unable to satisfy ourselves about the lack of general ledger detail, and lack of all subsidiary ledgers by means of other auditing procedures.

Because we were unable to obtain detail to any general ledger account and subsidiary ledgers, and we were unable to apply other auditing procedures regarding lack of general ledger detail, and lack of all subsidiary ledgers as discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

We were unable to obtain written representations from management of the City of Sunland Park, New Mexico concerning transactions related to the fiscal year 2008, which took place under substantially different management, as required by generally accepted auditing standards.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2011, 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 City has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined in necessary to supplement, although not required to be a part of, the basic financial statements and the combining and individual financial statement and budgetary comparisons presented as supplemental information.

We were engaged for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The scope of our audited was limited as discussed in the second, and third paragraphs above and because of the significance of these matters, we do not express an opinion on the basic financial statements and the combining and individual fund financial statements; accordingly, the other supplemental information as listed in the table of contents have not been subjected to auditing procedures in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards; therefore, we do not express an opinion as to the other supplemental information as listed in the table of contents in relation to the basic financial statements taken as a whole.

White + Samaniego + Campbell, LLP

El Paso, Texas
March 24, 2011

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Primary Government Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 4,132,574	\$ 1,107,305	\$ 5,239,879
Investments	8,202,313	200,000	8,402,313
Receivables, net of allowance for uncollectibles			
Accounts	-	52,381	52,381
Taxes	474,258	-	474,258
Intergovernmental	223,279	-	223,279
Other	88,730	-	88,730
Internal balances	102,900	-	102,900
Restricted assets - cash	-	725,232	725,232
Capital assets, net of accumulated depreciation	8,709,921	27,342,109	36,052,030
Total assets	<u>\$ 21,933,975</u>	<u>\$ 29,427,027</u>	<u>\$ 51,361,002</u>
LIABILITIES:			
Accounts payable	\$ 108,537	\$ 294,714	\$ 403,251
Accrued liabilities and other expenses	201,146	42,077	243,223
Due to other fund	-	102,900	102,900
Accrued interest on bonds payable	-	94,536	94,536
Tenant deposits	-	5,607	5,607
Customer deposits	-	163,760	163,760
Long-term liabilities:			
Portion due or payable within one year:			
Loan payable	7,000	-	7,000
Revenue bonds payable	-	43,000	43,000
Notes payable	-	28,367	28,367
Compensated absences	39,118	1,387	40,505
Portion due or payable after one year:			
Loan payable	62,000	-	62,000
Revenue bonds payable	-	3,226,800	3,226,800
Notes payable	-	146,148	146,148
Compensated absences	61,967	19,897	81,864
Total liabilities	<u>479,768</u>	<u>4,169,193</u>	<u>4,648,961</u>
NET ASSETS:			
Invested in capital assets, net of related debt	8,640,921	23,897,794	32,538,715
Restricted for:			
Debt service	-	427,807	427,807
Grants	288,265	127,865	416,130
Construction and improvements	12,418,112	-	12,418,112
Unrestricted	106,909	804,368	911,277
Total net assets	<u>\$ 21,454,207</u>	<u>\$ 25,257,834</u>	<u>\$ 46,712,041</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

STATEMENT OF ACTIVITIES
JUNE 30, 2008

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,060,884	\$ 580,024	\$ 45,957	\$ -	\$ (1,434,903)	\$ -	\$ (1,434,903)
Public safety	2,886,364	187,077	-	223,883	(2,475,404)	-	(2,475,404)
Public works	988,394	-	-	3,811,223	2,822,829	-	2,822,829
Health and welfare	358,290	-	208,420	-	(149,870)	-	(149,870)
Culture and recreation	270,521	33,796	-	28,236	(208,489)	-	(208,489)
Total governmental activities	<u>6,564,453</u>	<u>800,897</u>	<u>254,377</u>	<u>4,063,342</u>	<u>(1,445,837)</u>	<u>-</u>	<u>(1,445,837)</u>
Business-type activities:							
Joint utilities:							
Water	1,669,490	1,657,989	-	-	-	(11,501)	(11,501)
Wastewater	1,204,693	1,173,367	-	33,299	-	1,973	1,973
Solid waste	530,408	257,105	-	-	-	(273,303)	(273,303)
Housing Authority	276,066	84,003	251,550	-	-	59,487	59,487
Interest on long-term debt	158,933	-	-	-	-	(158,933)	(158,933)
Total business-type activities	<u>3,839,590</u>	<u>3,172,464</u>	<u>251,550</u>	<u>33,299</u>	<u>-</u>	<u>(382,277)</u>	<u>(382,277)</u>
Total primary government	<u>\$ 10,404,043</u>	<u>\$ 3,973,361</u>	<u>\$ 505,927</u>	<u>\$ 4,096,641</u>	<u>(1,445,837)</u>	<u>(382,277)</u>	<u>(1,828,114)</u>
General Revenues:							
Taxes:							
Gross receipts					2,646,164	217,835	2,863,999
Property					380,171	-	380,171
Franchise					199,123	-	199,123
Other tax					92,386	-	92,386
Other					462,677	-	462,677
Investment income					333,823	10,920	344,743
Transfers					(166,342)	166,342	-
Total general revenues and transfers					<u>3,948,002</u>	<u>395,097</u>	<u>4,343,099</u>
Change in net assets					2,502,165	12,820	2,514,985
Net assets, beginning of year					<u>18,952,042</u>	<u>25,245,014</u>	<u>44,197,056</u>
Net assets, end of year					<u>\$ 21,454,207</u>	<u>\$ 25,257,834</u>	<u>\$ 46,712,041</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General Fund	Border Crossing	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ -	\$ 3,901,704	\$ 230,870	\$ 4,132,574
Investments	-	8,202,313	-	8,202,313
Receivables, net of allowance for uncollectibles				
Taxes	474,258	-	-	474,258
Intergovernmental	-	52,368	170,911	223,279
Other	88,730	-	-	88,730
Internal balances	<u>1,362,256</u>	<u>28,148</u>	<u>2,882,670</u>	<u>4,273,074</u>
Total assets	<u>\$ 1,925,244</u>	<u>\$ 12,184,533</u>	<u>\$ 3,284,451</u>	<u>\$ 17,394,228</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ 3,941	\$ -	\$ 104,596	\$ 108,537
Accrued liabilities and other expenses	185,428	-	15,718	201,146
Internal balances	1,527,881	-	2,642,293	4,170,174
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,717,250</u>	<u>-</u>	<u>2,762,607</u>	<u>4,479,857</u>
FUND BALANCES:				
Reserved for capital projects funds	-	12,184,533	233,579	12,418,112
Reserved for special revenue funds	-	-	288,265	288,265
Unreserved	<u>207,994</u>	<u>-</u>	<u>-</u>	<u>207,994</u>
Total fund balances	<u>207,994</u>	<u>12,184,533</u>	<u>521,844</u>	<u>12,914,371</u>
Total liabilities and fund balances	<u>\$ 1,925,244</u>	<u>\$ 12,184,533</u>	<u>\$ 3,284,451</u>	<u>\$ 17,394,228</u>

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, 2008**

Total fund balances for governmental funds \$ 12,914,371

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>(14,407,052)</u>
Net capital assets	<u>8,709,921</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. (69,000)

Compensated absences liabilities are not reported in governmental funds but are reported in the statement of net assets. (101,085)

Net assets of governmental activities \$ 21,454,207

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund	Border Crossing	Other Governmental Funds	Total Governmental Funds
REVENUES:				
State shared taxes	\$ 1,310,289	\$ -	\$ 41,988	\$ 1,352,277
Local effort taxes	1,965,567	-	-	1,965,567
Intergovernmental	41,687	-	659,276	700,963
Licenses and permits	226,612	-	-	226,612
Charges for services	236,525	-	-	236,525
Fines and forfeitures	116,887	-	33,796	150,683
Interest	6,504	327,085	234	333,823
Contributions	3,833	3,800,000	-	3,803,833
Miscellaneous	391,448	-	71,229	462,677
	<u>4,299,352</u>	<u>4,127,085</u>	<u>806,523</u>	<u>9,232,960</u>
Total revenues				
EXPENDITURES:				
Current:				
General government	1,652,115	-	-	1,652,115
Public safety	2,106,990	-	304,117	2,411,107
Culture and recreation	208,365	-	40,781	249,146
Health and welfare	-	-	356,945	356,945
Public works	557,014	-	-	557,014
Capital outlay	-	31,941	859,572	891,513
	<u>4,524,484</u>	<u>31,941</u>	<u>1,561,415</u>	<u>6,117,840</u>
Total expenses				
Excess (deficiency) of revenues over expenditures	(225,132)	4,095,144	(754,892)	3,115,120
OTHER FINANCING SOURCES:				
Transfers in (out)	(259,260)	-	92,918	(166,342)
	<u>(259,260)</u>	<u>-</u>	<u>92,918</u>	<u>(166,342)</u>
Total other financing sources				
Net changes in fund balances	(484,392)	4,095,144	(661,974)	2,948,778
Fund balances, beginning of year	692,386	8,089,389	1,183,818	9,965,593
Fund balances, end of year	<u>\$ 207,994</u>	<u>\$ 12,184,533</u>	<u>\$ 521,844</u>	<u>\$ 12,914,371</u>

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
JUNE 30, 2008**

Net change in fund balances - total governmental funds \$ 2,948,778

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 exceeded capital outlay in the current period.

Depreciation expense (537,117)

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.

84,504

Net assets of governmental activities \$ 2,502,165

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, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Local Effort Taxes	\$ 2,151,782	\$ 2,151,782	\$ 1,965,567	\$ (186,215)
State Shared Taxes	1,554,887	1,554,887	1,351,976	(202,911)
Licenses and permits	163,550	163,550	226,612	63,062
Charges for Services	223,404	223,404	236,525	13,121
Fines and forfeitures	139,087	139,087	116,887	(22,200)
Investment Income	37,022	37,022	6,504	(30,518)
Miscellaneous	76,000	76,000	395,281	319,281
Total revenues	4,345,732	4,345,732	4,299,352	(46,380)
Expenditures:				
General Government	1,095,696	1,095,696	1,652,115	(556,419)
Public Safety	2,011,873	2,011,873	2,106,990	(95,117)
Public Works	495,951	495,951	557,014	(61,063)
Culture and Recreation	454,783	454,783	208,365	246,418
Capital Outlay	32,800	32,800	-	32,800
Total expenditures	4,091,103	4,091,103	4,524,484	(433,381)
Excess (deficiency) of revenues over expenditures	254,629	254,629	(225,132)	(479,761)
Other financing sources(uses):				
Operating Transfers Out	(404,667)	(404,667)	(259,260)	145,407
Total other financing sources (uses)	(404,667)	(404,667)	(259,260)	145,407
Net change in fund balances	(150,038)	(150,038)	(484,392)	(334,354)
Cash balance - beginning of year	1,083,948	1,083,948	1,083,948	-
Cash balance - end of year	\$ 933,910	\$ 933,910	\$ 599,556	\$ (334,354)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (484,392)	
Change in:				
Accounts receivable			-	
Accounts payable			-	
Net changes in fund balance GAAP basis			<u>\$ (484,392)</u>	

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008**

	Joint Utility	Housing Authority	Total Enterprise Funds
ASSETS:			
Current assets			
Cash and cash equivalents	\$ 805,128	302,177	\$ 1,107,305
Accounts receivable, net	51,951	430	52,381
Due from other funds	32,438	1,092	33,530
Investments	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Total current assets	<u>889,517</u>	<u>503,699</u>	<u>1,393,216</u>
Restricted assets			
Tenant deposits	-	5,800	5,800
Customer deposits	163,760	-	163,760
Debt service	427,807	-	427,807
Cash -grants	<u>127,865</u>	<u>-</u>	<u>127,865</u>
Total restricted assets	<u>719,432</u>	<u>5,800</u>	<u>725,232</u>
Capital assets	29,181,590	3,032,914	32,214,504
Less accumulated depreciation and amortization	<u>(4,082,027)</u>	<u>(790,368)</u>	<u>(4,872,395)</u>
Net capital assets	<u>25,099,563</u>	<u>2,242,546</u>	<u>27,342,109</u>
Total assets	<u>\$ 26,708,512</u>	<u>\$ 2,752,045</u>	<u>\$ 29,460,557</u>

(Continued)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008**

	Joint Utility	Housing Authority	Total Enterprise Funds
LIABILITIES:			
Current liabilities			
Accounts payable	\$ 291,604	3,110	\$ 294,714
Accrued liabilities and other expenses	40,117	1,960	42,077
Accrued compensated absences	1,387	-	1,387
Due from other funds	97,850	38,580	136,430
Notes payable within one year	<u>28,367</u>	<u>-</u>	<u>28,367</u>
Total current liabilities	<u>459,325</u>	<u>43,650</u>	<u>502,975</u>
Current liabilities payable from restricted assets			
Tenant deposits	-	5,607	5,607
Customer deposits	163,760	-	163,760
Revenue bonds payable within one year	43,000	-	43,000
Accrued interest on bonds payable	<u>94,536</u>	<u>-</u>	<u>94,536</u>
Total payable from restricted assets	<u>301,296</u>	<u>5,607</u>	<u>306,903</u>
Non-current liabilities			
Notes payable	146,148	-	146,148
Revenue bonds payable	3,226,800	-	3,226,800
Accrued compensated absences	<u>13,270</u>	<u>6,627</u>	<u>19,897</u>
Total non-current liabilities	<u>3,386,218</u>	<u>6,627</u>	<u>3,392,845</u>
Total liabilities	<u>4,146,839</u>	<u>55,884</u>	<u>4,202,723</u>
NET ASSETS:			
Invested in capital assets, net of related debt	21,655,248	2,242,546	23,897,794
Restricted for:			
Debt service	427,807	-	427,807
Grants	127,865	-	127,865
Unrestricted	<u>350,753</u>	<u>453,615</u>	<u>804,368</u>
Total net assets	<u>22,561,673</u>	<u>2,696,161</u>	<u>25,257,834</u>
Total liabilities and net assets	<u>\$ 26,708,512</u>	<u>\$ 2,752,045</u>	<u>\$ 29,460,557</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, 2008**

	Joint Utility	Housing Authority	Total Enterprise Funds
Operating revenues			
Joint utilities sales	\$ 2,965,819	\$ -	\$ 2,965,819
Rental income	-	83,053	83,053
HUD operating revenue	-	251,550	251,550
Other operating revenue	118	950	1,068
Other charges for services	<u>122,524</u>	<u>-</u>	<u>122,524</u>
Total operating revenues	<u>3,088,461</u>	<u>335,553</u>	<u>3,424,014</u>
Operating expenses			
Personnel services	561,502	104,164	665,666
Professional services	548,368	-	548,368
Utilities	754,240	-	754,240
Operating expenses	1,091,247	95,884	1,187,131
Depreciation expense	<u>449,234</u>	<u>76,018</u>	<u>525,252</u>
Total operating expenses	<u>3,404,591</u>	<u>276,066</u>	<u>3,680,657</u>
Operating income (loss)	<u>(316,130)</u>	<u>59,487</u>	<u>(256,643)</u>
Nonoperating revenues (expenses)			
Gross receipts tax	217,835	-	217,835
Intergovernmental revenues	33,299	-	33,299
Interest income	1,485	9,435	10,920
Interest expense	<u>(158,933)</u>	<u>-</u>	<u>(158,933)</u>
Total nonoperating revenues (expenses)	<u>93,686</u>	<u>9,435</u>	<u>103,121</u>
Income before transfers	<u>(222,444)</u>	<u>68,922</u>	<u>(153,522)</u>
Transfers in	570,282	-	570,282
Transfers out	<u>(403,940)</u>	<u>-</u>	<u>(403,940)</u>
Total transfers, net	<u>166,342</u>	<u>-</u>	<u>166,342</u>
Changes in net assets	<u>(56,102)</u>	<u>68,922</u>	<u>12,820</u>
Net assets, beginning of year	<u>22,617,775</u>	<u>2,627,239</u>	<u>25,245,014</u>
Net assets, end of year	<u>\$ 22,561,673</u>	<u>\$ 2,696,161</u>	<u>\$ 25,257,834</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008**

	Joint Utility	Housing Authority	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 2,928,939	\$ 82,333	\$ 3,011,272
Cash received from HUD	-	251,550	251,550
Interest received	-	9,435	9,435
Cash payments to suppliers for goods and services	(2,725,968)	(94,118)	(2,820,086)
Cash payments to employees for services	(150,607)	(104,164)	(254,771)
Other operating revenues	118	-	118
Other charges for services	122,524	-	122,524
	<u>175,006</u>	<u>145,036</u>	<u>320,042</u>
Net cash provided by operating activities			
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Proceeds from grants	33,299	-	33,299
Gross receipts tax	217,835	-	217,835
Change in interfund balances	23,677	-	23,677
Operating transfers, net	166,342	-	166,342
	<u>441,153</u>	<u>-</u>	<u>441,153</u>
Net cash provided by non-capital financing activities			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(30,798)	(176,459)	(207,257)
Proceeds from long-term debt	-	22,288	22,288
Principal payment on revenue bonds	(41,000)	-	(41,000)
Principal payment on notes payable	(28,086)	-	(28,086)
Interest paid on bonds, notes and lease obligations	(158,933)	-	(158,933)
	<u>(258,817)</u>	<u>(154,171)</u>	<u>(412,988)</u>
Net cash used in capital and related financing activities			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest from investments	1,485	-	1,485
	<u>1,485</u>	<u>-</u>	<u>1,485</u>
Net cash provided by investing activities			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	358,827	(9,135)	349,692
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,165,733</u>	<u>317,112</u>	<u>1,482,845</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,524,560</u>	<u>\$ 307,977</u>	<u>\$ 1,832,537</u>
Cash and cash equivalents consist of:			
Unrestricted cash and cash equivalents	\$ 805,128	\$ 302,177	\$ 1,107,305
Restricted cash and cash equivalents	719,432	5,800	725,232
	<u>\$ 1,524,560</u>	<u>\$ 307,977</u>	<u>\$ 1,832,537</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008**

	Joint Utility	Housing Authority	Total Enterprise Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (285,332)	\$ 68,922	\$ (216,410)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	449,234	76,018	525,252
Changes in assets and liabilities:			
Accounts receivable	(51,951)	475	(51,476)
Taxes receivable	10,646	-	10,646
Other assets	-	(1,092)	(1,092)
Accounts payable	25,692	2,875	28,567
Accrued expenses	22,380	(2,162)	20,218
Compensated absences	(88)	-	(88)
Customer deposit	4,425	-	4,425
 Total adjustment	<u>460,338</u>	<u>76,114</u>	<u>536,452</u>
 Net cash provided by operating activities	<u>\$ 175,006</u>	<u>\$ 145,036</u>	<u>\$ 320,042</u>

(Concluded)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	Agency Fund
ASSETS:	
Cash and cash equivalents	<u>\$ 19,827</u>
LIABILITIES:	
Due to other governmental agency	<u>\$ 19,827</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, 2008

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.

A. 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 funds:

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.

Border Crossing Fund-The fund accounts 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.

The City reports the following major enterprise 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.

In June 2008, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 53 "*Accounting and Financial Reporting for Derivative Instruments*," which is effective for all periods beginning after June 15, 2009. This Statement is intended to improve how governments report information about derivative instruments. The City incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*," which is effective for financial statements for periods beginning after June 15, 2010, and earlier application is encouraged. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 55 "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*," which was effective upon issuance. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The City incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 56 "*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*," which was effective upon issuance. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. The City incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 57 "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*," which is effective upon issuance for certain provisions of the statement and for periods beginning after June 15, 2011 for other provisions. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit plans. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

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

A. 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.

B. 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 Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the uninsured public monies held on deposit. Collateral 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.

C. 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.

D. 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 - 10
Infrastructure	20 - 50	-

E. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual vacation 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.

F. 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.

G. 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.

H. 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.

I. 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, 2008.

J. 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 INVESTMENTS

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. As of June 30, 2008, the City's bank balance total of \$5,313,681 was exposed to credit risk in the amount of \$5,113,681 as follows:

Uninsured and collateral held by pledging bank's trust department not in the City's name	\$5,113,681
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In accordance with Section 6-10-17, NMSA, 1978 Compilation, the City is required to collateralize an amount equal to one-half of the public money in excess of \$100,000 at each financial institution.

The total balance in any single financial institution may at times exceed the \$100,000 in FDIC coverage available to individual depositors. The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account.

Credit Risk - The City has no formal policy on managing credit risk. State law limits investments to United States Government obligations, commercial paper with A-1 or better ratings, corporate bonds with a BBB+ or better rating, asset backed obligations with an AAA or better rating, or repurchase agreements.

Investments

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributable to the magnitude of the City's investment in a single issuer. The City's investment policy allows only investments in the State Treasurer's Local Government Investment Pool.

The State Treasurer's 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 Section 6-10-10 I through 6-10-10 P and Sections 6-10-10-1 A and E, NMSA 1978. The investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The New Mexico State Treasurer is responsible for approving all changes in the pledged collateral and monitoring the collateral requirements for all deposits maintained by the State Treasurer. The State Treasurer's office issues separate financial statements which disclose the collateral pledged to secure those deposits.

LGIP 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 this pool is voluntary. The independent auditors' report, together with the financial statements, the accompanying notes to the financial statements, and the independent auditors' report on compliance and internal controls are available from the State Investment Council, 2055 South Pacheco Street, Suite 100, Santa Fe, New Mexico 87505, upon written request.

Interest Rate Risk - Interest rate risk is the risk that interest rate variations may adversely affect the fair value of an investment. The LGIP's weighted average maturity at June 30, 2008 was 25 days.

3. **RECEIVABLES**

Governmental activities receivables consist of the following at June 30, 2008:

	General Fund	Special Revenue Funds	Capital Project Funds	Total Governmental Activities
Taxes	\$ 474,258	\$ -	\$ -	\$ 474,258
Grants	-	19,368	203,911	223,279
Other	<u>88,730</u>	<u>-</u>	<u>-</u>	<u>88,730</u>
Total	<u>\$ 562,988</u>	<u>\$ 19,368</u>	<u>\$ 203,911</u>	<u>\$ 786,267</u>

Business-type receivables are as follows at June 30, 2008:

	Joint Utilities	Housing Authority	Total
Customer receivables	<u>\$ 51,951</u>	<u>\$ 430</u>	<u>\$ 52,381</u>
Total	<u>\$ 51,951</u>	<u>\$ 430</u>	<u>\$ 52,381</u>

4. **ACCRUED LIABILITIES AND OTHER EXPENSES**

Governmental activities accrued liabilities and other expenses are as follows at June 30, 2008:

	General Fund	Special Revenue Funds	Capital Project Funds	Total Governmental Activities
Salaries and payroll taxes	<u>\$ 185,428</u>	<u>\$ 15,718</u>	<u>\$ -</u>	<u>\$ 201,146</u>

Business-type accrued liabilities and other expenses are as follows at June 30, 2008:

	Joint Utilities	Housing Authority	Total
Salaries and payroll taxes	\$ 26,469	\$ 1,960	\$ 28,429
Gross tax receipts	<u>13,648</u>	<u>-</u>	<u>13,648</u>
Total	<u>\$ 40,117</u>	<u>\$ 1,960</u>	<u>\$ 42,077</u>

5. **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 June 30, 2008 was \$2.705 per \$1,000 for non-residential and \$3.191 for residential property.

6. CAPITAL ASSETS

Changes in Capital Assets-Capital asset activity for the City's primary government for the year ended June 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 124,097	\$ -	\$ -	\$ 124,097
Construction in progress	2,839,245	-	-	2,839,245
Total capital assets not being depreciated	2,963,342	-	-	2,963,342
Other capital assets:				
Buildings and improvements	2,673,759	-	-	2,673,759
Land improvements	731,204	-	-	731,204
Furniture, equipment and library books	654,331	-	-	654,331
Vehicles	2,327,440	-	-	2,327,440
Infrastructure	13,766,897	-	-	13,766,897
Total other capital assets	20,153,631	-	-	20,153,631
Less accumulated depreciation for:				
Buildings and improvements	986,774	67,616	-	1,054,390
Land improvements	324,884	25,371	-	350,255
Furniture, equipment and library books	306,950	60,969	-	367,919
Vehicles	1,344,980	184,295	-	1,529,275
Infrastructure	10,906,347	198,866	-	11,105,213
Total accumulated depreciation	13,869,935	537,117	-	14,407,052
Total other capital assets, net	6,283,696	(537,117)	-	5,746,579
Governmental Activity Capital Assets, Net	\$ 9,247,038	\$ (537,117)	\$ -	\$ 8,709,921
Business-type activities:				
Capital assets not being depreciated:				
Land and water rights	\$ 2,192,782	\$ -	\$ -	\$ 2,192,782
Construction in progress	5,183,447	-	-	5,183,447
Total capital assets not being depreciated	\$ 7,376,229	\$ -	\$ -	\$ 7,376,229
Capital assets being depreciated:				
Buildings and improvements	\$ 2,728,070	\$ 176,459	\$ -	\$ 2,904,529
Land improvements	77,235	-	-	77,235
Vehicles	36,051	-	-	36,051
Equipment	178,337	-	-	178,337
Infrastructure	21,642,122	-	-	21,642,122
Total capital assets being depreciated	24,661,815	176,459	-	24,838,274
Less accumulated depreciation	4,347,142	525,252	-	4,872,394
Total capital assets being depreciated, net	20,314,673	(348,793)	-	19,965,880
Business-type activities capital assets, net	\$ 27,690,902	\$ (348,793)	\$ -	\$ 27,342,109

Depreciation Expense-Depreciation expense was charged to functions of the government as follows, for the year ended 2008

	Governmental Activities	Business-Type Activities
General government	\$ 435,482	\$ -
Public safety	50,154	-
Public works	34,760	-
Health and welfare	7,116	-
Culture and recreation	9,605	-
Joint utilities	-	449,234
Housing authority	-	76,018
	<u> </u>	<u> </u>
Total depreciation expense	<u>\$ 537,117</u>	<u>\$ 525,252</u>

7. LONG TERM OBLIGATIONS

Long term liability activity for the year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Governmental Activities:					
NM Finance Authority	\$ 75,000	\$ -	\$ (6,000)	\$ 69,000	\$ 7,000
Compensated absences	<u>185,589</u>	<u>-</u>	<u>(84,504)</u>	<u>101,085</u>	<u>39,118</u>
Total	<u>\$ 260,589</u>	<u>\$ -</u>	<u>\$ (90,504)</u>	<u>\$ 170,085</u>	<u>\$ 46,118</u>
Business Type Activities:					
Water and Sewer Revenue Bonds	\$ 3,310,800	\$ -	\$ (41,000)	\$ 3,269,800	\$ 43,000
NM Environment Improvement Division	202,601	-	(28,086)	174,515	28,367
Compensated absences	<u>22,108</u>	<u>-</u>	<u>(824)</u>	<u>21,284</u>	<u>1,387</u>
Total	<u>\$ 3,535,509</u>	<u>\$ -</u>	<u>\$ (69,910)</u>	<u>\$ 3,465,599</u>	<u>\$ 72,754</u>

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.

Governmental Activities Long-Term Debt

New Mexico Finance Authority

On July 20, 1995, the City entered into a \$128,000 loan agreement with the New Mexico Finance Authority to finance the acquisition of equipment for fire protection. The net effective interest rate on the loan agreement is 6.153% and maturing in July 2015. The note is payable in an integral multiple of \$1,000. The loan agreement is secured by the Fire Protection Funds.

Insurance premium and interest payment for the next year is as follows:

Year Ending June 30:	Principal	Interest	Total
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	9,000	2,457	11,457
2014-2016	<u>30,000</u>	<u>3,906</u>	<u>33,906</u>
Totals	<u>\$ 69,000</u>	<u>\$ 18,871</u>	<u>\$ 87,871</u>

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.

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

Year Ending June 30:	Principal	Interest	Total
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	51,000	145,389	196,389
2014-2018	298,000	687,070	985,070
2019-2023	374,000	608,200	982,200
2024-2028	476,000	508,235	984,235
2029-2033	608,800	380,860	989,660
2034-2038	476,000	247,410	723,410
2039-2043	555,000	129,960	684,960
2044-2045	<u>249,000</u>	<u>17,010</u>	<u>266,010</u>
Totals	<u>\$ 3,269,800</u>	<u>\$ 3,328,125</u>	<u>\$ 6,597,925</u>

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
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	29,609	593	30,202
2014-2017	<u>29,724</u>	<u>297</u>	<u>30,021</u>
Totals	<u>\$ 174,515</u>	<u>\$ 6,156</u>	<u>\$ 180,671</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, 2008, the minimum future lease payments due under the operating lease are as follows:

Year Ending June 30:	Total
2009	\$ 5,000
2010	5,000
2011	<u>3,750</u>
Totals	<u>\$ 13,750</u>

8. INTERFUND RECEIVABLES, PAYABLES, TRANSFERS

The composition of interfund balances as of June 30, 2008, is as follows:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	Amount
Nonmajor governmental	General fund	\$ 1,466,203
General fund	Enterprise fund - Housing Authority	38,580
General fund	Enterprise fund - Joint Utilities	97,850
General fund	Nonmajor governmental	1,225,826
Nonmajor governmental	Nonmajor governmental	1,416,467
Enterprise fund - Housing Authority	General fund	1,092
Enterprise fund - Joint Utilities	General fund	32,438
Border crossing	General fund	28,148

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 - General Joint Utilities	Total
Transfers In:			
<u>\$ -</u>	<u>\$ 92,918</u>	<u>\$ 570,282</u>	<u>\$ 663,200</u>
Transfers Out:			
<u>\$ 259,260</u>	<u>\$ -</u>	<u>\$ 403,940</u>	<u>\$ 663,200</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.

9. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description - 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 benefits, 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 for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy - Plan members are required to contribute 9.15% of their gross salary. The City is required to make a matching contribution of 9.15% of the gross covered salary. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City’s contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$207,235, \$201,319, and \$207,851, respectively, which equal the

amount of the required contributions for each fiscal year.

10. 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, 2008, 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 \$30,965 for the year ended June 30, 2008.

11. POST EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description - The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA 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; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy - The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-IS NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2008, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary.

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals. The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The City's contributions to the RHCA for the years ended June 30, 2008 and 2007 were \$18,988 and \$30,011, respectively, which equal the required contributions for each year.

12. 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.

13. 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.

14. 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.

15. 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.

16. **EXPENDITURES BEYOND APPROPRIATIONS**

Individual funds with deficit fund balances at June 30, 2008 are as follows:

	Deficit Fund Balance/ Net Assets
Special Revenue - Health Facility	\$ 5,428
Special Revenue - Dona Ana County Grant	1,000
Special Revenue - New Mexico Beautification	17,269
Special Revenue - Child and Family Program	49,288
Special Revenue - Traffic Safety	22,038
Special Revenue - Paso del Norte Walk Path	14,765
Special Revenue - Operation Safe Border	5,058
Capital Project - La Clinica de Familia	696
Capital Project - Crawford Anapra Road	284,872
Capital Project - City Sidewalk Improvement	43,655
Capital Project - Community Park Improvement	19,216
Capital Project - CDBG Fire/Police Sub-station	38,123

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

The following funds over-expended budgeted amounts at June 30, 2008 as follows:

Fund	Budgeted Expenditures	Actual Expenditures	Excess Expenditures
General Fund	\$ 4,091,103	\$ 4,524,484	\$ (433,381)
Special Revenue - Fire Protection	113,193	141,131	(27,938)
Special Revenue - Juvenile Recreation	-	7,546	(7,546)
Special Revenue - Correctional	48,700	54,921	(6,221)
Special Revenue - Health Facility	-	6,300	(6,300)
Special Revenue - Paso Del Norte Walk Path	-	33,235	(33,235)
Special Revenue - Federal Equitable Sharing	100,125	105,365	(5,240)
Special Revenue - 911 Rural Addressing	-	49,591	(49,591)
Capital Projects- Crawford Anapra Road	120,000	275,697	(155,697)
Housing Authority	336,048	370,275	(34,227)

17. **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 officials 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.

18. CONTINGENCIES

The City is involved in litigation arising in the ordinary course of performing its functions. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management that there is a reasonable possibility that the resolution of outstanding claims could result in a loss that ranges from \$0 to \$250,000.

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 721-1 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.

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 Park Improvements - 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.

CITY OF SUNLAND PARK, NEW MEXICO

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 192,250	\$ 38,620	\$ 230,870
Receivables, net of allowance for uncollectibles			
Intergovernmental	19,368	151,543	170,911
Internal balances	<u>820,616</u>	<u>2,062,054</u>	<u>2,882,670</u>
Total assets	<u>\$ 1,032,234</u>	<u>\$ 2,252,217</u>	<u>\$ 3,284,451</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ -	\$ 104,596	\$ 104,596
Accrued liabilities and other expenses	15,718	-	15,718
Internal balances	<u>728,251</u>	<u>1,914,042</u>	<u>2,642,293</u>
Total liabilities	<u>743,969</u>	<u>2,018,638</u>	<u>2,762,607</u>
FUND BALANCES:			
Reserved for capital project funds	-	233,579	233,579
Reserved for special revenues funds	<u>288,265</u>	<u>-</u>	<u>288,265</u>
Total net assets	<u>288,265</u>	<u>233,579</u>	<u>521,844</u>
Total net assets and fund balances	<u>\$ 1,032,234</u>	<u>\$ 2,252,217</u>	<u>\$ 3,284,451</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES:			
State shared taxes	\$ 2,293	39,695	\$ 41,988
Intergovernmental	424,170	235,106	659,276
Fines and forfeitures	33,796	-	33,796
Interest	234	-	234
Miscellaneous	71,229	-	71,229
	<u>531,722</u>	<u>274,801</u>	<u>806,523</u>
Total revenues			
EXPENDITURES:			
Current:			
Public safety	304,117	-	304,117
Culture and recreation	40,781	-	40,781
Health and welfare	356,945	-	356,945
Capital outlay	-	859,572	859,572
	<u>701,843</u>	<u>859,572</u>	<u>1,561,415</u>
Total expenses			
Excess (deficiency) of revenues over expenditures	(170,121)	(584,771)	(754,892)
OTHER FINANCING SOURCES:			
Transfers in (out)	79,455	13,463	92,918
	<u>79,455</u>	<u>13,463</u>	<u>92,918</u>
Total other financing sources			
Net changes in fund balances	<u>(90,666)</u>	<u>(571,308)</u>	<u>(661,974)</u>
Fund balances, beginning of year	<u>378,931</u>	<u>804,887</u>	<u>1,183,818</u>
Fund balances, end of year	<u>\$ 288,265</u>	<u>\$ 233,579</u>	<u>\$ 521,844</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008**

	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
ASSETS:								
Cash	\$ 25,385	\$ -	\$ 9,807	\$ 38,322	\$ 2,386	\$ 4,372	\$ 18,313	\$ -
Intergovernmental receivable	-	-	-	-	-	-	-	-
Due from other funds	<u>373,156</u>	<u>134,693</u>	<u>13,058</u>	<u>127,463</u>	<u>32,000</u>	<u>-</u>	<u>23,980</u>	<u>-</u>
Total assets	<u>\$ 398,541</u>	<u>\$ 134,693</u>	<u>\$ 22,865</u>	<u>\$ 165,785</u>	<u>\$ 34,386</u>	<u>\$ 4,372</u>	<u>\$ 42,293</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE:								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities and other expenses	-	-	-	-	-	9,800	51	-
Due to other funds	<u>384,520</u>	<u>92,577</u>	<u>-</u>	<u>23,665</u>	<u>30,148</u>	<u>-</u>	<u>17,044</u>	<u>1,000</u>
Total liabilities	<u>384,520</u>	<u>92,577</u>	<u>-</u>	<u>23,665</u>	<u>30,148</u>	<u>9,800</u>	<u>17,095</u>	<u>1,000</u>
Fund Balance:								
Reserved for special revenue funds	<u>14,021</u>	<u>42,116</u>	<u>22,865</u>	<u>142,120</u>	<u>4,238</u>	<u>(5,428)</u>	<u>25,198</u>	<u>(1,000)</u>
Total fund balance	<u>14,021</u>	<u>42,116</u>	<u>22,865</u>	<u>142,120</u>	<u>4,238</u>	<u>(5,428)</u>	<u>25,198</u>	<u>(1,000)</u>
Total liabilities and fund balances	<u>\$ 398,541</u>	<u>\$ 134,693</u>	<u>\$ 22,865</u>	<u>\$ 165,785</u>	<u>\$ 34,386</u>	<u>\$ 4,372</u>	<u>\$ 42,293</u>	<u>\$ -</u>

(Continued)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008**

	Sunland Park Youth Center	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
ASSETS:								
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental receivable	-	-	-	-	12,705	-	-	-
Due from other funds	-	-	-	46,930	64,041	-	-	5,295
Total assets	\$ -	\$ -	\$ -	\$ 46,930	\$ 76,746	\$ -	\$ -	\$ 5,295
LIABILITIES AND FUND BALANCE:								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities and other expenses	-	-	-	-	5,480	387	-	-
Due to other funds	-	17,269	-	-	120,554	21,651	14,765	-
Total liabilities	-	17,269	-	-	126,034	22,038	14,765	-
Fund Balance:								
Reserved for special revenue funds	-	(17,269)	-	46,930	(49,288)	(22,038)	(14,765)	5,295
Total fund balance	-	(17,269)	-	46,930	(49,288)	(22,038)	(14,765)	5,295
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ 46,930	\$ 76,746	\$ -	\$ -	\$ 5,295

(Continued)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2008**

	Federal Equitable Sharing Fund	911 Rural Addressing Fund	Operation Safe Border	Total
ASSETS:				
Cash	\$ 83,256	\$ 10,409	\$ -	\$ 192,250
Intergovernmental receivable	6,663	-	-	19,368
Due from other funds	-	-	-	820,616
Total assets	\$ 89,919	\$ 10,409	\$ -	\$ 1,032,234
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities and other expenses	-	-	-	15,718
Due to other funds	-	-	5,058	728,251
Total liabilities	-	-	5,058	743,969
Fund Balance:				
Reserved for special revenue funds	89,919	10,409	(5,058)	288,265
Total fund balance	89,919	10,409	(5,058)	288,265
Total liabilities and fund balances	\$ 89,919	\$ 10,409	\$ -	\$ 1,032,234

(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
JUNE 30, 2008**

	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
Revenues:								
State shared taxes	\$ -	\$ 2,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	146,116	-	9,561	-	31,400	-	21,478	-
Fines and forfeitures	-	-	-	33,796	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Miscellaneous	100	928	-	-	-	-	-	-
Total revenues	146,216	3,221	9,561	33,796	31,400	-	21,478	-
Expenditures:								
Current								
Public safety	141,131	-	5,106	54,921	28,939	-	21,489	-
Culture and recreation	-	7,546	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	6,300	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	141,131	7,546	5,106	54,921	28,939	6,300	21,489	-
Excess (deficiency) of revenues over expenditures	5,085	(4,325)	4,455	(21,125)	2,461	(6,300)	(11)	-
Other financing sources:								
Transfers in	60,000	-	-	-	-	-	-	-
Net changes in fund balance	65,085	(4,325)	4,455	(21,125)	2,461	(6,300)	(11)	-
Fund balance, beginning of year	(51,064)	46,441	18,410	163,245	1,777	872	25,209	(1,000)
Fund balance, end of year	\$ 14,021	\$ 42,116	\$ 22,865	\$ 142,120	\$ 4,238	\$ (5,428)	\$ 25,198	\$ (1,000)

(Continued)

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
JUNE 30, 2008**

	Sunland Park Youth Center	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
Revenues:								
State shared taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	7,195	-	-	208,420	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	9
Miscellaneous	-	-	-	-	1,476	-	-	-
Total revenues	-	7,195	-	-	209,896	-	-	9
Expenditures:								
Current								
Public safety	-	-	-	-	-	2,940	-	-
Culture and recreation	-	-	-	-	-	-	33,235	-
Health and welfare	-	-	-	-	245,280	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	245,280	2,940	33,235	-
Excess (deficiency) of revenues over expenditures	-	7,195	-	-	(35,384)	(2,940)	(33,235)	9
Other financing sources:								
Transfers in (out)	-	(204)	(462)	(20,733)	17,010	-	-	(6,818)
Net changes in fund balance	-	6,991	(462)	(20,733)	(18,374)	(2,940)	(33,235)	(6,809)
Fund balance, beginning of year	-	(24,260)	462	67,663	(30,914)	(19,098)	18,470	12,104
Fund balance, end of year	\$ -	\$ (17,269)	\$ -	\$ 46,930	\$ (49,288)	\$ (22,038)	\$ (14,765)	\$ 5,295

(Continued)

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
JUNE 30, 2008**

	Federal Equitable Sharing Fund	911 Rural Addressing Fund	Operation Safe Border	Total
Revenues:				
State shared taxes	\$ -	\$ -	\$ -	\$ 2,293
Intergovernmental	-	-	-	424,170
Fines and forfeitures	-	-	-	33,796
Interest	225	-	-	234
Miscellaneous	68,725	-	-	71,229
Total revenues	68,950	-	-	531,722
Expenditures:				
Current				
Public safety	-	49,591	-	304,117
Culture and recreation	-	-	-	40,781
Health and welfare	105,365	-	-	356,945
Capital outlay	-	-	-	-
Total expenditures	105,365	49,591	-	701,843
Excess (deficiency) of revenues over expenditures	(36,415)	(49,591)	-	(170,121)
Other financing sources:				
Transfers in (out)	(24,144)	60,000	(5,194)	79,455
Net changes in fund balance	(60,559)	10,409	(5,194)	(90,666)
Fund balance, beginning of year	150,478	-	136	378,931
Fund balance, end of year	\$ 89,919	\$ 10,409	\$ (5,058)	\$ 288,265

(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, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 129,619	\$ 129,619	\$ 146,116	\$ 16,497
Miscellaneous	-	-	100	100
Total revenues	<u>129,619</u>	<u>129,619</u>	<u>146,216</u>	<u>16,597</u>
EXPENDITURES:				
Current:				
Public safety	105,718	105,718	141,131	(35,413)
Capital outlay	7,475	7,475	-	7,475
Total expenditures	<u>113,193</u>	<u>113,193</u>	<u>141,131</u>	<u>(27,938)</u>
Excess (deficiency) of revenues over expenditures	16,426	16,426	5,085	(11,341)
OTHER FINANCING SOURCES:				
Transfers in	30,000	30,000	60,000	30,000
Excess (deficiency) of revenues and other sources over expenditures	<u>\$ 46,426</u>	<u>\$ 46,426</u>	<u>\$ 65,085</u>	<u>\$ 18,659</u>

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, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ -	\$ -	\$ 2,293	\$ 2,293
Miscellaneous	-	-	928	928
Total revenues	<u>-</u>	<u>-</u>	<u>3,221</u>	<u>3,221</u>
EXPENDITURES:				
Current:				
Culture and recreation	-	-	7,546	(7,546)
Total expenditures	<u>-</u>	<u>-</u>	<u>7,546</u>	<u>(7,546)</u>
Excess (deficiency) of revenues over expenditures	-	-	(4,325)	(4,325)
OTHER FINANCING SOURCES:				
Transfers in	-	-	-	-
Excess (deficiency) of revenues over other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,325)</u>	<u>\$ (4,325)</u>

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, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 9,561</u>	<u>\$ 2,561</u>
EXPENDITURES:				
Current:				
Public safety	7,400	7,400	5,106	2,294
Capital outlay	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total expenditures	<u>8,900</u>	<u>8,900</u>	<u>5,106</u>	<u>3,794</u>
Excess (deficiency) of revenue over expenditures	(1,900)	(1,900)	4,455	6,355
Cash balance, beginning of year	<u>6,437</u>	<u>6,437</u>	<u>6,437</u>	<u>-</u>
Cash balance, end of year	<u>\$ 4,537</u>	<u>\$ 4,537</u>	<u>\$ 10,892</u>	<u>\$ 6,355</u>

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, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	<u>\$ 42,000</u>	<u>\$ 42,000</u>	<u>\$ 33,796</u>	<u>\$ (8,204)</u>
EXPENDITURES:				
Current:				
Public safety	<u>48,700</u>	<u>48,700</u>	<u>54,921</u>	<u>(6,221)</u>
Total expenditures	<u>48,700</u>	<u>48,700</u>	<u>54,921</u>	<u>(6,221)</u>
Excess (deficiency) of revenues over expenditures	(6,700)	(6,700)	(21,125)	(14,425)
Cash balance, beginning of year	<u>84,320</u>	<u>84,320</u>	<u>84,320</u>	<u>-</u>
Cash balance, end of year	<u>\$ 77,620</u>	<u>\$ 77,620</u>	<u>\$ 63,195</u>	<u>\$ (14,425)</u>

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, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	<u>\$ 31,400</u>	<u>\$ 31,400</u>	<u>\$ 31,400</u>	<u>\$ -</u>
EXPENDITURES:				
Current:				
Public safety	26,400	26,400	28,939	(2,539)
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenditures	<u>31,400</u>	<u>31,400</u>	<u>28,939</u>	<u>2,461</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,461</u>	<u>\$ (2,461)</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

HEALTH FACILITY

STATEMENT OF REVENUES AND EXPENDITURES

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

FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES:				
Current:				
Health and welfare	<u>-</u>	<u>-</u>	<u>6,300</u>	<u>(6,300)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>6,300</u>	<u>(6,300)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,300)</u>	<u>\$ (6,300)</u>

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, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 28,199	\$ 28,199	\$ 21,478	\$ (6,721)
EXPENDITURES:				
Current:				
Public safety	1,000	1,000	21,489	(20,489)
Capital outlay	27,199	27,199	-	27,199
Total expenditures	28,199	28,199	21,489	6,710
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ (11)	\$ (11)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

DONA ANA COUNTY

STATEMENT OF REVENUES AND EXPENDITURES

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

FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Current:				
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

SUNLAND PARK YOUTH CENTER

STATEMENT OF REVENUES AND EXPENDITURES

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

FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES:				
Current:				
Culture and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 7,500	\$ 7,500	\$ 7,195	\$ (305)
EXPENDITURES:				
Current:				
Culture and recreation	7,500	7,500	-	7,500
Total expenditures	7,500	7,500	-	7,500
Excess (deficiency) of revenues over expenditures	-	-	7,195	7,195
OTHER FINANCIAL SOURCES:				
Transfers out	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures	\$ -	\$ -	\$ 7,195	\$ 7,195

Budget to GAAP reconciliation

Net excess of revenues and other sources over expenditures budgetary basis	\$ 7,195
Change in transfers not budgeted	(204)
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	<u>\$ 6,991</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**SENIOR CITIZEN CENTER
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Current:				
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES:				
Transfers out	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Budget to GAAP reconciliation

Net excess of revenues and other sources over expenditures budgetary basis	\$ -
Change in transfers not budgeted	<u>(462)</u>
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	<u>\$ (462)</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**COPS FEDERAL GRANT
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Current:				
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES:				
Transfers out	-	-	-	-
Excess (deficiency) of revenues and other source over expenditures	\$ -	\$ -	\$ -	\$ -

Budget to GAAP reconciliation

Net excess of revenues and other sources over expenditures budgetary basis	\$ -
Change in transfers not budgeted	<u>(20,733)</u>
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	<u>\$ (20,733)</u>

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, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 233,353	\$ 233,353	\$ 208,420	\$ (24,933)
Miscellaneous	-	-	1,476	1,476
Total Revenues	<u>233,353</u>	<u>233,353</u>	<u>209,896</u>	<u>(23,457)</u>
EXPENDITURES:				
Current:				
Health and welfare	<u>245,617</u>	<u>245,617</u>	<u>245,280</u>	<u>337</u>
Excess (deficiency) of revenues over expenditures	(12,264)	(12,264)	(35,384)	(23,794)
OTHER FINANCING SOURCES:				
Transfers in	<u>17,000</u>	<u>17,000</u>	<u>17,010</u>	<u>10</u>
Excess (deficiency) of revenues and other source over expenditures	<u>\$ 4,736</u>	<u>\$ 4,736</u>	<u>\$ (18,374)</u>	<u>\$ (23,804)</u>

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, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	<u>\$ 45,061</u>	<u>\$ 45,061</u>	<u>\$ -</u>	<u>\$ (45,061)</u>
EXPENDITURES:				
Current:				
Public safety	<u>45,061</u>	<u>45,061</u>	<u>2,940</u>	<u>42,121</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,940)</u>	<u>\$ (2,940)</u>

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, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Current:				
Public safety	-	-	33,235	(33,235)
Capital outlay	-	-	-	-
Total expenditures	-	-	33,235	(33,235)
Excess (deficiency) of revenues over expenditures	-	-	(33,235)	33,235
OTHER FINANCING SOURCES:				
Transfers in	-	-	-	-
Excess (deficiency) of revenues and other source over expenditures	\$ -	\$ -	\$ (33,235)	\$ 33,235

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, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Interest	\$ -	\$ -	\$ 9	\$ 9
Excess (deficiency) of revenues over expenditures	-	-	9	9
OTHER FINANCING SOURCES:				
Transfers out	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures	\$ -	\$ -	\$ 9	\$ 9

Budget to GAAP reconciliation

Net excess of revenues and other sources over expenditures budgetary basis	\$ 9
Change in transfers not budgeted	<u>(6,818)</u>
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	<u>\$ (6,809)</u>

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, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 68,725	\$ (31,275)
Interest	<u>125</u>	<u>125</u>	<u>225</u>	<u>100</u>
Total revenue	<u>100,125</u>	<u>100,125</u>	<u>68,950</u>	<u>(31,175)</u>
EXPENDITURES:				
Current:				
Public Safety	90,125	90,125	105,365	(15,240)
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total expenditures	<u>100,125</u>	<u>100,125</u>	<u>105,365</u>	<u>(5,240)</u>
Excess (deficiency) of revenues over expenditures	-	-	(36,415)	(25,935)
OTHER FINANCIAL SOURCES:				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,415)</u>	<u>\$ (25,935)</u>
<u>Budget to GAAP reconciliation</u>				
Net excess of revenues and other sources over expenditures budgetary basis			\$ (36,415)	
Change in transfers not budgeted			<u>(24,144)</u>	
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds			<u>\$ (60,559)</u>	

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

911 RURAL ADDRESSING

STATEMENT OF REVENUES AND EXPENDITURES

**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Current:				
Public Safety	-	-	49,591	(49,591)
Excess (deficiency) of revenues over expenditures	-	-	(49,591)	(49,591)
OTHER FINANCING SOURCES:				
Transfers in:	-	-	-	-
Excess (deficiency) of revenues and other source over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (49,591)</u>	<u>\$ (49,591)</u>
<u>Budget to GAAP reconciliation</u>				
Net excess of revenues and other sources over expenditures budgetary basis			\$ (49,591)	
Change in transfers not budgeted			<u>60,000</u>	
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds			<u>\$ 10,409</u>	

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, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 54,500	\$ 54,500	\$ -	\$ (54,500)
EXPENDITURES:				
Current:				
Public Safety	54,500	54,500	-	54,500
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES:				
Transfers out	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures	\$ -	\$ -	\$ -	\$ -
<u>Budget to GAAP reconciliation</u>				
Net excess of revenues and other sources over expenditures budgetary basis			\$ -	
Change in transfers not budgeted			(5,194)	
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds			\$ (5,194)	

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2008**

	CDBG Fire-Police Substation	Municipal Road Fund	Street Phase II Fund	Sports Complex	Red Mender	Guy Keating	La Clinica De Familia
ASSETS:							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,620	\$ -
Investments	-	-	-	-	-	-	-
Intergovernmental receivable	98,419	2,730	-	50,051	-	-	-
Contribution receivable	-	-	-	-	-	-	-
Due from other funds	<u>308,592</u>	<u>110,967</u>	<u>389,701</u>	<u>501,605</u>	<u>645,555</u>	<u>50,540</u>	<u>52,084</u>
Total assets	<u>\$ 407,011</u>	<u>\$ 113,697</u>	<u>\$ 389,701</u>	<u>\$ 551,656</u>	<u>\$ 645,555</u>	<u>\$ 89,160</u>	<u>\$ 52,084</u>
LIABILITIES AND FUND BALANCE:							
Liabilities:							
Accounts payable	\$ 98,046	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	347,088	28,762	380,194	75,521	644,726	40,425	52,780
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>445,134</u>	<u>28,762</u>	<u>380,194</u>	<u>75,521</u>	<u>644,726</u>	<u>40,425</u>	<u>52,780</u>
Fund Balance:							
Reserved for Capital Projects Funds	<u>(38,123)</u>	<u>84,935</u>	<u>9,507</u>	<u>476,135</u>	<u>829</u>	<u>48,735</u>	<u>(696)</u>
Total liabilities and fund balances	<u>\$ 407,011</u>	<u>\$ 113,697</u>	<u>\$ 389,701</u>	<u>\$ 551,656</u>	<u>\$ 645,555</u>	<u>\$ 89,160</u>	<u>\$ 52,084</u>

(Continued)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2008**

	Library	Crawford Anapra Road	City Sidewalk Improvement	Community Park Improvements	SP Wastewater System Improv	Total
ASSETS:						
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,620
Investments	-	-	-	-	-	-
Intergovernmental receivable	-	343	-	-	-	151,543
Contribution receivable	-	-	-	-	-	-
Due from other funds	3,010	-	-	-	-	2,062,054
	<u>3,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,062,054</u>
Total assets	<u>\$ 3,010</u>	<u>\$ 343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,252,217</u>
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 6,550	\$ -	\$ 104,596
Due to other funds	3,010	285,215	43,655	12,666	-	1,914,042
Deferred revenue	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,010</u>	<u>285,215</u>	<u>43,655</u>	<u>19,216</u>	<u>-</u>	<u>2,018,638</u>
Fund Balance:						
Reserved for Capital Projects Funds	-	(284,872)	(43,655)	(19,216)	-	233,579
	<u>-</u>	<u>(284,872)</u>	<u>(43,655)</u>	<u>(19,216)</u>	<u>-</u>	<u>233,579</u>
Total liabilities and fund balances	<u>\$ 3,010</u>	<u>\$ 343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,252,217</u>

(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 PROJECTS FUNDS
 JUNE 30, 2008

	CDBG Fire-Police Substation	Municipal Road Fund	Street Phase II Fund	Sports Complex	Red Mender	Guy Keating	La Clinica De Familia
Revenues:							
State shared taxes	\$ -	\$ 39,695	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	223,883	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total revenues	<u>223,883</u>	<u>39,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:							
Current							
Capital outlay	<u>470,088</u>	<u>44,178</u>	<u>-</u>	<u>13,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(246,205)</u>	<u>(4,483)</u>	<u>-</u>	<u>(13,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:							
Transfers in (out)	<u>162,219</u>	<u>(139,826)</u>	<u>(7,276)</u>	<u>-</u>	<u>(1,654)</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	<u>(83,986)</u>	<u>(144,309)</u>	<u>(7,276)</u>	<u>(13,750)</u>	<u>(1,654)</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>45,863</u>	<u>229,244</u>	<u>16,783</u>	<u>489,885</u>	<u>2,483</u>	<u>48,735</u>	<u>(696)</u>
Fund balance, end of year	<u>\$ (38,123)</u>	<u>\$ 84,935</u>	<u>\$ 9,507</u>	<u>\$ 476,135</u>	<u>\$ 829</u>	<u>\$ 48,735</u>	<u>\$ (696)</u>

(Continued)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2008

	Library	Crawford Anapra Road	City Sidewalk Improvement	Community Park Improvements	SP Wastewater System Improv	Total
Revenues:						
State shared taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,695
Intergovernmental	-	343	10,880	-	-	235,106
Interest	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>343</u>	<u>10,880</u>	<u>-</u>	<u>-</u>	<u>274,801</u>
Expenditures:						
Current						
Capital outlay	<u>-</u>	<u>275,697</u>	<u>53,811</u>	<u>2,048</u>	<u>-</u>	<u>859,572</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(275,354)</u>	<u>(42,931)</u>	<u>(2,048)</u>	<u>-</u>	<u>(584,771)</u>
Other financing sources:						
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,463</u>
Net changes in fund balance	<u>-</u>	<u>(275,354)</u>	<u>(42,931)</u>	<u>(2,048)</u>	<u>-</u>	<u>(571,308)</u>
Fund balance, beginning of year	<u>-</u>	<u>(9,518)</u>	<u>(724)</u>	<u>(17,168)</u>	<u>-</u>	<u>804,887</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ (284,872)</u>	<u>\$ (43,655)</u>	<u>\$ (19,216)</u>	<u>\$ -</u>	<u>\$ 233,579</u>

(Concluded)

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**CDBG FIRE POLICE SUBSTATION
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ 223,883</u>	<u>\$ (476,117)</u>
EXPENDITURES:				
Current:				
Public safety	59,487	59,487	-	59,487
Capital outlay	<u>653,513</u>	<u>653,513</u>	<u>470,088</u>	<u>183,425</u>
Total expenditures	<u>713,000</u>	<u>713,000</u>	<u>470,088</u>	<u>242,912</u>
Excess (deficiency) of revenues over expenditures	(13,000)	(13,000)	(246,205)	233,205
OTHER FINANCING SOURCES:				
Transfers in	<u>-</u>	<u>-</u>	<u>162,219</u>	<u>162,219</u>
Excess (deficiency) of revenues and other source over expenditures	(13,000)	(13,000)	(83,986)	395,424
Cash balance, beginning of year	<u>42,880</u>	<u>42,880</u>	<u>42,880</u>	<u>-</u>
Cash balance, end of year	<u>\$ 29,880</u>	<u>\$ 29,880</u>	<u>\$ (41,106)</u>	<u>\$ 395,424</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

MUNICIPAL ROAD

STATEMENT OF REVENUES AND EXPENDITURES

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

FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State share taxes	\$ 53,000	\$ 53,000	\$ 39,695	\$ (13,305)
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Capital outlay	70,667	70,667	44,178	26,489
Total expenditures	70,667	70,667	44,178	26,489
Excess (deficiency) of revenues over expenditures	(17,667)	(17,667)	(4,483)	13,184
OTHER FINANCING SOURCES:				
Transfers out	-	-	-	-
Excess (deficiency) of revenues and other source over expenditures	\$ (17,667)	\$ (17,667)	\$ (4,483)	\$ 13,184

Budget to GAAP reconciliation

Net excess of revenues and other sources over expenditures budgetary basis	\$ (4,483)
Difference in transfers not budgeted	(139,826)
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	<u>\$ (144,309)</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**STREET PHASE II
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 69,300	\$ 69,300	\$ -	\$ (69,300)
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Capital outlay	69,300	69,300	-	69,300
Total expenditures	69,300	69,300	-	69,300
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES:				
Transfers out	-	-	-	-
Excess (deficiency) of revenues and other source over expenditures	\$ -	\$ -	\$ -	\$ -

Budget to GAAP reconciliation

Net excess of revenues and other sources over expenditures budgetary basis	\$ -
Difference in transfers not budgeted	(7,276)
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	<u>\$ (7,276)</u>

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, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	<u>\$ 1,465,511</u>	<u>\$ 1,465,511</u>	<u>\$ -</u>	<u>\$ (1,465,511)</u>
EXPENDITURES:				
Current:				
Culture and recreation	196,361	196,361	-	196,361
Capital outlay	<u>1,269,150</u>	<u>1,269,150</u>	<u>13,750</u>	<u>1,255,400</u>
Total expenditures	<u>1,465,511</u>	<u>1,465,511</u>	<u>13,750</u>	<u>1,451,761</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,750)</u>	<u>\$ (13,750)</u>

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, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State share taxes	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES:				
Transfers out	-	-	-	-
Excess (deficiency) of revenues and other source over expenditures	\$ -	\$ -	\$ -	\$ -

Budget to GAAP reconciliation

Net excess of revenues and other sources over expenditures budgetary basis	\$ -
Difference in transfers not budgeted	(1,654)
Total revenues as reported on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	<u>\$ (1,654)</u>

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, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES:				
Capital outlay	<u>2,423</u>	<u>2,423</u>	<u>-</u>	<u>2,423</u>
Total expenditures	<u>2,423</u>	<u>2,423</u>	<u>-</u>	<u>2,423</u>
Excess (deficiency) of revenues over expenditures	(2,423)	(2,423)	-	2,423
Cash balance, beginning of year	<u>38,620</u>	<u>38,620</u>	<u>-</u>	<u>2,423</u>
Cash balance, end of year	<u>\$ 36,197</u>	<u>\$ 36,197</u>	<u>\$ -</u>	<u>\$ 2,423</u>

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, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State share taxes	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES:				
Transfers out	-	-	-	-
Excess (deficiency) of revenues and other source over expenditures	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

LIBRARY

**STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State share taxes	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES:				
Transfers out	-	-	-	-
Excess (deficiency) of revenues and other source over expenditures	\$ -	\$ -	\$ -	\$ -

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, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 343</u>	<u>\$ (119,657)</u>
EXPENDITURES:				
Capital outlay	<u>120,000</u>	<u>120,000</u>	<u>275,697</u>	<u>(155,697)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (275,354)</u>	<u>\$ (275,354)</u>

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, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	<u>\$ 121,178</u>	<u>\$ 121,178</u>	<u>\$ 10,880</u>	<u>\$ (110,298)</u>
EXPENDITURES:				
Capital outlay	<u>121,178</u>	<u>121,178</u>	<u>53,811</u>	<u>67,367</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (42,931)</u>	<u>\$ (42,931)</u>

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, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	<u>\$ 361,300</u>	<u>\$ 361,300</u>	<u>\$ -</u>	<u>\$ (361,300)</u>
EXPENDITURES:				
Capital outlay	<u>344,300</u>	<u>344,300</u>	<u>2,048</u>	<u>342,252</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ (2,048)</u>	<u>\$ (19,048)</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**SP WASTEWATER SYSTEM IMPROVEMENTS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	<u>\$ 102,671</u>	<u>\$ 102,671</u>	<u>\$ -</u>	<u>\$ (102,671)</u>
EXPENDITURES:				
Capital outlay	<u>102,671</u>	<u>102,671</u>	<u>-</u>	<u>(102,671)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	<u>\$ 448,000</u>	<u>\$ 448,000</u>	<u>\$ 4,127,085</u>	<u>\$ 3,679,085</u>
EXPENDITURES:				
Current:				
Public Safety	<u>500,000</u>	<u>500,000</u>	<u>31,941</u>	<u>468,059</u>
Excess (deficiency) of revenues over expenditures	(52,000)	(52,000)	4,095,144	4,147,144
Cash balance, beginning of year	<u>3,861,241</u>	<u>3,861,241</u>	<u>3,861,241</u>	<u>-</u>
Cash balance, end of year	<u>\$ 3,809,241</u>	<u>\$ 3,809,241</u>	<u>\$ 7,956,385</u>	<u>\$ 4,147,144</u>

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, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Joint utilities sales	\$ 3,537,672	\$ 3,537,672	\$ 3,017,770	\$ (519,902)
Other operating revenues	165,590	165,590	122,642	(42,948)
Total operating revenues	3,703,262	3,703,262	3,140,412	(562,850)
OPERATING EXPENSES:				
Personnel services	835,027	835,027	583,794	251,233
Professional services	375,000	375,000	548,368	(173,368)
Utilities	573,060	573,060	754,240	(181,180)
Operating expenses	1,616,200	1,616,200	1,091,247	524,953
Capital outlay	320,000	320,000	30,798	289,202
Total operating expenses	3,719,287	3,719,287	3,008,447	710,840
Operating income (loss)	(16,025)	(16,025)	131,965	147,990
Nonoperating revenues (expenses)				
Gross receipts tax	-	-	217,835	217,835
Intergovernmental revenue	-	-	33,299	33,299
Interest income	-	-	1,485	1,485
Interest expense	-	-	(158,933)	(158,933)
Total nonoperating revenue (expenses)	-	-	93,686	93,686
Net income (loss) before transfers	(16,025)	(16,025)	225,651	241,676
Operating transfers, net	280,000	280,000	166,342	(113,658)
Net income (loss)	\$ 263,975	\$ 263,975	\$ 391,993	\$ 128,018
Excess revenues and other sources over expenses GAAP basis			\$ (56,102)	
Increases (decreases):				
Revenue accruals, net			51,951	
(Increases) decreases:				
Expenses accruals, net			(22,292)	
Depreciation expense			449,234	
Capital Outlay			(30,798)	
Excess of revenues over expenses and other sources, Non-GAAP budgetary basis			\$ 391,993	

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, 2008**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Rental income	\$ 164,361	\$ 164,361	\$ 83,528	\$ (80,833)
HUD Subsidy	-	-	251,550	251,550
Total operating revenues	164,361	164,361	335,078	170,717
OPERATING EXPENSES:				
Personnel services	102,422	102,422	102,002	420
Operating expenses	92,621	92,621	91,814	807
Capital outlay	141,005	141,005	176,459	(35,454)
Total operating expenses	336,048	336,048	370,275	(34,227)
Operating loss	(171,687)	(171,687)	(35,197)	136,490
OTHER FINANCING SOURCES:				
Intergovernmental subsidy	-	-	9,435	9,435
Transfers in	-	-	151,677	151,677
Transfers out	-	-	(151,677)	(151,677)
Total other financing sources	-	-	9,435	9,435
Net income (loss)	(171,687)	(171,687)	(25,762)	145,925
Cash balance, beginning of year	311,662	311,662	311,662	-
Cash balance, end of year	\$ 139,975	\$ 139,975	\$ 285,900	\$ 145,925
Excess revenues and other sources over expenses GAAP basis			\$ 68,922	
Increases (decreases):				
Revenue accruals, net			(967)	
(Increases) decreases:				
Expenses accruals, net			6,724	
Depreciation expense			76,018	
Capital Outlay			(176,459)	
Excess of revenues over expenses and other sources, Non-GAAP budgetary basis			\$ (25,762)	

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, 2008**

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
ASSETS:				
Cash and cash equivalents	<u>\$ 120,769</u>	<u>\$ 3,316,251</u>	<u>\$ 3,417,193</u>	<u>\$ 19,827</u>
LIABILITIES:				
Due to other governmental agency	<u>\$ 120,769</u>	<u>\$ 3,316,251</u>	<u>\$ 3,417,193</u>	<u>\$ 19,827</u>

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

CITY OF SUNLAND PARK, NEW MEXICO

SCHEDULE OF DEPOSIT ACCOUNTS
JUNE 30, 2008

Financial Institution/ Account Description	Type of Account	Per Institution	Reconciling Items	Per Financial Statement
Cash on hand		<u>\$ 1,300</u>	<u>\$ -</u>	<u>\$ 1,300</u>
<i>Wells Fargo Bank</i>				
General Operating	Checking	204,731	-	204,731
Border Crossing Account	Saving	4,076,416	-	4,076,416
Public Housing	Checking	340,200	-	340,200
Fire Protection	Checking	13,434	-	13,434
Reserve	Checking	122,122	-	122,122
Confiscated Assets	Checking	114,747	-	114,747
NMED Replacement	Checking	24,365	-	24,365
Debt Services	Checking	238,775	-	238,775
CDBG	Checking	178,891	-	178,891
Unreconciled difference		<u>-</u>	<u>650,130</u>	<u>650,130</u>
Total deposits -non-agency		<u>5,314,981</u>	<u>650,130</u>	<u>5,965,111</u>
NM State Treasurer				
Local Govt' Investment Pool	Investment	<u>8,202,313</u>	<u>-</u>	<u>-</u>
Total investments		<u>8,202,313</u>	<u>-</u>	<u>-</u>
Total deposits and investment accounts-non-agency		<u>\$ 13,517,294</u>	<u>\$ 650,130</u>	<u>\$ 5,965,111</u>
Agency Fund Cash Account				
<i>Wells Fargo Bank</i>	Checking	<u>\$ -</u>	<u>\$ 19,827</u>	<u>\$ 19,827</u>

See accompanying notes to financial statements.

CITY OF SUNLAND PARK, NEW MEXICO

**SCHEDULE OF PLEDGE COLLATERAL
JUNE 30, 2008**

	Wells Fargo
Deposits at June 30, 2008	\$ 5,313,681
Less: FDIC coverage	<u>200,000</u>
Uninsured public funds	5,113,681
Pledged collateral held by the pledging bank's trust department or agent but not in the City's name	<u>6,213,834</u>
Uninsured and uncollateralized	<u>\$ (1,100,153)</u>
50% pledged collateral requirement per statute	\$ 2,556,841
Total pledged collateral	<u>6,213,834</u>
Pledged collateral over the requirements	<u>\$ (3,656,993)</u>

Pledged collateral at June 30, 2008 consists of the following:

Security	CUSIP	Maturity	Market Value
FNCL 882693	31409YUS4	6/1/36	\$ <u>6,213,834</u>
Total			\$ <u>6,213,834</u>

The custodian of the pledged securities for Wells Fargo Bank is Wells Fargo Bank Safekeeping/Custodial Services in San Francisco, California.

COMPLIANCE SECTION

**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 were engaged to audit 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, 2008, and have issued our report thereon dated March 24, 2011 in which we disclaim our opinions on the financial statements. The limitation in the scope of our audit preclude the conduct of our audit in accordance with the 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 responses, as items 2002-01, 2003-04, 2002-06, 2003-10, 2003-11, 2002-03, 2002-04, 2008-01, 2008-02, 2008-03, 2008-04, 2008-05, 2008-06, 2008-07, 2008-08, and 2008-09 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 2002-01, 2003-04, 2002-06, 2003-10, and 2003-11, 2002-03, 2002-04, 2008-01, 2008-02, 2008-03, 2008-04, 2008-05, 2008-06, 2008-07, 2008-08, and 2008-09 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Items 2008-01, 2008-02, and 2008-09.

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 2002-04 and 2002-03.

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.

White + Samaniego + Campbell, LLP

March 24, 2011

CITY OF SUNLAND PARK, NEW MEXICO

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

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

City only:

A. Internal control

2002-01 Insufficient Attention Given to Accounting and Internal Control Process

Condition

An accounting procedures manual was not adopted and policies and procedures that adequately define accounting and reporting responsibilities amount 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 of 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 and processing be formally documented as soon as possible.

Written procedures, instructions, and assignments of duties will also prevent or 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 possibility 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 systems 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.

2003-04 Lack of Separation of Duties

Condition

The same person who records cash receipts, also reconciles the general ledger for all bank accounts, prepares certain 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 required 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.

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 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.

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.

2002-06 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 the 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 transactions 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 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 AIR), 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.

2003-10 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 payable 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 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 placed 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 2002-01) will include procedures for properly handling payables.

2003-11 Budget Reconciliation

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 departments 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

2002-03 Submission of Audit Report for Fiscal Year June 30, 2008

Condition

The 2008 audit report for the City was delivered to the Office of the State Auditor on April 1, 2011, after the December 1, 2008 due date.

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 grantor, 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 a new Finance Director in October 2010 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.

2002-04 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, 2008, the City remitted payments for goods and services in excess of the adopted budget within the following funds:

Fund	Budgeted Expenditures	Actual Expenditures	Excess Expenditures
General Fund	\$ 4,091,103	\$ 4,524,484	\$ (433,381)
Special Revenue - Fire Protection	113,193	141,131	(27,938)
Special Revenue - Juvenile Recreation	-	7,546	(7,546)
Special Revenue - Correctional	48,700	54,921	(6,221)
Special Revenue - Health Facility	-	6,300	(6,300)
Special Revenue - Paso Del Norte Walk Path	-	33,235	(33,235)
Special Revenue - Federal Equitable Sharing	100,125	105,365	(5,240)
Special Revenue - 911 Rural Addressing	-	49,591	(49,591)
Capital Projects- Crawford Anapra Road	120,000	275,697	(155,697)
Housing Authority	336,048	370,275	(34,227)

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 2003-11 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.

2008-01 Loss of General Ledger

Condition

The City lost its general ledger detail, for the fiscal year ended June 30, 2008.

Criteria

Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 109, paragraph 41 states the following: "Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives."

SAS 112 paragraph 11 provides examples of factors that may affect the likelihood that a control, or combination of controls could fail to prevent or detect a misstatement. One such example is "The nature of the financial statements accounts, disclosures, and assertions involved."

SAS 112 paragraph 19 provides a list of indicators of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Two such examples are (1) "Ineffective oversight of the entity's financial reporting and internal control by those charged with governance", and (2) "Restatement of previously issued financial statements to reflect the correction of a material misstatement". Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, and notes.

Cause

Certain City records and financial information, were lost due to failure of the accounting software. The City's software backup system also failed and the data could not be recovered.

Effect

- Loss of general ledger detail
- Accounts receivable detail could not be determined
- Accounts payable subsidiary ledger was not available
- Detail to accrued expenses was not maintained, and could not be calculated
- Capital assets detail was not provided
- General ledger detail for revenues and expenses are not available
- None of the applicable state compliance requirements as listed in 2.2.210 G NMAC could be tested because there was no general ledger detail
- There is little support for accounting transactions
- No capital assets were capitalized in 2008 because the City does not have the detail to capital outlay

Recommendation

The City must develop a system for backing up accounting data. A good backup plan would include multiple backups at different dates which would mitigate the chances that all data would be lost in the event of a failure. Also, the City should try to determine what should have been capitalized in 2008, by a combination of taking a full inventory of capital assets and reviewing invoices.

Management's Response

The new City Management concurs with the finding. The City has developed a system for backing up accounting data. Multiple backs ups are being implemented in the event of a failure.

2008-02 Bank Reconciliations

Condition

Bank reconciliations were not provided for testwork.

Criteria

According to NMAC 6.20.2.14, "the City shall establish and maintain cash management programs to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations."

Cause

The previous Business Manager failed to reconcile cash. The City's accounting department did not have adequate internal control and supervision that would require bank reconciliations be performed.

Effect

Transactions may not been properly recorded.

Recommendation

Perform complete and accurate bank reconciliations at month end and assign another member of management the responsibility of reviewing each month's bank reconciliation. All unusual reconciling items should be investigated and dealt with promptly so errors do not accumulate thereby making the reconciliation process more difficult and time consuming.

Management's Response

The new City management concurs with the finding. The City is performing complete and accurate bank reconciliations and for all bank accounts.

2008-03 Failure to Reconcile Account Balances

Condition

During our test of due to/due from accounts, we noted that these accounts had not been reconciled. In prior years due to/due from had been recorded by the City but never considered again. These amounts are still present on the records of the City when they should have been zeroed out to reflect repayment of interfund loans. We also noted the "due to" account totals did not equal the "due from" account totals.

Criteria

GASB 34 paragraph 112 requires that interfund loans should be recorded as interfund receivables in the lender fund and interfund payables in the borrower fund. When reimbursements are received the interfund receivables and payables should be reversed to reflect the repayment of the loan.

Cause

The City did not make the appropriate reconciliations in a timely manner causing due to/due from balances to be incorrect.

Effect

Readers of financial statements could be misled when assets and liabilities appear in the financial data that do not exist anymore.

Recommendation

We recommend that the City establish a policy of reviewing due to/due from reconciliations monthly and make the necessary adjustments in a timely manner.

Management's Response

The new city management concurs with the finding. The City is reviewing the due to/due from accounts monthly and making necessary adjustments in a timely manner.

2008-04 Capital Assets

Condition

An inventory of capital assets was not performed during FY08. The inventory listing is not maintained. Additions and disposals are not recorded. During our test work, we noted that the City's capital asset records did not include any additions in the current year. It appears there may have been some additions as the city reported capital outlay of \$891,513.

Criteria

GASB 34 requires movements to report general infrastructure assets in the Statement of Net Assets. State law requires an annual inventory of capital assets be performed. Section 12-6-10, NMSA 1978, requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year.

Cause

The City has not had the time and resources to update their fixed assets records.

Effect

Lack of an annual inventory and incomplete supporting documentation could lead to theft, misuse or unauthorized disposal without detection. Material misstatements of capital assets may result.

Recommendation

The City should maintain and update an accurate listing of all capital assets, including infrastructure, owned by the City and obtain services of an appraisal company to conduct an inventory of their infrastructure and produce an accurate listing. In addition, detail on current year activity should be maintained.

Management's Response

The new city management concurs with the finding. The City will maintain and update an accurate listing of all fixed assets.

2008-05 Compensated Absences

Condition

Detail was not provided for test work of compensated absences (sick and annual leave).

Criteria

According to NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP.

Cause

General ledger detail was loss due to failure of the accounting software (2008-01).

Effect

Employees of the City could be credited with too little or too much leave according to what they're entitled to based on the City's personnel policies and procedures. Also, employee may be unaware of the number of days' leave they actually have accrued.

Recommendation

The City should recalculate compensated absences for all employees as soon as possible.

Management's Response

The new city management concurs with the finding. The City has developed a system for backing up accounting data. Multiple backs ups are being implemented in the event of a failure. The City has recalculated compensated absences for all employees.

2008-06 Prior Year Adjustments

Condition

The City did not record the auditing adjusting entries from 2007, causing fund balance and net assets accounts to be misstated.

Criteria

The Governmental Accounting Standards Board, Codification of Governmental Accounting and Financial Reporting Standards (GASB), Section 1100 requires governments to prepare financial statements on the modified accrual basis for governmental type funds and full accrual basis for enterprise type funds.

Cause

The City did not record 2007 audit adjustments entries.

Effect

Significant audit adjustments were required in 2008 to reconcile beginning fund balance and net assets to the 2007 ending balances.

Recommendation

The City must implement a control system in accordance with NMAC 6.20.2.22 C in order to post all prior year adjustments.

Management's Response

The new city management concurs with the finding. The City has implemented a control system to post any prior year adjustments.

2008-07 Investment Accounts

Condition

The City is not recording interest on investment accounts as revenue anywhere on the books of record. During our test work, we noted that the City's did not record interest revenue of \$202,313.

Criteria

According to GASB 34 ¶ 12 (e) the City will "Measure and report all assets and revenues (both financial and capital)." Thus, all revenues earned must be posted to the general ledger as soon as they are earned.

Cause

The previous Business Manager failed to reconcile the investment accounts.

Effect

Investments and revenues are being understated.

Recommendation

An employee should be given the duties of reconciling the investment accounts and posting all interest earned to the books of records.

Management's Response

The new city management concurs with the finding. The City is reconciling the investment accounts and posting all interest earned to the General Ledger.

2008-08 Financial Statements and Disclosures

Condition

The City relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The accounting staff lacks the knowledge to prepare such statements, as well as the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements. The City requires the independent auditor to gather all necessary information in order to convert their cash basis accounting information into financial statements prepared in accordance with GAAP.

Criteria

Auditing standards adopted in the United States of America, in particular Statement on Auditing Standards (SAS) 109, paragraph 41 states the following: "Internal control is a process - effected by those charged with governance, management, and other personnel - designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives."

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP or at a minimum; management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow and notes.

SAS 112, paragraph 11 provides examples of factors that may affect the likelihood that a control, or combination of controls could fail to prevent or detect a misstatement. One such example is "The nature of the financial statements accounts, disclosures, and assertions involved."

SAS 112, paragraph 19 provides a list of indicators of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. One such example is "Ineffective oversight of the entity's financial reporting and internal control by those charged with governance."

Cause

The City's staff lacks the proper ability to prepare financial statements and the associated disclosures. When audit services are sought, there is a requirement that the auditor will prepare the financial statements.

In the past this may have been sufficient, however, the accounting profession, by issuance of SAS 112, now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance

Effect

Since the City personnel lack the ability to prepare, and did not prepare the financial statements, there is an increased risk that a misstatement of the City's financial statements that is more than inconsequential, will not be prevented or detected. Further, since the City accounting staff lacks the proper knowledge or training regarding the requirements of GAAP financial reporting, there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected.

Recommendation

The City should have its current staff undergo training so they can develop the ability to prepare the financial statements and the related notes or employ an individual to serve in the position of director of finance, that has the ability to prepare financial statements in accordance with GAAP. Alternatively, the City could choose to consult with a separate accounting firm prior to and during the audit process that would assist the City in the preparation of the financial statements and related notes.

Management's Response

The new city management concurs with the finding. The City personnel is unable to prepare the financial statements and the City is financially unable to hire an accountant specifically to prepare financial statements.

2008-09 Information Technology

Condition

During our audit, we noted that:

Adequate controls have not been established for the protection of IT resources including data and information in the following areas:

- Information Security Policy/User Awareness
- Physical Security
- Disaster Recovery/Contingency Planning

Criteria

State of New Mexico Statewide Guideline S-GUIDE-002.003 (per NMSA 1978 Section 15-1C-1 et. Seq. and NMAC 1.12.6 and NMAC 1.12.2) establishes an Enterprise Security Policy for the protection of IT assets and resources including data and information. The policy establishes that protection must be provided for IT assets, resources, and data/information from unauthorized access, use, disclosure, disruption, modification, or destruction in order to provide integrity, confidentiality, availability, accountability, and assurance, and establishes that controls must be maintained over information systems, resources, and data/information sufficient to contain risk of loss or misuse of information.

Cause

The City is not properly safeguarding IT assets and resources. The following deficiencies were noted:

- Lack of IT policies
- Lack of physical controls over servers
- Lack of contingency planning

Effect

Loss of general ledger information. Lack of IT policies, lack of physical controls over servers, and lack of contingency planning leave the City at risk for loss or misuse of data and information.

Recommendation

The City should consider implementing the following recommendations:

- Establish policies to govern IT use and security
- Develop a contingency plan detailing how to recover IT systems and become operational in the event of a disaster or interruption of the IT function.

Management's Response

The new city management concurs with the finding. The City has developed a system for backing up accounting data. Multiple backs ups are being implemented in the event of a failure.

Housing Authority only:

A. Reportable Conditions on Internal Control

IC 08-01 Submission of Audit Report for Fiscal Year Ended June 30, 2008

Condition

The 2008 audit report for the Housing Authority 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 May 19, 2009.

Criteria

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

Cause

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.

Effect

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.

Recommendation

It is recommended that the Housing Authority 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.

Authority's response

The Housing Authority Management will work towards generating timely financial records in order 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.

B. Compliance and Other Matters Findings

CF 07-01 Excess Cash

Condition

The cash balance in the operating account as of June 30, 2008 was \$230,653, exceeded the amount of federal insurance available. Although bank deposits in excess of FDIC insurance coverage limits are adequately collateralized, and no loss was sustained, there was an unnecessary risk since they represent concentrations of credit risk.

Criteria

The city should attempt to invest excess funds. GAAP requires disclosure of information about financial instruments that have concentrations of credit risk.

Cause

The City maintained excess cash balances and did not establish additional investment funds with the State of New Mexico or with others.

Effect

The City should invest excess funds in order to earn interest income.

Recommendation

It is recommended that the management of the Housing Authority take steps to ensure that the excess funds are deposited in an interest bearing account of such nature that such funds are readily available, if necessary.

Authority's response

The Housing Authority Management will develop policies and procedures setting forth the direction in which unrestricted cash will be identified and invested. The Housing Authority will fall under the City of Sunland Park Investment policy umbrella; the Housing Authority will coordinate with the City's Finance Department to ensure that all available funds are invested in security investment catalyst.

CF 08-01 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, 2008, the Housing Authority remitted payments for goods and services in excess of the adopted budget as follows:

	Budgeted Expenditures	Actual Expenditures	Excess Expenditures
Housing Authority	\$ 336,048	\$ 370,275	\$ (34,227)

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 an claims in excess of the approved budget. Housing Authority Officials and governing authorities have the obligation to follow applicable state statutes.

Cause

The Housing Authority does not have controls in place to ensure that it is not expending funds in excess of approved budget amounts.

**CITY OF SUNLAND PARK, NEW MEXICO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

Prior audit findings		Current status
Financial Statement Findings		
IC 07-01 Tenant Rent Determination	Internal Control Incorrect calculation	Resolved
Prior audit findings		
Financial Statement Findings		
IC 07-02 Capital Funding Projects	Internal Control Improper monitoring of CFP funds	Resolved
Compliance and Other Matters Findings		
CF 07-01 Excess Cash	State Compliance Excess Cash List Procedures	Repeat - CF 07-01

CITY OF SUNLAND PARK, NEW MEXICO

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

City:

<u>Prior Audit Findings</u>	<u>Current Status</u>
<u>Financial Statement Findings</u>	
2002-01 General Compliance Insufficient Attention Given to Accounting and Internal Control Process Repeat	Repeat
2003-04 General Compliance Lack of Separation of Duties	Repeat
2002-06 General Compliance Accounting for Grants	Repeat
2003-10 General Compliance Accounts Payable	Repeat
2003-11 State Compliance Budget Reconciliations	Repeat
2002-04 State Compliance Legal Compliance with Budget	Repeat
2002-03 State Compliance Submission of Audit Report for Fiscal Year June 30, 2008	Repeat

Housing Authority:

<u>Prior Audit Findings</u>	<u>Current status</u>
<u>Financial Statement Findings</u>	
IC 07-01 Internal Control Tenant Rent Determination	Resolved
IC 07-02 Internal Control Improper monitoring of CFP funds	Resolved
CF 07-01 State Compliance Excess Cash List Procedures	Repeat

CITY OF SUNLAND PARK, NEW MEXICO

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2008**

An exit conference was conducted on March 17, 2011 at City Hall, Sunland Park, New Mexico with the following individuals in attendance:

City of Sunland Park

Christian Lira, Councilor

Andrew Moralez, City Manager

Helen Gonzalez, Finance Director

White + Samaniego + Campbell, LLP

Roxie Samaniego, Partner

Brad Watts, Partner

Financial Statement Preparation

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