

Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
CITY OF SUNLAND PARK
ANNUAL FINANCIAL REPORT
JUNE 30, 2011



STATE OF NEW MEXICO
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ANNUAL FINANCIAL REPORT
JUNE 30, 2011

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City of Sunland Park
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STATE OF NEW MEXICO

City of Sunland Park

Official Roster

June 30, 2011

<u>Name</u>	<u>Elected Officials</u>	<u>Title</u>
Martin Resendiz		Mayor
Daniel Salinas		Mayer Pro-Tem
Christian Lira		City Councilor
Angelica Marquez		City Councilor
Jessica Avila		City Councilor
Carmen Rodriguez		City Councilor
Annette Diaz		City Councilor
	<u>Administration</u>	
Andrew Morales		City Manager
Helen B. Gonzalez		Finance Director

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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
To City Council
City of Sunland Park
Sunland Park, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison for the General Fund and the aggregate remaining fund information of the City of Sunland Park (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds, the budgetary comparisons for the major capital projects funds and proprietary funds, and the respective budgetary comparisons for the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority which is both a major fund and 10 percent, 11 percent, and 27 percent, respectively, of the assets, net assets, and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and nonmajor proprietary fund as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects, the respective budgetary comparisons for the year then ended in conformity with the budgetary basis of accounting as prescribed in the New Mexico Administrative Code, as more fully described in Note 2 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the U.S Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The accompanying Financial Data Schedule is presented as Supporting Schedule III for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the financial statements. Such information is the responsibility of management and was derived and relates directly to the underlying accounting and other records used to prepare the financial statements. The accompanying financial information listed as Supporting Schedules I through II in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
May 24, 2013

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

City of Sunland Park

Statement of Net Assets

June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 914,467	\$ 1,142,847	\$ 2,057,314
Investments	11,237,469	206,537	11,444,006
Receivables:			
Property taxes	80,700	-	80,700
Other taxes	584,090	-	584,090
Due from other governments	180,457	-	180,457
Accounts receivable, net	-	732,759	732,759
Prepays	15,263	4,761	20,024
Total current assets	<u>13,012,446</u>	<u>2,086,904</u>	<u>15,099,350</u>
Noncurrent assets			
Restricted cash and cash equivalents:			
Debt service	128,935	160,111	289,046
Customer deposits	-	194,716	194,716
Capital assets	26,456,292	35,119,891	61,576,183
Less: accumulated depreciation	<u>(16,116,252)</u>	<u>(6,549,367)</u>	<u>(22,665,619)</u>
Total noncurrent assets	<u>10,468,975</u>	<u>28,925,351</u>	<u>39,394,326</u>
Total assets	<u>\$ 23,481,421</u>	<u>\$ 31,012,255</u>	<u>\$ 54,493,676</u>

The accompanying notes are an integral part of these financial statements

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 214,385	\$ 206,713	\$ 421,098
Customer deposits	-	191,839	191,839
Accrued payroll	186,849	40,315	227,164
Accrued interest	1,687	89,164	90,851
Compensated absences	91,803	20,388	112,191
Bonds and loans payable	48,675	153,366	202,041
Total current liabilities	543,399	701,785	1,245,184
Noncurrent liabilities			
Compensated absences	145,721	29,375	175,096
Bonds and loans payable	80,438	3,729,181	3,809,619
Contingent liability	-	600,000	600,000
Total noncurrent liabilities	226,159	4,358,556	4,584,715
Total liabilities	769,558	5,060,341	5,829,899
Net Assets			
Invested in capital assets, net of related debt	10,210,927	24,687,977	34,898,904
Restricted for:			
General government	43,780	-	43,780
Public safety	188,249	-	188,249
Debt service	128,935	160,111	289,046
Health and welfare	674	-	674
Capital projects	11,393,437	-	11,393,437
Unrestricted	745,861	1,103,826	1,849,687
Total net assets	22,711,863	25,951,914	48,663,777
Total liabilities and net assets	\$ 23,481,421	\$ 31,012,255	\$ 54,493,676

STATE OF NEW MEXICO
City of Sunland Park
Statement of Activities
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
General government	\$ 3,497,716	\$ 518,818	\$ 3,297,339	\$ -
Public safety	2,819,379	56,899	497,568	194,174
Public works	817,543	-	-	454,367
Culture and recreation	280,658	-	-	-
Health and welfare	9,974	-	-	-
Interest on long-term debt	7,381	-	-	-
<i>Total governmental activities</i>	<u>7,432,651</u>	<u>575,717</u>	<u>3,794,907</u>	<u>648,541</u>
Business-type Activities:				
Joint utility	2,731,598	3,365,106	637,870	-
Housing authority	268,721	94,039	-	182,742
<i>Total business-type activities</i>	<u>3,000,319</u>	<u>3,459,145</u>	<u>637,870</u>	<u>182,742</u>
<i>Total primary government</i>	<u>\$ 10,432,970</u>	<u>\$ 4,034,862</u>	<u>\$ 4,432,777</u>	<u>\$ 831,283</u>
General Revenues and Transfers:				
Taxes:				
Property taxes, levied for general purposes				
Gross receipts taxes				
Gasoline and motor vehicle taxes				
Other taxes				
Investment income				
Debt forgiveness				
Contingent loss				
Loss on halted projects				
Loss on disposal of assets				
Miscellaneous income				
Transfers to agency fund				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - as originally stated				
Net assets - restatement (note 14)				
Net assets - as restated				
Net assets, ending				

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ 318,441	\$ -	\$ 318,441
(2,070,738)	-	(2,070,738)
(363,176)	-	(363,176)
(280,658)	-	(280,658)
(9,974)	-	(9,974)
(7,381)	-	(7,381)
<u>(2,413,486)</u>	<u>-</u>	<u>(2,413,486)</u>
-	1,271,378	1,271,378
-	8,060	8,060
<u>-</u>	<u>1,279,438</u>	<u>1,279,438</u>
<u>(2,413,486)</u>	<u>1,279,438</u>	<u>(1,134,048)</u>
637,037	-	637,037
3,085,483	112,059	3,197,542
38,937	-	38,937
197,112	-	197,112
30,254	4,883	35,137
-	1,212,269	1,212,269
-	(600,000)	(600,000)
(765,000)	-	(765,000)
(3,498)	-	(3,498)
288,959	306,533	595,492
(30,000)	-	(30,000)
74,247	(74,247)	-
<u>3,553,531</u>	<u>961,497</u>	<u>4,515,028</u>
1,140,045	2,240,935	3,380,980
21,443,022	24,100,926	45,543,948
<u>128,796</u>	<u>(389,947)</u>	<u>(261,151)</u>
<u>21,571,818</u>	<u>23,710,979</u>	<u>45,282,797</u>
<u>\$ 22,711,863</u>	<u>\$ 25,951,914</u>	<u>\$ 48,663,777</u>

STATE OF NEW MEXICO

City of Sunland Park

Balance Sheet

Governmental Funds

June 30, 2011

	<u>General Fund</u>	<u>Sports Complex</u>	<u>Border Crossing Facility</u>
<i>Assets</i>			
Cash and cash equivalents	\$ 699,951	\$ -	\$ 167,979
Investments	-	-	11,237,469
Receivables:			
Property taxes	80,700	-	-
Other taxes	584,090	-	-
Due from other governments	-	123,226	-
Prepays	10,578	-	-
<i>Total assets</i>	<u>\$ 1,375,319</u>	<u>123,226</u>	<u>\$ 11,405,448</u>
<i>Liabilities</i>			
Accounts payable	\$ 86,159	\$ 123,226	\$ 5,000
Accrued payroll	179,838	-	7,011
Deferred revenue:			
Property taxes	62,986	-	-
<i>Total liabilities</i>	<u>328,983</u>	<u>123,226</u>	<u>12,011</u>
<i>Fund balances</i>			
Nonspendable			
Prepays	10,578	-	-
Spendable			
Restricted for:			
General government	-	-	-
Public safety	-	-	-
Health and welfare	-	-	-
Capital projects	-	-	11,393,437
Unassigned	1,035,758	-	-
<i>Total fund balances</i>	<u>1,046,336</u>	<u>-</u>	<u>11,393,437</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,375,319</u>	<u>\$ 123,226</u>	<u>\$ 11,405,448</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ 175,472	\$ 1,043,402
-	11,237,469
-	80,700
57,231	584,090
4,685	180,457
<u>\$ 237,388</u>	<u>15,263</u>
<u>\$ 237,388</u>	<u>\$ 13,141,381</u>
-	214,385
-	186,849
-	62,986
<u>-</u>	<u>464,220</u>
4,685	15,263
43,780	43,780
188,249	188,249
674	674
-	11,393,437
<u>237,388</u>	<u>1,035,758</u>
<u>\$ 237,388</u>	<u>\$ 12,677,161</u>
<u>\$ 237,388</u>	<u>\$ 13,141,381</u>

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STATE OF NEW MEXICO
City of Sunland Park
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2011

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund balances - total governmental funds	\$ 12,677,161
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	10,340,040
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities	62,986
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable: Accrued interest	(1,687)
Some liabilities, including bonds and loans payable, are not due and payable in the current period and, therefore, are not reported in the funds: Accrued compensated absences Bonds payable	(237,524) (129,113)
Total net assets of governmental activities	<u>\$ 22,711,863</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Sunland Park
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Sports Complex</u>	<u>Border Crossing Facility</u>
<i>Revenues</i>			
Taxes:			
Property	\$ 574,051	\$ -	\$ -
Gross receipts	3,043,240	-	-
Gasoline and motor vehicle	38,937	-	-
Other	197,012	-	-
Intergovernmental income:			
Federal operating grants	-	-	-
Federal capital grants	-	-	-
State operating grants	-	3,263,539	-
State capital grants	-	-	-
Local sources:			
Charges for services	17,196	-	-
Licenses and fees	501,622	-	-
Investment income	3,181	-	27,066
Miscellaneous	253,443	-	1
<i>Total revenues</i>	<u>4,628,682</u>	<u>3,263,539</u>	<u>27,067</u>
<i>Expenditures</i>			
Current:			
General government	2,098,986	1,276	1,041,626
Public safety	2,289,396	-	-
Public works	583,818	-	-
Culture and recreation	280,658	-	-
Capital outlay	14,525	3,237,961	-
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
<i>Total expenditures</i>	<u>5,267,383</u>	<u>3,239,237</u>	<u>1,041,626</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(638,701)</u>	<u>24,302</u>	<u>(1,014,559)</u>
<i>Other financing sources (uses)</i>			
Transfers in	381,565	125,688	-
Transfers (out) to agency fund	(30,000)	-	-
Transfers (out)	(245,452)	(149,990)	-
<i>Total other financing sources (uses)</i>	<u>106,113</u>	<u>(24,302)</u>	<u>-</u>
<i>Net change in fund balances</i>	(532,588)	-	(1,014,559)
<i>Fund balances - beginning of year, as previously stated</i>	<u>1,578,924</u>	<u>-</u>	<u>12,407,996</u>
<i>Fund balances - restatement (note 14)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - as restated</i>	<u>1,578,924</u>	<u>-</u>	<u>12,407,996</u>
<i>Fund balances - end of year</i>	<u>\$ 1,046,336</u>	<u>\$ -</u>	<u>\$ 11,393,437</u>

The accompanying notes are an integral part of these financial statements

<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ 574,051
42,243	3,085,483
-	38,937
100	197,112
80,458	80,458
378,367	378,367
450,910	3,714,449
270,174	270,174
6,000	23,196
50,899	552,521
7	30,254
35,515	288,959
<u>1,314,673</u>	<u>9,233,961</u>
51,535	3,193,423
474,018	2,763,414
9,974	593,792
-	280,658
623,119	3,875,605
47,976	47,976
5,694	5,694
<u>1,212,316</u>	<u>10,760,562</u>
<u>102,357</u>	<u>(1,526,601)</u>
119,764	627,017
-	(30,000)
<u>(157,328)</u>	<u>(552,770)</u>
<u>(37,564)</u>	<u>44,247</u>
64,793	(1,482,354)
<u>43,799</u>	<u>14,030,719</u>
<u>128,796</u>	<u>128,796</u>
<u>172,595</u>	<u>14,159,515</u>
<u>\$ 237,388</u>	<u>\$ 12,677,161</u>

STATE OF NEW MEXICO
City of Sunland Park
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2011

Amounts reported for governmental activities in the Statement of Activities
are different because:

Net change in fund balances - total governmental funds	\$ (1,482,354)
--	----------------

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:

Capital expenditures recorded in capital outlay	3,875,605
Depreciation expense	(600,461)
Loss on disposal of capital assets	(3,498)

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenue in the funds:

Change in deferred revenue related to property taxes receivable	62,986
---	--------

Governmental funds report capital outlay as an expenditure in the period the cost was incurred.
However, in the Statement of Activities these cost are capitalized. When these cost are capitalized
then subsequently the project relating to these cost is abandoned, a loss is incurred in the period
of abandonment, which is recognized in the statement of activities and not in the fund financial
financial statements:

Loss on halted projects	(765,000)
-------------------------	-----------

Decrease in accrued compensated absences	6,478
Increase in accrued interest	(1,687)
Principal payments on bonds payable	47,976

Change in net assets of governmental activities	<u>\$ 1,140,045</u>
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The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-1

City of Sunland Park

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ 397,963	\$ 397,963	\$ 492,228	\$ 94,265
Gross receipts	3,087,000	3,087,000	2,672,567	(414,433)
Gasoline and motor vehicle	36,401	36,401	35,657	(744)
Other	207,000	207,000	203,680	(3,320)
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	24,000	24,000	-	(24,000)
State capital grants	-	-	-	-
Local sources				
Charges for services	3,000	3,000	17,196	14,196
Licenses and fees	671,311	671,311	501,622	(169,689)
Investment income	-	-	3,181	3,181
Miscellaneous	198,269	198,269	253,443	55,174
<i>Total revenues</i>	<u>4,624,944</u>	<u>4,624,944</u>	<u>4,179,574</u>	<u>(445,370)</u>
<i>Expenditures</i>				
Current:				
General government	1,786,355	1,786,355	1,861,296	(74,941)
Public safety	2,316,433	2,316,433	2,187,763	128,670
Public works	520,774	520,774	576,906	(56,132)
Culture and recreation	334,022	334,022	262,688	71,334
Health and welfare	-	-	-	-
Capital outlay	-	-	15,325	(15,325)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,957,584</u>	<u>4,957,584</u>	<u>4,903,978</u>	<u>53,606</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(332,640)</u>	<u>(332,640)</u>	<u>(724,404)</u>	<u>(391,764)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	86,222	86,222	-	(86,222)
Transfers in	296,418	296,418	381,565	85,147
Transfers (out)	(50,000)	(50,000)	(40,000)	10,000
<i>Total other financing sources (uses)</i>	<u>332,640</u>	<u>332,640</u>	<u>341,565</u>	<u>8,925</u>
<i>Net change in fund balance</i>	-	-	(382,839)	(382,839)
<i>Fund balances - beginning of year</i>	-	-	1,082,790	1,082,790
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 699,951</u>	<u>\$ 699,951</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (382,839)
Adjustments to revenues for taxes.				(25,816)
Adjustments to expenditures for salary expense, professional fees, maintenance expense, and transfers.				(123,933)
Net change in fund balance (GAAP basis)				<u>\$ (532,588)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

City of Sunland Park
Statement of Net Assets
Proprietary Funds
June 30, 2011

	<u>Joint Utility</u>	<u>Housing Authority</u>	<u>Total</u>
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 819,948	\$ 322,899	\$ 1,142,847
Investments	-	206,537	206,537
Receivables:			
Accounts receivable, net	730,183	2,576	732,759
Prepays	4,761	-	4,761
<i>Total current assets</i>	<u>1,554,892</u>	<u>532,012</u>	<u>2,086,904</u>
<i>Noncurrent assets</i>			
Restricted cash:			
Debt service	160,111	-	160,111
Customer deposits	186,295	8,421	194,716
Capital assets	31,699,466	3,420,425	35,119,891
Less: accumulated depreciation	<u>(5,547,262)</u>	<u>(1,002,105)</u>	<u>(6,549,367)</u>
<i>Total noncurrent assets</i>	<u>26,498,610</u>	<u>2,426,741</u>	<u>28,925,351</u>
<i>Total assets</i>	<u>\$ 28,053,502</u>	<u>\$ 2,958,753</u>	<u>\$ 31,012,255</u>
<i>Liabilities and net assets</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 204,075	\$ 2,638	\$ 206,713
Customer deposits	186,295	5,544	191,839
Accrued payroll	35,622	4,693	40,315
Accrued interest	89,164	-	89,164
Compensated absences	18,416	1,972	20,388
Loans payable	104,366	-	104,366
Bonds payable	49,000	-	49,000
<i>Total current liabilities</i>	<u>686,938</u>	<u>14,847</u>	<u>701,785</u>
<i>Noncurrent liabilities</i>			
Loans payable	641,381	-	641,381
Bonds payable	3,087,800	-	3,087,800
Compensated absences	11,626	17,749	29,375
Contingent liability	<u>600,000</u>	<u>-</u>	<u>600,000</u>
<i>Total noncurrent liabilities</i>	<u>4,340,807</u>	<u>17,749</u>	<u>4,358,556</u>
<i>Total liabilities</i>	<u>5,027,745</u>	<u>32,596</u>	<u>5,060,341</u>
<i>Net assets</i>			
Invested in capital assets, net of related debt	22,269,657	2,418,320	24,687,977
Restricted for debt service	160,111	-	160,111
Unrestricted net assets	<u>595,989</u>	<u>507,837</u>	<u>1,103,826</u>
<i>Total net assets</i>	<u>23,025,757</u>	<u>2,926,157</u>	<u>25,951,914</u>
<i>Total liabilities and net assets</i>	<u>\$ 28,053,502</u>	<u>\$ 2,958,753</u>	<u>\$ 31,012,255</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Sunland Park
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	<u>Joint Utility</u>	<u>Housing Authority</u>	<u>Total</u>
<i>Operating revenues</i>			
Charges for services	\$ 3,365,106	\$ 94,039	\$ 3,459,145
<i>Total operating revenues</i>	<u>3,365,106</u>	<u>94,039</u>	<u>3,459,145</u>
<i>Operating expenses</i>			
Personnel services	610,098	99,573	709,671
Contractual services	196,365	5,337	201,702
Supplies	93,008	2,606	95,614
Maintenance and materials	186,645	11,234	197,879
Utilities	523,386	-	523,386
Equipment	141,703	-	141,703
Depreciation	575,843	96,089	671,932
Miscellaneous	215,130	52,526	267,656
<i>Total operating expenses</i>	<u>2,542,178</u>	<u>267,365</u>	<u>2,809,543</u>
<i>Operating income (loss)</i>	<u>822,928</u>	<u>(173,326)</u>	<u>649,602</u>
<i>Non-operating revenues (expenses)</i>			
Loan forgiveness	1,212,269		1,212,269
Tax income	112,059	-	112,059
Interest expense	(189,420)	-	(189,420)
Interest income	-	4,883	4,883
Contingent loss	(600,000)	-	(600,000)
Miscellaneous income	304,927	250	305,177
<i>Total non-operating revenues (expenses)</i>	<u>839,835</u>	<u>5,133</u>	<u>844,968</u>
<i>Income (Loss) before contributions and transfers</i>	<u>1,662,763</u>	<u>(168,193)</u>	<u>1,494,570</u>
Government contributions	637,870	182,742	820,612
Transfers (out)	(74,247)	-	(74,247)
<i>Grants and net transfers</i>	<u>563,623</u>	<u>182,742</u>	<u>746,365</u>
<i>Change in net assets</i>	2,226,386	14,549	2,240,935
<i>Net assets - beginning of year, as previously stated</i>	<u>21,225,014</u>	<u>2,875,912</u>	<u>24,100,926</u>
<i>Net assets- restatements (see note 14)</i>	<u>(425,643)</u>	<u>35,696</u>	<u>(389,947)</u>
<i>Net assets- beginning of year, restated</i>	<u>20,799,371</u>	<u>2,911,608</u>	<u>23,710,979</u>
<i>Net assets - ending of year</i>	<u>\$ 23,025,757</u>	<u>\$ 2,926,157</u>	<u>\$ 25,951,914</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Sunland Park
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	<u>Joint Utility</u>	<u>Housing Authority</u>	<u>Total</u>
<i>Cash flows from operating activities</i>			
Cash received from user charges	\$ 3,052,004	\$ 93,254	\$ 3,145,258
Cash payments to employees for services	(601,726)	(96,569)	(698,295)
Cash payments to suppliers for goods and services	(1,543,361)	(67,813)	(1,611,174)
<i>Net cash provided (used) by operating activities</i>	<u>906,917</u>	<u>(71,128)</u>	<u>835,789</u>
<i>Cash flows from noncapital financing activities</i>			
Government contributions	637,870	-	637,870
Taxes received	112,059	-	112,059
Miscellaneous income	304,927	250	305,177
Internal cash transfers in (out)	(74,247)	-	(74,247)
<i>Net cash provided by noncapital financing activities:</i>	<u>980,609</u>	<u>250</u>	<u>980,859</u>
<i>Cash flows from capital and related financing activities</i>			
Capital grants	-	182,742	182,742
Acquisition of capital assets	(2,458,202)	(69,738)	(2,527,940)
Proceeds from debt issuance	1,515,337	-	1,515,337
Principal payments on capital debt	(146,461)	-	(146,461)
Interest paid on capital debt	(190,914)	-	(190,914)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(1,280,240)</u>	<u>113,004</u>	<u>(1,167,236)</u>
<i>Cash flows from investing activities</i>			
Purchase of investments	-	(467)	(467)
Interest on investments	-	4,883	4,883
<i>Net cash provided by from investing activities</i>	<u>-</u>	<u>4,416</u>	<u>4,416</u>
<i>Net increase in cash and cash equivalent</i>	<u>607,286</u>	<u>46,542</u>	<u>653,828</u>
<i>Cash and cash equivalents - beginning of year</i>	<u>559,068</u>	<u>284,778</u>	<u>843,846</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 1,166,354</u>	<u>\$ 331,320</u>	<u>\$ 1,497,674</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ 822,928	\$ (173,326)	\$ 649,602
Adjustments to reconcile operating (loss) to net cash (used) by operating activities			
Depreciation	575,843	96,089	671,932
Changes in assets and liabilities			
Receivables	(328,228)	(1,391)	(329,619)
Prepaid expenses	(4,761)	-	(4,761)
Accounts payable	(182,363)	2,384	(179,979)
Accrued payroll expenses	4,614	2,072	6,686
Accrued compensated absences	3,758	932	4,690
Customer deposits	15,126	606	15,732
Due to other funds	-	1,506	1,506
<i>Net cash (used) by operating activities</i>	<u>\$ 906,917</u>	<u>\$ (71,128)</u>	<u>\$ 835,789</u>

Noncash disclosure: \$1,212,269 in loan proceeds received during fiscal year 2011 was forgiven in fiscal year 2011.

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Sunland Park
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

Exhibit E-1

Assets

Cash and cash equivalents	<u>\$ 41,085</u>
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<i>Total assets</i>	<u><u>\$ 41,085</u></u>
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Liabilities

Due to other governmental agency	<u>\$ 41,085</u>
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<i>Total liabilities</i>	<u><u>\$ 41,085</u></u>
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The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies

The City of Sunland Park (City) operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police, fire, etc), highways and streets, public utilities (wastewater, water, solid waste, etc), health and social services, culture-recreation, public improvements, housing, planning and zoning, and general administrative services.

The City is a body, political and corporate, under the name and form of government selected by its qualified electors. The City may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the City is presented to assist in the understanding of City's financial statements. The financial statements and notes are the representation of City's management who is responsible for their integrity and objectivity.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The government-wide and the proprietary funds financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private sector guidance for their government-wide financial statements and enterprise funds, subject to the same limitation. The City has elected not to follow the subsequent private sector guidance. The more significant of the City's accounting policies are described below.

A. *Financial Reporting Entity*

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and 39. Blended component units, although legally separate entities, are in substance part of the government's operations.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based on the criteria above the City does not have any component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, net of estimated refunds, are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues, except for property taxes, to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation expense is allocated to separate functions on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Border Crossing Fund* accounts for the funding received from the donations for the purpose of planning, design, and construction of border crossing facilities in the City of Sunland Park.

The *Sports Complex Fund* accounts for the development of recreational facilities for the City. Funds are provided by state and local appropriations.

The City reports the following proprietary funds as major funds. Proprietary funds include:

The *Joint Utilities Fund* accounts for the activities of the City's water, wastewater and solid waste utility, which provide services to residents of the City.

The *Housing Authority* accounts for pre-construction, construction, maintenance, and operation of the local Housing Authority. The Housing Authority is not a legal separate organization with a separate elected governing body; rather it is a department within the City.

The City also reports the following fund types:

Special Revenue Funds to account for the proceeds of specific revenues 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.

An *Agency Fund* to account for the revenues collected at the branch office of the New Mexico Motor Vehicle Department and funds remitted to the State.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges for services for the City's utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

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

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the City are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Interest income, unrealized and realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

Receivables and Payables: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. Property taxes are considered to be 100% collectible.

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used.

Capital Assets: Capital assets, which include property, plant, utility systems, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1980) are included as part of the governmental capital assets reported in the government-wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Library books and periodicals are estimated to have a useful life of less than one year or are under the capitalization threshold and are expensed when purchased.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the City during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings & building improvements	5-40
Land improvements	20
Vehicles	5-10
Furniture, fixtures and equipment	5-10
Infrastructure	50

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2011, along with applicable PERA and Retiree Health Care.

Deferred Revenues: Accounting principles generally accepted in the United States of America require that grant revenue (voluntary nonexchange transactions) be recognized as revenue in the government-wide financial statements when all eligibility requirements have been met and recognized as revenue in the governmental fund financial statements based on the same factors subject to the availability criterion. Amounts received from reimbursement basis grants are recorded as deferred revenue in the governmental fund financial statements when received more than 90 days after year end and amounts received after 60 days after year end for property taxes.

Compensated Absences: City employees accrue vacation leave at various rates depending on the employee's length of service. Accumulated sick leave shall not be taken as annual paid leave. Accordingly, no liability is recorded for non-vesting accumulated rights to receive sick pay benefits.

They earn vacation leave at various rates depending on the employee's length of service, as follows:

No more than thirty-six (36) working days of accrued leave may be carried over from year to year. When an employee terminates his/her employment with the City, he/she shall be paid for all unused earned annual leave hours.

<u>Employment Duration</u>	<u>Regular Employees</u>
1 to 5 years	96 hours
6 to 10 years	144 hours
11 years and over	192 hours

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental or proprietary fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

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 governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method or straight-line method, if the difference is inconsequential.

Fund Balance Classification Policies and Procedures: For committed fund balance the City's highest level of decision-making authority is the City Council. The formal action that is required to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council at a City Council meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made.

For assigned fund balance, the City Council has approved the City Manager as an authorized official to assign fund balance to a specific purpose.

When multiple categories of fund balance are available for expenditures, the City will start with the most restricted category and spend those funds first before moving down to the next category of available funds.

Nonspendable Fund Balance: At June 30, 2011, the City had nonspendable fund balance in the amount of \$15,263 related to prepaid expenses.

Restricted and Committed Fund Balance: At June 30, 2011, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$11,626,140 for various City operations as restricted by enabling legislation. The details of these fund balance items are located on the governmental funds balance sheet and further described on page 33 and 54-55.

Equity Classifications: Equity is classified as net assets and displayed in three components in the *Government-wide Statements*:

- a. Invested in capital assets, net of related debt: Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Assets: Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for related restrictions for the net assets restricted for "special revenue, debt service, and capital projects" are described on pages 33 and 54-55.
- c. Unrestricted Net assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the City's financial statements include the allowance for uncollectible accounts in the enterprise funds, depreciation on capital assets over their estimated useful lives, and the current portion of accrued compensated absences.

Reclassifications: Certain amounts included in the prior year financial statements have been reclassified to conform to the current year presentation.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets of the City are prepared prior to June 1 and must be approved by resolution of the City Council Members, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments that increase or decrease a individual fund's budget must also be approved by the City Council Members and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total by fund.

These budgets are prepared on a Non-GAAP cash budgetary 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 budgetary information presented in these financial statements has been properly amended by the City Council in accordance with the above procedures. These amendments resulted in the following changes:

Formal budgetary integration is employed as a management control device at the fund level during the year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Proprietary Funds.

The City is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on the budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2011 is presented. Reconciliations between the non-GAAP budgetary basis amounts and the financial statements on the GAAP basis, by fund, can be found on each individual budgetary statement.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
Governmental Funds:		
General Fund	\$ (332,640)	\$ (332,640)
Sports Complex	\$ 125,688	\$ 125,688
Border Crossing Facility	\$ -	\$ -
Other Governmental Funds	\$ (33,574)	\$ (33,574)
	Operating income (loss)	
	Original Budget	Final Budget
Proprietary Funds:		
Public Housing Authority	\$ (156,246)	\$ (156,246)
Joint Utility Fund	\$ (1,638,133)	\$ (1,638,133)

NOTE 3. Deposits and Investments

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2011.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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

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

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state were insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The separate coverage on non-interest bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to December 31, 2012 accounts held by an official custodian for a government unit are insured as follows:

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts), and
- Up to \$250,000 for combined amount of all interest-bearing demand deposit accounts, and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts

Through December 31, 2012, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2011, \$0 of the City’s bank balance of \$2,664,996 was subject to custodial credit risk. \$128,160 was deposited in interest bearing certificate of deposit covered by the FDIC and the remaining amount of \$2,536,836 was deposited in noninterest-bearing accounts and completely insured against custodial credit risk by the Dodd-Frank Wall Street Reform Act.

	Wells Fargo
Amount of deposits	\$ 2,664,996
FDIC Coverage	(128,160)
Deposits covered by Dodd-Frank Reform Act	(2,536,836)
Total uninsured public funds	-
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	
Uninsured and uncollateralized	-
Collateral requirement (50% of uninsured funds)	
Pledged Collateral	-
Over (Under) collateralized	\$ -

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Assets

The carrying amount of deposits and investments shown above are included in the City's Statement of Net Assets as follows:

Cash and cash equivalents - Governmental Activities Exhibit A-1	\$	914,467
Cash and cash equivalents - Proprietary Funds Exhibit A-1		1,142,847
Restricted cash and cash equivalents - Governmental Activities Exhibit A-1		128,935
Restricted cash and cash equivalents - Proprietary Funds Exhibit A-1		354,827
Investments - Governmental Activities Exhibit A-1		11,237,469
Investments - Proprietary Funds Exhibit A-1		206,537
Cash - Statement of Fiduciary Assets and Liabilities - Exhibit E-1		41,085
 Total cash, cash equivalents, and investments		14,026,167
 Add: outstanding checks		226,840
Less: deposits in transit		(15,070)
Less: cash held by NMFA		(128,935)
Less: investments held in NM State Treasurer's LGIP		(11,444,006)
 Bank balance of deposits	\$	2,664,996

Investments

The City's investments at June 30, 2011 include the following:

Investments	Rating	Weighted Average Maturity	Fair Value
<i>New MexiGROW</i> LGIP	AAAm	>60 Days	\$ 11,444,006
			\$ 11,444,006

The New MexiGrow Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per section 6-10-10(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. As of June 30, 2011, the City's investment in the State Treasurer Local Government Investment Pool was rated AAAM by Standard & Poor's.

Interest Rate Risk – Investments. The City's policy related to interest rate risk with investments is to comply with the state as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

Concentration of Credit Risk – Investments. For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the City. The investment in the New Mexico State Treasurer Local Growth Investment pool is 100% of the investment portfolio. Since the City only purchases investments with the highest credit rating, concentration is not viewed to be an additional risk by the City. The City’s policy related to concentration of credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

NOTE 4. Receivables

Governmental funds receivables as of June 30, 2011, are as follows:

	General Fund	Sports Complex	Other Governmental Funds	Total
Property taxes	\$ 80,700	\$ -	\$ -	\$ 80,700
Other taxes:				-
Gross receipts taxes	543,895	-	-	543,895
Franchise taxes	40,195	-	-	40,195
Lodger's taxes	-	-	-	-
Gasoline & motor vehicle taxes	-	-	-	-
Other taxes	-	-	-	-
Due from other governments	-	-	-	-
State sources	-	123,226	57,231	180,457
Totals by category	<u>\$ 664,790</u>	<u>\$ 123,226</u>	<u>\$ 57,231</u>	<u>\$ 845,247</u>

The above receivables are deemed 100% collectible. In accordance with GASB No. 33, the property taxes revenues that were not collected within the period of availability, \$62,986 have been reclassified as deferred revenue in the fund financial statements.

Proprietary fund receivables as of June 30, 2011, are as follows:

	Joint Utility Fund	Housing Authority	Total
Customer receivables	\$ 821,297	\$ 2,576	\$ 823,873
Allowance for doubtful accounts	(91,114)	-	(91,114)
Totals by category	<u>\$ 730,183</u>	<u>\$ 2,576</u>	<u>\$ 732,759</u>

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 5. Transfers

Net operating transfers, made to close out funds and to supplement other funding sources in the normal course of operations, were as follows:

Transfers from other funds	Transfers to other funds	Amount
CDBG Grant	General fund	\$ 45,000
Joint utility	General fund	10,845
Joint utility	General fund	9,782
Joint utility	General fund	28,933
Joint utility	General fund	24,687
Corrections fund	General fund	11,339
Sports complex	General fund	149,990
Police/fire substation	General fund	3,920
NM DOT Bus Shelter	General fund	1,653
Community center	General fund	86,631
Court automation fund	General fund	8,785
General fund	Senior citizens center	10,000
General fund	Senior citizens Center	202
General fund	Law enforcement fund	85
General fund	River trail fund	115
General fund	COPS federal grant	16,936
General fund	Traffic Safety fund	5,508
General fund	Sports Complex	125,688
General fund	Police/Fire Substation	3,440
General fund	Community center	83,478
		<u>\$ 627,017</u>
Transfers from primary government	Transfers to agency fund	
General fund	MVD	<u>\$ 30,000</u>

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2011, are as follows. Land and construction in progress are not subject to depreciation.

	<u>Balance</u> <u>June 30, 2010</u>	<u>Adjustments</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental activities:						
Capital assets, not depreciated:						
Land	\$ 124,097	\$ -	\$ -	\$ -	\$ -	\$ 124,097
Construction in progress	2,839,245	-	(1,331,451)	3,724,807	768,498	4,464,103
Total capital assets, not depreciated	2,963,342	-	(1,331,451)	3,724,807	768,498	4,588,200
Capital assets, depreciated:						
Buildings & building improvements	2,673,759	-	321,361	-	-	2,995,120
Land improvements	731,204	-	618,028	69,347	-	1,418,579
Furniture, fixtures, & equipment	723,190	-	13,744	47,256	-	784,190
Vehicles	2,490,793	-	-	34,195	-	2,524,988
Infrastructure	13,766,897	-	378,318	-	-	14,145,215
Total capital assets, depreciated	20,385,843	-	1,331,451	150,798	-	21,868,092
Less accumulated depreciation:						
Buildings & building Improvements	1,189,622	-	-	75,627	-	1,265,249
Land improvements	400,997	-	-	57,459	-	458,456
Furniture, fixtures, & equipment	508,123	-	-	73,318	-	581,441
Vehicles	1,914,103	-	-	185,759	-	2,099,862
Infrastructure	11,502,946	-	-	208,298	-	11,711,244
Total accumulated depreciation	15,515,791	-	-	600,461	-	16,116,252
Net book value	<u>\$ 7,833,394</u>					<u>\$ 10,340,040</u>

Depreciation expense for the year ended June 30, 2011 was charged to governmental activities as follows:

General government	\$ 307,612
Public Safety	56,575
Public Works	<u>236,274</u>
Total	<u>\$ 600,461</u>

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 6. Capital Assets (continued)

	<u>Balance</u> <u>June 30, 2010</u>	<u>Adjustments</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Business-type activities:						
Capital assets, not depreciated:						
Land	\$ 2,192,782	\$ -	\$ 150,000	\$ -	\$ -	\$ 2,342,782
Construction in progress	5,183,447	-	(5,183,447)	2,203,939	-	2,203,939
Total capital assets, not depreciated	<u>7,376,229</u>	-	<u>(5,033,447)</u>	<u>2,203,939</u>	-	<u>4,546,721</u>
Capital assets, depreciated:						
Buildings & building improvements	3,222,302	89,198	(100,190)	69,738	-	3,281,048
Land Improvements	77,235	-	(11,865)	-	-	65,370
Vehicles	95,725	-	-	-	-	95,725
Furniture, fixtures, & equipment	178,337	(51,060)	(22,070)	-	-	105,207
Infrastructure	21,642,122	-	5,167,572	216,126	-	27,025,820
Total capital assets, depreciated	<u>25,215,721</u>	<u>38,138</u>	<u>5,033,447</u>	<u>285,864</u>	-	<u>30,573,170</u>
Less accumulated depreciation:						
Buildings & building improvements	526,509	1	26,114	110,881	-	663,505
Land improvements	37,578	-	(9,575)	3,696	-	31,699
Vehicles	38,305	-	-	11,935	-	50,240
Furniture, fixtures, & equipment	142,142	-	(16,539)	6,817	-	132,420
Infrastructure	5,132,900	-	-	538,603	-	5,671,503
Total accumulated depreciation	<u>5,877,434</u>	<u>1</u>	<u>-</u>	<u>671,932</u>	-	<u>6,549,367</u>
Net book value	<u>\$ 26,714,516</u>					<u>\$ 28,570,524</u>

Depreciation expense for the year ended June 30, 2011 was charged to business-type activities as follows:

Joint Utility Fund	\$ 96,089
Housing Authority	<u>575,843</u>
Total	<u>\$ 671,932</u>

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 7. Long-term Debt

Governmental Activities

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the government-wide Statement of Net Assets:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
NM Finance Authority	\$ 177,089	\$ -	\$ 47,976	\$ 129,113	\$ 48,675
Compensated Absences	244,002	85,325	91,803	237,524	91,803
Total	\$ 421,091	\$ 85,325	\$ 139,779	\$ 366,637	\$ 140,478

The City's leave policy allows employs to accumulate sick leave and vacation leave. Upon termination, any accumulated vacation will be paid out to the employee. Employees are paid unused sick leave in excess of ninety days each year on December 31, on the basis of one day paid sick leave for each three days accumulated over the ninety day maximum accumulated allowed. Sick leave is paid to employees on separation on the basis of 10% of their accumulated sick leave upon separation, provided that the employee has five years or more service with the city. Sick leave is not paid out to employees on termination.

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 6.15% and it matures in July 2015. The loan agreement is secured by Fire Protection Funds.

On August 15, 2008, the City entered into a \$186,960 loan agreement with the New Mexico Finance Authority to finance the acquisition of four new public works maintenance trucks, a loader backhoe, and a passenger van. The net effective interest rate on the loan is 1.82% and it matures in April 2013. The loan agreement requires \$18,699 to be deposited in a Loan agreement reserve account. The loan is payable in monthly installments of \$3,520. The loan agreement is secured by gross receipt taxes.

The annual requirements to amortize the NMFA notes as of June 30, 2011, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 48,675	\$ 4,403	\$ 53,078
2013	50,438	3,142	53,580
2014	9,000	1,733	10,733
2015	10,000	1,096	11,096
2016	11,000	393	11,393
	\$ 129,113	\$ 10,766	\$ 139,879

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

Business-type activities

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the proprietary Statement of Net Assets:

	Balance June 30, 2010	Restatement	Additions	Retirements	Balance June 30, 2011	Due Within One Year
Bonds	\$ 3,182,800	\$ -	\$ -	\$ 46,000	3,136,800	\$ 49,000
Notes Payable	117,497	425,643	1,515,337	1,312,730	745,747	104,366
Compensated Absences	45,073	-	25,078	20,388	49,763	20,388
Total	\$ 3,345,370	\$ 425,643	\$ 1,540,415	\$ 1,379,118	\$ 3,932,310	\$ 173,754

Revenue Bonds

The City authorized the issuance of 1992 Series A, \$661,100 and Series B, \$177,700, Water Systems Improvement Revenue Bonds, with an interest rate of 5.5% for construction improvements to the City's water system. Both have maturity dates of December 14, 2032, and are secured by the revenues of the water and wastewater system.

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 the USDA in the amount of \$500,000 with an effective interest rate of 4.5% for the purposes of financing improvements to the City's Joint Water and Wastewater System. The bond has a maturity date of July, 27, 2042 and is secured by the net revenues of the 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 costs incurred by the City in connection with the acquisition of the Santa Teresa Service Company's water and wastewater systems assets. The bond has a maturity date of December 15, 2044 and an effective interest rate of 4.50%.

The annual requirements to amortize the water and wastewater revenue bonds revenue bonds as of June 30, 2011, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 49,000	\$ 147,973	\$ 196,973
2013	51,000	145,778	196,778
2014	54,000	142,528	196,528
2015	57,000	140,223	197,223
2016	59,000	137,818	196,818
2017-2021	339,000	641,819	980,819
2022-2026	432,000	551,219	983,219
2027-2031	546,000	435,764	981,764
2032-2036	536,800	297,847	834,647
2037-2041	541,000	181,369	722,369
2042-2045	472,000	50,030	522,030
	\$ 3,136,800	\$ 2,872,368	\$ 6,009,168

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

Notes Payable

In February 2010 the City entered into a \$2,555,000 loan and subsidy agreement with the New Mexico Finance Authority to finance the construction of an arsenic treatment plant. The Loan and Subsidy Agreement allows the City to borrow up to \$2,555,000, with loan forgiveness in the amount of \$2,044,000 and maximum aggregate repayable principal amount of \$511,000. As of June 30, 2011 the City has drawn \$1,515,336 on this agreement and is currently responsible to repay \$303,067 with the remainder amount of \$1,212,269 forgiven in the current fiscal year. The note is secured by the net revenues of the water and wastewater system. The loans maturity date is May 1, 2032, with a net effective interest rate on the loan portion of 1%.

On January 1, 1994 the City 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. This note is secured by the net revenues of the water and wastewater system.

In August 2008 the City entered into a \$600,000 lease purchase agreement with Kansas State Bank to acquire water and wastewater equipment. Monthly installments of \$7,579, including interest accrued at 4.94%, are due through October 15, 2015. This note is secured by the net revenues of the water and wastewater system.

The annual requirements to amortize the water and wastewater notes and capital lease as of June 30, 2011, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 104,366	\$ 19,724	\$ 124,090
2013	122,218	15,634	137,852
2014	126,640	11,213	137,853
2015	101,155	6,585	107,740
2016	44,188	2,923	47,111
2017-2021	73,061	10,912	83,973
2022-2026	76,787	7,186	83,973
2027-2031	80,704	3,267	83,971
2032	16,628	166	16,794
	\$ 745,747	\$ 77,610	\$ 823,357

NOTE 8. Risk Management

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The City participates in the New Mexico Self-Insurers' Fund risk pool.

The City has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the City which exceeds the insurance coverage, the City would not be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverages have not changed significantly from prior years and coverages are expected to be continued.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 8. Risk Management (continued)

At June 30, 2011, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance.

New Mexico Self-Insurers' Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

NOTE 9. Pension Plan – Public Employee Retirement Association (PERA)

Plan Description. Substantially all of the City of Sunland Park'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 Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute the following percentages of their gross salary: 7.00% for law enforcement, 8.00% for fire protection employees and 7.00% for municipal employees. The City was required to contribute the following percentages of the gross covered salary: 15.00% for law enforcement plan members, 11.00% for fire protection plan members, and 7.00% for municipal plan members. 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, 2011, 2010, and 2009 were \$325,061, \$322,393, and \$326,856, respectively, which equal the required contributions for each fiscal year.

NOTE 10. 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.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 10. Post Employment Benefits –State Retiree Health Care Plan (continued)

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-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee’s annual salary; each participating employee was required to contribute .833% of their salary. In the fiscal year ending June 30, 2012 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
FY 12	1.834%	.917%
FY 13	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA1978]), during the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 2.084% of each participating employee’s annual salary, and each participating employee was required to contribute 1.042% of their salary. In the fiscal year ending June 30, 2012 the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
FY 12	2.292%	1.146%
FY 13	2.500%	1.250%

Also, employers joining the program after January 1, 1998, 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, 2011, 2010 and 2009 were \$52,555, \$51,524, and \$50,514, respectively, which equal the required contributions for each year.

NOTE 11. Concentrations

The Public Housing Authority received 65% of its revenues from programs directed by the United States Department of Housing and Urban Development. Receipt of these revenues is contingent upon the Public Housing Authority’s continued compliance with the grant provisions and the maintenance of the grant program by the United States Department of Housing and Urban Development.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 12. Contingent liabilities and commitments

The City had construction commitments totaling \$1,467,595 at June 30, 2011.

A contractor has filed a claim against the City alleging that the City owes approximately \$600,000 to the contractor for engineering work on the north wastewater treatment plant. Management has determined an unfavorable outcome is probable and has estimated a contingent liability for settlement totaling \$600,000 at June 30, 2011. This liability is reflected as a contingent liability in the statement of net assets for proprietary funds at June 30, 2011. The City is also a defendant in other lawsuits arising in the normal course of business. The outcome of these claims cannot be determined at this time.

Amounts received or receivables from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. There are no known disallowed claims as of the date of this report.

NOTE 13. Deficit Fund Balances and Budget Noncompliance Issues

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. The following funds reflected a deficit fund balance as of June 30, 2011: None

- B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2011:

Fire Protection Fund	\$ 100,876
Emergency Medical Services	\$ 3,092
Traffic Safety Fund	\$ 15,765

- C. Designated cash appropriations. The following funds had designated cash appropriations in excess of available balances for the year ended June 30, 2011: None

NOTE 14. Fund Balance and Net Assets Restatement

Joint Utility Fund

A prior period adjustment was recorded in the Joint Utility Fund to increase prior year notes payable in the amount of \$425,643. The net effect of the prior period adjustment was to decrease beginning net assets by \$425,643.

Housing Authority

A prior period adjustment was recorded to decrease the prior year amount due to other governments by \$35,696. In total the net effect of prior period adjustment recorded to beginning equity for the Housing Authority was to increase beginning equity by \$35,696.

Fire Protection Fund

A prior period adjustment were recorded in the Fire Protection fund to record prior year restricted cash in the amount of \$128,796. In total the net effect of the prior period adjustment recorded to beginning fund balance for the Fire Protection Fund was to increase beginning fund balance by \$128,796.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 15. Subsequent Events

The date to which events occurring after June 30, 2011, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is May 24, 2013, which is the date on which the financial statements were available to be issued.

On August 25, 2011 the City executed a bill of sale authorizing the transfer of the City's water and wastewater utility assets and related liabilities to the Camino Real Regional Utility Authority ("CRRUA").

On October 27, 2011 the City entered into capital lease agreement with Kansas State Bank of Manhattan to finance the purchase of a 2011 Mack solid waste truck. The effective interest is 4.50% and the agreement has a maturity date of October 27, 2016.

On June 28, 2012 City Council voted to terminate all contracts associated with Border Crossing Fund project. A loss from halted projects in the amount of \$765,000 has been accrued in the statement of activities to reflect the write-off of construction in progress amounts during the year ended June 30, 2011.

On October 19, 2012 the City, through a memorandum of understanding, transferred the solid waste services to the South Central Solid Waste Authority effective as of October 19, 2012.

NOTE 16. Restricted Net Assets

The government-wide statement of net assets reports \$11,915,186 of restricted net assets, all of which is restricted by enabling legislation. For descriptions of the related enabling legislation for special revenue, capital projects, and debt service funds, see pages 33 and 54-55.

NOTE 17. Joint Powers Agreements and Memorandums of Understanding

A joint powers agreement was executed on December 28, 2010 between the New Mexico Border Authority (NMBA) and the City of Sunland Park for purposes of completing feasibility studies and permitting for two new border crossings with Mexico. The agreement terminates on December 28, 2013. The NMBA acts as the fiscal agent. Audit and reporting responsibility rest with both parties. Total estimated cost of the project is \$1,800,000. The City contributed \$566,768 during fiscal year ending June 30, 2011.

A joint powers agreement was executed on February 24, 2009 between the City and the County of Dona Ana for purposes of establishing an independent entity to own and operate sewer and water utilities, and to sell sewer and water utility services. Fiscal agent and audit responsibility rest with Don Ana County which is the responsible reporting entity. Board membership is comprised of two elected officials from Sunland Park and two County Commissioners from Dona Ana County. The term of the agreement is for period of 20 years from the date the agreement was approved by the New Mexico Department of Finance and Administration which was March 11, 2009.

A memorandum of understanding was executed on October 19, 2012 between the City and the South Central Solid Waste Authority (authority) for purposes of assigning exclusive right to collect and dispose of all solid waste to the authority. The agreement term is indefinite but can be terminated as specified in the MOU. Audit and fiscal agent responsibility rest with the South Central Solid Waste Authority which is the responsible reporting entity.

A memorandum of understanding was executed on May 11, 2011 between the New Mexico Gang Task Force and the Sunland Park Police Department for purpose of preventing, documenting, and prosecuting criminal activity perpetrated by members of criminal gangs and their associates. There is no fiscal agent responsibility. Audit and reporting responsibility remains with both parties.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2011

NOTE 18. Subsequent Pronouncements

In November 2010, GASB Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*, was issued. Effective Date: For financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The City is still evaluating the possible effects of this standard.

In November 2010, GASB Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The standard is expected to have no effect on the City in upcoming years.

In December 2010, GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued. Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The City will implement this standard during fiscal year June 30, 2013.

In June 2011, GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* was issued. Effective Date: The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the City in upcoming years.

In June 2011, GASB Statement No. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53* was issued. Effective Date: The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the City in upcoming years.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Sunland Park
Nonmajor Fund Descriptions
June 30, 2011

SPECIAL REVENUE FUNDS

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).

Emergency Medical Services - State Statutes Section 24- I OA 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- I OA-I to 24- I OA-IO).

Corrections 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).

Senior Citizen Center - To account for a portion of the operations of the City's Senior Citizens Center. The sales of ceramics, fees, and dues are accounted for in this fund and a portion of the operating expenses. Authority for the creation of this fund is City Council.

Law Enforcement Protection- 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).

Court Automation - This fund was established by legislation to assist municipal courts in the cost associated with the automation requirements. Authority for the creation of this fund is City Council.

New Mexico Beautification - 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).

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 oriented policing services (Title I-Omnibus Crime Control and Safe Streets Act of 1968 CFDA 16.710).

Confiscated Assets - To account for federal funds from federally forfeited cash, property and proceeds to be used for law enforcement purposes. This fund is authorized by the federal government 21 U.S. C. Section 881 (E)(1) and 19 U.S.C. Section 1616A.

Traffic Safety - 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).

CAPITAL PROJECTS FUNDS

River Trail - To account for the development of a river trail for the City of Sunland Park. Funds are provided by State appropriations.

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

CDBG Grant – To account for various developments funded by federal grants. Authorized by federal government, Title I of the Housing and Community development Act of 1974, as amended 10-4-95 and 9-30-96.

Bus Shelter - To account for the development of a bus shelter for the community of the City of Sunland Park. Funds are provided by State appropriations.

Community Center - To account for the development of a community center for City of Sunland Park. Funds are provided by State and local appropriations.

STATE OF NEW MEXICO
City of Sunland Park
Nonmajor Fund Descriptions
June 30, 2011

DEBT SERVICE FUND

Debt Service- To account for debt service related to a Public Project Revolving Fund Loan with New Mexico Finance Authority which financed the purchase of four public works service trucks on August 15, 2008.

STATE OF NEW MEXICO
City of Sunland Park
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue			
	Fire Protection Fund	Emergency Medical Services	Corrections Fund	Senior Citizens Center
<i>Assets</i>				
Cash and cash equivalents	\$ 140,384	\$ 5,400	\$ -	\$ 674
Due from other governments	-	-	-	-
Prepays	-	-	-	-
<i>Total assets</i>	140,384	5,400	-	674
 <i>Fund balances</i>				
Nonspendable				
Prepays	-	-	-	-
Spendable				
Restricted for:				
General government	-	-	-	-
Public safety	140,384	5,400	-	-
Health and welfare	-	-	-	674
<i>Total fund balances</i>	\$ 140,384	\$ 5,400	\$ -	\$ 674

Special Revenue

Law Enforcement Protection	Court Automation	New Mexico Beautification	COPS Federal Fund	Confiscated Assets	Traffic Safety Fund
\$ 1,012	\$ -	\$ -	\$ -	\$ 27,995	\$ -
33,800	-	5,000	6,268	10,778	1,385
-	4,685	-	-	-	-
<u>34,812</u>	<u>4,685</u>	<u>5,000</u>	<u>6,268</u>	<u>38,773</u>	<u>1,385</u>
-	4,685	-	-	-	-
-	-	5,000	-	38,773	-
34,812	-	-	6,268	-	1,385
-	-	-	-	-	-
<u>\$ 34,812</u>	<u>\$ 4,685</u>	<u>\$ 5,000</u>	<u>\$ 6,268</u>	<u>\$ 38,773</u>	<u>\$ 1,385</u>

STATE OF NEW MEXICO
City of Sunland Park
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Capital Projects			
	River Trail	Police/Fire Substation	CDBG Grant	Bus Shelter
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from other governments	-	-	-	-
Prepays	-	-	-	-
<i>Total assets</i>	-	-	-	-
<i>Fund balances</i>				
Nonspendable				
Prepays	-	-	-	-
Spendable				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
<i>Total fund balances</i>	\$ -	\$ -	\$ -	\$ -

<u>Capital Projects</u>		<u>Debt Service</u>	
<u>Community Center</u>	<u>Debt Service</u>	<u>Total Other Governmental Funds</u>	
\$ -	\$ 7	\$	175,472
-	-		57,231
-	-		4,685
<u>-</u>	<u>7</u>		<u>237,388</u>
-	-		4,685
-	7		43,780
-	-		188,249
-	-		674
<u>\$ -</u>	<u>\$ 7</u>	<u>\$</u>	<u>237,388</u>

STATE OF NEW MEXICO
City of Sunland Park
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	Special Revenue			
	Fire Protection Fund	Emergency Medical Services	Corrections Fund	Senior Citizens Center
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	100
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	314,242	10,409	-	-
State capital grants	-	-	-	-
Local sources:				
Charges for services	-	6,000	-	-
Licenses and fees	-	-	50,899	-
Investment income	-	-	-	-
Miscellaneous	1,362	-	-	-
<i>Total revenues</i>	<u>315,604</u>	<u>16,409</u>	<u>50,899</u>	<u>100</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	263,889	14,046	39,560	-
Health and welfare	-	-	-	9,974
Capital outlay	38,956	-	-	-
Debt service:				
Principal	8,000	-	-	-
Interest and fees	3,427	-	-	-
<i>Total expenditures</i>	<u>314,272</u>	<u>14,046</u>	<u>39,560</u>	<u>9,974</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,332</u>	<u>2,363</u>	<u>11,339</u>	<u>(9,874)</u>
<i>Other financing sources (uses)</i>				
Transfer in	-	-	-	10,202
Transfers (out)	-	-	(11,339)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(11,339)</u>	<u>10,202</u>
<i>Net change in fund balances</i>	1,332	2,363	-	328
<i>Fund balances - beginning of year, as previously stated</i>	<u>10,256</u>	<u>3,037</u>	<u>-</u>	<u>346</u>
<i>Fund balances - restatement (note 14)</i>	<u>128,796</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - as restated</i>	<u>139,052</u>	<u>3,037</u>	<u>-</u>	<u>346</u>
<i>Fund balances - end of year</i>	<u>\$ 140,384</u>	<u>\$ 5,400</u>	<u>\$ -</u>	<u>\$ 674</u>

Special Revenue

Law Enforcement Protection	Court Automation	New Mexico Beautification	COPS Federal Fund	Confiscated Assets	Traffic Safety Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	80,458	-	-
65,800	16,117	-	-	-	26,659
-	-	5,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
675	-	115	-	33,363	-
<u>66,475</u>	<u>16,117</u>	<u>5,115</u>	<u>80,458</u>	<u>33,363</u>	<u>26,659</u>
-	-	115	-	-	-
33,074	2,647	-	61,778	28,568	30,456
-	-	-	-	-	-
-	-	-	27,970	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>33,074</u>	<u>2,647</u>	<u>115</u>	<u>89,748</u>	<u>28,568</u>	<u>30,456</u>
<u>33,401</u>	<u>13,470</u>	<u>5,000</u>	<u>(9,290)</u>	<u>4,795</u>	<u>(3,797)</u>
85	-	-	16,936	-	5,508
-	(8,785)	-	-	-	-
<u>85</u>	<u>(8,785)</u>	<u>-</u>	<u>16,936</u>	<u>-</u>	<u>5,508</u>
33,486	4,685	5,000	7,646	4,795	1,711
<u>1,326</u>	<u>-</u>	<u>-</u>	<u>(1,378)</u>	<u>33,978</u>	<u>(326)</u>
-	-	-	-	-	-
<u>1,326</u>	<u>-</u>	<u>-</u>	<u>(1,378)</u>	<u>33,978</u>	<u>(326)</u>
<u>\$ 34,812</u>	<u>\$ 4,685</u>	<u>\$ 5,000</u>	<u>\$ 6,268</u>	<u>\$ 38,773</u>	<u>\$ 1,385</u>

STATE OF NEW MEXICO
City of Sunland Park
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	Capital Projects			
	River Trail	Police/Fire Substation	CDBG Grant	Bus Shelter
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	92,649	-
State operating grants	17,683	-	-	-
State capital grants	-	194,174	-	71,000
Local sources:				
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	17,683	194,174	92,649	71,000
<i>Expenditures</i>				
Current:				
General government	3,770	1	47,649	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	14,028	190,253	-	69,347
Debt service:				
Principal	-	-	-	-
Interest and fees	-	-	-	-
<i>Total expenditures</i>	17,798	190,254	47,649	69,347
<i>Excess (deficiency) of revenues over expenditures</i>	(115)	3,920	45,000	1,653
<i>Other financing sources (uses)</i>				
Transfer in	115	3,440	-	-
Transfers (out)	-	(3,920)	(45,000)	(1,653)
<i>Total other financing sources (uses)</i>	115	(480)	(45,000)	(1,653)
<i>Net change in fund balances</i>	-	3,440	-	-
<i>Fund balances - beginning of year, as previously stated</i>	-	(3,440)	-	-
<i>Fund balances - restatement (note 14)</i>	-	-	-	-
<i>Fund balances - as restated</i>	-	(3,440)	-	-
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ -	\$ -

<u>Capital Projects</u>	<u>Debt Service</u>	
<u>Community Center</u>	<u>Debt Service</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ 42,243	\$ 42,243
-	-	100
-	-	80,458
285,718	-	378,367
-	-	450,910
-	-	270,174
-	-	6,000
-	-	50,899
-	7	7
-	-	35,515
<u>285,718</u>	<u>42,250</u>	<u>1,314,673</u>
-	-	51,535
-	-	474,018
-	-	9,974
282,565	-	623,119
-	39,976	47,976
-	2,267	5,694
<u>282,565</u>	<u>42,243</u>	<u>1,212,316</u>
<u>3,153</u>	<u>7</u>	<u>102,357</u>
83,478	-	119,764
<u>(86,631)</u>	<u>-</u>	<u>(157,328)</u>
<u>(3,153)</u>	<u>-</u>	<u>(37,564)</u>
-	7	64,793
-	-	43,799
-	-	128,796
-	-	172,595
<u>\$ -</u>	<u>7</u>	<u>\$ 237,388</u>

STATE OF NEW MEXICO

Statement B-1

City of Sunland Park

Fire Protection Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(non-GAAP Basis)	Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income:				
State operating grants	203,140	203,140	314,242	111,102
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	6,000	6,000	-	(6,000)
Licenses and fees	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	1,362	1,362
<i>Total revenues</i>	<u>209,140</u>	<u>209,140</u>	<u>315,604</u>	<u>106,464</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	213,396	213,396	184,138	29,258
Public works	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	118,707	(118,707)
Debt service:				
Principal	-	-	8,000	(8,000)
Interest	-	-	3,427	(3,427)
<i>Total expenditures</i>	<u>213,396</u>	<u>213,396</u>	<u>314,272</u>	<u>(100,876)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,256)</u>	<u>(4,256)</u>	<u>1,332</u>	<u>5,588</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	4,256	4,256	-	(4,256)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>4,256</u>	<u>4,256</u>	<u>-</u>	<u>(4,256)</u>
<i>Net change in fund balance</i>	-	-	1,332	1,332
<i>Fund balance - beginning of year previously stated</i>	-	-	10,256	10,256
<i>Restatement</i>	-	-	128,796	128,796
<i>Fund balance-beginning of year as restated</i>	-	-	139,052	139,052
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,384</u>	<u>\$ 140,384</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 1,332
No adjustments to revenues.				-
No adjustments to expenditures.				-
Net change in fund balance (GAAP basis)				<u>\$ 1,332</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-2

City of Sunland Park

Emergency Medical Services

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	10,954	10,954	10,409	(545)
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	6,000	6,000
Licenses and fees	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>10,954</u>	<u>10,954</u>	<u>16,409</u>	<u>5,455</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	10,954	10,954	14,046	(3,092)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>10,954</u>	<u>10,954</u>	<u>14,046</u>	<u>(3,092)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>2,363</u>	<u>2,363</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	2,363	2,363
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,037</u>	<u>3,037</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,400</u>	<u>\$ 5,400</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 2,363
No adjustments to revenues.				-
No adjustments to expenditures.				-
Net change in fund balance (GAAP basis)				<u>\$ 2,363</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-3

City of Sunland Park

Corrections Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variations
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	46,000	46,000	39,560	(6,440)
Investment income	-	-	-	-
<i>Total revenues</i>	<u>46,000</u>	<u>46,000</u>	<u>39,560</u>	<u>(6,440)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	46,000	46,000	39,560	6,440
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>46,000</u>	<u>46,000</u>	<u>39,560</u>	<u>6,440</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
No adjustments to revenues.				-
No adjustments to expenditures.				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-4

City of Sunland Park

Senior Citizens Center

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variations
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	100	100
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources				
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	10,345	10,345	9,974	371
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>10,345</u>	<u>10,345</u>	<u>9,974</u>	<u>371</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(10,345)</u>	<u>(10,345)</u>	<u>(9,874)</u>	<u>471</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	345	345	-	(345)
Transfers in	10,000	10,000	10,202	202
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>10,345</u>	<u>10,345</u>	<u>10,202</u>	<u>(143)</u>
<i>Net change in fund balance</i>	-	-	328	328
<i>Fund balance - beginning of year</i>	-	-	346	346
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 674</u>	<u>\$ 674</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 328
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 328</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-5

City of Sunland Park

Law Enforcement Protection

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variations
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	32,000	32,000	32,000	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
<i>Total revenues</i>	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	33,326	33,326	33,074	252
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>33,326</u>	<u>33,326</u>	<u>33,074</u>	<u>252</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,326)</u>	<u>(1,326)</u>	<u>(1,074)</u>	<u>252</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,326	1,326	-	(1,326)
Proceeds from sale of equipment	-	-	675	675
Transfers in	-	-	85	85
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,326</u>	<u>1,326</u>	<u>760</u>	<u>(566)</u>
<i>Net change in fund balance</i>	-	-	(314)	(314)
<i>Fund balance - beginning of year</i>	-	-	1,326	1,326
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,012</u>	<u>\$ 1,012</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (314)
Adjustments to revenues for state operating grants.				33,800
No adjustments to expenditures.				-
Net change in fund balance (GAAP basis)				<u>\$ 33,486</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-6

City of Sunland Park

Court Automation

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variations
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	28,880	28,880	16,117	(12,763)
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>28,880</u>	<u>28,880</u>	<u>16,117</u>	<u>(12,763)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	28,880	28,880	7,332	21,548
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>28,880</u>	<u>28,880</u>	<u>7,332</u>	<u>21,548</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>8,785</u>	<u>8,785</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	(8,785)	(8,785)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(8,785)</u>	<u>(8,785)</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
No adjustments to revenues.				-
Adjustments to expenditures for insurance.				4,685
Net change in fund balance (GAAP basis)				<u>\$ 4,685</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-7

City of Sunland Park

New Mexico Beautification

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	5,000	5,000	-	(5,000)
Local sources	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>5,000</u>	<u>5,000</u>	<u>115</u>	<u>(4,885)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	115	(115)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	5,000	5,000	-	5,000
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>5,000</u>	<u>5,000</u>	<u>115</u>	<u>4,885</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
Adjustments to revenues for state capital grants.				5,000
No adjustments to expenditures.				-
Net change in fund balance (GAAP basis)				<u>\$ 5,000</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-8

City of Sunland Park

COPS Federal Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variations
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	287,500	287,500	74,190	(213,310)
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>287,500</u>	<u>287,500</u>	<u>74,190</u>	<u>(213,310)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	250,000	250,000	54,620	195,380
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	37,500	37,500	36,506	994
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>287,500</u>	<u>287,500</u>	<u>91,126</u>	<u>196,374</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(16,936)</u>	<u>(16,936)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	16,936	16,936
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>16,936</u>	<u>16,936</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
Adjustments to revenues for federal operating grants.				6,268
Adjustments to expenditures for salaries and capital outlay.				1,378
Net change in fund balance (GAAP basis)				<u>\$ 7,646</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-9

City of Sunland Park

Confiscated Assets

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	14,704	14,704	-	(14,704)
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	22,585	22,585
<i>Total revenues</i>	<u>14,704</u>	<u>14,704</u>	<u>22,585</u>	<u>7,881</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	48,681	48,681	28,568	20,113
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>48,681</u>	<u>48,681</u>	<u>28,568</u>	<u>20,113</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(33,977)</u>	<u>(33,977)</u>	<u>(5,983)</u>	<u>27,994</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	33,977	33,977	-	(33,977)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>33,977</u>	<u>33,977</u>	<u>-</u>	<u>(33,977)</u>
<i>Net change in fund balance</i>	-	-	(5,983)	(5,983)
<i>Fund balance - beginning of year</i>	-	-	33,978	33,978
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,995</u>	<u>\$ 27,995</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (5,983)
Adjustments to revenues gain on sale of assets.				10,778
No adjustments to expenditures.				-
Net change in fund balance (GAAP basis)				<u>\$ 4,795</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-10

City of Sunland Park

Traffic Safety Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	15,017	15,017	25,274	10,257
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>15,017</u>	<u>15,017</u>	<u>25,274</u>	<u>10,257</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	15,017	15,017	30,782	(15,765)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>15,017</u>	<u>15,017</u>	<u>30,782</u>	<u>(15,765)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(5,508)</u>	<u>(5,508)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	5,508	5,508
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>5,508</u>	<u>5,508</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
Adjustments to revenues for state operating grants.				1,385
Adjustments to expenditures for salaries.				326
Net change in fund balance (GAAP basis)				<u>\$ 1,711</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-11

City of Sunland Park

River Trail

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variations Favorable (Unfavorable)
	Original	Final	(non-GAAP Basis)	Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	26,731	26,731	17,683	(9,048)
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>26,731</u>	<u>26,731</u>	<u>17,683</u>	<u>(9,048)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	3,770	(3,770)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	26,731	26,731	14,028	12,703
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>26,731</u>	<u>26,731</u>	<u>17,798</u>	<u>8,933</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(115)</u>	<u>(115)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	115	115
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>115</u>	<u>115</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
No adjustments to revenues.				-
No adjustments to expenditures.				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-12

City of Sunland Park

Police/Fire Substation

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variations
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	200,000	200,000	194,174	(5,826)
Local sources	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>200,000</u>	<u>200,000</u>	<u>194,174</u>	<u>(5,826)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	1	(1)
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	196,560	196,560	190,253	6,307
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>196,560</u>	<u>196,560</u>	<u>190,254</u>	<u>6,306</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>3,440</u>	<u>3,440</u>	<u>3,920</u>	<u>480</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	3,440	3,440
Transfers (out)	(3,440)	(3,440)	(3,920)	(480)
<i>Total other financing sources (uses)</i>	<u>(3,440)</u>	<u>(3,440)</u>	<u>(480)</u>	<u>2,960</u>
<i>Net change in fund balance</i>	-	-	3,440	3,440
<i>Fund balance - beginning of year</i>	-	-	(3,440)	(3,440)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 3,440
No adjustments to revenues.				-
No adjustments to expenditures.				-
Net change in fund balance (GAAP basis)				<u>\$ 3,440</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-13

City of Sunland Park

CDBG Grant

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	455,000	455,000	92,649	(362,351)
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>455,000</u>	<u>455,000</u>	<u>92,649</u>	<u>(362,351)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	455,000	455,000	47,649	407,351
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>455,000</u>	<u>455,000</u>	<u>47,649</u>	<u>407,351</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>45,000</u>	<u>45,000</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	(45,000)	(45,000)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(45,000)</u>	<u>(45,000)</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
No adjustments to revenues.				-
No adjustments to expenditures.				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-14

City of Sunland Park

Bus Shelter

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	70,000	70,000	69,347	(653)
Local sources	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>70,000</u>	<u>70,000</u>	<u>69,347</u>	<u>(653)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	70,000	70,000	69,347	653
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>70,000</u>	<u>70,000</u>	<u>69,347</u>	<u>653</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
No adjustments to revenues.				-
No adjustments to expenditures.				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-15

City of Sunland Park

Community Center

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	346,500	346,500	285,718	(60,782)
State operating grants	-	-	-	-
State capital grants	83,478	83,478	83,478	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>429,978</u>	<u>429,978</u>	<u>369,196</u>	<u>(60,782)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	346,500	346,500	282,565	63,935
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>346,500</u>	<u>346,500</u>	<u>282,565</u>	<u>63,935</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>83,478</u>	<u>83,478</u>	<u>86,631</u>	<u>3,153</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	83,478	83,478
Transfers (out)	(83,478)	(83,478)	(86,631)	(3,153)
<i>Total other financing sources (uses)</i>	<u>(83,478)</u>	<u>(83,478)</u>	<u>(3,153)</u>	<u>80,325</u>
<i>Net change in fund balance</i>	-	-	83,478	83,478
<i>Fund balance - beginning of year</i>	-	-	(83,478)	(83,478)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 83,478
Adjustments to revenues for state capital grants.				(83,478)
No adjustments to expenditures.				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-16

City of Sunland Park

Debt Service

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variences
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	42,244	42,244	42,243	(1)
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	7	7
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>42,244</u>	<u>42,244</u>	<u>42,250</u>	<u>6</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	40,093	40,093	39,976	117
Interest	2,151	2,151	2,267	(116)
<i>Total expenditures</i>	<u>42,244</u>	<u>42,244</u>	<u>42,243</u>	<u>1</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 7</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 7
No adjustments to revenues.				-
No adjustments to expenditures.				-
Net change in fund balance (GAAP basis)				<u>\$ 7</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-17

City of Sunland Park

Sports Complex

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other	10,000	10,000	-	(10,000)
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	3,658,010	3,658,010	3,266,001	(392,009)
State capital grants	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,668,010</u>	<u>3,668,010</u>	<u>3,266,001</u>	<u>(402,009)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Capital outlay	3,542,322	3,542,322	3,116,011	426,311
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,542,322</u>	<u>3,542,322</u>	<u>3,116,011</u>	<u>426,311</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>125,688</u>	<u>125,688</u>	<u>149,990</u>	<u>24,302</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	125,688	125,688
Transfers (out)	(125,688)	(125,688)	(149,990)	(24,302)
<i>Total other financing sources (uses)</i>	<u>(125,688)</u>	<u>(125,688)</u>	<u>(24,302)</u>	<u>101,386</u>
<i>Net change in fund balance</i>	-	-	125,688	125,688
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(125,688)</u>	<u>(125,688)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 125,688
Adjustments to revenues for state operating grants.				(2,462)
Adjustments to expenditures for salaries, and professional services.				(123,226)
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-18

City of Sunland Park

Border Crossing Facility

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
Investment income	-	-	27,066	27,066
Miscellaneous	2,084,250	2,084,250	1	(2,084,249)
<i>Total revenues</i>	<u>2,084,250</u>	<u>2,084,250</u>	<u>27,067</u>	<u>(2,057,183)</u>
<i>Expenditures</i>				
Current:				
General government	2,084,250	2,084,250	1,029,615	1,054,635
Public safety	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,084,250</u>	<u>2,084,250</u>	<u>1,029,615</u>	<u>1,054,635</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(1,002,548)</u>	<u>(1,002,548)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(1,002,548)	(1,002,548)
<i>Fund balances - beginning of year</i>	-	-	12,407,996	12,407,996
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,405,448</u>	<u>\$ 11,405,448</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (1,002,548)
No adjustments to revenues				-
Adjustments to expenditures for salaries, and professional services.				(12,011)
Net change in fund balance (GAAP basis)				<u>\$ (1,014,559)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-19

City of Sunland Park

Joint Utility Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual (non-GAAP basis)	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 1,423,212	1,423,212	2,752,795	\$ 1,329,583
<i>Total operating revenues</i>	<u>1,423,212</u>	<u>1,423,212</u>	<u>2,752,795</u>	<u>1,329,583</u>
<i>Operating expenses</i>				
Personnel services	729,039	729,039	601,726	127,313
Contractual services	336,890	336,890	195,401	141,489
Supplies	164,310	164,310	143,494	20,816
Maintenance and materials	281,061	281,061	248,306	32,755
Utilities	622,084	622,084	600,561	21,523
Equipment	600,846	600,846	377,954	222,892
Miscellaneous	327,115	327,115	255,116	71,999
<i>Total operating expenses</i>	<u>3,061,345</u>	<u>3,061,345</u>	<u>2,422,558</u>	<u>638,787</u>
<i>Operating income (loss)</i>	<u>(1,638,133)</u>	<u>(1,638,133)</u>	<u>330,237</u>	<u>1,968,370</u>
<i>Non-operating revenues (expenses)</i>				
Principal payments	(74,938)	(74,938)	(146,462)	(71,524)
Interest expense	(151,149)	(151,149)	(171,492)	(20,343)
Capital outlay	(3,724,941)	(3,724,941)	(2,062,214)	1,662,727
Tax Revenue	335,454	335,454	302,497	(32,957)
Miscellaneous income	1,628,650	1,628,650	366,753	(1,261,897)
<i>Total non-operating revenues (expenses)</i>	<u>(1,986,924)</u>	<u>(1,986,924)</u>	<u>(1,710,918)</u>	<u>276,006</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(16,072)	(16,072)	-	16,072
Governmental contributions	1,169,941	1,169,941	1,759,146	589,205
Bond proceeds	2,555,000	2,555,000	303,068	(2,251,932)
Transfers in	226,087	226,087	-	(226,087)
Transfers (out)	(309,899)	(309,899)	(74,247)	235,652
<i>Total other financing sources</i>	<u>3,625,057</u>	<u>3,625,057</u>	<u>1,987,967</u>	<u>(1,637,090)</u>
<i>Change in net assets</i>	-	-	607,286	607,286
<i>Net assets - beginning of year</i>	-	-	559,068	559,068
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,166,354</u>	<u>\$ 1,166,354</u>
Net change in net assets (non-GAAP basis)				\$ 607,286
Adjustments to revenues for taxes, operating grants, and charges for services.				451,041
Adjustments to expenditures for operating expenses, salaries, professional services, supplies, maintenance, utilities, tipping fees, equipment maintenance and rental, debt service, contingent loss, depreciation expense, and capital outlay.				1,168,059
Net change in net assets (GAAP basis)				<u>\$ 2,226,386</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-20

City of Sunland Park

Public Housing Authority

Statement of Revenues, Expenses and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual (non-GAAP basis)	Variances
	Original	Final		Favorable
				(Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 84,800	\$ 84,800	\$ 100,360	\$ 15,560
<i>Total operating revenues</i>	<u>84,800</u>	<u>84,800</u>	<u>100,360</u>	<u>15,560</u>
<i>Operating expenses</i>				
Personnel services	100,494	100,494	93,221	7,273
Contractual services	9,300	9,300	5,337	3,963
Supplies	5,172	5,172	2,606	2,566
Maintenance and materials	47,000	47,000	11,488	35,512
Utilities	-	-	-	-
Equipment	200	200	-	200
Depreciation Expense	-	-	-	-
Gross receipts taxes	-	-	-	-
Miscellaneous	78,880	78,880	54,143	24,737
<i>Total operating expenses</i>	<u>241,046</u>	<u>241,046</u>	<u>166,795</u>	<u>74,251</u>
<i>Operating income (loss)</i>	<u>(156,246)</u>	<u>(156,246)</u>	<u>(66,435)</u>	<u>89,811</u>
<i>Non-operating revenues (expenses)</i>				
Principal payments	-	-	-	-
Interest expense	-	-	-	-
Issuance costs	-	-	-	-
Interest income	-	-	-	-
Miscellaneous income	-	-	250	250
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>250</u>	<u>250</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	38,646	38,646	-	(38,646)
Governmental contributions	117,600	117,600	113,194	(4,406)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources</i>	<u>156,246</u>	<u>156,246</u>	<u>113,194</u>	<u>(43,052)</u>
<i>Change in net assets</i>	-	-	47,009	47,009
<i>Net assets - beginning of year (restated)</i>	-	-	490,848	490,848
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 537,857</u>	<u>\$ 537,857</u>
Net change in net assets (non-GAAP basis)				\$ 47,009
Adjustments to revenues for charges for services, investment income, capital grants, maintenance, and sale of assets.				69,066
Adjustments to expenditures for salaries, and depreciation.				(101,526)
Net change in net assets (GAAP basis)				<u>\$ 14,549</u>

The accompanying notes are an integral part of these financial statements

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Deposit and Investment Accounts
June 30, 2011

Deposit Account Type	Wells Fargo Bank	LGIP	NMFA	Totals
City of Sunland Park General Fund - Checking	\$ 662,076	\$ -	\$ -	\$ 662,076
Fire Protection Fund	23,345	-	-	23,345
Senior Citizen Center	674	-	-	674
Law Enforcement Protection Fund	7,764	-	-	7,764
Confiscated Asset Fund	27,995	-	-	27,995
Public Housing Authority Fund	335,735	-	-	335,735
FHMA Debt Service Fund	13,625	-	-	13,625
Motor Vehicle Fund	44,288	-	-	44,288
FHMA Reserve Account	122,122	-	-	122,122
NMED Repl/Fund Account	24,365	-	-	24,365
Border Crossing Account	177,889	-	-	177,889
CRRUA	1,069,936	-	-	1,069,936
Utility Account	27,022	-	-	27,022
Wells Fargo CD	128,160 *	-	-	128,160
LGIP	-	11,444,006	-	11,444,006
NMFA	-	-	128,935	128,935
Total	2,664,996	11,444,006	128,935	14,237,937
Reconciling items	(211,770)	-	-	(211,770)
Reconciled balance June 30, 2011	<u>\$ 2,453,226</u>	<u>\$ 11,444,006</u>	<u>\$ 128,935</u>	14,026,167
				Less: investments - governmental activities - Exhibit A-1 (11,237,469)
				Less: investments - business-type activities - Exhibit A-1 (206,537)
				Less: restricted cash - governmental activities-Exhibit A-1 (128,935)
				Less: restricted cash - buisness-type activities-Exhibit A-1 (354,827)
				Less: cash and cash equivalents - fiduciary funds - Exhibit E-1 (41,085)
				<u>Total cash and cash equivalents - Exhibit A-1</u> <u>\$ 2,057,314</u>

* Interest Bearing Account

See independent auditors' report

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STATE OF NEW MEXICO
City of Sunland Park
Schedule of Changes In Assets and Liabilities
Agency Funds
June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<i>Assets</i>				
Cash	\$ 45,004	\$ 351,309	\$ 355,228	\$ 41,085
<i>Total assets</i>	<u>\$ 45,004</u>	<u>\$ 351,309</u>	<u>\$ 355,228</u>	<u>\$ 41,085</u>
<i>Liabilities</i>				
Due to other governmental agency	\$ 45,004	\$ 351,309	\$ 355,228	\$ 41,085
<i>Total liabilities</i>	<u>\$ 45,004</u>	<u>\$ 351,309</u>	<u>\$ 355,228</u>	<u>\$ 41,085</u>

See independent auditors' report.

STATE OF NEW MEXICO
City of Sunland Park Public Housing Authority
A Department of the City of Sunland Park
Financial Data Schedule
June 30, 2011

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
111	Cash - Unrestricted	\$ 322,899	\$ -	\$ 322,899
113	Current Investments	206,537	-	206,537
100	Total Cash	<u>529,436</u>	<u>-</u>	<u>529,436</u>
126	Accounts Receivable - Tenants	2,576	-	2,576
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>2,576</u>	<u>-</u>	<u>2,576</u>
150	Total Current Assets	<u>532,012</u>	<u>-</u>	<u>532,012</u>
114	Cash - Tenant Security Deposits	8,421	-	8,421
161	Land	150,000	-	150,000
162	Buildings	2,555,715	637,437	3,193,152
163	Furniture, Equipment & Machinery - Dwellings	-	77,273	77,273
166	Accumulated Depreciation	<u>(842,563)</u>	<u>(159,542)</u>	<u>(1,002,105)</u>
160	Total Capital Assets, Net of Accumulated Depreciation	<u>1,863,152</u>	<u>555,168</u>	<u>2,418,320</u>
180	Total Non-Current Assets	<u>1,871,573</u>	<u>555,168</u>	<u>2,426,741</u>
190	Total Assets	<u>\$ 2,403,585</u>	<u>\$ 555,168</u>	<u>\$ 2,958,753</u>

See independent auditors' report

STATE OF NEW MEXICO
City of Sunland Park Public Housing Authority
A Department of the City of Sunland Park
Financial Data Schedule
June 30, 2011

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
313	Accounts Payable > 90 Days Past Due	\$ 2,558	\$ -	\$ 2,558
321	Accrued Wage/Payroll Taxes Payable	4,693	-	4,693
322	Accrued Compensated Absences - Current Portion	1,972	-	1,972
333	Accounts Payable - Other Government	80	-	80
341	Tenant Security Deposits	5,544	-	5,544
310	Total Current Liabilities	<u>14,847</u>	<u>-</u>	<u>14,847</u>
354	Accrued Compensated Absences - Non Current	17,749	-	17,749
350	Total Non-Current Liabilities	<u>17,749</u>	<u>-</u>	<u>17,749</u>
300	Total Liabilities	<u>32,596</u>	<u>-</u>	<u>32,596</u>
508.1	Invested in Capital Assets, Net of Related Debt	1,863,152	555,168	2,418,320
511	Restricted Net Assets	-	-	-
512.1	Unrestricted Net Assets	507,837	-	507,837
513	Total Equity/Net Assets	<u>2,370,989</u>	<u>555,168</u>	<u>2,926,157</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 2,403,585</u>	<u>\$ 555,168</u>	<u>\$ 2,958,753</u>

STATE OF NEW MEXICO
City of Sunland Park Public Housing Authority
A Department of the City of Sunland Park
Financial Data Schedule
June 30, 2011

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
70300	Net Tenant Rental Revenue	\$ 94,039	\$ -	\$ 94,039
70400	Tenant Revenue - Other	-	-	-
70500	Total Tenant Revenue	<u>94,039</u>	<u>-</u>	<u>94,039</u>
70600	HUD PHA Operating Grants	113,003	69,739	182,742
71100	Investment Income - Unrestricted	4,883	-	4,883
71500	Other Revenue	250	-	250
70000	Total Revenue	<u>212,175</u>	<u>69,739</u>	<u>281,914</u>
91100	Administrative Salaries	85,400	-	85,400
91500	Employee Benefit Contributions - Administrative	14,172	-	14,172
93800	Other Utilities Expense	18,220	-	18,220
91600	Office Expenses	53,483	-	53,483
97400	Depreciation Expense	74,874	21,216	96,090
91000	Total Operating Expenses	<u>246,149</u>	<u>21,216</u>	<u>267,365</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>(33,974)</u>	<u>48,523</u>	<u>14,549</u>
10000	Excess (Deficiency) of Operating Revenue Over (Under) Total Expenses	(33,974)	48,523	14,549
	Net Assets at The Beginning of The Year, Restated	<u>2,404,963</u>	<u>506,645</u>	<u>2,911,608</u>
	Net Assets at End of Year	<u>\$ 2,370,989</u>	<u>\$ 555,168</u>	<u>\$ 2,926,157</u>

See independent auditors' report

COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

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

Hector H. Balderas
New Mexico State Auditor
To City Council
City of Sunland Park
Sunland Park, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparison of the general fund and the combining and individual funds and related budgetary comparisons presented as supplemental information of the City as of and for the year ended June 30, 2011 and have issued our report thereon dated May 24, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Housing Authority. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by the other auditor. However, this report, insofar as it relates to the results of the other auditors is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective 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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we and the other auditors identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS 2002-01, FS 2003-04, FS 2008-04, FS 2010-04, FS 2011-01, FS 2011-02, FS 2011-04, FS 2011-07, FS 2011-08, FS 2011-13, FS 2011-14, FS 2011-16, Finding 01, Finding 04, Finding 05, Finding 06, Finding 07, Finding 09, Finding 10, Finding 12, Finding 13, Finding 20, Finding 21, Finding 22, Finding 24, and Finding 26 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider certain deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies (See findings FS 2010-07, FS 2011-03, FS 2011-05, and FS 2011-06).

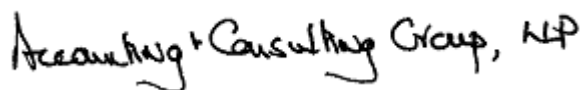
Compliance and Other Matters

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 and those of the other auditors did disclose one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* (See finding FS 2011-11).

We also noted certain other 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 questioned costs as items FS 2002-03, FS 2002-04, FS 2010-05, FS 2011-09, FS 2011-12, FS 2011-15, FS 2011-17, and FS 2011-18.

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

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



Accounting & Consulting Group, LLP
Albuquerque, New Mexico
May 24, 2013

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector H. Balderas
New Mexico State Auditor
To City Council
City of Sunland Park
Sunland Park, New Mexico

Compliance

We have audited the City of Sunland Park's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular *A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item FA 2011-02.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal programs to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal programs on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal programs will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items FA-2011-01 and FA 2011-02. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, the New Mexico Legislature, New Mexico Department of Finance and Administration-Local Government Division, 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.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
May 24, 2013

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Schedule IV

Federal Grantor Program Title	Federal CFDA Number	Federal or Pass Through Grant / Project Number	Federal Expenditures
<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>			
Department of Housing and Urban Development			
<i>Pass through New Mexico DFA-Local Government Division</i>			
Community Development Block Grants/State's Program <i>Direct</i>	14.228	09-C-NR-1-07-G-26	* \$ 92,649
Public Housing Capital Fund <i>Direct</i>	14.872		69,738
Brownfields Economic Development Initiative <i>Direct</i>	14.246		* 282,565
Public and Indian Housing	14.850		<u>113,004</u>
Total U.S. Department of Housing and Urban Development			<u><u>557,956</u></u>
U.S. Department of Justice			
<i>Direct</i>			
ARRA-Public Safety Partnership and Community Policing Grants	16.710		<u>36,506</u>
Total U.S. Department of Justice			<u><u>36,506</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 594,462</u></u>

* Major Program

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented on the cash basis of accounting, which is a different basis as was used to prepare the fund financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Sub-recipients

The City of Sunland Park did not provide any federal awards to sub-recipients during the year.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 594,462
Total expenditures funded by other sources	<u>9,838,508</u>
Total expenses per Exhibit A-2	<u><u>\$ 10,432,970</u></u>

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2011

Section I – Summary of Audit Results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditors’ report issued | Unqualified |
| 1. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | Yes |

Federal Awards:

- | | | | | | | | |
|--|--|-----------------|--------|--|--------|---|--|
| 1. Internal control over major programs: | | | | | | | |
| a. Material weaknesses identified? | No | | | | | | |
| b. Significant deficiency identified not considered to be a material weakness? | Yes | | | | | | |
| 2. Type of auditors’ report issued on compliance for major programs | Unqualified | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes | | | | | | |
| 4. Identification of major programs: | | | | | | | |
| <table style="border-collapse: collapse; margin-left: 20px;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">CFDA
Number</td> <td style="padding-left: 20px; border-bottom: 1px solid black;">Federal Program</td> </tr> <tr> <td style="text-align: center;">14.228</td> <td style="padding-left: 20px;">Community Development Block Grants/State’s Program</td> </tr> <tr> <td style="text-align: center;">14.246</td> <td style="padding-left: 20px;">Brownfields Economic Development Initiative</td> </tr> </table> | CFDA
Number | Federal Program | 14.228 | Community Development Block Grants/State’s Program | 14.246 | Brownfields Economic Development Initiative | |
| CFDA
Number | Federal Program | | | | | | |
| 14.228 | Community Development Block Grants/State’s Program | | | | | | |
| 14.246 | Brownfields Economic Development Initiative | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 | | | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | | | |

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2011

Section II -Findings-Financial Statement Audit

**FS 2002-01 Insufficient Attention Given to Accounting and Internal Control Processes – (Material Weakness)
-Repeated and Modified**

Condition: During the entity-wide internal controls evaluation, it was noted that an accounting procedures manual has not been adopted, and policies and procedures that adequately define accounting and reporting responsibilities has not been documented.

Criteria: Good accounting practices required the City 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.

Effect: Employees are not performing the proper accounting procedures to generate reliable financial records that can be utilized for reporting and decision making. Material misstatements could occur on the financial statements

Cause: Inadequate employee supervision and lack of proper training.

Auditors' Recommendation: Management should 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. 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 reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can help to assure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in a form that management can use to make sound and effective decisions. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs. It will take some time and effort for management to develop a manual; however, that time and effort will be more than offset by time saved in training and supervising accounting personnel.

Management's Response: Management concurs with the finding. In an October 31, 2012 letter from the Department of Finance and Administration Cabinet Secretary to the City of Sunland Park Governing Body, there is a specific stipulation the City must "Contract with certified public accountants to (ii) develop a manual of accounting policies and procedures."

On December 5, 2012, a Request for Proposal (RFP) was issued for the Development of Manual of Accounting Policies and Procedures (MAPP). The RFP was emailed to all firms on the 2012 Approved Audit Firm list issued by the Office of the State Auditor. On March 5, 2013, the Sunland Park City Council awarded the engagement to a Las Cruces CPA firm. The first meeting to begin the MAPP process was on March 22, 2013.

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Section II -Findings-Financial Statement Audit-(continued)

FS 2002-03 Submission of Audit Report for Fiscal Year June 30, 2011-(Other Matter) repeated and modified

Condition: The fiscal year 2011 audit report for the City was not delivered to the State Auditor by the December 1, 2011 due date.

Criteria: State regulation 2.2.2.9 NMAC requires that audit reports for municipalities be submitted by December 1, and that late audit be reported as a finding in the audit report.

Effect: Delays on the submission of the audit report could have an impact on the 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.

Cause: The City did not procure an auditor for 2011 audit until January 31, 2013; therefore the 2011 audit started after the December 1, 2011 due date.

Auditors' Recommendation: We recommend the City procure audits timely upon receipt of the annual notification received from the Office of the State Auditor.

Management's Response: Management concurs with this finding. The FY2010-2011 and FY2011-2012 audits are both late. The FY 2012-2013 audit will be filed on time.

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Section II -Findings-Financial Statement Audit-(continued)

FS 2002-04 Legal Compliance With Budget-(Other Matter) repeated and modified

Condition: During our review of budgetary compliance for fiscal year ending June 30, 2011 we noted the following fund had payments in excess of approved budgets:

Fund	Final budget	Actual expenditures	Budget overage
Fire Protection Fund	\$213,396	\$314,272	\$100,876
Emergency Medical Services	\$10,954	\$14,046	\$3,092
Traffic Safety Fund	\$15,017	\$30,782	\$15,765

Criteria: Section 6-6-6 of the New Mexico state statues restricts all officials and governing authorities from approving claims in excess of the approved budget.

Effect: Noncompliance with New Mexico state statues subjects the City officials and personnel to punishment as defined by state statues.

Cause: Inadequate monitoring of budget to actual performance throughout the year and failure to amend the budgets as necessary caused the overages to occur.

Auditors' 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 New Mexico Department of Finance and Administration timely for approval so that budgets can be amended when needed.

Management's Response: Management concurs with the finding. Financial statements currently are reviewed monthly for any necessary budget adjustments.

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Section II -Findings-Financial Statement Audit-(continued)

FS 2003-04 Lack of Separation of Duties – (Material Weakness) repeated and modified

Condition: During internal controls process walkthroughs, it was noted that the same person who records cash receipts also reconciles the general ledger for all bank accounts, transfers funds between accounts, prepares journal entries to correct errors in posting of all transactions, and posts the budget. One person prepares payroll and enters personnel data. There is a lack of controls in place to ensure separation of duties among employees.

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

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

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

Auditors' Recommendation: Although the City's office staff is minimal, 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 cash receipts entries. The person that posts and generates payroll checks should not be the same person that adds new employees to the system and the same person that reconciles payroll cash transactions. Also, the person that posts and reconciles transactions should not be the same person that corrects his or her own errors. Because this is difficult to implement with an accounting department of just a few individuals, all of whom are involved in day-to-day record keeping, test reconciliations should be made periodically by management, who, in addition, should review and approve, in writing, all reconciliations which he or she does not prepare personally.

Management's Response: Management concurs with the finding. At the time this audit was conducted, the City's Finance Department consisted of one employee. This employee is supported by one on-site DFA/LGD employee, and one part-time independent contractor.

At no time does the Finance Department handle cash and rarely does it make deposits. All cash receipts (Public Housing, Motor Vehicle, and Reception Desk) are processed by non Finance Department personnel. The "recording" of cash receipts is limited to entering in the general ledger the receipts and deposits collected by others, writing the cash receipt code on some checks so the reception desk will know how to record it, and any deposits that are electronically made. Bank reconciliations are completed by the independent contractor.

Until there is sufficient Finance Department Staff to separate duties, journal entries will be reviewed and approved by the Mayor (until a City Manager is hired) prior to entering into the general ledger. The Mayor (City Manager) will also review and approve all bank reconciliations.

The City has Dual Control on all electronic payments, or transfers between accounts. Electronic payments, or transfers between funds, are initiated by the on-site DFA employee, and must be approved by the assigned DFA Budget Analyst or by the Department of Finance and Administration, Local Government Division Director prior to the bank releasing the funds.

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Section II -Findings-Financial Statement Audit-(continued)

FS 2003-04 Lack of Separation of Duties – (Material Weakness) repeated and modified-(continued)

The City now has a full time Human Resource Director who has access to the Human Resource Module that interfaces with the Payroll Module. The City will explore having the Human Resource Director enter/modify personnel data and have the payroll processor verify it prior to processing payroll.

A recent IRS audit has Administration considering outsourcing the payroll functions again. If the decision is to keep payroll in-house, an additional employee will be hired to fulfill these duties. In addition, this new employee would be available to help with the segregation of duties within the Finance Department.

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Section II -Findings-Financial Statement Audit-(continued)

FS 2008-04 Capital Assets – (Material Weakness) repeated and modified

Condition: Based on the auditors' understanding of the capital assets process, it was noted that an inventory of capital assets has not been performed for fiscal year 2011.

Criteria: 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.

Effect: Lack of an annual inventory and incomplete supporting documentation could lead to theft, misuse or unauthorized disposal without detection.

Cause: The City has not had the time and resources to perform an annual inventory.

Auditors' Recommendation: The City should maintain and update an accurate listing of all capital assets, owned by the City and obtain services of an appraisal company to conduct an inventory of their capital assets.

Management's Response: Management concurs with the finding. In an October 31, 2012 letter from the Department of Finance and Administration Cabinet Secretary to the City of Sunland Park Governing Body, there is a specific stipulation the City must "Contract with certified public accountants to (i) design and oversee the conducting of a physical inventory."

The City issued an RFP for this process on December 5, 2012. The responses were not what the City expected in either procedure or fee. In 2012, the City divested all of its Water, Wastewater, and Solid Waste operations and assets to other entities thereby downsizing the size of the City assets considerably.

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Section II -Findings-Financial Statement Audit-(continued)

FS 2010-04 Lack of Supporting Documentation for Receipts –(Material Weakness) repeated and modified

Condition: During our test work of internal controls surrounding the cash receipts process, it was noted that the city clerk could not provide us a listing of cash receipts to select samples from.

Criteria: Good internal controls and sound business practices require that the City provide adequate support for receipts and ensure that receipts are correctly recorded in deposit books and the general ledger.

Effect: Lack of internal controls over receipts creates a high risk of theft in the area of receipts. We were not able to test controls surrounding the cash receipts process for the City Clerk's department.

Cause: The City was not keeping good records. Complete cash receipt listings requested could not be provided to the auditor.

Auditors' Recommendation: We recommend that the City implement a process to ensure that supporting documentation for all receipts and deposits is retained and readily available.

Management's Response: Management concurs with the finding. The Water Department's relocation from City Hall and subsequent move to CRRUA's offices has caused many records to be misplaced. Not all records have been located for previous years.

Currently, the Motor Vehicle Division and Public Housing Authority maintain their own cash receipt and deposit systems. Each entity provides a copy of their information to the Finance Department for recording. All other, non-electronic, receipts are recorded by the reception desk at City Hall. Again, a copy of their transactions is provided to the Finance Department. Electronic receipts are received and processed directly by the Finance Department.

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Section II -Findings-Financial Statement Audit-(continued)

FS 2010-05 Per Diem and Mileage Act-(Other Matter) repeated and modified

Condition: During our testwork of compliance with the State's Per Diem and Mileage Act we noted 3 instances out of 5 tested in which the City had insufficient documentation necessary to support reimbursement of travel expenditures to employees (see checks 53487,53751, and 53493).

Criteria: Good accounting practices require travel reimbursement to be adequately supported by approved invoices that contain receipts or other evidence to support reimbursement payments to employees.

Effect: \$440.31 was reimbursed to employees without sufficient supporting documentation. The auditors could not determine if the City complied with the State's Per Diem and Mileage Act for fiscal year ending June 30, 2011.

Cause: The timing of the audit relative to when the transactions occurred contributed to the finding. It could not be determined if the documents requested were misplaced, lost, or were never there to begin with

Auditors' Recommendation: We recommend the City scan in copies of checks and supporting documentation to create an electronic copy of the documentation. This will preserve a proper audit trail necessary to ascertain compliance with the Per diem and Mileage Act.

Management's Response: Management concurs with this finding. While some of these checks had sufficient documentation regarding the expenses, the purpose of the trip and its relation to City business is vague at best. Better documentation will be required regarding the purpose of the trip and how it relates to city business.

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Section II -Findings-Financial Statement Audit-(continued)

FS 2010-07 Payroll Records– (Significant Deficiency) - repeated and modified

Condition: We noted during our payroll internal control testing that one out of five timesheets tested did not agree to the Payroll Register. Per the timesheet, the employee worked 80 hours. Per payroll register, the employee was paid for 81 hours.

Criteria: Good accounting practices require accurate payroll documentation to be kept by the City.

Effect: The effect of this error is that the City paid an employee an additional \$8.62 for time that was not worked. With the reason for the error being unknown, it is possible that fraudulent payroll amounts could have been paid to employees.

Cause: The cause for this error in payroll is unknown. Upon inquiry with management and personnel it is unknown why this error occurred.

Auditors' Recommendation: We recommend that the City implement a system whereby the payroll register is reviewed by someone other than the payroll preparer prior to checks being cut, to ensure that timesheet hours agree to payroll register hours.

Management's Response: Management concurs with this finding. A review of the this payroll period's time sheets indicated many employees were paid 1 hour more than their time sheet stated. This would lead to the conclusion that some kind of management approved extra compensation was granted (admin leave, bonus, etc.). However, a search of available records and discussions with some of the employees from that time period did not support this conclusion.

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Section II -Findings-Financial Statement Audit-(continued)

FS 2011-01 Governing Body Lack of Active Involvement/Significant Influence Over the City's Internal Control Environment –(Material Weakness)

Condition: During the course of the audit, we noted upper management and City Council are not actively involved in remediation of prior year audit findings, ensuring compliance with state laws and proper oversight of internal controls surrounding the City's accounting function

Criteria: Good internal controls and sound practices require that those charged with governance are actively involved and have significant influence over the City's internal control environment and its financial reporting.

Effect: Negligence toward internal controls and financial reporting reduces the effectiveness of the internal control environment and increases risk of error/fraud.

Cause: The former and current elected council members do not consistently participate in monthly council meetings and have done little to resolve internal control weaknesses and findings noted in prior year audits.

Auditors' Recommendation: We recommend that the City monitor participation in monthly council meetings and have periodic meetings with the Finance Department to discuss the status of all prior year and current audit findings.

Management's Response: Management concurs with the audit finding that the governing body lacks active involvement and significant influence in the City's internal control environment. To promote regular and consistent attendance to council meetings, management will propose to the Council the adoption of a financial penalty for chronic tardiness and absenteeism to be deducted from the elected officials' pay and as permissible by the Open Meetings Act. Effective April 1, 2013, the Council will begin to discuss over subsequent meetings the completed audit results from 2010, the Special Audit conducted by the State Auditors' Office in 2012, and the current audits being conducted for 2011 and 2012. Each finding will be discussed by the Council until it is clear that the finding will be rectified or prevented from occurring again.

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Section II - Findings-Financial Statement Audit-(continued)

FS 2011-02 Lack of Ethics Policy – (Material Weakness)

Condition: During our review of entity-wide internal controls, it was noted that the City lacks a code of conduct or ethics policy to set the tone for standard of conduct.

Criteria: The foundation for internal controls and sound practices require integrity and ethical values as the standard of conduct for the City and financial reporting.

Effect: Without an ethics policy or code of conduct, violations or departures from policy cannot result in a clear and appropriate disciplinary action. Without an ethics policy or code of conduct to guide behavior, the City is at risk of an inappropriate ethical tone.

Cause: The City does not have a specific policy regarding ethics or code of conduct.

Auditors' Recommendation: We recommend that the City formally implement an ethics policy or code of conduct to set a tone of ethical behavior as the standard of conduct for the City. The policy should be communicated to management, department heads, and all employees. The policy should include disciplinary action to be taken for violation of policy.

Management's Response: Management agrees with the finding that the City lacks an ethics policy. The Mayor is currently working to establish a committee consisting of a city councilor, department head, and member of the community to develop an ethics policy and code of conduct to be presented before the Council for adoption. The policy shall include, but not limited to, the accepted standards of behavior of elected officials, City employees, and members of the community at public meetings and disciplinary action to be taken for violation of policy. While the city currently has no separate "Code of Conduct" policy, the city's Personnel Rules and Regulations do address conduct unbecoming of a city employee. These are noted under Article 6 Conditions of Employment – Employee Rights that reads as followed:

3-6-1 PUBLIC EMPLOYMENT AS A PUBLIC TRUST

In performing their duties, and in their many contacts with residents and visitors, employees in the service of the City should be continually aware that public impression of the City government is based upon the employee's manner, appearance, speech and conduct. The City government is dependent upon standards of reliability, integrity, industriousness, helpfulness, courtesy, efficiency, patience, grooming, dress, and language which are appropriate to the work situation and acceptable to the majority of the residents of the City. An employee in the service of the City, away from the job, shall exercise the same rights as any other private citizen insofar as they do not interfere with the employee's performance on the job or undermine public confidence in that employee or other City employees.

3-6-2 LOYALTY AND DILIGENCE IN THE CITY SERVICE

During his hours of active duty, each employee shall devote his whole time, attention, and efforts to his office or employment, and may not perform or be required to perform any service except for the benefit of the City. No employee of the City may engage in any employment, activity, or enterprise which is inconsistent, incompatible, or in conflict with his duties, or functions and responsibilities of the department or other agency in which the officer or employee is employed. The Department Director, with the approval of the Mayor, shall declare the activities which

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Section II -Findings-Financial Statement Audit-(continued)

FS 2011-02 Lack of Ethics Policy – (Material Weakness)-(continued)

will be considered inconsistent, incompatible or in conflict. In making determinations, consideration shall be given to employment, activities, or enterprises which:

- A. involve the use for private gain or advantage of City time, facilities, equipment including automobiles, and supplies, or the badge, uniform, prestige or influence of City office or employment;*
- B. involve receipt by the employee of any money or other consideration for the performance of any act required by him as a City employee; or*
- C. involve the performance of an act in other than his capacity as City employee which act may later be subject directly or indirectly, to control, inspection, review, audit or enforcement by the employee or by the agency in which he is employed.*

At the time that the city's Personnel Rules and Regulations are revised, recommendation will to have a specific section addressing a "Code of Conduct" to be included.

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Section II -Findings-Financial Statement Audit-(continued)

FS 2011-03 Lack of Effective Upstream Communication – (Significant Deficiency)

Condition: During our evaluation of entity-wide internal controls, it was noted that the organizational structure of the City lacks a channel for which employees can communicate information upstream. Clearly defined lines of authority and reporting for communication of pertinent information are not made known to employees.

Criteria: Good internal control practices require that the organizational structure of the City be designed to promote a sound control environment. Authority and responsibility, appropriate reporting lines, and free flow of information across the City should provide unfettered influence to effectively run the City and support effective financial reporting. Upstream communication should be used by management to improve performance and enhance internal control. A whistleblower process meets regulatory compliance requirements.

Effect: Employees do not know who to report information to, or if there will be consequences for reporting information upstream. Reporting lines are unclear.

Cause: An unstable organizational structure and the lack of a clearly defined method for communicating important information upstream have contributed to a lack of clear communication channels between employees and those charged with governance. In addition, the culture at the City has been for employees to keep important information to themselves rather than communicate it.

Auditors' Recommendation: We recommend that the City implement and document an organizational structure that clearly indicates where/how employees should communicate information upstream. Reporting lines should be indicated and free flow of information should be encouraged. Separate lines of communication should be in place to serve as a "fail-safe" mechanism in case usual channels are inoperable or ineffective. The City should communicate a whistleblower process which would allow for anonymity for individuals who report possible improprieties.

Management's Response: Management agrees with the finding that the City has a lack of effective upstream communication. The disorganization of the City and several vacated positions has disrupted the flow of information. The human resource department will create and maintain an organizational chart that clearly indicates the chain-of-command and how employees should communicate information upstream. The free flow of information is encouraged by the current management. Management will also propose the development of a City website where employees and citizens can anonymously report possible improprieties.

Upon the revision of the City of Sunland Park Personnel Rules and Regulations, a recommendation will be to include an organizational structure chart and New Mexico Whistleblower Protection Act to be incorporated into this document. The chart will provide clear lines of communications between all levels in the organization to flow information from line employees up to management and ultimately the governing body. In addition, the Whistleblower Protection Act will ensure employees that any report of unlawful or improper acts will not be used against them in any form or retaliation.

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Section II -Findings-Financial Statement Audit-(continued)

FS 2011-03 Lack of Effective Upstream Communication – (Significant Deficiency)-(continued)

NEW MEXICO WHISTLEBLOWER PROTECTION ACT

The New Mexico Whistleblower Protection Act, §10-16C-1 through §10-16C-6, NMSA 1978, prohibits a city from taking any discriminatory or adverse employment action against a public employee because the public employee (A) communicates to the public employer or a third party information about an action or a failure to act that the public employee believes in good faith constitutes an unlawful or improper act, (B) provides information to, or testifies before, a public body as part of an investigation, hearing or inquiry into an unlawful or improper act, or (C) objects or refuses to participate in an activity, policy or practice that constitutes an unlawful or improper act. The Act waives sovereign immunity for a city in causes of action arising out of claims by public employees whose employment was allegedly terminated for reporting an unlawful or improper act.

The Act gives a public employee who claims that his suspension, termination, or other discriminatory or adverse personnel action was in retaliation for his good faith reporting of unlawful or improper acts the right to sue for damages and other relief. An employee who is allegedly retaliated against for reporting an unlawful or improper act is entitled to sue for: (1) injunctive relief; (2) actual damages; (3) court costs; and (4) reasonable attorney fees. In addition, the employee may also be entitled to reinstatement to the employee's former position, compensation for wages lost; and reinstatement of fringe benefits and seniority rights lost.

FS 2011-04 Lack of Performance Evaluation – (Material Weakness)

Condition: We noted during our review of the control environment surrounding the payroll process that the City did not conduct annual performance evaluations.

Criteria: Per 3-5-22 A. of Article 5, City of Sunland Park Personnel Rules and Regulations, evaluations shall be done at least once annually prior to July 1 of each year.

Effect: An implemented policy is not effective unless the policy is followed. Disregarding to policy leads to an ineffective internal control environment and contributes to a tone that is inconsistent with a sound internal control environment. Without proper feedback, there is a possibility that employees could be performing their duties incorrectly, and without a documented evaluation it would be difficult for the City to correct this. Also, when employees do not receive raises fraud risk increases.

Cause: The City is not following internal policy regarding evaluation of employee performance.

Auditors' Recommendation: We recommend that the City conduct and document evaluations per written City policy.

Management's Response: From inspection of the personnel files, it is evident that no evaluations were conducted in 2010 and 2011. The latest performance evaluations on file were conducted some time in December 2012. The City will require that all department heads evaluate their employees between May and June of each year to comply with Section 3-5-22A of Article 5 of the City's Personnel Rules and Regulations. Reminders of evaluations will be emailed to all department heads a month in advance.

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Section II -Findings-Financial Statement Audit-(continued)

FS 2011-05 Lack of Current Job Descriptions – (Significant Deficiency)

Condition: We noted during our review of the control environment surrounding the payroll process that job descriptions are out of date and are inconsistent with duties/processes currently being performed.

Criteria: Best practices require that job descriptions be maintained regularly. Accurate job descriptions ensure employees understand their roles and what they need to do to be held accountable.

Effect: Without updated job descriptions, employees may not be fully aware of their role and responsibilities and how their position fits into the internal control structure.

Cause: The City has not had the time and resources to update job descriptions.

Auditors' Recommendation: It is recommended that in addition to drafting an accounting procedures manual, the City draft current job descriptions for all City positions to inform current and future employees of their duties.

Management's Response: As part of the process to revise the City of Sunland Park Personnel Rules and Regulation, there is also the plan to update job descriptions for all departments. Currently HR is working with the Fire Department to bring forth updates to job descriptions for fire personnel. In addition, every job description will need to be reviewed and updated.

DFA with the recommendation of the NM State Personnel Office has indicated that the City request assistance in developing a model HR system or go through an RFP for Review and re-development of Personnel Rules and Regulations. While internal efforts are in processes, the City will need to find funds to go through the RFP process.

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Section II -Findings-Financial Statement Audit-(continued)

FS 2011-06 Lack of Established Practices for the Identification and Mitigation of Risks – (Significant Deficiency)

Condition: During our review of internal controls surrounding the City's risk assessment process, we noted that mechanisms are not in place to identify risks applicable to the City and financial reporting objectives, including fraud risk.

Criteria: Good internal control practices require that management has a process in place to identify risks potentially impacting the achievement of financial reporting objectives.

Effect: Without a risk assessment approach to identify potential risks applicable to the City, the City is vulnerable to errors and/or fraud. Without a proactive risk assessment, errors or fraud could occur and go undetected.

Cause: Management approach to risk has been reactive rather than proactive. Management does not proactively evaluate risks applicable to the City.

Auditors' Recommendation: It is recommended that the City establish a practice for the identification of risks affecting the City. Mechanisms that should be in place to identify risks applicable to the City and financial reporting objectives include a) changes in operating, economic, and regulatory environments; b) participation in new programs and activities; c) new service offerings. The City should consider routine events or activities that may affect the City's ability to meet its objectives as well as nonroutine events. The City should develop forward looking mechanisms to provide early warning of potential risks relevant to preparation of financial statements. Any risks related to the ability of an employee to initiate and process unauthorized transactions should be appropriately identified. Fraud assessments should be part of the risk identification process. The assessment of fraud risk should consider incentives and pressures, attitudes, and rationalizations as well as the opportunity to commit fraud. The assessment of fraud risk should consider risk factors relevant to its activities and to the geographic region in which the City operates. Plans should be implemented to mitigate identified risks.

Management's Response: Management concurs with the finding that the City has a lack of established practices for the identification and mitigation of risks. Management will propose the establishment of a risk assessment team and the development of a risk management plan that includes, but is not limited to, document reviews, checklists analyses, information gathering, and diagramming techniques.

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Section II -Findings-Financial Statement Audit-(continued)

FS 2011-07 Lack of Adequate Internal Control Design Over MVD Cash Receipts – (Material Weakness)

Condition: We noted during our review of internal controls surrounding the cash receipts process at the Motor Vehicle Department that there is inadequate internal control design in the MVD cash receipts process. Motor Vehicle Department utilizes an electronic system for collection of State cash receipts, however, the system for collection of City cash receipts lacks a system of internal control. An electronic system is not used for the City side of cash receipting. MVD does not utilize the Finance software system in use by other City departments. The MVD primarily accepts cash (credit card payments are not accepted) and the transactions are accounted for by being handwritten onto a daily clerk sheet. At the end of the day the handwritten clerk sheet is initialed by the MVD Manager, however, there is no way for the manager to know if transactions were omitted from the clerk sheet. The clerks do not use cash registers or a tape system to compare to the clerk sheets and make their drawers balance. Receipts are handwritten and are not sequenced or prenumbered. Completeness of transactions cannot be verified by the MVD Manager or the Finance Department. It is possible that MVD clerks could pocket cash as there is not a control in place to prevent this. There is also not a detective control in place to detect this occurrence.

Criteria: A strong system of controls requires separation between custody of assets, recording of transactions and authorization of transactions. The employees with custody to cash should not have responsibility for recording transactions, especially when there is not a method in place for oversight or reconciliation of those transactions.

Effect: Without effective internal controls over cash collections the MVD is vulnerable to employee theft of cash. The Motor Vehicle Department may not be correctly reporting cash receipts to the Finance Department. Prevention and detection mechanisms are not in place for the risk of theft to cash.

Cause: The MVD Department has a history of performing the cash receipts process in this manner.

Auditors' Recommendation: We recommend that the MVD Department develop internal controls to safeguard cash collected. An electronic point of sale system similar to the State MVD system could be implemented, or a software module could be utilized similar to the system in use at the Clerk's office. Cash register systems could be utilized to provide a method for balancing drawers at the end of the day. It is recommended that prenumbered, sequenced receipts be used as well.

Management's Response: In response to the internal audit conducted by Accounting & Consulting Group, LLP recommendations and possible resolution will be recommended to the mayor and city council to effectively implement and adapt to the motor vehicle department a cash collection software system through InCode in which all monies collected are accounted for and maintain an adequate control of receipts through a point of sale controller.

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Section II -Findings-Financial Statement Audit-(continued)

FS 2011-08 Lack of Internal Control over Invoice Processing – (Material Weakness)

Condition: During 2011 disbursement test work performed, one of five invoices tested were not signed or initialed indicating approval. The amount of the disbursement not signed totaled \$4,494.

Criteria: Sound internal control practices require invoice approvals prior to purchases being made. Per City processes and procedures, invoices are to be signed prior to purchases being made.

Effect: Lack of evidenced approval on invoices tested indicates a lack of purchasing approval. Fraudulent purchases could go undetected.

Cause: The City is not following internal procedures regarding approval of invoices.

Auditors' Recommendation: It is recommended that the City follow disbursement processes and procedures regarding approval of invoices.

Management's Response: Management is unable to address this finding directly. It is assumed the findings reference to "invoice" really is addressing a receiving report. Actual "invoices" were not approved prior to DFA's intervention in May 2012. Approval to make payments was based on signature on a receiving report or a copy of the purchase order if no receiving report was available. It is possible a payment was made without all the appropriate approvals in place. It was also not common practice for Department Directors to approve payments. It was often times delegated to an assistant.

As of May 23, 2012, all original invoices must be signed by the Department Director only prior to payment being made. A bright pink sticker is attached to each invoice where the Department Director signs indicating their approval. The use of this sticker makes is easy to verify the invoice has been signed.

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Section II -Findings-Financial Statement Audit-(continued)

FS 2011-09 Lack of Review and Approval Cash Receipts Process – (Other Matter)

Condition: During our 2011 cash receipts testwork, we found that of eight daily MVD clerk sheets, the MVD Manager failed to initial four. We also noted that a deposit receipt was not initialed by the Finance Department.

Criteria: Strong internal controls require review and approvals throughout accounting processes. The City process for cash receipting includes department heads (managers) signing clerk sheets or end of day packets prior to turning them into the Finance Department. The Finance Department initials deposit receipts to indicate the deposit amount has been matched to the amount per bank account activity.

Effect: End of day receipt numbers were not approved indicating accuracy, and deposit amounts were not matched by the Finance Department to indicate accuracy. Missing receipts could go undetected.

Cause: The City did not follow their cash receipts review and approval process.

Auditors' Recommendation: It is recommended that the City follow process/policy for the cash receipts process.

Management's Response: In response to the audit conducted by Accounting & Consulting Group, LLP the City forms were updated and now the manager's initials are required as well as the agents, on the added line this will prevent from manager and agents signing off on daily city form in the future attached is the new updated city sheet form which became effective on 03/14/2013 @ 11:04 am.

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2011

Section II -Findings-Financial Statement Audit-(continued)

FS 2011-11 Improper termination payment-(noncompliance)

Condition: During our inquiry of responsible government officials about the possibility of noncompliance with the provisions of contracts that could have a direct and material effect on the financial statements and resulting corroborative testwork, we noted the following conditions:

-On October 22, 2010, a former City Manager prepared or had prepared under his direction an improper City Administrator Employment Contract which added a six month severance pay benefit that was not approved by the City Council.

-The contract provided the former City Manager a “2 year guarantee of employment and in the event the former City manager was terminated by the City after commencement of the contract (October 21, 2010), and before expiration of any one year term of employment (October 21, 2011), then in that event...he will be paid six months’ severance pay.”

-The contract was signed by the former Mayor and former City Manager but never approved by the City Council.

-The former City Manager was terminated on July 14, 2011 and was paid 6 months of severance pay on July 18, 2011. Gross severance pay before taxes and deductions totaled \$47,499.

-The former City Manager had entered into an implied unwritten employment contract with the City on October 21, 2010 by appearing for work and having his information entered into the city payroll system at a salary of \$95,000 per year. The actual employment contract consisted of the Council offer of employment by its approval of the former mayor’s recommendation to hire the former city manager on October 20, 2010. The implied contract contained no severance pay benefit clause thus no severance pay benefit should have been paid.

Criteria: The City’s Personnel Rules and Regulations Article 11 section 3-11-3 termination pay prohibited payment to the former City Manager in excess of earned wages. It states as follows:

“Terminating employees in the service of the City shall receive payment for all earned wages and unused accrued annual leave through the effective day of the employee’s termination.”

Article IX section 14 of the New Mexico Constitution prohibited the City from making payments to the former City Manger without receiving anything of value in return. It states as follows:

“Neither the state nor any county, school district or municipality, except as otherwise provided in the constitution shall directly or indirectly lend or pledge its credit or make any donation to or in the aid of any person, association public or private corporation.”

Article IV section 27 of the New Mexico Constitution prohibited the City from paying the former City Manager extra compensation after the implied contract was made in excess of what was allowed by the City’s personnel ordinance which did not provide for any severance pay benefit. It states as follows:

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2011

Section II -Findings-Financial Statement Audit-(continued)

FS 2011-11 Improper termination payment-(noncompliance)- (continued)

“No laws shall be enacted giving any extra compensation to any public officer, servant, agent or contract after services are rendered or contract made; nor shall the compensation of any officer be increased or diminished during his term of office, except as otherwise provided in this constitution.”

Effect: City funds in the amount of \$47,499 were improperly paid to the former City Manager. The City was in apparent violation of the State’s Anti Donation Clause Article IX section 14 and Article IV section 27 prohibiting extra or increased compensation for officers, contracts, etc.

Cause: The former City Mayor and City Manager’s circumvented written City polices and state laws through execution of a second contract dated October 22, 2010 that was not approved by City Council and through approval of the final payment by the former City Mayor through a memorandum to the Human Resource director dated July 15th 2011.

Auditors’ Recommendation: We recommend future termination payments for all City Officials be reviewed by Legal Counsel and City Council to ensure compliance with personnel rules and regulations and state laws.

Management’s Response: Management concurs with this finding. The City’s legal council prepared, but not filed, the paperwork to file suit against the former employee in an attempt to recoup at least some of the funds paid. Even if a suit is successful, it is questionable if this previous employee has the resources to repay a judgment making the process to proceed financially questionable.

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2011

Section II -Findings-Financial Statement Audit-(continued)

FS-2011-12 PERA and RHC Compliance- (Other Matter)

Condition: During our testwork over compliance with the Public Employee Retirement Association's (PERA) requirements and the Retiree Health Care Act (RHC), we noted the City was unable to produce any documentation supporting its contributions to PERA and RHC for the period of July 1, 2010 through December 31, 2010. In addition, we noted the City was not reporting 100% of the wages to both PERA and RHC for the entire fiscal year ending June 30, 2011.

Criteria: Section 10-11-1 to 10-11-141 NMSA 1978 requires 100% of wages to be reported to PERA including wages excluded from PERA membership. New Mexico state auditor rule 2.2.2.10 (7) requires auditors to test to ensure 100% of payroll is reported PERA and RHC.

Public Employees Retirement Association rule 2.8.5008 Remittance of Contributions requires each public employer be responsible for deducting the applicable contribution from the salary or wages paid to each member for each payroll period. The employer is responsible for transmitting to PERA the member and employer contributions for every member in its employment for each pay period on or before the fifth working day following the payday applicable to the pay period.

Effect: Because documentation was missing, the auditors were unable to ascertain if the City was in compliance with PERA and RHC requirements for fiscal year ending June 30, 2011.

Cause: The timing of the audit contributed to the missing documentation. Payroll for the period the documentation was missing was handled by an outside accounting firm which was unable to reproduce the documentation. The City was unaware of the requirement to report 100% of wages to PERA.

Auditors' Recommendation: We recommend the City retain all documentation necessary to support PERA and RHC contributions and report 100% of wages to PERA as required.

Management's Response: Management concurs with this finding. The City has been unsuccessful in extracting the information directly from the payroll system into the format required by PERA. Further work needs to be conducted on the various data tables in the payroll system before another attempt is made. It is doubtful this fix will be made before the end of FY2012/2013.

The City has been current with all PERA report and contribution filings since late 2012.

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2011

Section II -Findings-Financial Statement Audit-(continued)

FS 2011-13-Procurement-(material weakness)

Condition: During our testwork of compliance with the state procurement code we noted the following conditions:

1. For 3 out of 5 bids tested, the City was unable to provide any information related to the bid selected for testing. Typical information includes requests for proposals, advertisements, proposals, and evaluation criteria.
2. The City was unable to provide the auditors with a listing of procurements that occurred during fiscal year 2011.

Criteria: Procurement code statute 13-1-102 requires that all procurement be achieved by competitive sealed bid process unless otherwise excepted for in the procurement code.

Pursuant to the City's Purchasing Regulations, Section 7(E)(1), "An evaluation committee established by the central purchasing office shall evaluate a proposal's merits as required by the evaluation factors in the RFP." Additionally, Section G (1) and (2) provide the following: "The award shall be made to the responsible offeror or offerors whose proposal is most advantages to the city taking into consideration the evaluation factors set forth in the RFP.

Good accounting practices required the City to retain a listing of procurements that occurred during the fiscal year for audit and accountability purposes and to retain copies of all information pertaining to each procurement.

New Mexico State Audit Rule 2.2.2.10 (1) requires auditors to test for compliance with the State Procurement Code.

Effect: The external auditors were not able to ascertain compliance with New Mexico State Procurement Code Regulations for fiscal year 2011.

Cause: The timing of the audit relative to when procurement activities occurred contributed to the City not being able to locate these documents. It could not be determined if the information was lost, misplaced, or was never there to begin with.

Auditors' Recommendation: We recommend the City scan in every supporting document that pertains to each procurement that occurs during the fiscal year. Having an electronic version of the documents preserves an audit trail and allows for better transparency to others who may request the documentation.

Management's Response: Management is unable to accurately respond to this finding. With all the investigators that have been through these files in the past year, it is impossible to ascertain if the material ever existed, is actually missing, has been misfiled, or has been seized as evidence. Management makes note of the auditor recommendation and will pass it along to the firm writing the City's Manual of Accounting Policies and Procedures.

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2011

Section II -Findings-Financial Statement Audit-(continued)

FS 2011-14 Financial statement reconciliations – (material weakness)

Condition: During our testwork of accounts payable, accounts receivable, accrued payroll and internal balances, we noted the City's information systems were inadequate to produce accurate balances throughout the fiscal year. Accounts payable, payroll liability, and accounts receivable accounts recorded in the City's trial balance contained numerous abnormal debit and credit balances that were not appropriate given the nature of the account.

Criteria: Good accounting practices require financial statement line items to be reconciled prior to the onset of the audit engagement.

Effect: Numerous adjustments were required of management to correct abnormal balances during the course of the audit and before to reflect accurate accruals in the financial statements.

Cause: The City does not possess adequate resources and provide adequate training necessary for City staff to properly maintain and reconcile these accounts for audit and financial reporting purposes. The City's general ledger through the course of the year post transactions to accounts receivable, accounts payable, and internal balance accounts; however these accounts are not always reviewed timely or corrected prior to the onset of the audit.

Auditors' Recommendation: We recommend the City keep its trial balance on a cash basis and cease posting to accounts receivable, accounts payable, payroll liability, and internal balance accounts. We recommend the City develop accurate year-end listings of accounts payable and accounts receivable which include date paid/received, general ledger revenue/expense account, payor/vendor amount, and period in which the transactions relates to for audit purposes.

Management's Response: Management concurs with this finding. When the State of New Mexico Department of Finance and Administration took control of the City's finances in May 2012, this was one of the first items noticed and corrected.

While attempting to reconcile the June 30, 2012 Balance Sheet it was discovered that many entries from 2009 and 2010 were still affecting the current Balance Sheet. In late 2009 the City suffered a catastrophic computer crash including all backup copies. Someone made an attempt to reconstruct the City's financial records and put them back on the books. However, it appears that no one actually verified these reconstructed entries were actually correct or that subsequent transactions were posted correctly. For example, there are months where the City paid payroll tax liabilities, but the liabilities were not recorded. This was followed by months where the City accrued payroll tax liabilities but appears to not have paid them. Since this City is current on both the Federal and State withholding taxes, one has to assume the payments were being made even if the records don't reflect this fact.

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2011

Section II -Findings-Financial Statement Audit-(continued)

FS 2011-15 Bank accounts not recorded in the general ledger and reconciled-(other matter)

Condition: During our testwork of cash we noted the following bank accounts were not recorded in the general ledger and thus not reconciled at year-end:

Account	Bank balance at June 30, 2011
Payroll	\$0.00
Christmas Committee	\$18.84
Utility Department Account	\$126.09

Criteria: Good accounting practices require all bank accounts to be reconciled monthly to the general ledger.

Effect: Lack of proper reconciliation increases the risk the money will be lost, stolen or used for unauthorized purposes.

Cause: Lack of a formal bank reconciliation policy created an environment that allowed these bank accounts to not be recorded in the general ledger and reconciled.

Auditors' Recommendation: We recommend management institute a formal bank reconciliation policy that requires all bank accounts to be reconciled to the general ledger monthly.

Management's Response: Management concurs with this finding. It was the onsite Department of Finance and Administration personnel that informed the auditors of this situation. The Payroll and Christmas Committee accounts were closed by City Council authority on December 20, 2012. The Utility department account balance was transferred to the Solid Waste account. This account is presently suspended until a decision is made to restructure it as a Security Deposit Account or to close it.

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2011

Section II -Findings-Financial Statement Audit-(continued)

FS 2011-16-Pooling of cash (material weakness)

Condition: During our testwork of cash, management brought to our attention that the City’s individual claims to cash accounts recorded in the individual funds did not, in the aggregate, equal the corresponding total per the reconciled bank balances. A table detailing the variances before City adjustments made during the course of the audit follows below:

<i>Description</i>	<i>Claims to cash in total</i>	<i>Reconciled bank balances</i>	<i>Variance</i>
<i>General pooled cash</i>	<i>\$174,789</i>	<i>\$571,791</i>	<i>\$397,002</i>
<i>Enterprise pooled cash</i>	<i>\$1,667,373</i>	<i>1,006,243</i>	<i>\$(661,130)</i>

Criteria: Good accounting practices require the cash balances recorded in the individual funds to in the aggregate tie to the corresponding reconciled bank balances.

Effect: Cash balance recorded in the individual funds could be materially misstated if the balances cannot be related to the reconciled totals. Numerous adjustments were required of management to eliminate claim to cash accounts so that cash in the financial statements ties to the reconciled bank balances during the course of the audit.

Cause: Lack of historical knowledge including when the variance first occurred and what caused the variance precluded reconciliation between the individual claim to cash account and the reconciled bank balances for the fiscal year under audit. The City does not have proper resources to determine when the variance first occurred, or to determine if the variance is the result of a few transactions or if variances are a systemic problem.

Auditors’ Recommendation: We recommend the City hire outside accounting help to assist them is reconciling the claim to cash accounts in the individual funds to the reconciled bank balances.

Management’s Response: Management concurs with this finding. Similar to Finding FS2011-15, this was something the Department of Finance and Administration onsite personnel noticed in May 2012. Some of this problem goes back to the attempt to reconstruct the financial records in 2009 and 2010.

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2011

Section II -Findings-Financial Statement Audit-(continued)

FS 2011-17 Compensated Absences Accrual (Other Matter)

Condition: During our review of the accrued leave balances for all employees, we noted that the City had four employees who had accrued vacation time in excess of the limit outlined in the City's Personnel Policies and Regulation Manual. One employee in the City Clerk department has 31 hours totaling \$389.33 over the limit. One employee in the Police Department has 17 hours totaling \$191.70 over the limit. Two employees in the Fire Department have a combined 256 hours totaling \$2,516.52 over the limit. The total number of hours over the limit for those employees totaled 304 hours with a value of \$3,097.55.

Criteria: The City's Personnel Policies and Regulation Manual section 3-12-7 states that "No more than thirty six (36) working days (288 hours) of accrued annual leave, including leave earned in June, may be carried forward to the next fiscal year."

Effect: The City is at risk to pay employees for more vacation time than they are allowed by City policy.

Cause: Controls are not in place, either manually or automatically, to monitor and reduce the vacation time accrued by employees who are near the cap at year end.

Auditors' Recommendation: The City should implement an automatic control within their accounting system to stop accruing annual leave when the cap is reached, or designate a person to be responsible at year end to ensure that no employee's are over the limit of accrued vacation time. Any employees with leave over the cap should forfeit the leave, as stated in the policy.

Management's Response: Management concurs with this finding. Due to staff turnover, we are unable to determine an exact reason for this. Management will look into a software fix to prevent this from occurring again.

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2011

Section II -Findings-Financial Statement Audit-(continued)

FS 2011-18 Internal Control over Cell Phone Payments (Other Matter)

Condition: During our testwork of 12 cell phone bills paid by the City during the fiscal year, we noted the following conditions:

- 12 instances in which there was no evidence of review and approval of the cell phone bill prior to payment.
- In addition, we noted the City did not have any policies in place regarding allowable personal use of the cell phone, limits that would define excessive use of the cell phone, acceptability of call made outside the constituent area (long distance calls), or define circumstances in which employees or city councilors would be required to reimburse the City for personal use of the cell phone.

Criteria: Good internal control practices require cell phone bills to be reviewed and approved prior to payment. In addition, policies should provide guidance regarding allowable and unallowable use, define excessive use, and define circumstances in which reimbursement is required for personal use of the cell phone paid for the City.

Effect: The City is at risk of overspending on cell phone payments due to lack of guidelines, approval, and oversight. The City is at risk of overspending on cell phone use due to potential abuse stemming from a lack of acceptable use guidelines.

Cause: There is no review and approval of cell phone bills prior to payment. There is no policy to specify allowable and unallowable use, excessive use, and employee reimbursement of costs relating to personal use of cell phones.

Auditors' Recommendation: The City should implement a policy specific to cell phone use which includes costs and behaviors that are allowable and unallowable. The City should implement a process whereby cell phone bills are reviewed and authorized prior to payment being made.

Management's Response: I do look at each bill and question any additional charges on the bill. I do not however, look at when and where the calls are made. I'll get with our accounts payable coordinator and get the numbers of all the phones we are going to cancel.

As of May 23, 2012, all original invoices must be signed by the Department Director only prior to payment being made. A bright pink sticker is attached to each invoice where the Department Director signs indicating their approval. The use of this sticker makes it easy to verify the invoice has been signed.

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2011

Section III -Findings-Federal Award Findings

FA-2011-01 Davis Bacon Act-(significant deficiency)

Department of Housing and Urban Development
Pass through New Mexico DFA-Local Government Division
Project number 09-C-NR-1-07-G-26
Community Development Block Grants/State's Program
CFDA No. 14.228

Condition: During our testing of compliance with the Davis Bacon Act we noted the City did not communicate to the contractor that the job was a prevailing wage rate job and that the Contractor was required to pay its employees wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor.

Criteria: OMB Circular A-133 2012 Compliance supplement required nonfederal entities to include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act. This includes a requirement for the contractor or subcontractors to submit to the non-Federal entity (City of Sunland Park) weekly, or each week in with the contract work is performed a copy of the payroll and a statement of compliance (certified payroll).

Effect: The New Mexico Department of Workforce Solutions appointed a labor standard officer to oversee the labor portion of the contract and required the contractor to pay its employees restitution in the amount of \$355.09. While this specific instance of noncompliance was not considered to be material noncompliance, lack of communication between the City and contractor concerning prevailing wage requirements could preclude the contractor's ability to work on other Community Development Block Contracts.

Cause: The City's invitation to bid published in the newspaper did not specify the contract was prevailing wage rate job nor was the contractor ever informed of the prevailing wage requirements.

Questioned Costs: None.

Auditors' Recommendation: We recommend the include Davis Bacon Clauses for projects funded by federal awards in future invitations to bid, request for proposals and contracts to prevent future omission of compliance requirements required by the Davis Bacon Act.

Management's Response: Management concurs with this finding and the Davis Bacon clause will be included in all federal funded contracts.

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2011

Section III -Findings-Federal Award Findings-(continued)

FA 2011-02 Failure to Submit the Data Collection Form in a Timely Manner (Significant Deficiency)

Department of Housing and Urban Development
Pass through New Mexico DFA-Local Government Division
Project number 09-C-NR-1-07-G-26
Community Development Block Grants/State's Program
CFDA No. 14.228

Department of Housing and Urban Development
Brownfields Economic Development Initiative
Direct Award
CFDA 14.246

Condition: During our audit we noted that the data collection form was not submitted to the Federal clearinghouse or to federal agencies within nine months after the fiscal year end as required by OMB Circular A-133.320. The data collection form for fiscal year ending June 30, 2011 was required to be submitted by March 31st 2012.

Criteria: According to OMB A-133.320 the City is required to submit the data collection form as well as the reporting package to the Federal clearinghouse and federal agencies within earlier of 30 days after receipt of the Auditors' report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Effect: The effect of this condition resulted in the City being not in compliance with OMB A-133 and in violation of federal compliance standards. Federal grantors do not have timely information to assess the results of external audits for consideration in future funding decisions.

Cause: The late submission of the 2011 audit report precluded the data collection form from being submitted as the audit was not completed.

Questioned Costs: None.

Auditors' Recommendation: We recommend that the City work with external auditors to ensure the fiscal year 2013 audit is submitted on a timely basis to ensure a timely filing of the data collection form.

Management's Response: Management concurs with this finding. As the audits have not been completed for FY2010/2011 and FY2011/2012, the required submission of the Data Collection Forms are late. This will be corrected with the FY2012/2013 audit which will be completed and submitted on time.

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2011

Section IV-Findings-Prior Year Audit Findings

Financial Statement Findings

<u>2002-01 Insufficient Attention Given to Accounting and Internal Control Processes</u>	Repeated and Modified
<u>2002-03 Submission of Audit Report for Fiscal Year June 30, 2010</u>	Repeated and Modified
<u>2002-04 Legal Compliance With Budget</u>	Repeated and Modified
<u>2002-06 Accounting for Grants</u>	Resolved
<u>2003-04 Lack of Separation of Duties</u>	Repeated and Modified
<u>2003-10 Accounts Payable</u>	Resolved
<u>2003-11 Budget Reconciliation</u>	Resolved
<u>2008-03 Failure to reconcile accounts</u>	Resolved
<u>2008-04 Capital Assets</u>	Repeated and modified
<u>2008-05 Compensated absences</u>	Resolved
<u>2008-06 Prior year adjustments</u>	Resolved
<u>2008-08 Financial Statements and Disclosures</u>	Resolved
<u>2008-09 Information Technology</u>	Resolved
<u>2009-01 Tracking of Federal Awards</u>	Resolved
<u>2010-01 Investment Accounts</u>	Resolved
<u>2010-02 Accounts Receivables</u>	Resolved
<u>2010-03 Misclassifications and Lack of Supporting Documentation for Disbursements</u>	Resolved
<u>2010-04 Lack of Supporting Documentation for Receipts</u>	Repeated and modified
<u>2010-05 Overpayment of Mileage</u>	Repeated and modified
<u>2010-06 Incomplete personnel files</u>	Resolved
<u>2010-07 I incomplete payroll records</u>	Repeated and modified
<u>2010-08 Purchasing Order lack of Detail</u>	Resolved
<u>2010-09 Lack of Contract for Services</u>	Resolved
<u>2010-10 Incorrect Payment to City Councilors/Mayor</u>	Resolved
<u>2010-11 Lack of Supporting Documentation for Motor Vehicle Department</u>	Resolved
<u>2010-12 Incomplete records for the client</u>	Resolved

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2011

Section IV-Findings-Prior Year Audit Findings-(continued)

Financial Statement Findings-(continued)

<u>2010-13 Lack of Supporting Documentation for Transfer from Utility Department</u>	Resolved
<u>2010-14 Lack of Supporting Documentation for Travel Reimbursement</u>	Resolved
<u>2010-15 Loss of Resolutions from January 2009 to July 2011</u>	Resolved

STATE OF NEW MEXICO
City of Sunland Park
Other Disclosures
June 30, 2011

OTHER DISCLOSURES

Exit Conference

An exit conference was held on May 24, 2013. In attendance were the following:

Representing the City of Sunland Park:

Carmen Rodriguez	City Councilor
Isela Rosas	Accounts Payable Clerk

Representing the New Mexico Department of Finance and Administration:

Michael P. Steininger	Interim Finance Director
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Representing Accounting & Consulting Group, LLP:

Ray Roberts, CPA	Partner
Morgan Browning, CPA, CGFM	Audit Supervisor

Auditor Prepared Financial Statements

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of the City of Sunland Park from the original books and records provided to them by the management of the City. The responsibility for the financial statements remains with the City.

New Mexico State Auditor Special Audit

New Mexico state audit rule 2.2.2.10 I (2) requires the findings from the special audit to be included in the findings of the annual financial and compliance audits of the related fiscal year. The Office of the State Auditor did conduct a special audit dated May 14, 2012 which covered fiscal years 2010 through 2012. The following pages detail the current status of the special audit findings that pertain to fiscal year 2011. Special audit findings that pertain to fiscal year 2012 are not included in the fiscal year 2011 audit report. Please refer to fiscal year 2012 audit for special audit findings that pertain to fiscal year 2012. The findings and recommendations detailed in the special audit do not necessarily represent the views of the City of Sunland Park or the Department of Finance and Administration. Management was unable to respond to the special audit findings. Accordingly the views of responsible officials are not included in the special audit findings below.

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STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit**Unresolved Special Audit Findings Repeated and Modified in the Current Fiscal Year Financial Statement Audit Findings**

Finding 08- City Expenditures in Excess of Approved Budget Limits-See finding FS 2002-04

Finding 14- Missing Bank Reconciliations and Unreconciled Cash Amounts-See finding FS 2011-15

Finding 15- Failure to Properly Record Investments, and Missing Bank Statements and Reconciliations-See findings FS 2011-15 and FS 2011-14

Finding 16- Failure to Conduct a Complete Annual Physical Inventory of Capital Assets-See finding FS 2008-04

Finding 18- Failure to Follow Proper Internal Controls and the Procurement Code for Capital Assets Additions – See findings FS 2011-13 and FS 2011-08

Unresolved Special Audit Findings to be Considered in the Fiscal Year 2012 Audit

Finding 02- Fraud and Deficiencies with Cash Disbursements Found in the City's Expenditures Related to EnviroSystems Management Consultants, Inc.

Finding 03- Deficiencies and Violations of Law Related to the Disbursement of Border Crossing Fund Monies to the Diaz Consulting Firm

Finding 11- Failure to Submit a Complete Annual Budget

Finding 23- Misappropriation of Public Monies for Travel and Per Diem Due to Fraud

Finding 25- Deficiencies Related to Fiscal Year 2012 Cash Disbursements from the City's Fire Protection Fund

Finding 27- Violation of the Open Meetings Act Due to the City Council's Failure to Permit Attendance of All Interested Individuals

Resolved Special Audit Finding in the Current Fiscal Year Under Audit

Finding 17-Unsupported Disposals of Computer Hard Drives

Finding 19- Deficiencies in the Transfer of Capital Assets from the City to Camino Real Regional Utility Authority

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below

Finding 01– Procurement Code Violations in the Award of Professional Services Contracts Related to the Border Crossing Fund (material weakness)

Condition

During our test work of the City’s professional services contracts for fiscal years 2010, 2011 and 2012, we noted the following deficiencies, violations of the Procurement Code and violations of the City’s Purchasing Regulations in the City’s awards of contracts Javier Ortiz, Medius, Inc. (Medius), and EnviroSystems Management Consultants Inc. (EMC).

Professional Services Contract with Javier Ortiz

We noted various deficiencies, violations of the Procurement Code and violations of the City’s Purchasing Regulations in the City’s award of a contract to Javier Ortiz for the purpose of providing consulting services related to the border crossing project.

Harold Payne, the General Manager of the Sunland Park Racetrack & Casino, in a letter dated July 23, 2009 to Mayor Martin Resendiz, stated the following: Sunland Park Racetrack & Casino requests that the City of Sunland Park hire Mr. Javier Ortiz to assist in accomplishing the creation of a Sunland Park border crossing.” On September 5, 2009, the City issued a Request for Proposals (RFP) for consulting services in the fields of conceptual and strategic analysis aimed at facilitating The City’s decision-making process to secure an international border crossing project ... in the shortest timeframe and at the lowest cost possible.” The deadline for submission of proposals was September 14, 2009. The RFP indicates that the City would conduct proposal evaluations on September 14, 2009 and would provide a notice of award on September 15, 2009. Javier Ortiz was the only offeror to respond to the RFP.

The RFP provided that proposals “will be reviewed for completeness and compliance with requirements by the Selection Committee, or designee ... The Selection Committee will review each offeror’s proposal. We did not receive any documentation that indicated the City established a selection committee or that the City’s Central Purchasing Office established an evaluation committee as required by the City’s Purchasing Regulations. Moreover, we did not receive any documentation that indicated that the City completed an evaluation of Ortiz’s proposal as required by the RFP and the Procurement Code. Additionally, we did not receive any documentation that would support or explain why the City or the City’s Purchasing Agent, Neryza Rivera, failed to adhere to these requirements.

At a special meeting of the City Council on September 14, 2009, the City Council approved the award to Mr. Ortiz. The minutes reflect that Purchasing Agent Rivera stated that an RFP was issued out and only two were asked for but only one replied Mr. Javier Ortiz. Councilor Daniel Salinas made a motion to approve the award to Mr. Ortiz, and Mayor Pro-Tem Angelica Marquez seconded the motion. The motion carried, but the minutes do not show how the Councilors voted. Purchasing Agent Rivera sent a

“Notice of Award” dated September 15, 2009 to Mr. Ortiz informing him that he had been awarded the contract.

On November 5, 2009, the City entered into a Consulting Agreement with Javier Ortiz. The Agreement was signed by Mayor Resendiz and Mr. Ortiz. The Agreement provided that the City will pay Mr. Ortiz \$5,000 per month for consulting services. The duration of the contract was one year, renewable upon agreement by both parties. The City Council approved renewal of the agreement on October 20, 2010, and the minutes for the meeting indicate that Councilor Carmen Rodriguez made a motion for approval and Councilor Annette Diaz seconded the motion. The motion carried, but the minutes do not show how the Councilors voted. The City provided a copy of Javier Ortiz’s Consulting Agreement for November 5, 2009 and November 12, 2011. However, the City did not provide us documentation of a signed and executed extension of the 2010 renewed contract agreement. The total amount awarded to Javier Ortiz was \$240,000.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 01– Procurement Code Violations in the Award of Professional Services Contracts Related to the Border Crossing Fund (material weakness)

Professional Services Contract with Medius, Inc. (Medius)

We noted various deficiencies, violations of the Procurement Code and violations of the City's Purchasing Regulations in the City's award of a \$1,000,000 contract to Medius for the purpose of providing strategic framework related to the border crossing project.

On January 7, 2011, the Purchasing Agent Rivera emailed an RFP related to the City's border crossing project to six vendors, four of which had requested the information. The City also published an advertisement in the El Paso Times on January 6, 2011, but the required RFP submission deadline was incorrectly stated as "January 24, 2010" rather than "January 24, 2011."

Through the RFP, the City sought, in part, a vendor that would determine the current physical infrastructure and economic capacity for the community" and "develop strategic actions, projects and programs that will guide the local government in its future growth to prepare it to seize future development opportunities." The RFP provided that the City's Mayor would appoint an evaluation committee to evaluate the proposals received. The RFP detailed certain factors to be used by the committee when evaluating the proposals, and the relative weight given to each of those factors. The RFP stated that all offeror proposals will be reviewed for compliance with the mandatory requirements stated within the RFP. Under the "Contract Award" section, the RFP provided that after review of the Evaluation Committee Report, the recommendation of the City management and the signed contract, the City will award the Contract ... The contract shall be awarded to the offeror or offerors whose proposal is most advantageous, taking into consideration the evaluation factors set forth in the RFP.

Medius was the only documented vendor that submitted a proposal in response to the City's RFP. We did not receive any documentation that indicated Mayor Resendiz appointed an evaluation committee or that the City's Central Purchasing Office established an evaluation committee as required by the City's Purchasing Regulations. Moreover, we did not receive any documentation that indicated that the City completed an evaluation of Medius proposal as required by the RFP and the Procurement Code.

Additionally, we did not receive any documentation that would support or explain why Mayor Resendiz and the Purchasing Agent Rivera failed to adhere to these requirements.

On January 27, 2011, the City's Finance Director, Helen Gonzalez, signed as the "Department Director" on a Council Action Form for the City Council to consider and take action at its February 2, 2011 meeting to approve negotiations with Medius for the "Strategic Framework for the Border Crossing." The form lacked proper authoritative signatures by Mayor Resendiz and the City Manager, Andrew Moralez. The City Council minutes for February 2, 2011 do not include any discussion by the City Council regarding the consideration and approval of negotiations with Medius. The February 2, 2011 minutes were signed by Mayor Resendiz, but not by the City Clerk, Elizabeth Gamez. Despite these minutes having no mention of Medius, we were provided a letter dated February 7, 2011 from Purchasing Agent Rivera to Medius notifying the company that the City had awarded the contract to Medius at a special City Council meeting which took place on February 2, 2011."

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 01– Procurement Code Violations in the Award of Professional Services Contracts Related to the Border Crossing Fund- (material weakness) (continued)

We also were provided a Council Action Form for the City Council to consider and take action at its March 2, 2011 meeting to approve a one-year contract between the City and Medius for the “Strategic Framework of the Border Crossing.” The form was incomplete and did not contain any proper authoritative signatures by Mayor Resendiz, City Manager Morales, or Finance Director Gonzalez. The minutes for the City Council’s March 2, 2011 meeting indicate that the Council considered and approved the contract with Medius. The minutes state that Mayor Pro-Tem Daniel Salinas made a motion to approve the contract, and Councilor Annette Diaz seconded the motion. The motion carried, but the minutes do not show how the Council members voted. The contract awarded to Medius was for an amount not to exceed \$1,000,000 with an expiration date of June 31, 2012.

At its meeting on September 7, 2011, the City Council approved termination of the Medius contract. However, we were not provided documentation which would support that the City properly terminated contract. Section 4 of the contract stated that this Agreement may be terminated by either of the parties hereto upon written notice delivered to the other party at least thirty (30) days prior to the intended date of termination.” We noted that the minutes for the Council’s September 7, 2011 meeting show that the City Manager, Jamie Aguilera, recommended termination of the contract because the “contract with Medius, Inc. does not get the City closer to the Presidential permit.” City Councilor Carmen Rodriguez made a motion to terminate the contract “immediately,” and the motion was seconded by Councilor Angelica Marquez. The motion carried, but the minutes do not show how the Council members voted. Prior to termination of the contract, the City paid Medius \$457,777.80.

As a final note, we were provided a letter dated February 20, 2012 from a law firm to the City’s attorney indicating that Medius “hereby agreed to accept the City of Sunland Park’s offer of judgment contained in its Answer to Civil Complaint for Breach of Contract by accepting payment of \$87,000 upon delivery of lien waivers from its subcontractors.” Also included with the letter was a court document entitled, “Acceptance of Rule 1-068 NMRA 2012 Offer of Settlement.” As of the date of this report, we have not received documentation that the City has paid the settlement amount.

Professional Services Contract with EnviroSystems Management Consultants Inc. (EMC)

We noted various deficiencies, violations of the Procurement Code and violations of the City’s Purchasing Regulations related to its award of The Land Port of Entry Professional Services Contract” to EMC for the Sunland Park Port of Entry (SPPOE). The contract was signed on November 3, 2011, and the City’s compensation to EMC as specified by the contract is a total lump sum fee of \$2,400,000.

Although the City executed the contract on November 3, 2011 with EMC for the SPPOE project, the documentation we were provided indicated that the City actually had awarded the project on May 11, 2011 to another company, The Idea Group of Santa Fe (Idea Group). We were not provided documentation to support how the City awarded the project to Idea Group and then executed the contract with EMC. Moreover, we were not provided any documentation related to two RFP s that the City issued prior the RFP which resulted in the award of the contract.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below- (continued)

Finding 01– Procurement Code Violations in the Award of Professional Services Contracts Related to the Border Crossing Fund- (material weakness)-(continued)

According to the City Council’s minutes from October 5, 2011, the City solicited proposals for the SPPOE project three separate times before the City awarded the contract to EMC. We noted that in the minutes City Manager Jaime Aguilera stated that the City issued an initial RFP but negotiations with the company “were going to start and never happened.” He went on to state that the City issued a second RFP for which EMC was selected as the top candidate, but that the former City Manager, Andrew Morales, recommended that the City not deal” with EMC. Finally, City Manager Aguilera stated that the City issued a third RFP and that the City selected the Idea Group. The minutes indicate that EMC competed in the third RFP process. We requested all procurement documentation related to the SPPOE RFP and contract; however, we were not provided any documentation related to the first and second RFPs.

With regard to the third RFP that is referenced in the meeting’s minutes, the City issued the RFP for the SPPOE on April 12, 2011. EMC did submit a proposal, but we noted that it was incomplete. First, the proposal was missing the required campaign contribution disclosure form that prospective contractors must submit with their proposals, as required by the Procurement Code. We also noted EMC did not meet four of the seven requirements of the “Letter of Transmittal” that must accompany each proposal, as required by the RFP. The Letter of Transmittal was missing the following items: identification of the name and title of the person authorized by the organization to contractually obligate the organization; identification of the name, title and telephone number of the person authorized to negotiate the contract on behalf of the organization; explicit indication of acceptance of the “Conditions Governing the Procurement” as stated in Section II, Paragraph C.1 of the RFP; and the Letter of Transmittal was not signed by a person authorized to contractually obligate the organization. For the aforementioned reasons, the proposal provided by EMC failed to adhere to the basic requirements of a signed and executable proposal for the SPPOE project.

On May 3, 2011, an evaluation committee consisting of Mayor Resendiz, Purchasing Agent Rivera, and City employee Mariana Chew and one other person we were not able to identify evaluated five companies on the proposals they submitted in response to the RFP. The evaluation score sheets show that EMC consistently scored either last or second to last of the five companies. At a City Council meeting held on May 4, 2011, Purchasing Agent Rivera presented the consideration and action to approve a Professional Services contract” with the company that received the highest score for the SPPOE project. However, the meeting minutes state that the City Council postponed the agenda item because “Councilors want all presentations the same day.

On May 9, 2011, an evaluation committee consisting of Mayor Resendiz, Mayor ProTem Daniel Salinas, Purchasing Agent Rivera and one other person we were not able to identify evaluated the five companies for a second time. The evaluation score sheets indicated that presentations were given by the companies. Once again, EMC consistently scored last or second to last on the five proposals.

On May 10, 2011, at a Special Meeting of the City Council, Purchasing Agent Rivera presented the consideration and action to approve a Professional Services contract” with the company that received the highest score for the SPPOE project. According to the minutes from that meeting, Purchasing Agent Rivera informed the Council that evaluations had been completed and that the “highest ranked firm to obtain the Presidential Permit” was Idea Group. Mayor Pro-Tem Salinas made the motion to approve the contract negotiations and Councilor Carmen Rodriguez seconded the motion. The motion carried, but the minutes do not show how the Councilors voted.

On May 11, 2011, Purchasing Agent Rivera sent an award letter to Idea Group which stated, “[p]lease let this serve as the Notice of Award for the RFP#04262011 for Professional Services contract towards the Sunland Park Land Port of Entry.” The letter further stated that a) this moment our city attorney is drafting the contract which we will forward to you as soon as it becomes available.”

We were not provided a contract between the City and Idea Group. Rather, as previously mentioned, we noted that City Manager Aguilera discussed the three separate RFPs at a regular meeting of the City Council on October 5, 2011. The minutes reflect that EMC was awarded the SPPOE project after the City’s second RFP, and the Idea Group was awarded the SSPOE project after the City’s third RFP, which resulted in the award letter dated May 11, 2011 from Purchasing Agent Rivera. According to the minutes, City Manager Aguilera stated that the “Idea Group knew they were selected and the Enviro Systems knew they were selected in the second RFP. Both companies have been asking what the next step that is (sic) getting the contract is (sic). Additionally, the meeting minutes state the following:

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below- (continued)

Finding 01– Procurement Code Violations in the Award of Professional Services Contracts Related to the Border Crossing Fund-(material weakness)-(continued)

Mr. Aguilera’s recommendation to the Council is to ask these firms to give us specifics as to what they are going to do for the City and the presidential permit ... What Mr. Aguilera has done in the past is give the company \$5,000.00 each and ask the company to respond and tell us item by item what it is that they are going to do to get us the presidential permit, give us the details and give us a fee for every action. The Council must agree to pay these two companies and the city will make a decision as to what firm to award the contract to.”

Councilor Marquez made a motion to move forward with the project. Mayor Pro-Tem Salinas seconded the motion. The minutes indicate that the motion carried by five yes votes and one no vote, but the minutes do not show how the Councilors voted.

We were not provided minutes for City Council meetings after October 5, 2011, or any other documentation, to support how the City ultimately awarded the contract to EMC. The contract between the City and EMC was signed on November 3, 2011 by City Manager Aguilera, EMC’s President Jorge Angulo, and Concha Medina, the “Acting City Clerk.” The contract awarded was for a total lump sum fee of \$2,400,000.

Criteria

Pursuant to the Procurement Code, specifically Sections 13-1-102 and 13-1-125 NMSA 1978, professional services exceeding \$50,000 must be procured by competitive sealed bid. Pursuant to the City’s Purchasing Regulations, Section 7(E)(1), “[a]n evaluation committee established by the central purchasing office shall evaluate a proposal’s merits as required by the evaluation factors in the RFP.” Additionally, Section G(1) and (2) provide the following: “The award shall be made to the responsible offeror or offerors whose proposal is most advantageous to the city, taking into consideration the evaluation factors set forth in the RFP.”

Pursuant to Section 13-1-117(B) NMSA 1978 pertaining to competitive sealed proposals for professional services, “[t]he award shall be made to the responsible offeror or offerors whose proposal is most advantageous to the . . . a local public body, taking into consideration the evaluation factors set forth in the request for proposals.”

Pursuant to Section 13-1-191.1(B) and (C) NMSA 1978, “[a] prospective contractor . . . shall disclose all campaign contributions given by the prospective contractor or a family member or representative of the prospective contractor to an applicable public official of the state or a local public body during the two years prior to the date on which a proposal is submitted . . . The form shall be filed with the state agency or local public body as part of the competitive sealed proposal.”

The termination clause in the agreement between Medius and the City provides the following: “This Agreement may be terminated by either of the parties hereto upon written notice delivered to the other party at least thirty (30) days prior to the intended date of termination.”

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 01– Procurement Code Violations in the Award of Professional Services Contracts Related to the Border Crossing Fund-(material weakness)-(continued)

Cause

Mayor Resendiz and Purchasing Agent Rivera did not adhere to the requirements of the Procurement Code, the City's Purchasing Regulations and terms of RFPs when evaluating proposals and awarding professional services contracts related to the Border Crossing Fund. The City Council did not adhere to the termination provisions of the City's contract with Medius. The City created confusion by issuing multiple RFPs for services, and the City failed to provide or maintain procurement documentation that would support how certain vendors were awarded contracts.

Effect

Mayor Resendiz and Purchasing Agent Rivera violated the Procurement Code, the City's Purchasing Regulations, and the terms of RFPs during the City's competitive sealed bid process for certain RFPs. By failing to adhere to requirements pertaining to the evaluation of proposals, and by failing to maintain documentation that supports the selection of bidders, there is an increased risk that fraud will occur during the selection process. There is also the risk that the City may select companies that do not meet the qualifications or specifications set forth in the City's RFPs. Additionally, when the City Council does not adhere to contractual provisions of the City's agreements; it subjects the City to legal liability.

Recommendation

The Mayor, the City's Purchasing Agent and City management should strictly adhere to the competitive sealed bid requirements of the Procurement Code and the City's Purchasing Regulations. Furthermore, the City's Purchasing Agent should monitor compliance with the terms and specifications of RFPs issued by the City. The City should disqualify bidders that fail submit the proper documentation and information in response to RFPs. Strong internal controls should be implemented over the evaluation process so that evaluations occur in every instance, and the City's Purchasing Agent should preserve complete documentation that supports the City's evaluation and selection of bidders. Finally, the City Council and City management should closely review provisions of City contracts in order to avoid adverse legal action from its vendors.

Finally, the City Council adopted a resolution that revised the City's procurement requirements for purchases of professional services. The resolution stated that "staff is hereby instructed to amend the City of Sunland Park Procurement Procedures to reflect the changes." While the resolution directed the City staff to amend the City's Purchasing Regulations, we were never provided any documentation that any amendments were made. Therefore, the City's Purchasing Regulations need to be updated and revised to give clear guidance and direction as to how services should be procured.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)**Unresolved Special Audit Findings Repeated Below-(continued)****Finding 04 –Violations of the Procurement Code and Deficiencies Related to the Procurement of Legal Services-(material weakness) (Repeated and Modified)****Condition**

During our test work of the City’s professional services contracts, we noted the City entered into a professional services agreement with Coppler Law Firm, P.C. (Coppler), which was signed by Mayor Resendiz, Mr. Coppler and the City Clerk, Elizabeth Gamez on January 30, 2009. The agreement was effective February 1, 2009 and terminates on February 1, 2013. The agreement provided that Coppler may, with prior approval of the Mayor, “subcontract portions of the services to be performed under this Agreement to lawyers located in Dona Ana County ... In these cases, such designated lawyers will bill the City directly with a copy to the Attorney who, prior to payment, will review [the invoice] and note agreement or disagreement with the reasonableness of the charges.” The agreement was effective February 1, 2009 and terminates on February 1, 2013. The subcontracted portions of the contract were not procured through a competitive bid process. The City paid Coppler a total of \$481,378.86 in legal fees, from general and restricted funds, during fiscal years 2010, 2011 and 2012.

In addition, during our test work of professional services agreements, we also noted that the City entered into a professional services agreement dated June 14, 2011 for legal services with Cervantes Law Firm, P.C (Cervantes). The agreement was signed by Mayor Resendiz, Joseph Cervantes and City Clerk Gamez. The agreement did not set a compensation limit, but stated that the City agrees to the Attorney at the rate of \$150.00 per hour, plus the applicable gross receipts taxes, long distance telephone charges, facsimile charges, mileage and expenses, copying, deposition and filing fees.” The City Council’s meeting minutes reflect that the agreement was never approved by the City Council prior to execution of the agreement, that Cervantes name was never offered to the City Council for the City Attorney position, and that the City Council terminated the agreement at a special meeting on July 13, 2011. Ultimately, the City paid Cervantes \$6,593 in fees during fiscal year 2012. The City did not seek competitive bids prior to securing legal services from Cervantes; however, given the total amount expended, the procurement is considered a small purchase. We did not note any documentation that indicated that the City procured the services according to the “best obtainable price, which is required for this monetary amount.

Criteria

Pursuant to Section 3-12-4 NMSA 1978, the “governing body” of a municipality may “provide for the office of an attorney.” Section 3-11-5 NMSA 1978 provides that [a]t the organizational meeting of the governing body ... the mayor shall submit, for confirmation by the governing body, the names of persons who shall fill the appointive offices of the municipality and the names of persons who shall be employed by the municipality. That section further provides the following: If the governing body fails to confirm any person as an appointive official or employee of the municipality, the mayor at the next regular meeting of the governing body shall submit the name of another person to fill the appointed office or to be employed by the municipality.

Pursuant to the Procurement Code, specifically Sections 13-1-102 and 13-1-125 NMSA 1978, professional services exceeding \$50,000 must be procured by competitive sealed bid. Pursuant to Section 13-1-76 NMSA 1978, “professional services” include the “services of . . . lawyer . . . and other persons or businesses providing similar professional services, which may be designated as such by a determination issued by the state purchasing agent or a central purchasing office.”

Pursuant to the City’s Purchasing Regulations, Section 14.4 (prior to July 2010), purchases over \$20,000 “must be made by the City Council prior to issuance of a purchase order. All purchases exceeding \$20,000 require formal bid procedures as specified by State regulations and shall be processed and executed by the Purchasing Department, through said procedures.”

In July 2010 the City Council approved a resolution that adopted the following limits and requirements for the procurement of professional services: 1) “small purchases” between \$0 and \$10,000 must be procured according to the “best obtainable price” and 2) “major purchases of \$50,001 or more require formal RFP.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

**Finding 04 –Violations of the Procurement Code and Deficiencies Related to the Procurement of Legal Services-(material weakness)
(Repeated and Modified)**

Cause

Mayor Resendiz approved subcontracted portions of legal services performed under the Coppler contract without following a competitive sealed bid procurement process. Mayor Resendiz also entered into an agreement with Cervantes which did not receive City Council approval prior to entering into the agreement. It also appeared that the City did not seek the best obtainable price before procuring the services. The City's agreements with both law firms were signed by Mayor Resendiz and City Clerk Gamez.

Effect

Mayor Resendiz, the City Council, and City Clerk Gamez violated the Procurement Code and the City's Purchasing Regulations. Without compensation limits on its professional services agreements, there is an increased risk that the City will have expenditures in excess of available funds or approved budgets. By failing to follow competitive sealed bid procurement requirements, there is also an increased risk that the City will be subject to fraud, waste or abuse.

Recommendation

The City Council, Mayor and management should implement strong internal controls to ensure compliance with the Procurement Code and the City's Purchasing Regulations when procuring professional services contracts. The City's Purchasing Agent should also monitor all procurement of professional services for compliance with applicable laws and regulations. If the City Council chooses to fill the position of City attorney by an independent contractor, it should seek legal services through a competitive bid process if the fees will exceed \$50,000. The City should also revise its contracts to include compensation limits to ensure expenditures are properly controlled. Finally, the City Council adopted a resolution that revised the City's procurement requirements for purchases of professional services. The resolution stated that "staff is hereby instructed to amend the City of Sunland Park Procurement Procedures to reflect the changes." While the resolution directed the City staff to amend the City's Purchasing Regulations, we were never provided any documentation that any amendments were made. Therefore, the City's Purchasing Regulations need to be updated and revised to give clear guidance and direction as to how services should be procured

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 05 – Deficiencies with Procurement and Cash Disbursements Related to New Mexico Community Capital, Inc. (material weakness)

Condition

During our test work, we found deficiencies with the City's procurement and certain cash disbursements related to the City's Professional Economic Development Services Agreement with New Mexico Community Capital, Inc. (NMCC) entered into on October 20, 2010.

First, we noted that the City did not follow proper procurement procedures when procuring NMCC's services. The total contract award was for \$50,000; therefore, the procurement of the professional services was considered a small purchase. At this dollar threshold, the City is required to demonstrate the best obtainable price. We were not provided any documentation that indicated that the City's Purchasing Department procured the services according to the "best obtainable price." Additionally, the City Clerk, Elizabeth Gamez, did not sign the contract. The contract was only signed by the Mayor, Martin Resendiz, and the vendor.

Second, during our test work of cash disbursements from the Border Crossing Fund, we noted that seven cash disbursements, totaling \$50,000, paid to NMCC did not have adequate documentation. The City paid all seven disbursements from the Border Crossing Fund during fiscal year 2011. The City did not prepare a purchase order for the expenditure of the funds, and authorizing signatures of the City Manager, Andrew Moralez, and Purchasing Agent, Neryza Rivera, are missing from certain check request forms. All the forms are signed by the Department Head, Linda Vasquez, and the Finance Director, Helen Gonzalez, except for one form in which there was an illegible signature for the Finance Director. The descriptions of services on the invoices are vague, only stating, "Professional Economic Development Services Agreement. Border and Small Business Development. The contract provided for equal installment payments; therefore, the amounts charged on each of the seven invoices are exactly the same amount s of \$7,142.86. There is no documentation indicating that any one from the City inquired as to the actual services being rendered. There was no documentation provided that indicated anyone certified that the services were received prior to payment.

Criteria

Good accounting practices require a purchase order be issued as a cash and budget control prior to making purchases. Purchase authorization and budgetary control should be executed by a responsible person at the department level and finance department level who has authority to approve the purchase. Pursuant to Section 13-1-77 NMSA 1978, a "purchase order" is the document issued by the state purchasing agent or a central purchasing office that directs a contractor to deliver items of tangible personal property, services or construction."

In July 2010, the City Council approved a resolution that adopted the following limits and requirements for the procurement of professional services: 1) "small purchases" between \$0 and \$10,000 must be procured according to the "best obtainable price" and 2) "major purchases of \$50,001 or more require "formal RFP.

Section 13-1-158 NMSA 1978(A) provides the following: No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications.

All costs should be completely supported before the City approves them for payment. Invoices should be processed only when they adequately detail all costs.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

**Finding 05 – Deficiencies with Procurement and Cash Disbursements Related to New Mexico Community Capital, Inc.-
(continued) (material weakness)**

Cause

It appears City Manager Moralez, Finance Director Gonzalez and Purchasing Agent Rivera failed to request support for costs before approving payments from the Border Crossing Fund. The City made payments to a vendor without proper authorizing signatures on check request forms, proper supporting documentation or adequate descriptions on invoices. Due to the failure to issue a purchase order, there was no written direction to the contractor about the services to be provided at a certain cost. There is no evidence that the City obtained services at the best obtainable price. It is also unclear what services were provided to the City.

Effect

The City violated the Procurement Code by failing to certify receipt of services prior to approving payments. The lack of internal controls over properly approving invoices and oversight of cash payments to vendors puts the City at risk for significant fraud, waste and abuse. The lack of support for payments by cash disbursements also prevents the City from ensuring proper and reasonable payment for goods and services. Inadequate controls increase the risk of improper charges by vendors. Altogether, this collective lack of oversight and internal controls significantly increases the risk of fraud.

Recommendation

The City Council and management should implement strong internal controls over the procurement of services, review and approval of invoices, certification of receipt of goods and services, and cash disbursements. The City should maintain documentation that supports services were procured at the best obtainable price, and the City should issue purchase orders prior to making payments for goods and services. Formal agreements that the City executes with vendors who provide professional services should not contain vague and ambiguous language. The City should also require vendors to submit support for charges that adequately detail the composition of the charges and the services provided. The City Manager, Finance Director and Purchasing Agent should ensure this documentation is submitted and question the vendor about costs if no support is provided. Finally, the City Council adopted a resolution that revised the City's procurement requirements for purchases of professional services. The resolution stated that "staff is hereby instructed to amend the City of Sunland Park Procurement Procedures to reflect the changes." While the resolution directed the City staff to amend the City's Purchasing Regulations, we were never provided any documentation that any amendments were made. Therefore, the City's Purchasing Regulations need to be updated and revised to give clear guidance and direction as to how services should be procured.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 06 – Invoices for Certain Vendors Did Not Include Gross Receipts Tax as a Separate Amount-(material weakness)

Condition

During our test work of City's expenditures for fiscal years 2010, 2011 and 2012, we identified four vendors that did not include gross receipts taxes as a separate amount on the invoices they submitted to the City. The amounts paid by the City pursuant to those invoices totaled \$506,647.26. The vendors were Javier Ortiz, New Mexico Community Capital, Inc., Medius, Inc. and Diaz Consulting. Of the four vendors, Javier Ortiz and Medius, Inc. were procured by competitive sealed bids. We were provided documentation that Medius remitted gross receipts taxes to the New Mexico Taxation and Revenue Department (TRD).

Criteria

Section 7-9-5 NMSA 1978 provides the following: "To prevent evasion of gross receipts tax and to aid in its administration, it is presumed that all receipts of a person engaging in business are subject to the gross receipts tax." Pursuant to Section 7 -9-3.5 NMSA 1978, "gross receipts" is defined as "the total amount of money or the value of other consideration received from.... selling services performed outside New Mexico, the product of which is initially used in New Mexico, or from performing services in New Mexico."

Pursuant to Section 13-1-108 NMSA 1978, for contracts solicited by competitive sealed bids, "[t]he applicable gross receipts tax or applicable local option tax shall be shown as a separate amount on each billing or request for payment made under the contract."

Cause

City Manager Jaime Aguilera, Finance Director Helen Gonzales, and Purchasing Agent Neryza Rivera did not ensure that gross receipts tax was properly identified on the invoices being submitted by vendors for payment.

Effect

Gross receipts taxes may not be getting properly remitted to TRD.

Recommendation

The City should ensure that applicable gross receipts taxes are included on vendor invoices as required by statute. Also, it helps ensure that gross receipts taxes will be remitted to the proper authority. The City should not approve payment for invoices that do not show gross receipts tax as a separate amount.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 07 – Cash Disbursement Irregularities Related to the Border Crossing Fund-(material weakness)

Condition

We tested 46 cash disbursements, totaling \$978,050.95, from the City's Border Crossing Fund. We noted numerous disbursement irregularities, as follows:

- 46 cash disbursements tested, totaling \$978,050.95, did not have a complete voucher packet. The voucher packet did not have one or more of the following items: payment voucher/check request, invoice or approved purchase order;
- 46 cash disbursements tested, totaling \$978,050.95, did not indicate that the invoice was cancelled. For example, the City did not mark them "paid" or note the date paid and check number;
- 36 disbursements tested, totaling \$506,647.26, did not appear to include gross receipts tax. The vendors' invoices did not include gross receipts tax as a separate amount on the invoices they submitted to the City. See Finding 06 for additional detail regarding this issue;
- 30 disbursements tested, totaling \$793,492.84, did not include a signature to certify the request for payment was true and correct;
- 25 disbursements tested, totaling \$293,922.56, did not indicate that goods or services were received prior to payment;
- 24 disbursements tested, totaling \$690,064.22, did not have a payment voucher or check request forms included in the voucher packet;
- 22 disbursements tested, totaling \$278,922.56, did not have an active purchase order prior to the disbursement of cash;
- 12 disbursements tested, totaling \$206,238.23, did not include sufficient detail to determine which contract or agreement to which a purchase order or invoice was related;
- 7 disbursements tested, totaling \$421,599.82, of which \$118,427.85 appeared to be for services that were outside the scope of the executed contract(s);
- 5 disbursements tested, totaling \$311,754.32, had a different remittance address on the invoice than the check;
- 4 disbursements tested, totaling \$20,414.50, were not recorded in the correct fiscal period;
- 4 disbursements tested, totaling \$39,243.81, were not paid within 30 days of the date of the invoice. Pursuant to the Procurement Code, the City is required to pay 1 1/2% per month in late fees to the contractor. However, the City provided no documentation that indicated late fees were calculated or that late payments were remitted;
- For 4 disbursements tested, totaling \$14,425, the price on the vendor's invoices did not agree with the purchase document, and the supporting documentation was vague with regard to the billing terms. See Finding 03 for additional detail regarding these transactions;
- 3 disbursements tested, totaling \$13,562.50, indicated a \$155 per hour rate, which was \$40 higher than the \$115 per hour rate charged on the original invoice. The three invoices did not document the reason for the increase, and the supporting documentation was vague with regards to billing terms. See Finding 03 for additional detail regarding these transactions;

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 City of Sunland Park
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Findings-Special Audit-(continued)**Unresolved Special Audit Findings Repeated Below-(continued)****Finding 07 – Cash Disbursement Irregularities Related to the Border Crossing Fund – (material weakness) (continued)**

- 3 disbursements tested, totaling \$42,161.35, are associated with criminal complaints filed against the vendor(s) and City Councilor regarding fraudulent invoices submitted and paid by the City. See Findings 02 and 03 for additional detail regarding these transactions;
- 2 disbursements tested, totaling \$5,000, were not properly supported because the description on invoice did not agree to the check copy;
- 2 disbursements tested, totaling \$37,770.53, were partially improperly coded as services provided under the border crossing project;
- 2 disbursements tested, totaling \$10,000, were not applied to an active purchase order that was available. See Finding 01 for additional detail regarding these transactions; and
- 1 disbursement tested, totaling, \$16,713.50, was being held by the City for payment. The invoice date is 1/5/12 and the check date is 2/24/12. As of 4/4/12 the check had not been released to the vendor.

Criteria

Section 7-9-5 NMSA 1978 provides the following: To prevent evasion of gross receipts tax and to aid in its administration, it is presumed that all receipts of a person engaging in business are subject to the gross receipts tax. Pursuant to Section 7 -9-3.5 NMSA 1978, “gross receipts” is defined as the total amount of money or the value of other consideration received from. selling services performed outside New Mexico, the product of which is initially used in New Mexico, or from performing services in New Mexico.”

Pursuant to Section 13-1-108 NMSA 1978, for contracts solicited by competitive sealed bids, Ò[t]he applicable gross receipts tax or applicable local option tax shall be shown as a separate amount on each billing or request for payment made under the contract.”

Section 13-1-158 NMSA 1978(A) provides the following: No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications.

Section 13-1-158(C) NMSA 1978 provides the following: Upon certification by the central purchasing office or the using agency that the services, construction or items of tangible personal property have been received and accepted, payment shall be tendered to the contractor within thirty days of the date of certification. If payment is made by mail, the payment shall be deemed tendered on the date it is postmarked. After the thirtieth day from the date that written certification of acceptance is issued, late payment charges shall be paid on the unpaid balance due on the contract to the contractor at the rate of one and one-half percent per month.”

Section 13-1-125(C) NMSA 1978 provides that a local public body may procure services having a value not exceeding ten thousand dollars (\$10,000) by issuing a direct purchase order to a contractor based upon the best obtainable price. Pursuant to Section 13-1-77 NMSA 1978, a “purchase order” is the document issued by the state purchasing agent or a central purchasing office that directs a contractor to deliver items of tangible personal property, services or construction.”

Good accounting practices require a purchase order be issued as a cash and budget control prior to making purchases. Purchase authorization and budgetary control should be executed by a responsible person at the department level and finance department level who has authority to approve the purchase.

Good accounting practices and internal controls require the proper recording of transactions. Also, adequate segregation of duties is required to ensure proper and sufficient internal controls over recording of all expenditures.

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 Status of Special Audit Findings
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Findings-Special Audit-(continued)**Unresolved Special Audit Findings Repeated Below-(continued)****Finding 07 – Cash Disbursement Irregularities Related to the Border Crossing Fund – (material weakness) (continued)**

All costs should be completely supported before the City approves them for payment. Invoices should be processed only when they adequately detail all costs. Furthermore, pursuant to the AICPA *Audit and Accounting Guide for State and Local Governments*, AAG-SLV 13.08, management is responsible for the design and implementation of programs and controls to prevent and detect fraud; management's knowledge of any fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements; and management's knowledge of any allegations of fraud or suspected fraud affecting the entity.

Section 30-16-6 NMSA 1978 provides the following: Fraud consists of the intentional misappropriation or taking of anything of value that belongs to another by means of fraudulent conduct, practices or representations ... Whoever commits fraud when the value of the property misappropriated or taken is over two thousand five hundred dollars (\$2,500) but not more than twenty thousand dollars (\$20,000) is guilty of a third degree felony."

Section 30-23-3 NMSA 1978 provides the following: Making or permitting false public voucher consists of knowingly, intentionally or willfully making, causing to be made or permitting to be made, a false material statement or forged signature upon any public voucher, or invoice supporting a public voucher, with intent that the voucher or invoice shall be relied upon for the expenditure of public money. Whoever commits making or permitting false public voucher is guilty of a fourth degree felony."

Cause

The City has wholly inadequate or completely nonexistent internal controls over disbursements made from the Border Crossing Fund. City Manager Andrew Moralez, City Manager Jaime Aguilera, Finance Director Helen Gonzalez and Purchasing Agent Neryza Rivera approved expenditures without proper supporting documentation. They failed to request support for costs before approving payments from the Border Crossing Fund, and Purchasing Agent Neryza failed to certify goods or services were received prior to payment. Payments were made without purchase orders in place, and the City disbursed payments to vendors without check request forms. Certain disbursements were also not paid in the proper fiscal year, which results in the inaccurate reporting of financial information. City Manager Aguilera, Finance Director Gonzales, and Purchasing Agent Rivera did not ensure that gross receipts tax was properly identified on the invoices being submitted by vendors for payment. Altogether, the collective lack of oversight and internal controls increased the risk of fraud and payments for unauthorized costs.

Effect

The City violated the Procurement Code by failing to certify receipt of services and approving payments. The City's lack of internal controls and oversight over disbursements from the restricted Border Crossing Fund increases the risk that payments will be made for unauthorized or illegal purposes. The City made payments to a vendor without proper authorizing signatures on check request forms, proper supporting documentation or adequate descriptions on invoices. The lack of internal controls over properly approving invoices and oversight of cash payments to vendors puts the City at risk for significant fraud, waste and abuse. There is also an increased risk that errors will go undetected, overpayments to vendors will occur and gross receipts taxes may not be getting properly remitted to TRD. Altogether, this collective lack of oversight and internal controls significantly increases the risk of fraud. As a result of the City's lack of internal controls, the City was subject to fraud and disbursed certain payments in which the funds were used for purposes other than the border crossing project.

STATE OF NEW MEXICO
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June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 07 – Cash Disbursement Irregularities Related to the Border Crossing Fund – (material weakness) (continued)

Recommendation

The City Council and management should implement strong internal controls over the procurement of services, review of invoices, certification of goods and services, and disbursements. At a minimum, the City should issue purchase orders prior to making payments for goods and services. The City should also require vendors to submit support for charges that adequately detail the composition of the charges and the services provided. Without adequate support, there is an increased risk that the City will pay for goods or services for unauthorized purposes or outside the scope of agreements. The City Manager, Finance Director and Purchasing Agent should ensure this documentation is submitted and question the vendor about costs if no support is provided. Additionally, the City should request support for any unjustified increases in costs. The City should ensure that applicable gross receipts taxes are included on vendor invoices and being paid to the proper taxation authorities. The City should not approve payment for invoices that do not show gross receipts tax as a separate amount.

Finally, the City Council adopted a resolution that revised the City's procurement requirements for purchases of professional services. The resolution stated that "staff is hereby instructed to amend the City of Sunland Park Procurement Procedures to reflect the changes." While the resolution directed the City staff to amend the City's Purchasing Regulations, we were never provided any documentation that any amendments were made. Therefore, the City's Purchasing Regulations need to be updated and revised to give clear guidance and direction as to how services should be procured.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 09 – Missing Quarterly Reports and Failure to Submit Required Budget Reports (material weakness)

Condition

The City failed to submit timely its fiscal year 2010 quarterly financial report for September 30, 2009, and the City was unable to provide us with its quarterly financial reports for December 31, 2009, March 31, 2010 and June 30, 2010. The City also submitted its fiscal year 2011 quarterly reports to the Local Government Division of the Department of Finance and Administration (LGD-DFA) late, on September 29, 2011. The City also submitted its second quarterly report for fiscal year 2012 late, on February 21, 2012.

On October 26, 2010, the Interim Deputy Director of the LGD-DFA sent a letter to City officials regarding a fiscal year 2011 budget deficit for the City. The letter was directed to the Mayor Martin Resendiz, City Manager Andrew Morales, and City Councilors Angelica Marquez, Carmen Rodriguez, Christian Lira, Jessica Avila and Annette Diaz. In the letter, the Interim Deputy Director stated that effective immediately and until further notice, the City must submit to LGD monthly financial reports rather than the usual quarterly reports.” We found that the City did not submit monthly reports following this LGD-DFA’s notice, and as previously mentioned, the City did not submit its fiscal year 2011 quarterly reports until September 29, 2011. According to the LGD-DFA, the LGD-DFA allowed Finance Director Gonzalez to provide verbal status reports instead of written monthly reports. Finance Director Gonzalez would inform LGD-DFA verbally of the City’s problems and progress related to fixing financial data. The LGD-DFA stated that no monthly reports were submitted because of the inaccuracy of information, DFA wanted reports with as accurate information as possible since financial information is shared with other agencies.”

Criteria

Pursuant to Section 6-6-2(F) NMSA 1978, local public bodies must submit periodic financial reports, at least quarterly, to LGD-DFA. The financial report forms prescribed by LGD-DFA state that local public bodies must “SUBMIT TO LOCAL GOVERNMENT DIVISION NO LATER THAN 30 DAYS AFTER THE CLOSE OF EACH QUARTER.” On October 26, 2010, LGD-DFA began requiring the City to submit monthly reports instead of quarterly reports until further notice. Pursuant to Section 6-6-3(B) NMSA 1978, every local public body shall “make all reports as may be required by the local government division.”

Cause

The City had an accounting software and data back system failure in fiscal year 2010. Due to the system failure, as well as its data backup system failure, the City was unable to submit its fiscal year 2010 quarterly financial reports to LGD-DFA. This also caused the City to be late in submitting its fiscal year 2011 quarterly reports. In fiscal year 2012, **the City’s** Finance Director, Helen Gonzalez, had to make various corrections, which caused the late submission of the second quarterly report. LGD-DFA also allowed Finance Director Gonzalez to submit monthly verbal reports rather than written reports.

Effect

The City violated Section 6-6-2 NMSA 1978, and the City did not provide LGD -DFA the information necessary to carry out its oversight duties. Additionally, without written reports, transparency regarding the financial status of the City is harmed. The City Council, management and LGD -DFA did not have timely and accurate information needed to evaluate the financial condition of the City as well as make management and oversight decisions.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 09 – Missing Quarterly Reports and Failure to Submit Required Budget Reports-(material weakness)-(continued)

Recommendation

The City Council and management should implement and adhere to proper internal controls to ensure that each quarterly financial report is accurate and submitted to LGD-DFA no later than 30 days after the close of each quarter. The LGD -DFA should require written reports to ensure transparency and the creation of a verifiable record about the City's compliance with reporting requirements. The City should develop a contingency plan for submission of its quarterly financial reports in the event of an accounting software or backup system failure.

Finding 10 – Failure to Submit Timely Interim Budget-(material weakness)

Condition

The City did not submit its fiscal year 2011 interim budget to the Local Government Division of the Department of Finance and Administration (LGD-DFA) until June 29, 2010. The budget was due on June 1, 2010.

Criteria

Pursuant to Section 3 -37-1 NMSA 1978, the "governing body is the board of finance of the municipality." In addition, Section 3-37-2A(A) through (C) NMSA 1978 provides that the governing body of a municipality shall "control the finances and property of the municipality," "appropriate money for municipal purposes only," and "provide for payment of debts and expenses of the municipality."

Per Section 6-6-2(A) NMSA 1978, municipalities are required to submit their interim budgets to LGD-DFA by June 1 of each year.

Cause

The City had an accounting software and data back system failure in fiscal year 2010. Due to the system failure, as well as its data backup system failure, the City was unable to submit its interim budget by the required deadline. Also, the Finance Director was hired in May 2010 which did not provide ample time to prepare an interim budget by the statutory deadline.

Effect

The City Council failed to adhere to its responsibilities as the board of finance. The City violated Section 6-6-2(A) NMSA 1978. The City Council, management and DFA-LGD did not have timely and accurate information needed to evaluate the financial condition of the City as well as make management and oversight decisions.

Recommendation

The City Council and management should implement and adhere to proper internal controls to ensure that its interim budget is submitted to LGD-DFA by June 1 of each year. The City should develop a contingency plan for submission of its budget in the event of an accounting software or backup system failure.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
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Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below- (continued)

Finding 12 – Total Forgiveness of Certain Utility Bills in Violation of State Law and the Anti-Donation Clause of the New Mexico Constitution-(material weakness)

Condition

At a special meeting of the City Council on July 6, 2010, the City Council approved a plan to reduce certain customer utility bills. The minutes show that Mayor Pro-Tem Daniel Salinas informed the Council that the City “had encountered billing problems due to the computer failure that took place in November 2009.” Therefore, “Mayor Pro-Tem Salinas informed council that in order to alleviate this burden, 80% of the water bills would be reduced and the remaining 20% cost would be divided in 12 months.” Camino Real Regional Utilities Authority Director Jaime Bari informed the City Council that “a forgiveness plan or elimination of the last water bill would cost the City \$250,000.” In response, Mayor Pro-Tem Salinas “stated that in regards to the budget, city council had consulted with the City Manager, Finance Director and City Attorney and legally, the city could move forward with this plan.” Based upon OSA’s conversation with the Finance Director, she stated she was never consulted.

The City Council voted to approve an 80 percent discount to “the current water utility bill” and the remaining 20 percent would be paid over a twelve-month period. The minutes show that motions to approve the plan were made by Mayor Pro-Tem Salinas, Councilor Rodriguez and Councilor Avila. The motion carried, but the minutes do not show how each member voted. Also present at the meeting were Councilors Christian Lira and Annette Diaz.

Criteria

Pursuant to Section 3-37-1 NMSA 1978, the “governing body is the board of finance of the municipality.” In addition, Section 3-37-2A(A) through (C) NMSA 1978 provides that the governing body of a municipality shall “control the finances and property of the municipality,” “appropriate money for municipal purposes only,” and “provide for payment of debts and expenses of the municipality.”

Pursuant to Section 3-37-7 NMSA 1978, a municipality is allowed to “write off” a utility account only if certain conditions are met. Specifically, “the governing body of a municipality may, by resolution, remove the uncollectable utility account or unsecured account from the list of accounts receivable of the municipality” if “the finance officer of a municipality states: (A) the manner in which a utility account or any unsecured account has been incurred; (B) the efforts made to collect the utility account or unsecured account and to locate the debtor; (C) that the utility account or unsecured account has been uncollectable for a period of more than four years; and (D) that in his opinion the utility account or unsecured account is uncollectable.”

Pursuant to the Constitution of the State of New Mexico, Article IX, Section 14 (Anti-Donation Clause), “neither the state nor any county, school district or municipality ... shall directly or indirectly lend or pledge its credit or make any donation to or aid of any person, association or public or private corporation,” except for the specific reasons provided in the Constitution.

Cause

Due to computer problems at the City, the City did not timely bill customers for one month’s service. When this issue was resolved, customers received two bills in a single month. The City Council voted to forgive the make-up billing for residential customers.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 12 – Total Forgiveness of Certain Utility Bills in Violation of State Law and the Anti-Donation Clause of the New Mexico Constitution (material weakness) (continued)

Effect

The City Council violated Section 3-37-7 NMSA 1978 and the Anti-Donation Clause. There is also an increased risk of fraud and misappropriation when these types of wholesale donations or forgiveness of debts of public money occur. The City also may have lost revenue that should have been collected for utility bills and accounts.

Recommendation

The City Council should adhere to the requirements of state law and the New Mexico Constitution. The City should also implement controls to follow the required procedures set forth in Section 3-37-7 NMSA 1978 before determining if an account qualifies to be removed from accounts receivable.

STATE OF NEW MEXICO
 City of Sunland Park
 Status of Special Audit Findings
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Findings-Special Audit-(continued)**Unresolved Special Audit Findings Repeated Below-(continued)****Finding 13 – Unsupported Adjustments of Accounts Receivable that Violated State Law and the Anti-Donation Clause of the New Mexico Constitution (material weakness)****Condition**

On October 7, 2011, the City Council adopted a Resolution No. 2011-46, which established the “City of Sunland Park Utility Assistance Program.” Councilor Annette Diaz, Councilor Carmen Rodriguez, Councilor Christian Lira, Councilor Angelica Marquez, Councilor Jessica Avila and Mayor Pro-Tem Daniel Salinas all voted in favor of the resolution. Mayor Pro-Tem Salinas signed the Resolution under the signature line reserved for the City’s Mayor, Martin Resendiz. We found that the Resolution and the City’s associated adjustments of utility bills violated state law and the Anti-Donation Clause of the New Mexico Constitution.

According to the Resolution, the Council recognized that the City’s citizens “need assistance in order to survive in this harsh economy,” and the assistance program was designed to help certain City residents pay their utility bills through reduced water and sewer utility rates. To be eligible for the program, a person had to meet four criteria: 1) be a City resident; 2) be age 50 or older; 3) have an income of less than 80 percent of the median income for the City; and 4) the resident must have had the utility bill in his or her name for two consecutive years or longer. Under the Resolution, every citizen who met all four criteria would be “eligible for a reduction in the water and sewer rate equal to the minimum rate charged by the City” and the City Manager “shall approve the request” if the resident requests the program be applied to him or her. However, the Resolution also provided that “[i]f a resident meets only 3 of the criteria then the request shall be subject to approval by both the Mayor and the City Manager at their discretion. If either the City Manager or the Mayor do (sic) not approve the request, it may be appealed to the City Council, who may approve the request.” Therefore, by the language of the Resolution, the City Council allowed residents to receive a reduced water and sewer utility rate regardless of income.

The City Manager, Jaime Aguilera, instructed Victor Torres, the Executive Director of the Joint Utility Department, to adjust utility bills and accounts of certain customers; however, the City did not provide any documentation to support that City Manager Aguilera followed the assistance program criteria when adjusting the utility bills and accounts. Moreover, based on our interview with City Manager Aguilera, he stated that in several cases Mayor Pro-Tem Salinas instructed City Manager Aguilera to adjust bills of certain customers regardless of whether the customers qualified for the City’s assistance program. For nine out of the eleven items we selected to test, the customer’s bills were adjusted as follows:

- September 13, 2011, the customer’s bill was adjusted from \$70.55 to \$48.20.
- September 27, 2011, the customer’s bill was adjusted from \$123.78 to \$42.34.
- October 4, 2011, the customer’s bill was adjusted from \$60.17 to \$42.34.
- October 11, 2011 the customer’s bill was adjusted from \$730.20 to \$531.88 (from two meters to one).
- October 31, 2011, the customer’s bill was adjusted from \$767.00 to \$195.80 (from two meters to one and a credit was given due to an accidental rupture of a water line on the customers property that he was unable to repair immediately).
- November 10, the customer’s bill was adjusted from \$356.76.00 to \$195.75.
- October 11, 2011, the customer’s account was adjusted from \$38.38 to \$12.34 (reduced to the minimum monthly amount).
- October 27, 2011, the customer’s account was adjusted from \$23.25 to \$12.34 (reduced to the minimum monthly amount); and
- November 4, 2011, the customer’s account was adjusted from \$18.54 to \$12.34 (reduced to the minimum monthly amount).

For the amounts we tested, the total amount reduced by the City Manager was \$1,095.30.

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City of Sunland Park
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Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 13 – Unsupported Adjustments of Accounts Receivable that Violated State Law and the Anti-Donation Clause of the New Mexico Constitution (material weakness) (continued)

Criteria

Pursuant to Section 3-37-1 NMSA 1978, the “governing body is the board of finance of the municipality.” In addition, Section 3-37-2A(A) through (C) NMSA 1978 provides that the governing body of a municipality shall “control the finances and property of the municipality,” “appropriate money for municipal purposes only,” and “provide for payment of debts and expenses of the municipality.”

Pursuant to the Constitution of the State of New Mexico, Article IX, Section 14 (Anti-Donation Clause), “neither the state nor any county, school district or municipality ... shall directly or indirectly lend or pledge its credit or make any donation to or aid of any person, association or public or private corporation,” except for the specific reasons provided in the Constitution.

Pursuant to Section 3-37-7 NMSA 1978, a municipality is allowed to “write off” a utility account only if certain conditions are met. Specifically, “the governing body of a municipality may, by resolution, remove the uncollectable utility account or unsecured account from the list of accounts receivable of the municipality” if “the finance officer of a municipality states: (A) the manner in which a utility account or any unsecured account has been incurred; (B) the efforts made to collect the utility account or unsecured account and to locate the debtor; (C) that the utility account or unsecured account has been uncollectable for a period of more than four years; and (D) that in his opinion the utility account or unsecured account is uncollectable.”

Cause

City Councilors Diaz, Rodriguez, Lira, Marquez, Avila and Mayor Pro-Tem adopted a resolution that violated the Anti-Donation Clause and Section 3-37-7 NMSA 1978. Additionally, City Manager Aguilera adjusted billings and accounts without documenting the resident’s eligibility for the program or whether the adjustment was in compliance with Section 3-37-7 NMSA 1978. Additionally, Mayor Pro-Tem Salinas instructed City Manager Aguilera to make adjustments to certain bills regardless of whether individuals qualified for the assistance program.

Effect

The City Council violated its responsibilities as a board of finance by adopting the assistance program, which violated the Anti-Donation Clause and Section 3-37-7 NMSA 1978. City Manager Aguilera’s unsupported adjustments to utility bills, as well as Mayor Pro-Tem Salinas’ instruction to adjust certain bills, violated the Anti-Donation Clause and Section 3-37-7 NMSA 1978. Additionally, there is an increased risk of fraud and misappropriation when these types of unsupported adjustments are made due only to the City Manager’s or Mayor Pro-Tem’s discretion. The City also may have lost revenue that should have been collected for utility bills and accounts.

Recommendation

The City Council and management should adhere to its responsibilities as a board of finance. Accordingly, the City Council should comply with the requirements set forth in state law and the New Mexico Constitution. The City should implement controls to follow the required procedures set forth in Section 3-37-7 NMSA 1978, and the City Council and management should oversee any write offs of utility accounts before determining if an account qualifies to be removed from accounts receivable. If the City wants to provide financial assistance to those in need, it should develop a system that allows citizens to make donations that will be used to assist others with their utility bills. The City should also implement a process that requires a second review and sign off of any adjustments or write offs, including supporting documentation.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)**Unresolved Special Audit Findings Repeated Below-(continued)****Finding 20 – Travel and Per Diem Reimbursement Payments Made Without Proper Forms or Approvals (material weakness)**Condition

During our test work of certain travel and per diem expenditures, we noted the following:

- Out of 48 travel vouchers tested, 34 were missing the proper approval for travel and per diem expenditures. The instances varied and included the following:
- On multiple in-state travel forms, the City Manager , Jaime Aguilera, signed both the signature approval line designated for “Elected Official/Department Head” and the signature approval line designated for the “Mayor/City Clerk”;
- For certain in-state travel forms, the signature approval lines for the “Department Head” and the “Mayor/City Clerk” are not signed. It was unclear who the City’s “Department Head” was for purposes of approval. For City Councilors per diem act and travel reimbursements, no “Department Head” is indicated under the City’s Travel and Per Diem Reimbursement Policy; and
- For certain out-of-state travel forms, the City’s Purchasing Agent, Neryza Rivera, signed the signature approval line designated for the “City Council”;
- Out of 48 travel vouchers tested, 3 were missing a travel request form; and

Out of 48 travel vouchers tested, 6 had the traveler approve their own travel. For example, in one instance, the Mayor, Martin Resendiz, signed the travel form as the traveler and also signed the signature approval line for “Mayor/City Clerk.” In another instance, the Mayor Pro-Tem, Daniel Salinas, signed the travel form as the traveler and also signed the signature approval line for “Elected Official/Department Head

Criteria

Section 10-8-5(B) NMSA 1978 provides that “[p]ublic funds shall be paid out under the Per Diem and Mileage Act only upon vouchers duly presented with any required receipts attached thereto.”

The City’s Travel and Per Diem Reimbursement Policy, Section 3.1, provides the following: “Every in-state request for travel reimbursement, claim for reimbursement, request for actual reimbursement and advance of per diem, mileage, meals and other reimbursable travel expense shall be on a travel voucher form approved by the Department Heads and review by the Finance officer or designee. The Mayor or City Clerk shall approve in-state travel. All in-state forms should be submitted 2 weeks in advance of travel.”

The City’s Travel and Per Diem Reimbursement Policy, Section 3.2, provides the following: “Every out-of-state request for travel reimbursement, request for actual reimbursement and advance of per diem, mileage, meals and other reimbursable travel expense shall be on a travel voucher form and approved by the Department Heads and the City Council. All out-of-state travel forms should be submitted 30 days in advance of travel.”

The City’s Travel and Per Diem Reimbursement policy, Section 3.3, provides the following: “No per diem, mileage or expenses shall be reimbursed to any public officer or employee unless: 1) the travel request form (voucher) has been completed reflecting per diem cost or actual cost of travel, and receipts if applicable, after completion of trip; 2) the voucher has been approved for payment by the Department head and Finance Officer as true and correct.”

Good accounting policies warrant that travelers who request reimbursement for travel costs should not authorize and approve their own travel and reimbursements. The person who approves travel requests should be a responsible person other than the traveler.

STATE OF NEW MEXICO
City of Sunland Park
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June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

**Finding 20 – Travel and Per Diem Reimbursement Payments Made Without Proper Forms or Approvals (material weakness)
(continued)**

Cause

The City paid reimbursements for travel without the required forms and authorizing approvals. City Manager Aguilera approved travel requests in violation of City policy, and Mayor Resendiz approved his own travel.

Effect

The City violated the Per Diem and Mileage Act and its own policies related to travel and per diem reimbursements, and there is a lack of oversight over these payments. Without proper forms and approvals, there is an increased risk of fraud and payments for unauthorized travel expenses.

Recommendation

The City Council and management should implement proper controls to ensure the City adheres to the Per Diem and Mileage Act and its own policies related to travel and per diem reimbursements. The City should not pay reimbursements without completed and accurate travel vouchers and forms which are approved and signed by the proper oversight officials or employees. No City official or employee should serve as the designee for an approval authority if not properly authorized by law or City policy. State law, regulations and City policies should prohibit travelers from approving their own travel. Travel vouchers and forms should also have supporting documentation that justifies the travel.

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Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)**Unresolved Special Audit Findings Repeated Below-(continued)****Finding 21– Travel and Per Diem Reimbursement Payments Made Without Proper Supporting Documentation (material weakness)****Condition**

During our test work of certain travel and per diem expenditures, we noted the following:

- Out of 48 travel vouchers selected for testing, 1 could not be located;
- Out of 48 travel vouchers tested, 3 were missing receipts for actual expenditures incurred. Mayor Martin Resendiz, City Manager Jaime Aguilera, City Finance Director Helen Gonzalez and City Purchasing Agent Neryza Rivera had approval authority over the transactions and authorized reimbursements; and
- Out of 48 travel vouchers tested, 46 were missing supporting documentation such as agendas, registration forms, memos, and mileage charts.

Criteria

Section 10-8-5(B) NMSA 1978 provides that “[p]ublic funds shall be paid out under the Per Diem and Mileage Act only upon vouchers duly presented with any required receipts attached thereto.”

Pursuant to Section 10-8-5 NMSA 1978, the Secretary of Finance and Administration “may promulgate rules and regulations for state agencies and local public bodies for the purpose of carrying out the provisions of the Per Diem and Mileage Act.” Accordingly, Section 2.42.2.9(B)(3) NMAC requires receipts be submitted for actual meal and lodging expenses incurred: “The public officer or employee must submit receipts for the actual meal and lodging expenses incurred. Under circumstances where the loss of receipts would create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board.”

The City’s Travel and Per Diem Reimbursement Policy, Section 5.3, provides the following: “Receipts are required. The public officer or employee must submit receipts for the actual meal and lodging expenses incurred. Under circumstances where reimbursement may be denied due to the loss of receipts and said denial would create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts.”

The City’s Travel and Per Diem Reimbursement Policy, Section 3.4, provides the following: “Every travel request form (voucher) shall include the following: (A) Destination, purpose of the trip and the date and hour of departure and return; include agendas or other supporting documentation; (B) Estimated cost of travel prior to departure (per diem, mileage, meals); (C) Signature of the traveler, Department Head, Finance Officer or designee, and Mayor or City Clerk.”

Cause

Mayor Resendiz, City Manager Aguilera, City Finance Director Gonzalez and City Purchasing Agent Rivera approved travel reimbursements without the required receipts. The City also failed to require or maintain proper supporting documentation related to travel.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 21– Travel and Per Diem Reimbursement Payments Made Without Proper Supporting Documentation (material weakness) (continued)

Effect

Mayor Resendiz, City Manager Aguilera, City Finance Director Gonzalez and City Purchasing Agent Rivera violated the Per Diem and Mileage Act, state regulations and the City's own policies related to travel and per diem reimbursements. There is also a lack of adequate oversight over these payments. Without proper supporting documentation, there is an increased risk of fraud and payments for unauthorized travel expenses or travel not taken.

Recommendation

The City Council and management should implement proper internal controls to ensure adherence to the Per Diem and Mileage Act, state regulations and its own policies related to travel and per diem reimbursements. The City's Mayor, City Manager, Finance Director or Purchasing Agent should not authorize travel reimbursements without proper supporting documentation required by law, and prior to payment the proper City officials and employees should review all documentation to verify the travel is justified.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 22 – Excess Payments Made for Mileage Reimbursements (material weakness)

Condition

During our test work of certain travel and per diem expenditures, we noted the following:

- Out of 48 travel vouchers tested, 6 were calculated using a mileage rate that exceeded the rate allowed for by state regulation, for a total of excess payments in the amount of \$22.62. The following individuals had approval authority over the transactions and also authorized the payments: the City’s Mayor, Martin Resendiz; Mayor Pro-Tem, Daniel Salinas; City Manager, Jaime Aguilera; Purchasing Agent, Neryza Rivera; and the City Clerk, Elizabeth Gamez.
- Four instances in which certain City officials and employees made the same trip, but separately charged the City for mileage for attending the same event for a total of \$3,939.08, when commuting to the event using one City vehicle may have been available at a lesser cost to the City. Those officials and employees were Mayor Resendiz, Mayor Pro-Tem Salinas, City Manager Aguilera, City Councilor Avila, City Councilor Lira, City Councilor Marquez, and the Public Information Officer, Arturo Alba;
- Mayor Resendiz took four out-of-state trips for which he was reimbursed a total of \$4,799.58 for mileage, when total coach class commercial airfare for these trips on a common carrier was a cheaper travel alternative. Mayor Pro-Tem Salinas, City Manager Aguilera, and Purchasing Agent Rivera had approval authority over the Mayor’s travel and authorized the payments;
- Out of 48 travel vouchers tested, mileage and per diem totals for 2 vouchers were calculated incorrectly for a total overpayment of \$26.00.

Criteria

Section 10-8-4(D) NMSA 1978 provides that “[e]very public officer or employee shall receive up to the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.” Section 2.42.2.11(C) NMAC provides that “[p]ublic officers and employees of local public bodies may be reimbursed for mileage accrued in the use of a private conveyance in the discharge of official duties, at the statutory rates unless such rates have been reduced by the governing bodies of the local public body pursuant to Section 10-8-5 (D) NMSA 1978.”

Additionally, Section 2.42.2.11(F) NMAC provides the following: “Total mileage reimbursement for out-of-state travel by privately owned automobile or privately owned airplane shall not exceed the total coach class commercial airfare that would have been reimbursed those traveling had they traveled by common carrier.”

The City’s Travel and Per Diem Reimbursement Policy, Section 7.4, provides the following: “Subject to prior approval of the Department Head, Council or designee, the total mileage reimbursement pursuant to this section for out-of-state travel by privately owned vehicle or privately owned airplane shall not exceed the total coach class commercial air fare based on the price of a ticket if purchased prior to travel.”

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 22 – Excess Payments Made for Mileage Reimbursements (material weakness) (continued)

Cause

Mayor Resendiz, Mayor Pro-Tem Salinas, City Manager Aguilera, Purchasing Agent Rivera and City Clerk Gamez authorized reimbursement to City officials and employees for mileage at an incorrect rate and authorized reimbursement to the Mayor in violation of state regulation and City policy. Mayor Resendiz charged mileage to the City when total coach class commercial airfare on a common carrier was a cheaper travel alternative.

Effect

Mayor Resendiz, Mayor Pro-Tem Salinas, City Manager Aguilera, Purchasing Agent Rivera and City Clerk Gamez violated the Per Diem and Mileage Act, state regulation and the City's own policies by authorizing overpayments for mileage reimbursements, including reimbursement to Mayor Resendiz when total coach class commercial airfare on a common carrier was a cheaper travel alternative. Without proper oversight and approvals of travel expenses, there is an increased risk of fraud and payments for unauthorized travel.

Recommendation

The City Council and management should implement proper controls to ensure lawful mileage rates are used when calculating and approving travel and per diem reimbursements. The City should also institute adequate controls and oversight over reimbursements for out-of-state travel to ensure compliance with state regulation and its own policies. The City should closely review the method and details of travel reimbursement requests to ensure that expenses are reasonable.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)**Unresolved Special Audit Findings Repeated Below-(continued)****Finding 24 – Deficiencies Related to Fiscal Year 2011 Cash Disbursements from the City’s Fire Protection Fund (material weakness)****Condition**

During our test work of 45 cash disbursements from the City’s Fire Protection Fund in the amount of \$170,387.21 for fiscal year 2011, we found the following discrepancies:

- 4 out of 45 expenditure vouchers tested in the amount of \$2,495.96 were coded to the wrong account code;
- 2 out of 45 expenditure vouchers tested in the amount of \$930.54 were not recorded in the proper period code;
- 1 out of 45 expenditure vouchers tested in the amount of \$144.67 was paid twice;
- 23 out of 45 expenditure vouchers tested in the amount of \$44,088.25 were not properly authorized, i.e., the vouchers were not authorized prior to the goods or services being purchased or the vouchers were missing the required signatures of City Manager, Fire Chief Andres Burciaga and Finance Director Helen Gonzalez;
- 11 out of 45 expenditure vouchers tested in the amount of \$58,702.60 were missing purchase orders;
- 1 out of 45 expenditure vouchers tested in the amount of \$2,500.00 was missing an invoice;
- 14 out of 45 expenditure vouchers tested in the amount of \$9,769.72 were not paid timely or included past due amounts;
- 6 out of 45 expenditure vouchers tested in the amount of \$1,206.97 were for open purchase orders for which there was no evidence that the City tracked expenditures to prevent disbursements in excess of the purchase order;
- 4 out of 45 expenditure vouchers tested in the amount of \$4,119.84 had invoice amounts that were larger than the purchase order amounts associated with the vouchers;
- 5 out of 45 expenditure vouchers tested in the amount of \$6,068.42 did not have sufficient detail on the purchase orders;
- 2 out of 45 expenditure vouchers tested in the amount of \$366.69 did not appear to be for allowed purchases;
- 23 out of 45 expenditure vouchers tested in the amount of \$61,289.69 were missing evidence of goods or services being received prior to payment of invoices;
- 8 out of 45 expenditure vouchers tested in the amount of \$28,156.83 did not include adequate breakdowns of the costs for the invoices paid;
- 10 out of 45 expenditure vouchers tested in the amount of \$102,433.34 did not include evidence that the purchases of goods or services were made pursuant to a proper procurement process, i.e., evidence that price quotes were obtained for the goods or services purchased; and
- 1 out of 45 expenditure vouchers tested in the amount of \$1,666.86 did not include adequate support to determine if the check was properly voided;
- 2 out of 45 expenditure vouchers tested in the amount of \$1,804.13 related to payments made to the City of Las Cruces for the Joint Powers Agreement (JPA) between the City of Las Cruces, Dona Ana County, Town of Mesilla, Village of Hatch, and the City of Sunland Park, which governs the Mesilla Valley Regional Dispatch Authority. The JPA was not recorded in the Fire Protection Fund in the City budget in a separate account code line item.

Criteria

Section 59A-53-11 NMSA 1978 provides the following: Amounts so distributed from the fire protection fund to any incorporated city, town or village or to any county fire district shall be expended under the direction of the chief of the fire department of the city, town, village or district, upon duly executed vouchers approved as required by law; and in no event is any amount to be expended for any purpose which does not relate directly to the permitted purposes specifically stated in Sections 59A-53-8 and 59A-53-9 NMSA 1978.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 24 – Deficiencies Related to Fiscal Year 2011 Cash Disbursements from the City’s Fire Protection Fund (material weakness) (continued)

Section 59A-53-8 NMSA 1978 requires, in part, that amounts from the Fire Protection Fund shall only be expended for the maintenance of its fire department; the purchase, construction, maintenance, repair and operation of its fire stations, including substations; fire apparatus and equipment and the financing or refinancing thereof; the payment of insurance premiums on fire stations, substations, fire apparatus and equipment and insurance premiums for injuries or deaths of firefighters as otherwise provided by law; and fire department emergency medical services, except salaries.

Section 59A-53-13 NMSA 1978 provides the following: Any person who shall expend, or direct or permit the expenditure of, any money distributed from the fire protection fund, for purposes not expressly authorized ... shall be personally liable to the state of New Mexico for the full amount of the money wrongfully expended, together with interest thereon and costs.”

Section 13-1-158(A) NMSA 1978 provides the following: No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications.”

All costs should be completely supported before the City approves them for payment. In addition, invoices should be processed only when they adequately detail all costs.

Good accounting practices require a purchase order be issued as a cash and budget control prior to making purchases. Purchase authorization and budgetary control should be executed by a responsible person at the department level and finance department level who has authority to approve the purchase. Pursuant to Section 13-1-77 NMSA 1978, a “purchase order” is the document issued by the state purchasing agent or a central purchasing office that directs a contractor to deliver items of tangible personal property, services or construction.”

Good internal controls require identifying and recording expenditures according to fund, budget, account code, and category for the tracking of expenditures related to specific revenue sources.

Cause

In certain cases, the City Manager Aguilera , Fire Chief Burciaga, Finance Director Gonzalez and employees of the City’s Purchasing Department did not ensure that expenditures were authorized prior to issuing a voucher. In other cases, the City failed to follow the proper procedures in accordance with the Procurement Code, including failing to ensure that invoices and payments were properly supported. The City also failed to certify the receipt of goods and services prior to payment. Additionally, the City lacks procedures for recording and tracking expenditures for the JPA and open purchase orders. Overall, the City lacks internal controls for Fire Protection Fund disbursements, and it appears that City employees lack proper training and supervision regarding procurement requirements.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 24 – Deficiencies Related to Fiscal Year 2011 Cash Disbursements from the City’s Fire Protection Fund (material weakness) (continued)

Effect

The City appears to have violated state laws pertaining to the Fire Protection Fund, which could result in City officials or employees being held personally liable. Authorization of payments without proper supporting documentation, approvals, review and approval of invoices, and certification that goods and services are received increases the risk that Procurement Code violations and fraud will occur. For example, there is an increased risk that the City may pay vendors in excess of contract or purchase order amounts. There is also an increased risk that the City could overpay for goods or services, or the City could pay for a good or service that was never received. Failure to monitor purchases and implement proper internal controls over purchases can also result in inaccurately reporting and recording transactions. There is an increased risk that the revenues and expenditures associated with the JPA will not be tracked; therefore, those revenues and expenditures will not be reflected in the City’s budget.

Recommendation

The City Council, management and the Fire Chief should implement procedures and controls to closely monitor its expenditures, and expenditures should only be made if they are in accordance with procurement requirements, the purposes of the Fire Protection Fund and the City’s budget. The City should also develop a system to track purchase orders and reconcile invoices to vouchers. The City should also ensure employees review the vendor list prior to purchasing goods and services, and prior to payment employees should certify the receipt of goods and services and that the specifications conform to the quality and quantity ordered. Moreover, the City should ensure all invoices contain sufficient detail and supporting documentation before payments are made. Finally, the City should ensure that it has properly recorded all JPAs on a master list, and monitor the revenues and expenditures under those JPAs until the end of the agreements.

STATE OF NEW MEXICO
 City of Sunland Park
 Status of Special Audit Findings
 June 30, 2011

Findings-Special Audit-(continued)**Unresolved Special Audit Findings Repeated Below-(continued)****Finding 26 – Deficiencies in the Meeting Minutes of the City Council (material weakness)****Condition**

During our test work, we reviewed signed copies of the meeting minutes for 84 meetings of the City Council which were held between January 13, 2009 and October 5, 2011.

Thirty-five of the meeting minutes were for special meetings where the rules of procedure normally would not call for approving the minutes of previous meetings. Of the remaining 49 minutes, 18 included approval of a consent agenda but fail to specifically identify the meeting minutes that are being approved. The minutes for the remaining 31 meetings specifically identify the minutes that are being approved.

We also noted numerous inconsistencies and errors in the drafting of the minutes. For a number of meetings, the heading on the first page indicates the minutes are for a special meeting, but the adjournment paragraph on the last page indicates it was a regular meeting that adjourned. There great numbers of typos and errors in the minutes, and the minutes for April 7, 2009 are incomplete since the names of city council members who made motions to approve resolutions, and the names of city council members who seconded motions, were not entered into the minutes. We also noted that for the following instances the meeting minutes do not show how each member voted for certain actions, such as for awards of professional services contracts:

- At a special meeting of the City Council on September 14, 2009, the City Council approved the award of a professional services contract to Javier Ortiz. Councilor Daniel Salinas made a motion to approve the award to Mr. Ortiz, and Mayor ProTem Angelica Marquez seconded the motion. The motion carried, but the minutes do not show how the Councilors voted. See Finding 01 for additional detail;
- The City Council approved renewal of the agreement with Javier Ortiz on October 20, 2010. The minutes for the meeting indicate that Councilor Carmen Rodriguez made a motion for approval and Councilor Annette Diaz seconded the motion. The motion carried, but the minutes do not show how the Councilors voted. See Finding 01 for additional detail;
- The minutes for the City Council’s March 2, 2011 meeting indicate that the Council considered and approved the contract with Medius, Inc (Medius). The minutes state that Mayor Pro-Tem Daniel Salinas made a motion to approve the contract, and Councilor Diaz seconded the motion. The motion carried, but the minutes do not show how the Council members voted. See Finding 01 for additional detail;
- At its meeting on September 7, 2011, the City Council approved termination of the Medius contract. City Councilor Rodriguez made a motion to terminate the contract “immediately,” and the motion was seconded by Councilor Angelica Marquez. The motion carried, but the minutes do not show how the Council members voted. See Finding 01 for additional detail;
- On May 10, 2011 at a Special Meeting of the City Council, the Council approved the award of a professional services contract to The Idea Group of Santa Fe. Mayor Pro-Tem Salinas made the motion to approve the contract negotiations and Councilor Rodriguez seconded the motion. The motion carried, but the minutes do not show how the Councilors voted. See Finding 01 for additional detail;
- On January 30, 2009, the City Council approved Frank Coppler as the City Attorney. Upon a motion made by Councilor Daniel Salinas, and seconded by Councilor Jessica Avila, the City Council approved Coppler. The other City Councilor present via telephone at the meeting was Angelica Marquez; however, the minutes do not indicate how Ms. Marquez voted. See Finding 04 for additional detail; and
- At a special meeting of the City Council on July 6, 2010, the City Council approved a plan to reduce certain customer utility bills. The City Council voted to approve an 80 percent discount to the current water utility bill” and the remaining 20 percent would be paid over a twelve -month period. The minutes show that motions to approve the plan were made by Mayor Pro-Tem Salinas, Councilor Rodriguez and Councilor Avila. The motion carried, but the minutes do not show how each member voted. See Finding 12 for additional detail. The auditors also noted that a rough draft of the minutes for the meeting of April 18, 2012 was still not available as of Friday, May 11, 2012.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2011

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 26 – Deficiencies in the Meeting Minutes of the City Council- (material weakness) (continued)

Criteria

The Open Meetings Act (OMA), specifically Section 10-15-1 NMSA 1978, requires that [t]he board, commission or other policymaking body shall keep written minutes of all its meetings. The minutes shall include at a minimum the date, time and place of the meeting, the names of members in attendance and those absent, the substance of the proposals considered and a record of any decisions and votes taken that show how each member voted. Draft minutes shall be prepared within ten working days after the meeting and shall be approved, amended or disapproved at the next meeting where a quorum is present. Minutes shall not become official until approved by the policymaking body.”

Pursuant to Section 3-37-1 NMSA 1978, the governing body is the board of finance of the municipality. Pursuant to Section 3-37-1(B)(2) NMSA 1978, the “municipal clerk shall .keep a record of the proceedings of the board of finance which shall be a public record.

Cause

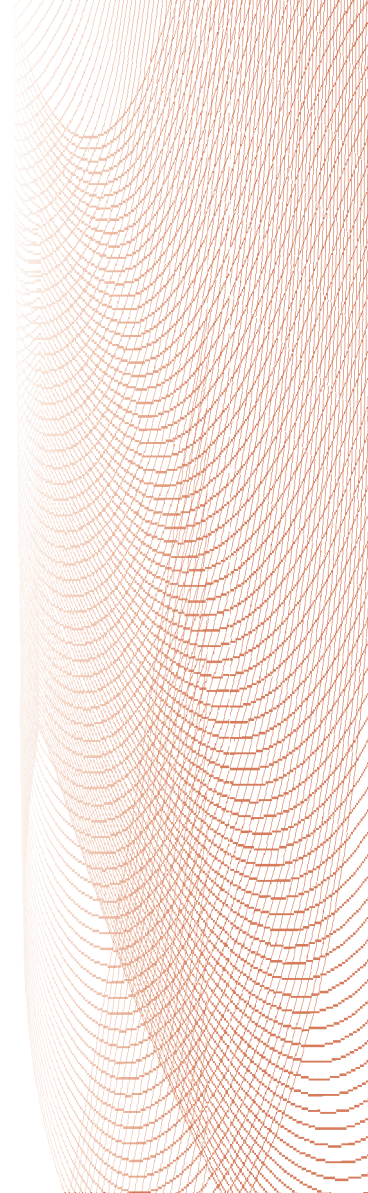
The City Council’s meetings are first recorded. After each meeting, the City Clerk, Elizabeth Gamez, prepares a written draft of the minutes. In certain cases, the City Clerk does not appear to have prepared a draft of the minutes within ten working days. Also, in certain instances, the City Clerk is not noting in the minutes how members voted. The City Council is also not approving, amending or disapproving the minutes of its previous meeting at the next meeting where a quorum is present.

Effect

The City Council and the City Clerk are in noncompliance with the OMA provisions relating to the preparation of minutes and the approval of minutes. The actions of the City Council are not fully transparent to the public. The City Council’s minutes are also not readily available for public inspection when the City Clerk does not prepare them timely. Councilors or the City Clerk may be subject to civil action or criminal penalties.

Recommendation

The City Clerk needs to make preparation of minutes that comply with the requirements of the OMA a high priority. The City Clerk should ensure the minutes show how each member voted on a particular action item by the City Council. The City Council should also ensure that it approves its meeting minutes in accordance with the OMA. Furthermore, after the City Clerk prepares the first draft of the minutes, another person, preferably somebody who attended the meeting should proofread the draft. The City Clerk could then incorporate corrections recommended by the proofreader.



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