

Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
CITY OF SUNLAND PARK
ANNUAL FINANCIAL REPORT
JUNE 30, 2012



STATE OF NEW MEXICO
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ANNUAL FINANCIAL REPORT
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STATE OF NEW MEXICO
City of Sunland Park
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STATE OF NEW MEXICO

City of Sunland Park

Official Roster

June 30, 2012

<u>Name</u>		<u>Title</u>
	<u>Elected Officials</u>	
Vacant		Mayor
Isabel Santos		Mayor Pro-Tem
Christian Lira		City Councilor
Carmen Rodriguez		City Councilor
Jessica Avila		City Councilor
Annette Diaz		City Councilor
Sergio Carrillo		City Councilor
	<u>Administration</u>	
Vacant		City Manager
Michael P Steininger		Interim 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, 2012, 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 comparison for the major capital projects fund 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, 2012 as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 provides a reasonable basis for our opinions.

In our opinion, based on our audit, 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, 2012, 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, 2012, 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 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, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 842,585	\$ 1,119,076	\$ 1,961,661
Investments	10,032,479	172,791	10,205,270
Receivables:			
Property taxes	78,398	-	78,398
Other taxes	653,281	-	653,281
Other receivables	118,588	-	118,588
Accounts receivable	-	83,577	83,577
Prepays	18,299	-	18,299
Total current assets	<u>11,743,630</u>	<u>1,375,444</u>	<u>13,119,074</u>
Noncurrent assets			
Restricted cash and cash equivalents	129,090	165,191	294,281
Capital assets	26,621,982	3,694,608	30,316,590
Less: accumulated depreciation	<u>(16,881,790)</u>	<u>(1,178,640)</u>	<u>(18,060,430)</u>
Total noncurrent assets	<u>9,869,282</u>	<u>2,681,159</u>	<u>12,550,441</u>
Total assets	<u>\$ 21,612,912</u>	<u>\$ 4,056,603</u>	<u>\$ 25,669,515</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	\$ 72,229	\$ 43,720	\$ 115,949
Customer deposits	-	5,080	5,080
Accrued payroll	60,184	4,547	64,731
Accrued interest	1,294	-	1,294
Due to CRRUA	-	247,230	247,230
Compensated absences	96,173	18,640	114,813
Loans and leases payable	50,438	43,951	94,389
Total current liabilities	280,318	363,168	643,486
Noncurrent liabilities			
Compensated absences	152,658	11,767	164,425
Loans and leases payable	30,000	161,614	191,614
Contingent liability	-	600,000	600,000
Total noncurrent liabilities	182,658	773,381	956,039
Total liabilities	462,976	1,136,549	1,599,525
Net Assets			
Invested in capital assets, net of related debt	9,659,754	2,310,403	11,970,157
Restricted for:			
General government	14,323	-	14,323
Public safety	208,985	-	208,985
Debt service	129,090	-	129,090
Health and welfare	1,187	-	1,187
Capital projects	10,363,690	-	10,363,690
Unrestricted	772,907	609,651	1,382,558
Total net assets	21,149,936	2,920,054	24,069,990
Total liabilities and net assets	\$ 21,612,912	\$ 4,056,603	\$ 25,669,515

STATE OF NEW MEXICO
City of Sunland Park
Statement of Activities
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 2,647,618	\$ 1,555,048	\$ 36,434	\$ -
Public safety	3,102,011	6,000	319,320	-
Public works	1,162,627	-	-	5,824
Culture and recreation	583,038	-	-	153,304
Health and welfare	9,286	-	-	3,357
Interest on long-term debt	2,663	-	-	-
<i>Total governmental activities</i>	<u>7,507,243</u>	<u>1,561,048</u>	<u>355,754</u>	<u>162,485</u>
Business-type Activities:				
Joint utility	2,653,702	1,390,218	58,168	406,829
Solid waste	535,027	249,096	-	-
Housing authority	323,309	98,915	-	72,949
<i>Total business-type activities</i>	<u>3,512,038</u>	<u>1,738,229</u>	<u>58,168</u>	<u>479,778</u>
<i>Total primary government</i>	<u>\$ 11,019,281</u>	<u>\$ 3,299,277</u>	<u>\$ 413,922</u>	<u>\$ 642,263</u>

General Revenues and Transfers:

Taxes:

Property taxes, levied for general purposes

Gross receipts taxes

Gasoline and motor vehicle taxes

Other taxes

Investment income

Loan forgiveness

Miscellaneous income

Transfer to CRRUA-external party

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning

Net assets, ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,056,136)	\$ -	\$ (1,056,136)
(2,776,691)	-	(2,776,691)
(1,156,803)	-	(1,156,803)
(429,734)	-	(429,734)
(5,929)	-	(5,929)
(2,663)	-	(2,663)
<u>(5,427,956)</u>	<u>-</u>	<u>(5,427,956)</u>
-	(798,487)	(798,487)
-	(285,931)	(285,931)
-	(151,445)	(151,445)
<u>-</u>	<u>(1,235,863)</u>	<u>(949,932)</u>
<u>(5,427,956)</u>	<u>(1,235,863)</u>	<u>(6,377,888)</u>
501,608	-	501,608
3,222,883	238,301	3,461,184
35,545	-	35,545
266,752	-	266,752
26,372	19,195	45,567
-	725,720	725,720
74,351	301,882	376,233
-	(23,342,577)	(23,342,577)
(261,482)	261,482	-
<u>3,866,029</u>	<u>(21,795,997)</u>	<u>(17,929,968)</u>
(1,561,927)	(23,031,860)	(24,307,856)
<u>22,711,863</u>	<u>25,951,914</u>	<u>48,663,777</u>
<u>\$ 21,149,936</u>	<u>\$ 2,920,054</u>	<u>\$ 24,069,990</u>

STATE OF NEW MEXICO

City of Sunland Park

Balance Sheet

Governmental Funds

June 30, 2012

	<u>General Fund</u>	<u>Border Crossing Facility</u>	<u>Other Governmental Funds</u>
<i>Assets</i>			
Cash and cash equivalents	\$ 438,149	\$ 344,184	\$ 189,342
Investments	-	10,032,479	-
Receivables:			
Property taxes	78,398	-	-
Other taxes	653,281	-	-
Other receivables	83,435	-	35,153
Prepaid	13,739	-	4,560
<i>Total assets</i>	<u>\$ 1,267,002</u>	<u>\$ 10,376,663</u>	<u>\$ 229,055</u>
<i>Liabilities</i>			
Accounts payable	\$ 54,701	\$ 10,953	\$ 6,575
Accrued payroll	58,164	2,020	-
Deferred revenue	66,829	-	-
<i>Total liabilities</i>	<u>179,694</u>	<u>12,973</u>	<u>6,575</u>
<i>Fund balances</i>			
Nonspendable			
Prepaid	13,739	-	4,560
Spendable			
Restricted for:			
General government	-	-	14,323
Public safety	-	-	208,985
Health and welfare	-	-	1,187
Capital projects	-	10,363,690	-
Unassigned	1,073,569	-	(6,575)
<i>Total fund balances</i>	<u>1,087,308</u>	<u>10,363,690</u>	<u>222,480</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,267,002</u>	<u>\$ 10,376,663</u>	<u>\$ 229,055</u>

The accompanying notes are an integral part of these financial statements

<u>Total</u>	
\$	971,675
	10,032,479
	78,398
	653,281
	118,588
	18,299
\$	<u>11,872,720</u>

\$	72,229
	60,184
	66,829
	<u>199,242</u>

18,299

	14,323
	208,985
	1,187
	10,363,690
	1,066,994
	<u>11,673,478</u>
\$	<u>11,872,720</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, 2012

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

Fund balances - total governmental funds	\$	11,673,478
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		9,740,192
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		66,829
Bond issuance costs reported as an asset in the statement of net assets but not reported on the governmental funds balance sheet		
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable:		
Accrued interest		(1,294)
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued compensated absences		(248,831)
Bonds payable		(80,438)
		(329,269)
Total net assets of governmental activities	\$	21,149,936

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, 2012

	<u>General Fund</u>	<u>Border Crossing Facility</u>	<u>Other Governmental Funds</u>
<i>Revenues</i>			
Taxes:			
Property	\$ 497,765	\$ -	\$ -
Gross receipts	3,180,640	-	42,243
Gasoline and motor vehicle	34,473	-	1,072
Other	266,752	-	-
Intergovernmental income:			
Federal operating grants	-	-	54,538
Federal capital grants	-	-	3,357
State operating grants	-	-	301,216
State capital grants	-	-	159,128
Local sources:			
Charges for services	4,732	-	6,000
Licenses and fees	1,488,934	-	61,382
Investment income	19	26,191	162
Miscellaneous	74,351	-	-
<i>Total revenues</i>	<u>5,547,666</u>	<u>26,191</u>	<u>629,098</u>
<i>Expenditures</i>			
Current:			
General government	1,168,183	1,055,938	168,924
Public safety	2,641,072	-	384,566
Public works	716,728	-	-
Culture and recreation	583,038	-	-
Health and welfare	-	-	9,286
Capital outlay	-	-	165,690
Debt service:			
Principal	-	-	48,675
Interest and fees	-	-	3,056
<i>Total expenditures</i>	<u>5,109,021</u>	<u>1,055,938</u>	<u>780,197</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>438,645</u>	<u>(1,029,747)</u>	<u>(151,099)</u>
<i>Other financing sources (uses)</i>			
Transfers in	66,523	-	150,508
Transfers (out)	(464,196)	-	(14,317)
<i>Total other financing sources (uses)</i>	<u>(397,673)</u>	<u>-</u>	<u>136,191</u>
<i>Net change in fund balances</i>	40,972	(1,029,747)	(14,908)
<i>Fund balances - beginning of year</i>	<u>1,046,336</u>	<u>11,393,437</u>	<u>237,388</u>
<i>Fund balances - end of year</i>	<u>\$ 1,087,308</u>	<u>\$ 10,363,690</u>	<u>\$ 222,480</u>

The accompanying notes are an integral part of these financial statements

<u>Total</u>
\$ 497,765
3,222,883
35,545
266,752
54,538
3,357
301,216
159,128
10,732
1,550,316
26,372
74,351
<u>6,202,955</u>
2,393,045
3,025,638
716,728
583,038
9,286
165,690
48,675
3,056
<u>6,945,156</u>
<u>(742,201)</u>
217,031
<u>(478,513)</u>
<u>(261,482)</u>
(1,003,683)
<u>12,677,161</u>
<u>\$ 11,673,478</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, 2012

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds \$ (1,003,683)

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 165,690
Depreciation expense (765,538)

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 3,843
Increase in accrued compensated absences (11,307)
Increase in accrued interest 393
Principal payments on bonds payable 48,675

Change in net assets of governmental activities \$ (1,561,927)

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, 2012

	Budgeted Amounts		Actual	Variations
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ 421,085	\$ 421,085	\$ 503,910	\$ 82,825
Gross receipts	3,149,521	3,149,521	2,859,175	(290,346)
Gasoline and motor vehicle	35,288	35,288	35,647	359
Other	2,603	2,603	2,863	260
Franchise tax	296,931	296,931	252,923	(44,008)
Intergovernmental income:				
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	2,500	2,500	4,732	2,232
Licenses and fees	1,385,501	1,385,501	1,405,499	19,998
Investment income	-	-	19	19
Miscellaneous	400	400	74,351	73,951
<i>Total revenues</i>	<u>5,293,829</u>	<u>5,293,829</u>	<u>5,139,119</u>	<u>(154,710)</u>
<i>Expenditures</i>				
Current:				
General government	1,319,306	1,319,306	1,167,524	151,782
Public safety	2,700,616	2,700,616	2,705,288	(4,672)
Public works	789,614	789,614	721,177	68,437
Culture and recreation	499,143	499,143	599,138	(99,995)
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>5,308,679</u>	<u>5,308,679</u>	<u>5,193,127</u>	<u>115,552</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(14,850)</u>	<u>(14,850)</u>	<u>(54,008)</u>	<u>(39,158)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	126,245	126,245	-	(126,245)
Transfers in	89,375	89,375	52,206	(37,169)
Transfers (out)	(200,770)	(200,770)	(260,000)	(59,230)
<i>Total other financing sources (uses)</i>	<u>14,850</u>	<u>14,850</u>	<u>(207,794)</u>	<u>(222,644)</u>
<i>Net change in fund balance</i>	-	-	(261,802)	(261,802)
<i>Fund balances - beginning of year</i>	-	-	699,951	699,951
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 438,149</u>	<u>\$ 438,149</u>
Net change in fund balance (non-GAAP budgetary basis)				(261,802)
Adjustments to revenues for taxes.				146,481
Adjustments to expenditures for salaries, professional services, supplies.				156,293
Net change in fund balance (GAAP basis)				<u>\$ 40,972</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, 2012

	<u>Joint Utility Fund</u>	<u>Solid Waste Fund</u>	<u>Housing Authority</u>
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 724,021	\$ -	\$ 395,055
Investments	-	-	172,791
Accounts receivable	-	81,626	1,951
<i>Total current assets</i>	<u>724,021</u>	<u>81,626</u>	<u>569,797</u>
<i>Noncurrent assets</i>			
<i>Restricted cash:</i>			
Customer deposits	-	-	5,080
Debt service	160,111	-	-
Capital assets	-	233,788	3,460,820
Less: accumulated depreciation	-	(32,213)	(1,146,427)
<i>Total noncurrent assets</i>	<u>160,111</u>	<u>201,575</u>	<u>2,319,473</u>
<i>Total assets</i>	<u>\$ 884,132</u>	<u>\$ 283,201</u>	<u>\$ 2,889,270</u>
<i>Liabilities and net assets</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 36,902	\$ 6,818	\$ -
Customer deposits	-	-	5,080
Accrued payroll	-	2,352	2,195
Due to CRRUA	247,230	-	-
Compensated absences	-	3,897	14,743
Capital lease	-	43,951	-
<i>Total current liabilities</i>	<u>284,132</u>	<u>57,018</u>	<u>22,018</u>
<i>Noncurrent liabilities</i>			
Capital lease	-	161,614	-
Compensated absences	-	2,460	9,307
Contingent liability	600,000	-	-
<i>Total noncurrent liabilities</i>	<u>600,000</u>	<u>164,074</u>	<u>9,307</u>
<i>Total liabilities</i>	<u>884,132</u>	<u>221,092</u>	<u>31,325</u>
<i>Net assets</i>			
Invested in capital assets, net of related debt	-	(3,990)	2,314,393
Unrestricted net assets	-	66,099	543,552
<i>Total net assets</i>	<u>-</u>	<u>62,109</u>	<u>2,857,945</u>
<i>Total liabilities and net assets</i>	<u>\$ 884,132</u>	<u>\$ 283,201</u>	<u>\$ 2,889,270</u>

The accompanying notes are an integral part of these financial statements

Total

\$	1,119,076
	172,791
	83,577
	1,375,444

	5,080
	160,111
	3,694,608
	(1,178,640)
	2,681,159
\$	4,056,603

\$	43,720
	5,080
	4,547
	247,230
	18,640
	43,951
	363,168

	161,614
	11,767
	600,000
	773,381
	1,136,549

	2,310,403
	609,651
	2,920,054
\$	4,056,603

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, 2012

	<u>Joint Utility Fund</u>	<u>Solid Waste Fund</u>	<u>Housing Authority</u>
<i>Operating revenues</i>			
Charges for services	\$ 1,390,218	\$ 249,096	\$ 98,915
<i>Total operating revenues</i>	<u>1,390,218</u>	<u>249,096</u>	<u>98,915</u>
<i>Operating expenses</i>			
Personnel services	443,098	140,054	87,394
Contractual services	685,551	1,150	4,615
Supplies	219,589	44,666	2,165
Maintenance and materials	145,020	36,831	50,259
Utilities	454,417	244,869	-
Equipment	142,580	12,792	-
Depreciation	421,412	32,213	115,664
Miscellaneous	82,560	-	63,212
<i>Total operating expenses</i>	<u>2,594,227</u>	<u>512,575</u>	<u>323,309</u>
<i>Operating (loss)</i>	<u>(1,204,009)</u>	<u>(263,479)</u>	<u>(224,394)</u>
<i>Non-operating revenues (expenses)</i>			
Gross receipts tax	156,068	82,233	-
Interest expense	(59,475)	(22,452)	-
Interest income	-	-	19,195
Miscellaneous income	301,532	-	350
<i>Total non-operating revenues (expenses)</i>	<u>398,125</u>	<u>59,781</u>	<u>19,545</u>
<i>(Loss) before contributions, grants and transfers</i>	<u>(805,884)</u>	<u>(203,698)</u>	<u>(204,849)</u>
Government contributions	464,997	-	72,949
Loan forgiveness	725,720	-	-
Transfers (out) to CRRUA	(23,342,577)	-	-
Transfers in	-	265,807	63,688
Transfers (out)	(68,013)	-	-
<i>Grants and net transfers</i>	<u>(22,219,873)</u>	<u>265,807</u>	<u>136,637</u>
<i>Change in net assets</i>	<u>(23,025,757)</u>	<u>62,109</u>	<u>(68,212)</u>
<i>Net assets- beginning of year</i>	<u>23,025,757</u>	<u>-</u>	<u>2,926,157</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ 62,109</u>	<u>\$ 2,857,945</u>

The accompanying notes are an integral part of these financial statements

<u>Total</u>	
\$	<u>1,738,229</u>
	<u>1,738,229</u>
	670,546
	691,316
	266,420
	232,110
	699,286
	155,372
	569,289
	<u>145,772</u>
	<u>3,430,111</u>
	<u>(1,691,882)</u>
	238,301
	(81,927)
	19,195
	<u>301,882</u>
	<u>477,451</u>
	<u>(1,214,431)</u>
	537,946
	725,720
	(23,342,577)
	329,495
	<u>(68,013)</u>
	<u>(21,817,429)</u>
	(23,031,860)
	<u>25,951,914</u>
\$	<u><u>2,920,054</u></u>

STATE OF NEW MEXICO
City of Sunland Park
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Joint Utility Fund	Solid Waste	Housing Authority
<i>Cash flows from operating activities</i>			
Cash received from user charges	\$ 2,120,401	\$ 167,470	\$ 99,076
Cash payments to employees for services	(1,892,129)	(131,345)	(102,673)
Cash payments to suppliers for goods and services	(508,762)	(333,490)	(77,121)
<i>Net cash (used) by operating activities</i>	<u>(280,490)</u>	<u>(297,365)</u>	<u>(80,718)</u>
<i>Cash flows from noncapital financing activities</i>			
Government contributions	58,168	-	-
Taxes received	156,068	82,233	-
Miscellaneous income	301,532	-	350
Internal cash transfers in (out)	(68,013)	265,807	63,688
<i>Net cash provided by noncapital financing activities:</i>	<u>447,755</u>	<u>348,040</u>	<u>64,038</u>
<i>Cash flows from capital and related financing activities</i>			
Capital grants	406,829	-	72,949
Acquisition of capital assets	(1,467,133)	-	(40,395)
Principal paid on capital debt	(153,365)	(28,223)	-
Proceeds from debt issuance	912,821	-	-
Interest paid on capital debt	(148,639)	(22,452)	-
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(449,487)</u>	<u>(50,675)</u>	<u>32,554</u>
<i>Cash flows from investing activities</i>			
Sale of investments (net)	-	-	33,746
Interest on investments	-	-	19,195
<i>Net cash provided by from investing activities</i>	<u>-</u>	<u>-</u>	<u>52,941</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	<u>(282,222)</u>	<u>-</u>	<u>68,815</u>
<i>Cash and cash equivalents - beginning of year</i>	<u>1,166,354</u>	<u>-</u>	<u>331,320</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 884,132</u>	<u>\$ -</u>	<u>\$ 400,135</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ (1,204,009)	\$ (263,479)	\$ (224,394)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities			
Depreciation	421,412	32,213	115,664
Changes in assets and liabilities:			
Receivables	730,183	(81,626)	625
Prepaid expenses	4,761	-	-
Accounts payable	(167,173)	6,818	26,020
Accrued payroll expenses	(35,622)	2,352	(2,498)
Compensated absences	(30,042)	6,357	4,329
Customer deposits	-	-	(464)
<i>Net cash (used) by operating activities</i>	<u>\$ (280,490)</u>	<u>\$ (297,365)</u>	<u>\$ (80,718)</u>

Noncash disclosures: \$725,720 in loans received during fiscal year 2012 were forgiven in 2012.

\$23,342,577 in noncash assets and liabilities were transferred to CRRUA during fiscal year 2012

The accompanying notes are an integral part of these financial statements

<u>Total</u>	
\$	2,386,947
	(2,126,147)
	<u>(919,373)</u>
	<u>(658,573)</u>

	58,168
	238,301
	301,882
	<u>261,482</u>
	<u>859,833</u>

	479,778
	(1,507,528)
	(181,588)
	912,821
	(171,091)
	<u>(467,608)</u>

	33,746
	<u>19,195</u>
	<u>52,941</u>
	<u>(213,407)</u>
	<u>1,497,674</u>
\$	<u>1,284,267</u>

\$	(1,691,882)
----	-------------

	569,289
	649,182
	4,761
	(134,335)
	(35,768)
	(19,356)
	<u>(464)</u>
\$	<u>(658,573)</u>

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STATE OF NEW MEXICO
City of Sunland Park
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Exhibit E-1

<i>Current Assets</i>	
Cash and cash equivalents	<u>\$ 82,297</u>
<i>Total assets</i>	<u><u>\$ 82,297</u></u>
 <i>Current Liabilities</i>	
Due to other governmental agency	<u>\$ 82,297</u>
<i>Total liabilities</i>	<u><u>\$ 82,297</u></u>

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, 2012

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, 2012

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, 2012

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.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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 donations to plan, design, and construction of border crossing facilities in the City.

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, and wastewater utilities, which provide services to residents of the City and Santa Teresa, New Mexico.

The *Solid Waste Fund* accounts for the activities of the City solid waste utility, which provides services to residents of the City and Santa Teresa, New Mexico.

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 of the City.

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.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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 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.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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, 2012, 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.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Employees 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.

Long-term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable 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, 2012, the City had nonspendable fund balance in the amount of \$18,299.

Restricted and Committed Fund Balance: At June 30, 2012, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$10,588,185 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 more fully described on pages 37 and 58-59.

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

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

- 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 37 and 58-59.
- 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.

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.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 2. Stewardship, Compliance and Accountability (continued)

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, 2012 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.

	<u>Excess (deficiency) of revenues over expenditures</u>	
	<u>Original Budget</u>	<u>Final Budget</u>
Budgeted Funds:		
Governmental Funds:		
General Fund	\$ (14,850)	\$ (14,850)
Border Crossing Facility	\$ -	\$ -
Other governmental funds	\$ (36,665)	\$ (36,665)
	<u>Operating income (loss)</u>	
	<u>Original Budget</u>	<u>Final Budget</u>
Proprietary Funds:		
Joint Utility Fund	\$ (487,213)	\$ (487,213)
Solid Waste Fund	\$ -	\$ -
Public Housing Authority	\$ (254,016)	\$ (254,016)

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

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, 2012.

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:

- 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, 2012, \$0 of the City's bank balance of \$2,853,828 was subject to custodial credit risk. \$128,424 was deposited in interest bearing certificate of deposit covered by the FDIC and the remaining amount of \$2,725,404 was deposited in noninterest-bearing accounts and completely insured against custodial credit risk by the Dodd-Frank Wall Street Reform Act.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 3. Deposits and Investments (continued)

	Wells Fargo
Amount of deposits	\$ 2,853,828
FDIC Coverage	(128,424)
Deposits covered by Dodd-Frank Reform Act	(2,725,404)
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	\$ -

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	\$ 842,585
Cash and cash equivalents - Business-type Activities Exhibit A-1	1,119,076
Restricted cash and cash equivalents - Governmental Activities Exhibit A-1	129,090
Restricted cash and cash equivalents - Business-type Activities Exhibit A-1	165,191
Investments - Governmental Activities Exhibit A-1	10,032,479
Investments - Proprietary Funds Exhibit A-1	172,791
Cash - Statement of Fiduciary Assets and Liabilities - Exhibit E-1	82,297
	12,543,509
Total cash, cash equivalents, and investments	12,543,509
Add: outstanding checks and other reconciling items	668,859
Less: deposits in transit	(24,180)
Less: cash held by NMFA	(129,090)
Less: investments held in NM State Treasurer's LGIP	(10,205,270)
	(10,205,270)
Bank balance of deposits	\$ 2,853,828

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 3. Deposits and Investments (continued)

Investments

The City's investments at June 30, 2012 include the following:

<u>Investments</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
<i>New MexiGROW</i> LGIP	AAAm	>60 Days	\$ 10,205,270

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, 2012, 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).

Concentration of Credit Risk – Investments. For an investment, concentration of 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, 2012, are as follows:

	General Fund	Other Governmental Funds	Total
Property taxes	\$ 78,398	\$ -	\$ 78,398
Other taxes:			
Gross receipts taxes	602,189	-	602,189
Franchise taxes	51,092	-	51,092
Gasoline & motor vehicle taxes	-	-	-
Other receivables			
State sources	-	27,517	27,517
Federal sources		7,636	7,636
Local sources	83,435	-	83,435
Totals by category	<u>\$ 815,114</u>	<u>\$ 35,153</u>	<u>\$ 850,267</u>

The above receivables are deemed 100% collectible. In accordance with GASB 33, the property tax revenues that were not collected within the period of availability, \$66,829 have been reclassified as deferred revenue in the governmental fund financial statements.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 4. Receivables-(continued)

Proprietary fund receivables as of June 30, 2012, are as follows:

	Solid Waste fund	Housing Authority	Total
Customer receivables	\$ 81,626	\$ 1,951	\$ 83,577
Total customer receivables	<u>\$ 81,626</u>	<u>\$ 1,951</u>	<u>\$ 83,577</u>

The above receivables are deemed 100% collectible.

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
General fund	Solid waste	\$ 250,000
General fund	Senior Citizens Center	10,000
General fund	State LRF Grant	19,700
General fund	Court automation fund	5,486
General fund	Sports complex	34,094
General fund	Police/Fire Substation	483
General fund	COPS federal grant	72,658
General fund	Traffic safety fund	4,409
General fund	Housing authority	63,688
General fund	Jail Bond Fund	208
General fund	Confiscated assets	3,470
Corrections fund	General fund	9,584
Joint utility	General fund	52,206
Joint utility	Solid waste	15,807
Senior citizen center	General fund	201
Law enforcement fund	General fund	85
NM Beautification fund	General fund	2,239
Grants library	General fund	554
Community center	General fund	1,654
	Total transfers	<u>\$ 546,526</u>

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2012, are as follows. Land and construction in progress are not subject to depreciation.

	<u>Balance</u> <u>June 30, 2011</u>	<u>Adjustments</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental activities:						
Capital assets, not depreciated:						
Land	\$ 124,097	\$ -	\$ -	\$ -	\$ -	\$ 124,097
Construction in progress	4,464,103	-	(4,264,660)	84,825	-	284,268
Total capital assets, not depreciated	4,588,200	-	(4,264,660)	84,825	-	408,365
Capital assets, depreciated:						
Buildings & building improvements	2,995,120	-	196,560	-	-	3,191,680
Land Improvements	1,418,579	-	4,068,100	-	-	5,486,679
Furniture, fixtures, & equipment	784,190	-	-	-	-	784,190
Vehicles	2,524,988	-	-	80,865	-	2,605,853
Equipment	14,145,215	-	-	-	-	14,145,215
Total capital assets, depreciated	21,868,092	-	4,264,660	80,865	-	26,213,617
Less accumulated depreciation:						
Buildings & building improvements	1,265,249	-	-	80,550	-	1,345,799
Land improvements	458,456	-	-	261,451	-	719,907
Furniture, fixtures, & equipment	581,441	-	-	51,715	-	633,156
Vehicles	2,099,862	-	-	163,497	-	2,263,359
Equipment	11,711,244	-	-	208,325	-	11,919,569
Total accumulated depreciation	16,116,252	-	-	765,538	-	16,881,790
Net book value	<u>\$ 10,340,040</u>					<u>\$ 9,740,192</u>

Depreciation expense for the year ended June 30, 2012 was charged to governmental activities as follows:

General government	\$ 243,266
Public works	445,899
Public safety	<u>76,373</u>
	<u>\$ 765,538</u>

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 6. Capital Assets (continued)

	<u>Balance June 30, 2011</u>	<u>Adjustments</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Business-type activities:						
Capital assets, not depreciated:						
Land	\$ 2,342,782	\$ -	\$ -	\$ -	\$ 2,192,782	\$ 150,000
Construction in progress	2,203,939	-	-	1,382,770	3,586,709	-
Total capital assets, not depreciated	4,546,721	-	-	1,382,770	5,779,491	150,000
Capital assets, depreciated:						
Buildings & building improvements	3,281,046	-	-	40,395	87,893	3,233,548
Land improvements	65,370	-	-	25,600	90,970	-
Vehicles	95,725	-	-	233,788	73,204	256,309
Furniture, fixtures, & equipment	105,209	-	-	-	50,458	54,751
Infrastructure	27,025,820	-	-	58,767	27,084,587	-
Total capital assets, depreciated	30,573,170	-	-	358,550	27,387,112	3,544,608
Less accumulated depreciation:						
Buildings & building improvements	663,504	-	342,384	114,036	48,502	1,071,422
Land improvements	31,699	-	-	3,238	34,937	-
Vehicles	50,240	-	-	41,162	36,670	54,732
Furniture, fixtures, & equipment	132,421	(41,261)	-	4,970	43,644	52,486
Infrastructure	5,671,503	69,919	(342,384)	405,883	5,804,921	-
Total accumulated depreciation	6,549,367	28,658	-	569,289	5,968,674	1,178,640
Net book value	<u>\$ 28,570,524</u>					<u>\$ 2,515,968</u>

Depreciation expense for the year ended June 30, 2012 was charged to business-type activities as follows:

Joint Utility Fund	\$ 421,412
Solid Waste Fund	32,213
Housing Authority	<u>115,664</u>
Total	<u>\$ 569,289</u>

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 7. Long-term Debt

Governmental Activities

During the year ended June 30, 2012, the following changes occurred in the liabilities reported in the government-wide Statement of Net Assets:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
NMFA Loans	\$ 129,113	\$ -	\$ 48,675	\$ 80,438	\$ 50,438
Compensated Absences	237,524	189,003	177,696	248,831	96,173
Total	\$ 366,637	\$ 189,003	\$ 226,371	\$ 329,269	\$ 146,611

The City's leave policy allows employes 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 maturing in July, 2015. The loan agreement is secured by Fire Protection Funds.

On August 15, 2008, the City entered into an \$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 maturing 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, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ 50,438	\$ 3,141	\$ 53,579
2014	9,000	1,733	10,733
2015	10,000	1,097	11,097
2016	11,000	393	11,393
	\$ 80,438	\$ 6,364	\$ 86,802

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 7. Long-term Debt (continued)

Business-type activities

During the year ended June 30, 2012, the following changes occurred in the liabilities reported in the proprietary Statement of Net Assets:

	Balance June 30, 2011	Additions	Retirements	Transfers to CRRUA	Balance June 30, 2012	Due Within One Year
Bonds	\$ 3,136,800	\$ -	\$ 49,000	\$ 3,087,800	\$ -	\$ -
NMFA Loans	745,747	912,821	830,085	828,483	-	-
Capital lease	-	233,788	28,223	-	205,565	43,951
Compensated Absences	49,763	7,468	26,824	-	30,407	18,640
Total	\$ 3,932,310	\$ 1,154,077	\$ 934,132	\$ 3,916,283	\$ 235,972	\$ 62,591

Capital lease

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.

The annual requirements to amortize the capital lease as of June 30, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	43,951	8,351	52,302
2014	45,970	6,332	52,302
2015	48,082	4,220	52,302
2016	50,291	2,280	52,571
2017	17,271	162	17,433
	\$ 205,565	\$ 21,345	\$ 226,910

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.

At June 30, 2012, 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.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 8. Risk Management (continued)

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 7% to 8% depending on the plan (municipal general, municipal police, or municipal fire plan) of their gross salary. The City is required to contribute 7% to 15% depending on the plan of the gross salary. The contribution requirements of plan members and the City are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2012, 2011, and 2010 were \$340,061, \$325,061, and \$322,393, respectively, which equal the required contributions for each fiscal year.

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

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

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

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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee’s annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013 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 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 NMSA 1978]), during the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 2.292% of each participating employee’s annual salary, and each participating employee was required to contribute 1.146% of their salary. In the fiscal year ending June 30, 2013 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 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, 2012, 2011, and 2010 were \$68,386, \$52,555, and \$51,524, 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.

NOTE 12. Contingent Liabilities

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, 2012. This liability is reflected as a contingent liability in the statement of net assets for proprietary funds at June 30, 2012.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 12. Contingent Liabilities (continued)

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 and litigation where loss to the City is reasonable possible has not been accrued in the financial statements

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, 2012:

Corrections Fund	\$	<u>6,575</u>
------------------	----	--------------

- B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2012:

Corrections Fund	\$	5,798
Traffic Safety Fund		24,401
Jail Bond Fund		<u>208</u>
 Total	 \$	 <u>30,407</u>

- C. Designated cash appropriations. The following funds had designated cash appropriations in excess of available balances for the year ended June 30, 2012:

None

NOTE 14. Subsequent Events

The date to which events occurring after June 30, 2012, 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.

Through a memorandum of understanding executed on October 19, 2012, the City transferred operations of its solid waste services to the South Central Solid Waste Authority.

NOTE 15. TRANSFER TO CRRUA

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”). The net book value of assets including capital assets and related accumulated depreciation, debt reserve accounts and liabilities including debt and customer deposits transferred to CRRUA totaled \$23,342,577 in fiscal year ending June 30, 2012. Amounts owed to CRRUA totaled \$247,230 at June 30, 2012.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 16. Restricted Net Assets

The government-wide statement of net assets reports \$10,717,275 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 37 and 58-59.

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. There were no amounts contributed during fiscal year ending June 30, 2012.

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.

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.

STATE OF NEW MEXICO
City of Sunland Park
Notes to Financial Statements
June 30, 2012

NOTE 18. Subsequent Pronouncements-(continued)

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.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Sunland Park
Non-Major Fund Descriptions
June 30, 2012

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 Citizens 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.

Grants Library - To account for acquisition of library books for the community library of the City of Sunland Park. Fund are provided by state appropriations. Authority of the creation of this fund is City Council.

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

Jail Bond Fund - This fund was established to account for collection, holding and reimbursement of jail bond funds. Authority for the creation of this fund is City Council.

State LRF Grant - To account for state grant funds received by the City for purposes of maintaining and improving local roads within the City limits. Authority for the creation of this fund is City Council.

STATE OF NEW MEXICO
City of Sunland Park
Non-Major Fund Descriptions
June 30, 2012

CAPITAL PROJECTS FUNDS

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

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

Sports Complex - To account for the development of recreational facilities for the community of the City of Sunland Park. Funds are provide by state and local appropriations.

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

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, 2012

	Special Revenue			
	Fire Protection Fund	Emergency Medical Services	Corrections Fund	Senior Citizens Center
<i>Assets</i>				
Cash and cash equivalents	\$ 165,801	\$ 6,450	\$ -	\$ 1,187
Receivables:				
Other receivables	-	-	-	-
Prepays	-	-	-	-
<i>Total assets</i>	<u>\$ 165,801</u>	<u>\$ 6,450</u>	<u>\$ -</u>	<u>\$ 1,187</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ 6,575	\$ -
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>6,575</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable				
Prepays	-	-	-	-
Spendable				
Restricted for:				
General government	-	-	-	-
Public safety	165,801	6,450	-	-
Health and welfare	-	-	-	1,187
Unassigned	-	-	(6,575)	-
<i>Total fund balances</i>	<u>165,801</u>	<u>6,450</u>	<u>(6,575)</u>	<u>1,187</u>
<i>Total liabilities and fund balances</i>	<u>\$ 165,801</u>	<u>\$ 6,450</u>	<u>\$ -</u>	<u>\$ 1,187</u>

Special Revenue

Law Enforcement Fund	Court Automation	New Mexico Beautification	COPS Federal Fund	Confiscated Assets	Grants Library	Traffic Safety Fund
\$ 2,653	\$ -	\$ -	\$ -	\$ 13,251	\$ -	\$ -
-	5,472	-	7,636	-	-	20,973
-	4,560	-	-	-	-	-
<u>\$ 2,653</u>	<u>\$ 10,032</u>	<u>\$ -</u>	<u>\$ 7,636</u>	<u>\$ 13,251</u>	<u>\$ -</u>	<u>\$ 20,973</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	4,560	-	-	-	-	-
-	-	-	-	13,251	-	-
2,653	5,472	-	7,636	-	-	20,973
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,653</u>	<u>10,032</u>	<u>-</u>	<u>7,636</u>	<u>13,251</u>	<u>-</u>	<u>20,973</u>
<u>\$ 2,653</u>	<u>\$ 10,032</u>	<u>\$ -</u>	<u>\$ 7,636</u>	<u>\$ 13,251</u>	<u>\$ -</u>	<u>\$ 20,973</u>

STATE OF NEW MEXICO
City of Sunland Park
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue		Capital Projects	
	Jail Bond Fund	State LRF Grant	Police/Fire Substation	Community Center
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables:				
Other receivables	-	-	-	-
Prepays	-	-	-	-
<i>Total assets</i>	\$ -	\$ -	\$ -	\$ -
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
<i>Total liabilities</i>	-	-	-	-
<i>Fund balances</i>				
Nonspendable				
Prepays	-	-	-	-
Spendable				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	-	-	-	-
<i>Total liabilities and fund balances</i>	\$ -	\$ -	\$ -	\$ -

Capital Projects		Debt Service		Total Other Governmental Funds
Sports Complex	Municipal Road	Debt Service		
\$ -	\$ -	\$ -		\$ 189,342
-	1,072	-		35,153
-	-	-		4,560
<u>\$ -</u>	<u>\$ 1,072</u>	<u>\$ -</u>		<u>\$ 229,055</u>
\$ -	\$ -	\$ -		\$ 6,575
-	-	-		6,575
-	-	-		4,560
-	1,072	-		14,323
-	-	-		208,985
-	-	-		1,187
-	-	-		(6,575)
<u>-</u>	<u>1,072</u>	<u>-</u>		<u>222,480</u>
<u>\$ -</u>	<u>\$ 1,072</u>	<u>\$ -</u>		<u>\$ 229,055</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, 2012

	Special Revenue			
	Fire Protection Fund	Emergency Medical Services	Corrections Fund	Senior Citizens Center
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	209,071	6,707	-	-
State capital grants	-	-	-	-
Local sources:				
Charges for services	-	6,000	-	-
Licenses and fees	-	-	61,382	-
Investment income	162	-	-	-
<i>Total revenues</i>	<u>209,233</u>	<u>12,707</u>	<u>61,382</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	174,335	11,657	58,373	-
Health and welfare	-	-	-	9,286
Capital outlay	-	-	-	-
Debt service:				
Principal	8,000	-	-	-
Interest and fees	1,481	-	-	-
<i>Total expenditures</i>	<u>183,816</u>	<u>11,657</u>	<u>58,373</u>	<u>9,286</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>25,417</u>	<u>1,050</u>	<u>3,009</u>	<u>(9,286)</u>
<i>Other financing sources (uses)</i>				
Transfer in	-	-	-	10,000
Transfers (out)	-	-	(9,584)	(201)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(9,584)</u>	<u>9,799</u>
<i>Net change in fund balances</i>	25,417	1,050	(6,575)	513
<i>Fund balances - beginning of year</i>	<u>140,384</u>	<u>5,400</u>	<u>-</u>	<u>674</u>
<i>Fund balances - end of year</i>	<u>\$ 165,801</u>	<u>\$ 6,450</u>	<u>\$ (6,575)</u>	<u>\$ 1,187</u>

Special Revenue

Law Enforcement Protection	Court Automation	New Mexico Beautification	COPS Federal Fund	Confiscated Assets	Grants Library	Traffic Safety Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	40,690	13,848	-	-
-	5,740	-	-	-	36,434	43,264
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	5,740	-	40,690	13,848	36,434	43,264
-	-	2,761	-	-	35,880	-
32,074	5,879	-	56,615	17,340	-	28,085
-	-	-	-	-	-	-
-	-	-	55,365	25,500	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
32,074	5,879	2,761	111,980	42,840	35,880	28,085
(32,074)	(139)	(2,761)	(71,290)	(28,992)	554	15,179
-	5,486	-	72,658	3,470	-	4,409
(85)	-	(2,239)	-	-	(554)	-
(85)	5,486	(2,239)	72,658	3,470	(554)	4,409
(32,159)	5,347	(5,000)	1,368	(25,522)	-	19,588
34,812	4,685	5,000	6,268	38,773	-	1,385
\$ 2,653	\$ 10,032	\$ -	\$ 7,636	\$ 13,251	\$ -	\$ 20,973

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, 2012

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Jail Bond Fund</u>	<u>State LRF Grant</u>	<u>Police/Fire Substation</u>	<u>Community Center</u>
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	3,357
State operating grants	-	-	-	-
State capital grants	-	-	5,824	-
Local sources:				
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>5,824</u>	<u>3,357</u>
<i>Expenditures</i>				
Current:				
General government	-	19,700	-	-
Public safety	208	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	6,307	1,703
Debt service:				
Principal	-	-	-	-
Interest and fees	-	-	-	-
<i>Total expenditures</i>	<u>208</u>	<u>19,700</u>	<u>6,307</u>	<u>1,703</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(208)</u>	<u>(19,700)</u>	<u>(483)</u>	<u>1,654</u>
<i>Other financing sources (uses)</i>				
Transfer in	208	19,700	483	-
Transfers (out)	-	-	-	(1,654)
<i>Total other financing sources (uses)</i>	<u>208</u>	<u>19,700</u>	<u>483</u>	<u>(1,654)</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Projects		Debt Service	
Sports Complex	Municipal Road	Debt Service	Total Other Governmental Funds
\$ -	\$ 1,072	\$ 42,243	\$ 42,243
-	-	-	1,072
-	-	-	54,538
-	-	-	3,357
-	-	-	301,216
153,304	-	-	159,128
-	-	-	6,000
-	-	-	61,382
-	-	-	162
<u>153,304</u>	<u>1,072</u>	<u>42,243</u>	<u>629,098</u>
110,583	-	-	168,924
-	-	-	384,566
-	-	-	9,286
76,815	-	-	165,690
-	-	40,675	48,675
-	-	1,575	3,056
<u>187,398</u>	<u>-</u>	<u>42,250</u>	<u>780,197</u>
<u>(34,094)</u>	<u>1,072</u>	<u>(7)</u>	<u>(151,099)</u>
34,094	-	-	150,508
-	-	-	(14,317)
<u>34,094</u>	<u>-</u>	<u>-</u>	<u>136,191</u>
-	1,072	(7)	(14,908)
-	-	7	237,388
<u>\$ -</u>	<u>\$ 1,072</u>	<u>\$ -</u>	<u>\$ 222,480</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, 2012

	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	-	-	-	-
State operating grants	185,000	185,000	209,071	24,071
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	162	162
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>185,000</u>	<u>185,000</u>	<u>209,233</u>	<u>24,233</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	189,030	189,030	174,335	14,695
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	8,000	(8,000)
Interest	-	-	1,481	(1,481)
Issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>189,030</u>	<u>189,030</u>	<u>183,816</u>	<u>5,214</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,030)</u>	<u>(4,030)</u>	<u>25,417</u>	<u>29,447</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	4,030	4,030	-	(4,030)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>4,030</u>	<u>4,030</u>	<u>-</u>	<u>(4,030)</u>
<i>Net change in fund balance</i>	-	-	25,417	25,417
<i>Fund balance - beginning of year</i>	-	-	140,384	140,384
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,801</u>	<u>\$ 165,801</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 25,417
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 25,417</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, 2012

	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 capital grants	-	-	-	-
State operating grants	6,707	6,707	6,707	-
State capital grants	-	-	-	-
Local sources:				
Charges for services	6,000	6,000	6,000	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>12,707</u>	<u>12,707</u>	<u>12,707</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	18,107	18,107	11,657	6,450
Public works	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>18,107</u>	<u>18,107</u>	<u>11,657</u>	<u>6,450</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,400)</u>	<u>(5,400)</u>	<u>1,050</u>	<u>6,450</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	5,400	5,400	-	(5,400)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>5,400</u>	<u>5,400</u>	<u>-</u>	<u>(5,400)</u>
<i>Net change in fund balance</i>	-	-	1,050	1,050
<i>Fund balance - beginning of year</i>	-	-	5,400	5,400
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,450</u>	<u>\$ 6,450</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 1,050
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 1,050</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, 2012

	Budgeted Amounts		Actual	Variences 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 capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources:				
Charges for services	-	-	-	-
Licenses and fees	46,000	46,000	51,798	5,798
Investment income	-	-	-	-
<i>Total revenues</i>	<u>46,000</u>	<u>46,000</u>	<u>51,798</u>	<u>5,798</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	46,000	46,000	51,798	(5,798)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>46,000</u>	<u>46,000</u>	<u>51,798</u>	<u>(5,798)</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)				\$ -
No adjustments to revenues				-
Adjustments to expenditures for contractual services				<u>(6,575)</u>
Net change in fund balance (GAAP basis)				<u>\$ (6,575)</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, 2012

	Budgeted Amounts		Actual	Variences
	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	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources				-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	10,472	10,472	9,286	1,186
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>10,472</u>	<u>10,472</u>	<u>9,286</u>	<u>1,186</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(10,472)</u>	<u>(10,472)</u>	<u>(9,286)</u>	<u>1,186</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	472	472	-	(472)
Transfers in	10,000	10,000	10,000	-
Transfers (out)	-	-	(201)	(201)
<i>Total other financing sources (uses)</i>	<u>10,472</u>	<u>10,472</u>	<u>9,799</u>	<u>(673)</u>
<i>Net change in fund balance</i>	-	-	513	513
<i>Fund balance - beginning of year</i>	-	-	674	674
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,187</u>	<u>\$ 1,187</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 513
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 513</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, 2012

	Budgeted Amounts		Actual	Variences
	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 capital grants	-	-	-	-
State operating grants	33,800	33,800	33,800	-
State capital grants	-	-	-	-
Local sources				
Charges for services	-	-	-	-
<i>Total revenues</i>	<u>33,800</u>	<u>33,800</u>	<u>33,800</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	34,811	34,811	32,159	2,652
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>34,811</u>	<u>34,811</u>	<u>32,159</u>	<u>2,652</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,011)</u>	<u>(1,011)</u>	<u>1,641</u>	<u>2,652</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,011	1,011	-	(1,011)
Proceeds from sale of equipment	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,011</u>	<u>1,011</u>	<u>-</u>	<u>(1,011)</u>
<i>Net change in fund balance</i>	-	-	1,641	1,641
<i>Fund balance - beginning of year</i>	-	-	1,012	1,012
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,653</u>	<u>\$ 2,653</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 1,641
Adjustments to revenues for state operating grants				(33,800)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (32,159)</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, 2012

	Budgeted Amounts		Actual	Variences 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 capital grants	-	-	-	-
State operating grants	28,880	28,880	5,754	(23,126)
State capital grants	-	-	-	-
Local sources				
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>28,880</u>	<u>28,880</u>	<u>5,754</u>	<u>(23,126)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	28,880	28,880	5,754	23,126
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>28,880</u>	<u>28,880</u>	<u>5,754</u>	<u>23,126</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)				\$ -
Adjustments to revenues for state operating grants				5,472
Adjustments to expenditures for infrastructure expenditures				(125)
Net change in fund balance (GAAP basis)				<u>\$ 5,347</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, 2012

	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 capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	5,000	5,000	2,761	(2,239)
Local sources				
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>5,000</u>	<u>5,000</u>	<u>2,761</u>	<u>(2,239)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	5,000	5,000	2,761	2,239
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>5,000</u>	<u>5,000</u>	<u>2,761</u>	<u>2,239</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>	-	-	-	-
<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, 2012

	Budgeted Amounts		Actual (non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	212,316	212,316	111,980	(100,336)
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>212,316</u>	<u>212,316</u>	<u>111,980</u>	<u>(100,336)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	102,583	102,583	56,615	45,968
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	109,733	109,733	55,365	54,368
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>212,316</u>	<u>212,316</u>	<u>111,980</u>	<u>100,336</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)				\$ -
Adjustments to revenues for federal operating grants				1,368
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 1,368</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, 2012

	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	14,704	14,704	13,848	(856)
Federal capital grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	10,583	10,583	14,248	3,665
<i>Total revenues</i>	<u>25,287</u>	<u>25,287</u>	<u>28,096</u>	<u>2,809</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	27,477	27,477	17,340	10,137
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	25,805	25,805	25,500	305
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>53,282</u>	<u>53,282</u>	<u>42,840</u>	<u>10,442</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(27,995)</u>	<u>(27,995)</u>	<u>(14,744)</u>	<u>13,251</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	27,995	27,995	-	(27,995)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>27,995</u>	<u>27,995</u>	<u>-</u>	<u>(27,995)</u>
<i>Net change in fund balance</i>	-	-	(14,744)	(14,744)
<i>Fund balance - beginning of year</i>	-	-	27,995	27,995
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,251</u>	<u>\$ 13,251</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (14,744)
Adjustments to revenues gain on sale of assets				(10,778)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (25,522)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-10

City of Sunland Park

Grants Library

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income:	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	36,435	36,435	36,434	(1)
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>36,435</u>	<u>36,435</u>	<u>36,434</u>	<u>(1)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	36,435	36,435	35,880	555
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>36,435</u>	<u>36,435</u>	<u>35,880</u>	<u>555</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>554</u>	<u>554</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers (out)	-	-	(554)	(554)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(554)</u>	<u>(554)</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)				\$ -
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-11

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, 2012

	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	-	-	-	-
State operating grants	15,927	15,927	28,085	12,158
State capital grants	-	-	-	-
Local sources				
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>15,927</u>	<u>15,927</u>	<u>28,085</u>	<u>12,158</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	3,684	3,684	28,085	(24,401)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,684</u>	<u>3,684</u>	<u>28,085</u>	<u>(24,401)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>12,243</u>	<u>12,243</u>	<u>-</u>	<u>(12,243)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	(12,243)	(12,243)	-	12,243
<i>Total other financing sources (uses)</i>	<u>(12,243)</u>	<u>(12,243)</u>	<u>-</u>	<u>12,243</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.				19,588
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 19,588</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-12

City of Sunland Park

Jail Bond Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variences
	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	-	-	-	-
Local sources				
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	208	(208)
Public works	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>208</u>	<u>(208)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(208)</u>	<u>(208)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	208	208
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>208</u>	<u>208</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-13

City of Sunland Park

State LRF Grant

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variences
	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	40,667	40,667	19,700	(20,967)
State capital grants	-	-	-	-
Local sources				
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>40,667</u>	<u>40,667</u>	<u>19,700</u>	<u>(20,967)</u>
<i>Expenditures</i>				
Current:				
General government	40,667	40,667	19,700	20,967
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>40,667</u>	<u>40,667</u>	<u>19,700</u>	<u>20,967</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-14

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, 2012

	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	6,307	6,307	6,307	-
Local sources				
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>6,307</u>	<u>6,307</u>	<u>6,307</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	6,307	6,307	6,307	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>6,307</u>	<u>6,307</u>	<u>6,307</u>	<u>-</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, 2012

	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	22,407	22,407	1,703	(20,704)
State operating grants	-	-	-	-
Local sources				
Licenses and fees	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>22,407</u>	<u>22,407</u>	<u>1,703</u>	<u>(20,704)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	22,407	22,407	1,703	20,704
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>22,407</u>	<u>22,407</u>	<u>1,703</u>	<u>20,704</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-16

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, 2012

	Budgeted Amounts		Actual	Variences
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	10,000	10,000	-	(10,000)
Intergovernmental income:				
Federal capital grants	-	-	-	-
State operating grants	416,310	416,310	187,398	(228,912)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>426,310</u>	<u>426,310</u>	<u>187,398</u>	<u>(238,912)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	426,310	426,310	187,398	238,912
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>426,310</u>	<u>426,310</u>	<u>187,398</u>	<u>238,912</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 balances - 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-17

City of Sunland Park

Municipal Road

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variences Favorable (Unfavorable)
	Original	Final	(non-GAAP Basis)	Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Federal operating grants	-	-	-	-
State capital grants	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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 balances - 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)				\$ -
Adjustment to revenues for taxes				1,072
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 1,072</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-18

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, 2012

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final	(non-GAAP Basis)	Final to Actual
Taxes:				
Property taxes	-	-	-	-
Gross receipts	42,244	42,244	42,243	(1)
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Fines and forfeitures	-	-	-	-
Unrealized (loss)	-	-	(7)	(7)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>42,244</u>	<u>42,244</u>	<u>42,236</u>	<u>(8)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	40,803	40,803	40,675	128
Interest	1,441	1,441	1,568	(127)
<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>7</u>	<u>7</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)				\$ (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-19

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, 2012

	Budgeted Amounts		Actual	Variences
	Original	Final	(non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Local sources				
Licenses and fees	-	-	-	-
Investment income	-	-	26,191	26,191
Miscellaneous	5,627,036	5,627,036	-	(5,627,036)
<i>Total revenues</i>	<u>5,627,036</u>	<u>5,627,036</u>	<u>26,191</u>	<u>(5,600,845)</u>
<i>Expenditures</i>				
Current:				
General government	3,047,036	3,047,036	1,049,696	1,997,340
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	2,580,000	2,580,000	5,280	2,574,720
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>5,627,036</u>	<u>5,627,036</u>	<u>1,054,976</u>	<u>4,572,060</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(1,028,785)</u>	<u>(1,028,785)</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>	-	-	(1,028,785)	(1,028,785)
<i>Fund balances - beginning of year</i>	-	-	11,405,448	11,405,448
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,376,663</u>	<u>\$ 10,376,663</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (1,028,785)
No adjustments to revenues				-
Adjustments to expenditures for salaries and contractual services				(962)
Net change in fund balance (GAAP basis)				<u>\$ (1,029,747)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-20

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, 2012

	Budget Amounts		Actual	Variances
	Original	Final	(non-GAAP basis)	Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 3,184,231	3,184,231	2,054,559	\$ (1,129,672)
<i>Total operating revenues</i>	<u>3,184,231</u>	<u>3,184,231</u>	<u>2,054,559</u>	<u>(1,129,672)</u>
<i>Operating expenses</i>				
Personnel services	778,311	778,311	508,760	269,551
Contractual services	1,054,508	1,054,508	726,710	327,798
Supplies	113,794	113,794	219,589	(105,795)
Maintenance and materials	190,688	190,688	140,259	50,429
Utilities	621,000	621,000	512,499	108,501
Equipment	750,521	750,521	248,662	501,859
Miscellaneous	162,622	162,622	86,566	76,056
<i>Total operating expenses</i>	<u>3,671,444</u>	<u>3,671,444</u>	<u>2,443,045</u>	<u>1,228,399</u>
<i>Operating income (loss)</i>	<u>(487,213)</u>	<u>(487,213)</u>	<u>(388,486)</u>	<u>98,727</u>
<i>Non-operating revenues (expenses)</i>				
Principal payments	(78,227)	(78,227)	(146,436)	(68,209)
Interest expense	(148,640)	(148,640)	(148,639)	1
Capital outlay	(2,277,849)	(2,277,849)	(1,468,812)	809,037
Gross receipts tax revenue	220,632	220,632	167,819	(52,813)
Miscellaneous income	131,300	131,300	301,532	170,232
<i>Total non-operating revenues (expenses)</i>	<u>(2,152,784)</u>	<u>(2,152,784)</u>	<u>(1,294,536)</u>	<u>858,248</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	439,280	439,280	-	(439,280)
Governmental contributions	1,024,150	1,024,150	555,990	(468,160)
Loan proceeds	1,253,699	1,253,699	912,822	(340,877)
Transfers in	226,867	226,867	226,866	(1)
Transfers (out)	(303,999)	(303,999)	(294,879)	9,120
<i>Total other financing sources</i>	<u>2,639,997</u>	<u>2,639,997</u>	<u>1,400,799</u>	<u>(1,239,198)</u>
<i>Change in net assets</i>	-	-	(282,223)	(282,223)
<i>Net assets - beginning of year</i>	-	-	1,166,355	1,166,355
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 884,132</u>	<u>\$ 884,132</u>
Net change in net assets (non-GAAP basis)				\$ (282,223)
Adjustments to revenues for taxes, utility services and government contributions				135,673
Adjustment to revenues for loan proceeds				(912,822)
Non-cash transfer to CRRUA				(23,342,577)
Adjustments to expenditures for salaries, contractual services, debt service, and capital outlay				1,376,192
Net change in net assets (GAAP basis)				<u>\$ (23,025,757)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-21

City of Sunland Park

Solid Waste Fund

Statement of Revenues, Expenses and Changes in Net Assets
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2012

	Budget Amounts		Actual (non-GAAP basis)	Variances Favorable
	Original	Final		(Unfavorable)
<i>Operating revenues</i>				
Charges for services	292,192	292,757	189,890	\$ (102,867)
<i>Total operating revenues</i>	<u>292,192</u>	<u>292,757</u>	<u>189,890</u>	<u>(102,867)</u>
<i>Operating expenses</i>				
Personnel services	122,826	122,826	131,345	(8,519)
Contractual services	5,000	5,000	1,150	3,850
Supplies	40,000	40,000	44,666	(4,666)
Maintenance and materials	40,000	40,000	36,831	3,169
Utilities	317,048	247,517	244,869	2,648
Equipment	2,000	2,000	12,792	(10,792)
<i>Total operating expenses</i>	<u>526,874</u>	<u>457,343</u>	<u>471,653</u>	<u>(14,310)</u>
<i>Operating income (loss)</i>	<u>(234,682)</u>	<u>(164,586)</u>	<u>(281,763)</u>	<u>(117,177)</u>
<i>Non-operating revenues (expenses)</i>				
Principal payments	(121,000)	(121,000)	(28,223)	92,777
Interest expense	-	-	(22,452)	(22,452)
<i>Total non-operating revenues (expenses)</i>	<u>(121,000)</u>	<u>(121,000)</u>	<u>(50,675)</u>	<u>70,325</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	355,682	285,586	-	(285,586)
Governmental contributions	-	-	66,631	66,631
Transfers in	-	-	265,807	265,807
<i>Total other financing sources</i>	<u>355,682</u>	<u>285,586</u>	<u>332,438</u>	<u>46,852</u>
<i>Change in net assets</i>	-	-	-	-
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in net assets (non-GAAP basis)				\$ -
Adjustments to revenues for water sales, taxes, and government contributions				74,808
Adjustments to expenditures for depreciation, payroll and other expenditures				<u>(12,699)</u>
Net change in net assets (GAAP basis)				<u>\$ 62,109</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-22

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, 2012

	Budget Amounts		Actual (non-GAAP basis)	Variances Favorable
	Original	Final		(Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 105,352	\$ 105,352	\$ 99,540	\$ (5,812)
<i>Total operating revenues</i>	<u>105,352</u>	<u>105,352</u>	<u>99,540</u>	<u>(5,812)</u>
<i>Operating expenses</i>				
Personnel services	106,642	106,642	85,563	21,079
Contractual services	123,661	123,661	45,009	78,652
Supplies	3,400	3,400	1,834	1,566
Maintenance and materials	56,175	56,175	25,034	31,141
Equipment	900	900	-	900
Miscellaneous	68,590	68,590	63,212	5,378
<i>Total operating expenses</i>	<u>359,368</u>	<u>359,368</u>	<u>220,652</u>	<u>138,716</u>
<i>Operating income (loss)</i>	<u>(254,016)</u>	<u>(254,016)</u>	<u>(121,112)</u>	<u>132,904</u>
<i>Non-operating revenues (expenses)</i>				
Interest income	-	-	19,195	19,195
Miscellaneous income	-	-	350	350
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>19,545</u>	<u>19,545</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	153,628	153,628	-	(153,628)
Governmental contributions	100,388	100,388	72,948	(27,440)
Transfers in	-	-	63,688	63,688
Transfers (out)	-	-	-	-
<i>Total other financing sources</i>	<u>254,016</u>	<u>254,016</u>	<u>136,636</u>	<u>(117,380)</u>
<i>Change in net assets</i>	-	-	35,069	35,069
<i>Net assets - beginning of year (restated)</i>	<u>-</u>	<u>-</u>	<u>537,857</u>	<u>537,857</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 572,926</u>	<u>\$ 572,926</u>
Net change in net assets (non-GAAP basis)				\$ 35,069
Adjustments to revenues for charges for services				(625)
Adjustments to expenditures for depreciation, payroll and other expenditures				<u>(102,656)</u>
Net change in net assets (GAAP basis)				<u>\$ (68,212)</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, 2012

Deposit Account Type	Wells Fargo Bank	LGIP	NMFA	Totals
City of Sunland Park General Fund - Checking	\$ 677,027	\$ -	\$ -	\$ 677,027
Fire Protection Fund	54,160	-	-	54,160
Senior Citizen Center	1,898	-	-	1,898
Law Enforcement Protection Fund	2,641	-	-	2,641
CDBG Fund	129,436	-	-	129,436
Confiscated Asset Fund	14,687	-	-	14,687
Public Housing Authority Fund	422,474	-	-	422,474
FHMA Debt Service Fund	13,625	-	-	13,625
Motor Vehicle Fund	83,475	-	-	83,475
FHMA Reserve Account	122,122	-	-	122,122
NMED Repl/Fund Account	24,365	-	-	24,365
Border Crossing Account	384,835	-	-	384,835
CRRUA	790,277	-	-	790,277
Utility Account	4,382	-	-	4,382
Wells Fargo CD	128,424 *	-	-	128,424
LGIP	-	10,205,270	-	10,205,270
NMFA	-	-	129,090	129,090
	<u>2,853,828</u>	<u>10,205,270</u>	<u>129,090</u>	<u>13,188,188</u>
Reconciling items	<u>(644,679)</u>	<u>-</u>	<u>-</u>	<u>(644,679)</u>
Reconciled balance June 30, 2012	<u>\$ 2,209,149</u>	<u>\$ 10,205,270</u>	<u>\$ 129,090</u>	12,543,509
				Less: investments - governmental activities - Exhibit A-1 (10,032,479)
				Less: investments - business-type activities - Exhibit A-1 (172,791)
				Less: restricted cash - Exhibit A-1 (294,281)
				Less: cash and cash equivalents - fiduciary funds - Exhibit E-1 (82,297)
				<u>Total cash and cash equivalents - Exhibit A-1 \$ 1,961,661</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, 2012

Schedule II

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<i>Assets</i>				
Cash	\$ 41,085	\$ 294,144	\$ 252,932	\$ 82,297
<i>Total assets</i>	\$ 41,085	\$ 294,144	\$ 252,932	\$ 82,297
 <i>Liabilities</i>				
Due to other governmental agency	\$ 41,085	\$ 294,144	\$ 252,932	\$ 82,297
<i>Total liabilities</i>	\$ 41,085	\$ 294,144	\$ 252,932	\$ 82,297

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, 2012

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
111	Cash - Unrestricted	\$ 395,055	\$ -	\$ 395,055
113	Current Investments	172,791	-	172,791
100	Total Cash	567,846	-	567,846
126	Accounts Receivable - Tenants	1,951	-	1,951
120	Total Receivables, Net of Allowance for Doubtful Accounts	1,951	-	1,951
150	Total Current Assets	569,797	-	569,797
114	Cash - Tenant Security Deposits	5,080	-	5,080
161	Land	150,000	-	150,000
162	Buildings	2,555,715	677,832	3,233,547
163	Furniture, Equipment & Machinery - Dwellings	-	77,273	77,273
166	Accumulated Depreciation	(958,227)	(188,200)	(1,146,427)
160	Total Capital Assets, Net of Accumulated Depreciation	1,747,488	566,905	2,314,393
180	Total Non-Current Assets	1,752,568	566,905	2,319,473
190	Total Assets	\$ 2,322,365	\$ 566,905	\$ 2,889,270

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, 2012

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
321	Accrued Wage/Payroll Taxes Payable	\$ 2,195	\$ -	\$ 2,195
322	Accrued Compensated Absences - Current Portion	14,743	-	14,743
341	Tenant Security Deposits	5,080	-	5,080
310	Total Current Liabilities	22,018	-	22,018
354	Accrued Compensated Absences - Non Current	9,307	-	9,307
350	Total Non-Current Liabilities	9,307	-	9,307
300	Total Liabilities	31,325	-	31,325
508.1	Invested in Capital Assets, Net of Related Debt	1,747,488	566,905	2,314,393
511	Restricted Net Assets	-	-	-
512.1	Unrestricted Net Assets	543,552	-	543,552
513	Total Equity/Net Assets	2,291,040	566,905	2,857,945
600	Total Liabilities and Equity/Net Assets	\$ 2,322,365	\$ 566,905	\$ 2,889,270

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, 2012

Schedule III
Page 3 of 3

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
70300	Net Tenant Rental Revenue	\$ 98,915	\$ -	\$ 98,915
70400	Tenant Revenue - Other	-	-	-
70500	Total Tenant Revenue	<u>98,915</u>	<u>-</u>	<u>98,915</u>
70610	Capital Grants	45,991	26,957	72,948
70800	Other Government Grants	-	-	-
71100	Investment Income - Unrestricted	19,195	-	19,195
71500	Other Revenue	350	-	350
70000	Total Revenue	<u>164,451</u>	<u>26,957</u>	<u>191,408</u>
91100	Administrative Salaries	72,762	-	72,762
91200	Auditing Fees	333	-	333
91400	Advertising and Marketing	121	-	121
91500	Employee Benefit Contributions - Administrative	18,020	-	18,020
93800	Other Utilities Expense	23,648	-	23,648
91600	Office Expenses	26,224	-	26,224
91700	Legal Expense	4,282	-	4,282
91800	Travel	496	-	496
91900	Other	3,773	-	3,773
94300	Maintenance	51,975	-	51,975
96120	Insurance	6,010	-	6,010
97400	Depreciation Expense	100,444	15,220	115,664
91000	Total Operating Expenses	<u>308,088</u>	<u>15,220</u>	<u>323,308</u>
10010	Operating Transfers In	63,688	-	63,688
97000	Excess Operating Revenue Over Operating Expenses	<u>(143,637)</u>	<u>11,737</u>	<u>(68,212)</u>
10000	Excess (Deficiency) of Operating Revenue Over (Under) Total Expenses	(79,949)	11,737	(68,212)
	Net Assets at The Beginning of The Year	<u>2,370,989</u>	<u>555,168</u>	<u>2,926,157</u>
	Net Assets at End of Year	<u>\$ 2,291,040</u>	<u>\$ 566,905</u>	<u>\$ 2,857,945</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, 2012 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.

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 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 02, Finding 03, Finding 04, Finding 05, Finding 06, Finding 07, Finding 09, Finding 10, Finding 11, Finding 12, Finding 13, Finding 20, Finding 21, Finding 22, Finding 23, Finding 25, Finding 26, and Finding 27 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 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 2011-15, FS 2011-17, FS 2011-18 FS 2012-01, and FS 2012-02.

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

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 program for the year ended June 30, 2012. The City's major federal program is 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 program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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 program for the year ended June 30, 2012. 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 program 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 program 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 program 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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 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 response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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, 2012

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	* \$ 406,829
Public Housing Capital Fund <i>Direct</i>	14.872		40,394
Brownfields Economic Development Initiative <i>Direct</i>	14.246		1,703
Public and Indian Housing	14.850		<u>52,754</u>
Total Department of Housing and Urban Development			<u>501,680</u>
U.S. Department of Justice			
<i>Direct</i>			
ARRA-Public Safety Partnership and Community Policing Grants	16.710		<u>55,375</u>
Total U.S. Department of Justice			<u>55,375</u>
Total Expenditures of Federal Awards			<u>\$ 557,055</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	\$ 557,055
Total expenditures funded by other sources	<u>10,462,226</u>
Total expenses per Exhibit A-2	<u>\$ 11,019,281</u>

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2012

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="text-align: center; border-bottom: 1px solid black; padding-left: 40px;">Federal Program</td> </tr> <tr> <td style="text-align: center;">14.228</td> <td style="text-align: center; padding-left: 40px;">Community Development Block Grants/State’s Program</td> </tr> </table> | CFDA
Number | Federal Program | 14.228 | Community Development Block Grants/State’s Program | |
| CFDA
Number | Federal Program | | | | |
| 14.228 | Community Development Block Grants/State’s Program | | | | |
| 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, 2012

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.

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.

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2012

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

FS 2002-03 Submission of Audit Report for Fiscal Year June 30, 2012-(Other Matter) repeated and modified

Condition: The fiscal year 2012 audit report for the City was not delivered to the State Auditor by the December 1, 2012 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 2012 audit until January 31, 2013; therefore the 2012 audit started after the December 1, 2012 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.

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.

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City of Sunland Park
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Section II -Findings-Financial Statement Audit-(continued)

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

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.

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

Condition: During our review of budgetary compliance for fiscal year ending June 30, 2012 we noted the fund had payments in excess of approved budgets

Fund	Final budget	Actual expenditures	Budget overage
Corrections fund	\$46,000	\$51,798	\$5,798
Traffic safety fund	\$3,684	\$28,085	\$24,401
Jail bond fund	-0-	\$208	\$208

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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City of Sunland Park
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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 2012.

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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City of Sunland Park
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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 cash receipts process in the City Clerk's office.

Cause: The City was not keeping good records. Complete cash receipt listings 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 1 instances out of 5 tested in which the City had insufficient documentation necessary to support reimbursement of travel expenditures to employees.

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: \$222.40 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, 2012.

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 where 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.

STATE OF NEW MEXICO
City of Sunland Park
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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 the City did not provide timesheets or a payroll register for one out of five pay periods selected.

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

Effect: With the reason for the error being unknown, it is possible that fraudulent payroll amounts could have been paid to employees for the period in which payroll documentation is missing.

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) - repeated

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) - repeated

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 be given 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) - repeated

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) - repeated

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) - repeated

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) - repeated

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 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) - repeated

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) - repeated

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)-repeated

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 payment is 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) - repeated and modified

Condition: During 2012 disbursement test work performed, two of five invoices tested were not signed or initialed indicating approval. The amount of disbursements not signed totaled \$2,772.

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 payments 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 it 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) - repeated and modified

Condition: During our 2012 cash receipts test work; we noted one MVD end of day packet that was not signed by the MVD Manager. We also noted two deposit receipts that were 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.

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

FS 2011-11 Improper Termination Payment-(noncompliance) - repeated

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, 2012

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

FS 2011-11 Improper Termination Payment-(noncompliance)- (continued) - repeated

“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 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 15, 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, 2012

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

FS 2011-13-Procurement-(material weakness) - repeated and modified

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

1. For 4 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 2012.

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 2012.

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, 2012

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

FS 2011-14 Financial Statement Reconciliations – (material weakness) - repeated and modified

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, 2012

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

FS 2011-15 Bank Accounts not Recorded in the General Ledger and Reconciled-(other matter) - repeated and modified

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, 2012
Payroll	\$0.00
Christmas Committee	\$18.84
Utility Department Account	\$126.14

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, 2012

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

FS 2011-16-Pooling of Cash (material weakness) - repeated and modified

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>\$43,421</i>	<i>\$309,725</i>	<i>\$266,304</i>
<i>Enterprise pooled cash</i>	<i>\$1,786,210</i>	<i>\$753,542</i>	<i>\$(1,032,668)</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, 2012

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

FS 2011-17 Compensated Absences Accrual (Other Matter) - repeated and modified

Condition: During our review of the accrued leave balances for all employees, we noted that the City had eight 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 Police department has 67.8 hours totaling \$600.54 over the limit. Six employees in the Fire department had a combined 511.50 hours totaling \$5,196.82 over the limit. One employee in the Parks and Recreation department has .60 hours totaling \$10.22 over the limit. The total number of hours over the limit for those employees totaled 579.90 hours with a value of \$5,807.58.

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, 2012

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.
- 2 instance out of 12 bills tested in which payment was made without any supporting documentation.

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. In addition, due to a previous auditor looking through cell phone bills, the City was unable to maintain adequate custody of their files.

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. The City should file all documentation supporting expenditures and maintain custody of the documentation when external parties request the information.

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 is easy to verify the invoice has been signed.

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2012

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

FS 2012-01 Minutes (Other Matter)

Condition: During our review of the minutes it was noted that six months of minutes are missing. The City was unable to provide minutes for the time period of November, 2011 – April, 2012.

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 policy making body.”

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 of any decisions and votes taken that show how each member voted...Draft minutes shall be prepared within ten working days.”

Effect: The City is in noncompliance with the OMA provisions relating to the preparation of minutes. The actions of the City Council are not fully transparent to the public. The City Council’s minutes are not readily available for public inspection when the City Clerk does not prepare them in a timely fashion.

Cause: The City Clerk did not prepare the draft within ten working days, or the City did not properly maintain hardcopy and electronic copies of the prepared drafts.

Auditors’ Recommendation: The City should prepare minutes that comply with the requirements of the OMA.

Management’s Response: Management concurs with this finding. However, it is not just minutes that are missing from this time period. The entire “Council Packet” files are missing. These packets contain all the original documents supplied to the Clerk by various people for items they want placed on the Agenda. While the City concedes these documents could have been taken for improper or illegal reasons, based on the information taken, it is also possible this material is in the possession of one of the many investigative agencies that visited the City in the early months of 2012.

The City has created a temporary document retention program for copies of notices, agendas, minutes, resolutions, ordinances, and contracts. The program consists of uploading the documents to a Hotmail address to serve as a temporary off-site backup accessible to the City Clerk, City Manager, and Mayor. This is only the first step in the development of a more comprehensive document retention policy

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2012

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

FS 2012-02 Timeliness of Bank Reconciliations (Other Matter)

Condition: During our review of bank reconciliations we noted that the City had not yet prepared 3 months of bank reconciliations. The bank reconciliations for April, May, and June 2012 were not prepared in a timely fashion by the City.

Criteria: Best practices dictate that bank reconciliations should be performed monthly in order to enhance timeliness of the financial information as well as timely authorization of corrections necessary.

Effect: Potential fraudulent disbursement of City funds or theft of cash receipts could go undetected for long periods of time if bank reconciliations are not reconciled in a timely manner.

Cause: Due to extraordinary circumstances resulting in DFA incorporating an interim Finance Director, the Finance Department was unable to catch up on the bank reconciliation process until the time audit fieldwork was performed.

Auditors' Recommendation: It is recommended that the City perform bank reconciliations on a monthly basis.

Management's Response: Management concurs with the finding. Due to the overwhelming number of issues confronting DFA when it took control of the City's finances in May 2012, bank reconciliations were not a high priority. However, at no time was any City money at risk. DFA placed a debit freeze on all City bank accounts at the time of the takeover. Every morning, the bank emailed four DFA employees a detailed list of all pending transactions (deposits and withdrawals) for the prior day. DFA staff would review all pending transactions prior to authorizing the bank to release payment. The debit freeze continued until December 31, 2012. DFA staff still monitor all bank activity on a daily basis. Dual controls are still in place on all wire transfers and inter-fund cash transfers. All checks issued by the City must contain at least one authorized DFA signature as well as the Mayor's signature. A number of FY2010/2011 and FY2011/2012 pending journal entries will have an impact on the audited June 30, 2012 cash balance. Until these audits are completed and approved by the Office of the State Auditor, and the journal entries posted, the City is unable to bring the bank reconciliations current. Once the audits are completed, all bank reconciliations will be brought current in time for the FY2012/2013 audit.

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2012

Section III –Federal Award Findings

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

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 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, 2012 was required to be submitted by March 31st 2013.

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 and 2012 audit reports 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 submissions of the Data Collection Forms are late. This will be corrected with the FY2012/2013 audit which will be completed and submitted on time.

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STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2012

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, 2011</u>	Repeated and Modified
<u>2002-04 Legal Compliance With Budget</u>	Repeated and Modified
<u>2003-04 Lack of Separation of Duties</u>	Repeated and Modified
<u>2008-04 Capital Assets</u>	Repeated and modified
<u>2010-04 Lack of Supporting Documentation for Receipts</u>	Repeated and modified
<u>2010-05 Per Diem & Mileage Act</u>	Repeated and modified
<u>2010-07 Payroll Records</u>	Repeated and modified
<u>FS 2011-01 Governing Body Lack of Active Involvement/Significant Influence Over the City's Internal Control Environment</u>	Repeated
<u>FS 2011-02 Lack of Ethics Policy</u>	Repeated
<u>FS 2011-03 Lack of Effective Upstream Communication</u>	Repeated
<u>FS 2011-04 Lack of Performance Evaluation</u>	Repeated
<u>FS 2011-05 Lack of Current Job Descriptions</u>	Repeated
<u>FS 2011-06 Lack of Established Practices for the Identification and Mitigation of Risks</u>	Repeated
<u>FS 2011-07 Lack of Adequate Internal Control Design Over MVD Cash Receipts</u>	Repeated
<u>FS 2011-08 Lack of Internal Control over Invoice Processing</u>	Repeated and modified
<u>FS 2011-09 Lack of Review and Approval Cash Receipts Process</u>	Repeated and modified
<u>FS 2011-11 Improper Termination Payment</u>	Repeated
<u>FS 2011-12 PERA and RHC Compliance</u>	Resolved
<u>FS 2011-13-Procurement</u>	Repeated and modified
<u>FS 2011-14 Financial Statement Reconciliations</u>	Repeated
<u>FS 2011-15 Bank Accounts not Recorded in the General Ledger and Reconciled</u>	Repeated and modified
<u>FS 2011-16-Pooling of Cash</u>	Repeated and modified
<u>FS 2011-17 Compensated Absences Accrual</u>	Repeated and modified
<u>FS 2011-18 Internal Control over Cell Phone Payments</u>	Repeated and modified

STATE OF NEW MEXICO
City of Sunland Park
Schedule of Findings and Questioned Costs
June 30, 2012

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

Federal Award Findings

FA 2011-01 Davis Bacon Act

Resolved

FA 2011-02 Failure to Submit the Data Collection Form in a Timely Manner

Repeated and modified

STATE OF NEW MEXICO
City of Sunland Park
Other Disclosures
June 30, 2012

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

Councilor

Isela Rosas

Accounts Payable Clerk

Representing the New Mexico Department of Finance and Administration:

Michael P. Steininger

Interim Finance Director

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 2012. The findings and recommendations detailed in the special audit do not necessarily represent the views of City of Sunland Park or the New Mexico Department of Finance and Administration. Management of fiscal year 2012 was unable to respond to 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, 2012

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 findings FS 2011-15 and FS 2012-02

Finding 15- Failure to Properly Record Investments, and Missing Bank Statements and Reconciliations-See finding FS 2011-15, FS 2012-02 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

Resolved Special Audit Finding in the Current Fiscal Year Under Audit

Finding 24- Deficiencies Related to Fiscal Year 2011 Cash Disbursements from the City's Fire Protection Fund

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2012

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, 2012

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)

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."

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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.

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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

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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)

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:

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.”

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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.

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Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 02 – Fraud and Deficiencies with Cash Disbursements Found in the City’s Expenditures Related to EnviroSystems Management Consultants, Inc. (material weakness)

Condition

During our test work of cash disbursements for the City’s contract with EnviroSystems Management Consultants, Inc. (EMC) for the Anapra-Sunland Park Land Port of Entry (LPOE) Presidential Permit, we noted two cash disbursements, totaling \$37,162.60, which did not have adequate documentation and were determined to be made as a result of fraud. The City made the disbursements from the Border Crossing Fund. The City entered into the contract with EMC on November 3, 2011.

The City made the first cash disbursement to EMC pursuant to Invoice #11104, dated November 14, 2011, in the amount of \$10,240.72, including gross receipts tax. The “Description” provided on the invoice was the following: “In conformance with Item 2A, ‘Additional Work’ of Agreement November 2, 2011. Saltillo Conference Nov. 17, 2011. Travel expenses: lodging transportation: Presentation Border Legislative Conference.” The cash disbursement related to Invoice #11104 contained a check request form which had been approved by the City Manager, Jaime Aguilera; the City’s Finance Director, Helen Gonzalez; and the City’s Purchasing Agent, Neryza Rivera. There is no documentation indicating that anyone certified that the services were received prior to payment.

According to the Affidavit for Arrest Warrant supporting criminal charges against Daniel Salinas filed on April 6, 2012, this first cash disbursement was made as a result of fraud. The Affidavit states that Jorge Angulo, the owner of EMC, provided \$250.00 per day to certain City officials as per diem for the XXIV Conferencia Legislativa Fronteriza, which was held on November 17 through November 19, 2011 in Saltillo, Coahuila de Zaragoza, Mexico. The officials included the Mayor Pro-Tem, Daniel Salinas; the City’s Public Information Officer, Arturo Alba; and the City Manager, Jaime Aguilera. See Finding 23 for additional travel and per diem detail regarding this trip. The expenses paid for included “meals, travel, lodging and ‘night life.’” The affidavit further states the following:

“The ‘night life’ included alcohol and strip clubs for the entire group and prostitutes for Mr. Alba and Mr. Salinas. Mr. Alba advised that in order to get around the per diem set by the City of Sunland Park and the State of New Mexico that Mr. Salinas had arranged for a “pyramid scheme” with Mr. Angulo. Mr. Alba further advised that this “pyramid scheme” was such that Mr. Angulo would provide the group with money and pay for their expenses and, in exchange, he would invoice the City of Sunland Park through EnviroSystems which, in turn, would be paid back to Mr. Angulo through the border crossing fund.”

The City made the second cash disbursement pursuant to Invoice #11106, dated December 21, 2011, in the amount of \$26,921.88, including gross receipts tax. The “Description” provided on the invoice was the following: “In conformance with Item 2A, ‘Additional Work’ of Agreement November 2, 2011. Sunland (sic) Park - Anapra LPOE Promotional Video.” Pursuant to Section 2A of the contract, the scope of services EMC was to provide the City related to the Presidential Permit Application included the following language: “additional work will be budgeted and funded outside the contract amount for this Agreement at lump sums, hourly rates and/or per diem expenses.” We noted that the City’s cash disbursement related to Invoice #11106 did not include a check request form with the proper authorized signatures. However, the documentation for the second invoice did contain an open purchase order with Purchasing Agent Rivera’s signature certifying receipt of the services rendered.

According to the Affidavit for Arrest Warrant supporting criminal charges against Daniel Salinas filed on April 6, 2012, this second cash disbursement also was made as a result of fraud. The Affidavit states that the owner of EMC was to pay for three videos: a campaign video for Mr. Salinas, a border crossing project video and a promotional video for EMC. The Affidavit further states that “the Daniel Salinas campaign video would be paid for utilizing the “pyramid scheme” wherein [the owner of EMC] would pay for it, invoice the City of Sunland Park through EnviroSystems, and then be reimbursed by the City of Sunland Park.” These charges were paid by the City from the Border Crossing Fund. Although the third video was never created, the affidavit states that EMC paid \$13,000 to a media company for the campaign video and the border crossing project video.

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Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 02 – Fraud and Deficiencies with Cash Disbursements Found in the City’s Expenditures Related to EnviroSystems Management Consultants, Inc. (material weakness)- (continued)

Section 10-16-4(A) NMSA 1978 provides the following: “It is unlawful for a public officer or employee to take an official act for the primary purpose of directly enhancing the public officer’s or employee’s financial interest or financial position. Any person who knowingly and willfully violates the provisions of this subsection is guilty of a fourth degree felony and shall be sentenced pursuant to the provisions of Section 31-18- 15 NMSA 1978.”

Section 10-16-3(A) NMSA 1978 provides the following: “A legislator or public officer or employee shall treat the legislator's or public officer's or employee's government position as a public trust. The legislator or public officer or employee shall use the powers and resources of public office only to advance the public interest and not to obtain personal benefits or pursue private interests.”

Cause

According to the Affidavit for Arrest Warrant supporting criminal charges against Daniel Salinas filed on April 6, 2012, Mayor Pro-Tem Salinas arranged for a scheme with the owner of EMC in which money from the Border Crossing Fund would be used to reimburse the owner of EMC for expenses related to alcohol and strip clubs, prostitutes for Public Information Officer Alba and Mayor Pro-Tem Salinas, and the cost of a campaign video for Mayor Pro-Tem Salinas.

Additionally, City Manager Aguilera, Finance Director Gonzalez and Purchasing Agent Rivera failed to request support and justification for costs before approving payment. Purchasing Agent Rivera also appears to have improperly certified that services provided by EMC were actually received. Mayor Pro-Tem Salinas and City Manager Aguilera took advantage of the lack of internal controls over the procurement and payments. Altogether, this collective lack of oversight and internal controls increased the risk of fraud.

Effect

The City violated the Procurement Code by failing to certify receipt of services and approving payments. The City has a lack of support for payments disbursed, which prevents them from ensuring proper and reasonable payment for goods and services. Inadequate controls increase the risk of improper charges by vendors. As a result, the City was subject to fraud and disbursed payments in which the funds were used for purposes other than the border crossing project.

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. Agreements with vendors should not contain vague and ambiguous language, which increases the risk that payments may be made for unauthorized or illegal purposes. 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.

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Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 03 – Deficiencies and Violations of Law Related to the Disbursement of Border Crossing Fund Monies to the Diaz Consulting Firm – (material weakness)

Condition

During our test work of cash disbursements for the City's Border Crossing Fund, we tested the City's procurement documentation related to the disbursements paid to the Diaz Consulting Firm (Diaz) for professional services. We noted that the City did not properly procure the professional services and the City's cash disbursements to Diaz did not contain adequate supporting documentation. We also noted that one cash disbursement paid by the City was the result of fraudulent invoice for services submitted by Diaz. First, the City procured Diaz's services in violation of the City's purchasing regulations and the Procurement Code. The total amount paid to Diaz by the City was \$14,425, but we did not note any documentation that indicated that the City's Purchasing Department procured the services according to the "best obtainable price." In fact, according to the City's Purchasing Agent, Neryza Rivera, she received an invoice for Diaz's services and asked the City Manager, Jaime Aguilera, whether the services would exceed \$10,000. The letter, from Rene Diaz, the owner of Diaz, to the City Manager, Jaime Aguilera, was dated December 13, 2011, the same date as Diaz's initial invoice to the City. The letter stated the following:

"The Diaz Consulting firm, acting on behalf of the City of Sunland Park has reviewed all correspondence and reservations emanating from the US-Mexico Department of Border Affairs relating to a *Presidential Permit* for a new international border crossing. We have identified six (6) areas of concern that will need to be satisfactorily addressed and resolved before the City of Sunland Park can successfully proceed with the process of applying for a *Presidential Permit* ... The Diaz Consulting Firm in our capacity as a private sector advocate for the City of Sunland Park will provide a pro-active approach in our efforts to resolve the six (6) issues previously identified."

The letter identified the six "areas of concern" and indicated that Diaz had already begun the process of facilitating the necessary input and expertise for the border crossing project by a variety of officials. However, the terms of the letter are vague and ambiguous. The letter does not clearly indicate the cost, terms and specific scope of the services Diaz was to provide to the City. The letter stated, "[a]s we proceed through this process on a month to month basis, the Diaz Consulting Firm will provide the City of Sunland Park a detailed account of our activities, incurred costs and the progress we have achieved." From this language, there is no limitation on the amounts Diaz would charge the City for its services or how the charges would be assessed. As detailed further below, the purchasing documentation we were provided did not contain a "detailed account of [Diaz's] activities, incurred costs and the progress [Diaz has] achieved."

In total, the City made three cash disbursements without a purchase order for three Diaz invoices totaling \$9,426.25. It was only after these payments were made that the City issued a purchase order signed by Purchasing Agent Rivera on February 6, 2012 - the same date as the fourth and final invoice from Diaz in the amount \$4,998.75. The total amount the City paid to Diaz was \$14,425.

As previously mentioned, the initial invoice Diaz submitted to the City, in the amount of \$862.50, was dated December 13, 2011, which was the same day as Diaz's letter to City Manager Aguilera. The invoice only indicated the services provided were for "Marketing and Analysis" in the amount of 7.5 hours at \$115 per hour. The second invoice, dated three days later, December 16, 2011, indicated the services provided were for "Analysis." The invoice charged the City \$3,565 for 23 hours of work at an increased rate of \$155 per hour. There was no documentation provided by the City that indicated the City's management or Finance Department staff questioned either the work performed or the reason for the change in the hourly rate. There also was no documentation that indicated that the City required support for the increased rate. The third invoice was dated January 4, 2012 in the amount of \$4,998.75 for 32 hours of work at \$155 per hour. For all three invoices, City Manager Aguilera, Purchasing Agent Rivera and the City's Finance Director, Helen Gonzalez, approved a check request form. Additionally, on all three check request forms, Purchasing Agent Rivera indicated that no purchase order was requested or issued.

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 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 03 – Deficiencies and Violations of Law Related to the Disbursement of Border Crossing Fund Monies to the Diaz Consulting Firm (material weakness)-(continued)**

We found that the fourth and final invoice submitted by Diaz was a result of fraud and was not for services related to the border crossing project. Notably, the City issued a purchase order and a purchase requisition form for the invoice. However, unlike the previous three invoices, a check request form was not provided to us. The invoice was dated February 6, 2012 for \$4,998.75, and the invoice indicated the service provided was “Analysis.” The City issued an open purchase order in the amount of \$10,000 with the description, “ADDITIONAL BORDER CROSSING CONSULTING SERVICES AND ANALYSIS AS NEEDED.” Additionally, Purchasing Agent Rivera signed the purchase order on February 6, 2012 acknowledging receipt of the services, and the purchase order certified that “THE PURCHASES AND/OR SERVICES HEREON REQUESTED ARE NECESSARY TO PROPERLY CONDUCT THE ACTIVITIES OF THIS DEPARTMENT AND ARE APPROVED FOR PURCHASE.” The City also provided a purchase requisition form which stated that the purpose and justification of the purchase was “to effectively obtain presidential permit.” The requisition was signed by City Manager Aguilera, Finance Director Gonzalez and Purchasing Agent Rivera.

Based on our interview with City Manager Aguilera, and according to the Affidavit for Arrest Warrant supporting criminal charges filed in the Third Judicial District Court on April 30, 2012 against Rene Diaz and Mayor Pro-Tem Daniel Salinas, we noted the fourth invoice submitted by Diaz was not for services relating to “analysis” under Diaz’s contract. Mr. Salinas asked Mr. Diaz for money to pay a private investigator for a video for a private investigation used to extort Mayor Pro-Tem Salinas’ opponent in the City’s mayoral election. In order to come up with the money, the Mr. Diaz submitted an invoice to the City in an amount under \$5,000 so that the invoice would not have to go through the City Council for approval. We did receive City Council Resolution No. 2011-39 which the Council adopted on September 7, 2011. The Resolution requires that City finance staff provide the City Council with a monthly report of all City expenditures over \$5,000. On February 6, 2012, Mr. Diaz submitted an invoice to the City in the amount of \$4,998.75. This invoice had a purchase order and purchase requisition attached, as described above.

The criminal complaint against Mr. Diaz showed one count of “Extortion”, one count of “Conspiracy to Commit Extortion”, one count of “Fraud (Over \$2500)” (sic), one count of “Conspiracy to Commit Fraud (Over \$2500)”, one count of “Marking (sic) or Permitting False Public Vouchers”, and one count of “Conspiracy to Commit Making or Permitting False Public Vouchers”. The criminal complaint against Mayor Pro-Tem Salinas showed one count of “Fraud (Over \$2500)” (sic), one count of “Conspiracy to Commit Fraud (Over \$2500)”, one count of “Marking (sic) or Permitting False Public Vouchers”, one count of “Conspiracy to Commit Making or Permitting False Public Vouchers”, one count of “Soliciting an Illegal Kickback”, one count of “Receiving an Illegal Kickback”, one count of “Conspiracy to Commit Soliciting and/or Receiving an Illegal Kickback”, two counts of “Violation of Ethical Principles of Public Service”.

Criteria

Pursuant to Section 13-1-125 NMSA 1978, “a central purchasing office may procure professional services having a value not exceeding fifty thousand dollars (\$50,000), excluding applicable state and local gross receipts taxes, in accordance with professional services procurement regulations promulgated by ... a central purchasing office with the authority to issue regulations.” 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.”

Good accounting practices require a purchase order be issued as a cash and budget control prior to making purchases of goods or services. 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.”

STATE OF NEW MEXICO
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Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 03 – Deficiencies and Violations of Law Related to the Disbursement of Border Crossing Fund Monies to the Diaz Consulting Firm (material weakness)-(continued)

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.” Additionally, the City’s Purchasing Regulations, Section 13(B), provides that “[p]ayment shall be made when the central purchasing office or using agency acknowledges that services, construction or items of personal property have been received and meet specifications.”

All costs should be completely supported before the City approves the invoice for payment. Invoices should be processed only when the invoice includes adequate detail of all costs. Furthermore, pursuant to the American Institute of Certified Public Accountants (AICPA) *Audit and Accounting Guide for State and Local Governments*, AAG-SLV 13.08, “[m]anagement 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 13-1-196 NMSA 1978 provides that “[a]ny person, firm or corporation that knowingly violates any provision of the Procurement Code is subject to a civil penalty of not more than one thousand dollars (\$1,000) for each procurement in violation of any provision of the Procurement Code.” Additionally, Section 13-1-197 NMSA 1978 provides that “[a]n amount equal to the value of anything transferred or received in violation of the provisions of the Procurement Code by a transferor and transferee may be imposed as a civil penalty upon both the transferor and transferee.”

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.”

Section 10-16-3(A) NMSA 1978 provides the following: “A legislator or public officer or employee shall treat the legislator’s or public officer’s or employee’s government position as a public trust. The legislator or public officer or employee shall use the powers and resources of public office only to advance the public interest and not to obtain personal benefits or pursue private interests.”

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2012

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 03 – Deficiencies and Violations of Law Related to the Disbursement of Border Crossing Fund Monies to the Diaz Consulting Firm (material weakness)-(continued)

Section 10-16-4(A) NMSA 1978 provides the following: “It is unlawful for a public officer or employee to take an official act for the primary purpose of directly enhancing the public officer’s or employee’s financial interest or financial position. Any person who knowingly and willfully violates the provisions of this subsection is guilty of a fourth degree felony and shall be sentenced pursuant to the provisions of Section 31-18- 15 NMSA 1978.”

Cause

According to the Affidavit for Arrest Warrant supporting criminal charges filed in the Third Judicial District Court on April 30, 2012 against the Rene Diaz and Mayor Pro-Tem Salinas, a scheme was arranged whereby Mr. Diaz submitted a fraudulent invoice to the City. We found that the invoice submitted was for reimbursement costs for a video for a private investigation used to extort Mayor Pro-Tem Salinas’ opponent in the City’s mayoral election. City Manager Aguilera knew of this scheme. Additionally, City Manager Aguilera, Finance Director Gonzalez and Purchasing Agent Rivera failed to request support and justification for increases in costs before approving payment. Due to Purchasing Agent Rivera’s failure to issue a purchase order, there was no written direction to the contractor about the services to be provided at a certain cost. City Manager Aguilera, Finance Director Gonzalez and Purchasing Agent Rivera also appear to have improperly certified that services provided by Diaz were actually received. City Manager Aguilera, Finance Director Gonzalez and Purchasing Agent Rivera did not request Diaz’s “detailed account” of activities, costs and progress achieved. Mayor Pro-Tem Salinas and City Manager Aguilera took advantage of the City’s lack of internal controls over the procurement and payments related to Diaz. Altogether, this collective lack of oversight and internal controls significantly increased the risk of fraud.

Effect

The City violated its own purchasing regulations and the Procurement Code when procuring Diaz’s services, certifying 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. Without an executed contract with clearly defined terms, there is also a lack of transparency and control over the services to be provided. As a result, the City disbursed payments in which the funds were used for purposes other than the border crossing project.

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. At a minimum, 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. Additionally, the City should request support for any unjustified increases in costs.

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, 2012

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, 2012

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, 2012

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, 2012

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)-(continued)

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, 2012

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)-(continued)

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, 2012

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;

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2012

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, Ø[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.

STATE OF NEW MEXICO
 City of Sunland Park
 Status of Special Audit Findings
 June 30, 2012

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)**

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.

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
City of Sunland Park
Status of Special Audit Findings
June 30, 2012

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, 2012

Findings-Special Audit-(continued)**Unresolved Special Audit Findings Repeated Below****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 Moralez, 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, 2012

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
June 30, 2012

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 11– Failure to Submit a Complete Annual Budget-(material weakness)

Condition

City Manager Andrew Moralez, who was employed from October 22, 2010 to July 16, 2011, failed to submit a complete budget for fiscal year 2012 to the Local Government Division of the Department of Finance and Administration (LGD-DFA). We noted that City Manager Moralez submitted the budget on time. When a new City Manager, Jaime Aguilera, was hired in August 2011, he revised the budget and submitted the amended final budget for approval on September 13, 2011. The budget was due on July 31, 2011. The final budget submitted to the LGD-DFA addressed an approximate \$300,000 budget deficit identified by City Manager Aguilera. LGD-DFA approved the resubmitted budget.

Criteria

Pursuant to Section 6-6-2 NMSA 1978 and LGD-DFA requirements, municipalities are required to submit their final budgets to the LGD of DFA on or before July 31 each year, or the first day of August if July 31 falls on a weekend.

Cause

City Manager Moralez submitted the City's final budget on time; however, when City Manager Aguilera was hired, he noticed that information was missing from the budget and submitted an amended budget to LGD-DFA.

Effect

The City violated Section 6-6-2(A) NMSA 1978. 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. Failure to provide complete budget information could also cause incorrect monitoring of the disbursement of City funds, resulting in unauthorized expenditures or over expending the budget in violation of Section 6-6-6 NMSA 1978.

Recommendation

The City Council and management should implement and adhere to proper internal controls to ensure that its final budget submission is accurate and complete before submitting it to LGD-DFA. The City Council should also ensure that management submits timely and accurate budgets to LGD-DFA.

STATE OF NEW MEXICO
City of Sunland Park
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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
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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)-(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
June 30, 2012

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.

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)-(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, 2012

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
Status of Special Audit Findings
June 30, 2012

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.

STATE OF NEW MEXICO
 City of Sunland Park
 Status of Special Audit Findings
 June 30, 2012

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, 2012

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, 2012

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, 2012

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, 2012

Findings-Special Audit-(continued)**Unresolved Special Audit Findings Repeated Below-(continued)****Finding 23 – Misappropriation of Public Monies for Travel and Per Diem Due to Fraud-(material weakness)****Condition**

During our test work of certain travel and per diem expenditures, we noted that the City contracted travel arrangements for six City officials through a local travel agency charging six airline tickets at the cost of \$461.71 each to the City for a total of \$2,770.26. Those officials were City Councilor Christian Lira, City Councilor Angelica Marquez, Mayor Pro-Tem Daniel Salinas, City Manager Jaime Aguilera, Public Information Officer Arturo Alba, and Dario Hernandez. The travel was to the XXIV Conferencia Legislativa Fronteriza, which was held on November 17 through November 19, 2011 in Saltillo, Coahuila de Zaragoza, Mexico. The purpose of the travel was for a presentation for the border crossing.

According to the Affidavit for Arrest Warrant supporting criminal charges against Daniel Salinas filed on April 6, 2012, this first cash disbursement was made as a result of fraud. The Affidavit states that Jorge Angulo, the owner of EnviroSystems Management Consultants, Inc. (EMC), provided \$250.00 per day to certain City officials as per diem for the XXIV Conferencia Legislativa Fronteriza, which was held on November 17 through November 19, 2011 in Saltillo, Coahuila de Zaragoza, Mexico. The officials included the Mayor Pro-Tem Salinas, the Public Information Officer Alba and City Manager Aguilera. The expenses paid for included “meals, travel, lodging and ‘night life.’” The affidavit further states the following:

“The ‘night life’ included alcohol and strip clubs for the entire group and prostitutes for Mr. Alba and Mr. Salinas. Mr. Alba advised that in order to get around the per diem set by the City of Sunland Park and the State of New Mexico that Mr. Salinas had arranged for a “pyramid scheme” with Mr. Angulo. Mr. Alba further advised that this “pyramid scheme” was such that Mr. Angulo would provide the group with money and pay for their expenses and, in exchange, he would invoice the City of Sunland Park through EnviroSystems which, in turn, would be paid back to Mr. Angulo through the border crossing fund.”

During our test work of cash disbursements for the City’s contract with EMC, for the Anapra-Sunland Park Land Port of Entry Presidential Permit, we noted that the City made a cash disbursement in the amount of \$10,240.72 to EMC. The City paid the amount from the Border Crossing Fund. Invoice #11104, in the amount of \$10,240.72, including gross receipts tax, was dated November 14, 2011. The “Description” provided on the invoice was “In conformance with Item 2A, ‘Additional Work’ of Agreement November 2, 2011. Saltillo Conference Nov. 17, 2011. Travel expenses: lodging transportation: Presentation Border Legislative Conference.” The City paid the EMC invoice through a check request form which was approved by City Manager Aguilera, Finance Director Gonzalez and Purchasing Agent Rivera. There is no documentation indicating that anyone certified that the services were received prior to payment. See Finding 02 for additional detail regarding this transaction.

Additionally, we were not provided any travel request forms required for authorization of travel for the each six City officials. Furthermore, two of the six employees did not make the trip; therefore, \$923.42 of the original cost to the City was not refunded back due to the local travel agency’s no-refund policy for cancelled flights.

Criteria

Section 30-16-6(E) NMSA 1978 provides the following: “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.”

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2012

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 23 – Misappropriation of Public Monies for Travel and Per Diem Due to Fraud (material weakness)-(continued)

Cause

According to the Affidavit for Arrest Warrant supporting criminal charges against Daniel Salinas filed on April 6, 2012, Mayor Pro-Tem Salinas arranged for a scheme with the owner of EMC in which money from the Border Crossing Fund would be used to reimburse the owner of EMC for expenses related to alcohol and strip clubs for the entire group, and prostitutes for Mayor Pro-Tem Salinas and Public Works Director Alba.

One City employee decided last minute that he would not attend the conference and one other employee had issues with her passport. The City used a travel agency that would not refund travel charges.

Effect

The scheme caused a false public voucher to be created for the payment of public monies from the Border Crossing Fund for unallowed and illegal expenses. This resulted in fraudulent misappropriation of public funds. The City also was not refunded the advance payment made on behalf of employees in the amount of \$923.42.

Recommendation

The City should implement controls to ensure that expenses are properly supported prior to submitting payments to vendors. The City should seek restitution for payments made as a result of fraud. The City should also implement policies and procedures to ensure refunds of monies paid advance for travel when City officials or employees ultimately do not travel.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2012

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 25 – Deficiencies Related to Fiscal Year 2012 Cash Disbursements from the City’s Fire Protection Fund-(material weakness)

Condition

During our test work of 34 cash disbursements from the City’s Fire Protection Fund in the amount of \$59,506.12 for fiscal year 2012, we found the following discrepancies:

- 1 out of 34 expenditure vouchers tested in the amount of \$40.16 was coded to the wrong account code;
- 21 out of 34 expenditure vouchers tested in the amount of \$46,502.01 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 34 expenditure vouchers tested in the amount of \$44,201.35 were missing purchase orders;
- 2 out of 34 expenditure vouchers tested in the amount of \$735.88 were missing invoices;
- 1 out of 34 expenditure vouchers tested in the amount of \$238.00 was missing a copy of the check;
- 9 out of 34 expenditure vouchers tested in the amount of \$28,615.09 were not paid timely or included past due amounts;
- 8 out of 34 expenditure vouchers tested in the amount of \$8,347.64 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;
- 2 out of 34 expenditure vouchers tested in the amount of \$5,617.57 did not have sufficient detail on the purchase orders;
- 1 out of 34 expenditure vouchers tested in the amount of \$1,220.60 had an invoice amount larger than the check amount;
- 2 out of 34 expenditure vouchers tested in the amount of \$1,771.23 did not appear to be for allowed purchases;
- 18 out of 34 expenditure vouchers tested in the amount of \$10,220.58 were missing evidence of goods or services being received prior to payment of invoices;
- 9 out of 34 expenditure vouchers tested in the amount of \$35,712.36 did not include adequate breakdowns of the costs for the invoices paid;
- 3 out of 34 expenditure vouchers tested in the amount of \$1,943.04 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
- 2 out of 34 expenditure vouchers tested in the amount of \$5,617.57 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.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2012

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 25 – Deficiencies Related to Fiscal Year 2012 Cash Disbursements from the City’s Fire Protection Fund (material weakness)-(continued)

Criteria

Section 59A-53-11 NMSA 1978 provides the following: “A mounts 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.”

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 the 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, 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, 2012

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 25 – Deficiencies Related to Fiscal Year 2012 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, 2012

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, 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 Council present via telephone at the meeting was Angelica Marquez; however the minutes do not indicate how Ms. Marquez voted. See Finding 04 for additional details; 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, 2012

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.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2012

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

Finding 27 – Violation of the Open Meetings Act Due to the City Council’s Failure to Permit Attendance of All Interested Individuals-(material weakness)

Condition

On April 18, 2012, the City Council appointed a new mayor at a meeting in which there was an overflow crowd. As a result, not all of the persons who wanted to attend were able or were permitted to enter the meeting room. City Councilors present at the meeting were Christian Lira, Annette Diaz, Carmen Rodriguez, Sergio Carrillo, Jessica Avila and Mayor Pro-Tem Isabel Santos. Councilors voting in favor of the appointment of Javier Perea as the City’s Mayor were Councilors Diaz, Rodriguez and Carrillo. Councilor Lira and Mayor Pro-Tem Santos voted against the appointment of Mr. Perea. Councilor Avila abstained from the vote.

The Las Cruces Sun-News filed a formal complaint with the New Mexico Attorney General’s Office (AGO) against the City Council alleging that the Council violated the Open Meetings Act (OMA). In a letter dated April 26, 2012 to the City’s Mayor Pro-Tem Isabel Santos and the City Council, the AGO wrote the following: It is our opinion that when a public body is faced with the situation that was before the Sunland Park City Council ... OMA requires the public body to make reasonable efforts to find a way to permit attendance of all interested individuals. Those efforts “include the postponement of the meeting to allow for relocation to a larger meeting room and the use of audio and video devices so that individuals excluded from the facility can listen to the meeting.” The AGO went on to state that if the circumstances surrounding the Council’s April 18, 2012 meeting are as we understand them, then it appears the Council violated the OMA.

Further, the AGO stated that if the City Council believes there was no violation of the OMA, the City Council should provide its reasoning in support of that belief. Otherwise, the City Council should (1) hold another public meeting in a facility capable of accommodating the large public attendance that can be anticipated based on the April 18, 2012 meeting; (2) properly provide public notice of the date, time, location and agenda of the meeting; and (3) re-deliberate those matters discussed at the April 18, 2012 meeting, including a summary of the deliberations of the April 18, 2012 meeting, and re- vote on any items voted on at the April 18, 2012 meeting.

Criteria

The OMA, specifically Section 10-15-1 NMSA 1978, requires that all meetings of a quorum of any ... policymaking body ... held for the purpose of formulating public policy, including the development of personnel policy, rules, regulations or ordinances, discussing public business or for the purpose of taking any action within the authority of or the delegated authority of .. . [the] policymaking body are declared to be public meetings open to the public at all times, except as otherwise provided in the constitution of New Mexico or the Open Meetings Act.

Section 10-15-3 NMSA 1978 provides the following: “No resolution, rule, regulation, ordinance or action of any board, commission, committee or other policymaking body shall be valid unless taken or made at a meeting held in accordance with the requirements” of the OMA.

Section 10-15-4 NMSA 1978 provides that any person who violates the provisions of the OMA “is guilty of a misdemeanor and upon conviction shall be punished by a fine of not more than five hundred dollars (\$500) for each offense.”

Cause

The City failed to make reasonable efforts to permit attendance of all interested individuals.

STATE OF NEW MEXICO
City of Sunland Park
Status of Special Audit Findings
June 30, 2012

Findings-Special Audit-(continued)

Unresolved Special Audit Findings Repeated Below-(continued)

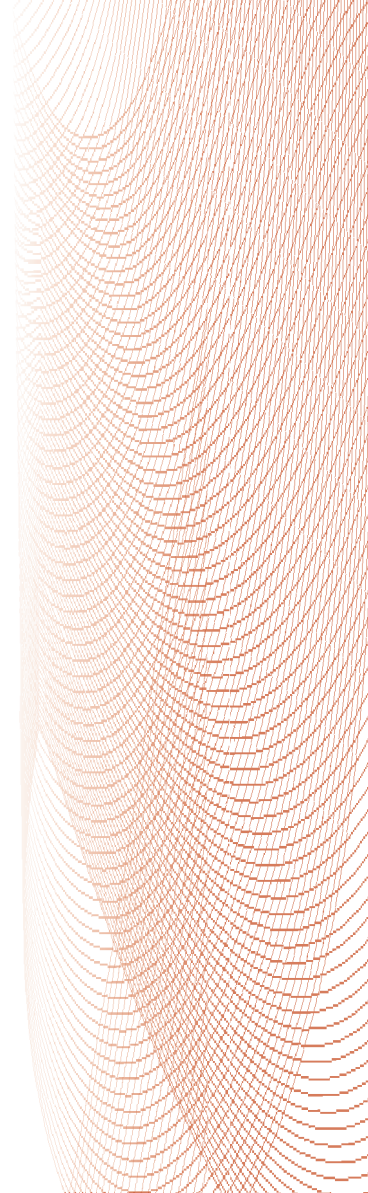
Finding 27 – Violation of the Open Meetings Act Due to the City Council’s Failure to Permit Attendance of All Interested Individuals-(material weakness)-(continued)

Effect

All interested persons were deprived of their right to attend the City Council’s April 18, 2012 meeting. The City’s appointment of the Mayor may be invalid. City Councilors may be subject to criminal penalties.

Recommendation

The City Council members should ensure all reasonable efforts are made to permit attendance of all interested individuals at Council meetings. This would include postponement of the meeting while a larger meeting space is sought, or it could include the use of audio or video equipment so individuals may be able to listen to the meeting. Additionally, City Councilors, the City Manager and the City Clerk should obtain and review copies of the OMA guide published by the AGO. They should refer to this guide regularly to ensure the City complies with the requirements of the OMA.



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