



*State of New Mexico*  
*City of Gallup*  
*Annual Financial Report*  
*June 30, 2013*



**Accounting &  
Consulting Group, LLP**  
Certified Public Accountants

Alamogordo ☐ Albuquerque ☐ Carlsbad ☐ Clovis ☐ Hobbs ☐ Roswell ☐ Lubbock, TX

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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**

City of Gallup  
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June 30, 2013

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STATE OF NEW MEXICO

City of Gallup  
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**STATE OF NEW MEXICO**

City of Gallup

Official Roster

June 30, 2013

**Name**

**Title**

**City Council**

Jackie McKinney	Mayor
Mike Enfield	Councilor
Allan Landavazo	Councilor
E. Bryan Wall	Councilor
Cecil Garcia	Councilor

**Administrative Officials**

Daniel R. Dible	City Manager
Alfred Abeita	City Clerk
George W. Kozeliski	City Attorney
Patty Holland	Chief Financial Officer

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**FINANCIAL SECTION**



**Accounting & Consulting Group, LLP**  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Hector H. Balderas  
New Mexico State Auditor  
The U.S. Office of Management and Budget and  
The City Council  
City of Gallup  
Gallup, New Mexico

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the General Fund and major special revenue fund of City of Gallup, New Mexico (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements 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 nonmajor enterprise funds, and the budgetary comparisons for the major capital projects fund, debt service fund, the proprietary funds and internal service fund, and all nonmajor funds presented as supplementary information as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013 as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Basis for Qualified Opinions on the Governmental Activities Inventory, the General Fund Inventory, the Governmental Activities and Business-type Activities Capital Assets, the Capital Outlay Expenditures and Expenses related to Governmental and Enterprise Funds, the Business-type Joint Utility Fund, and the Discretely Presented Component Unit**

Management has not implemented proper internal controls over governmental activities and general fund inventories to ensure all inventory is properly safeguarded and properly reported in the financial statements. Also, management has not implemented proper internal controls over governmental or business-type capital assets nor the expenditures and expenses related to the governmental and enterprise funds sufficient enough to provide evidence that all beginning balances of capital assets are accurate and complete. The City did not complete an inventory count at year end, nor has a capital asset detail listing of the business-type activities been maintained. The amount by which this departure would affect the assets, fund balances, revenues, and expenditures of the governmental activities and business-type activities has not been determined.

Also, management was not able to provide sufficient audit evidence regarding the advanced refunding of debt in the business-type Joint Utility fund. The general ledger of the City does not represent the correct amount of proceeds and outstanding debt that is held in a trustee account. The amount by which this departure would affect the assets, fund balances, revenues, and expenditures of the business-type activities has not been determined.

Lastly, as a result of the numerous material weaknesses in the internal control structure of the discretely presented component unit, the discretely presented component unit's accounting records are inadequate to substantiate the account balances for revenues, expenditures, inventory, accounts receivable, prepaid rent and capital assets presented in the financial statements. There is insufficient evidence available to determine that the account distributions for revenue and expenditure amounts are accurate and management's assertions cannot be adequately examined to afford a basis for an opinion. The discretely presented component unit's records do not permit the application of other auditing procedures to its revenues, expenditures, inventory, accounts receivable, deferred revenues and capital assets. The amount by which this departure would affect the assets, fund balances, revenues, and expenditures of the discretely presented component unit's activities has not been determined.

**Qualified Opinions**

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinions on the Governmental Activities Inventory, the General Fund Inventory, the Governmental Activities and Business-type Activities Capital Assets, the Capital Outlay Expenditures and Expenses related to Governmental and Enterprise Funds, the Business-type Joint Utility Fund, and the Discretely Presented Component Unit" paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities inventory, the Governmental Activities and Business-type capital assets, the Business-type Joint Utility fund, and the Discretely Presented Component Unit, of City of Gallup as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities that are not mentioned above, the business-type activities that are not mentioned above, each major fund, and the aggregate remaining fund information of City of Gallup, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance 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 each nonmajor enterprise fund of the City not mentioned above, as of June 30, 2013, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, except for the funds mentioned above, 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.

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## Other Matters

### *Required Supplementary Information*

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 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 the 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 this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the City's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations* and Supporting Schedules I through V required by 2.2.2 NMAC and the U.S. Department of Housing and Urban Development are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and Supporting Schedules I through V required by 2.2.2 NMAC and the U.S. Department of Housing and Urban Development are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the supplementary information of the qualified opinion on the discretely presented component unit as explained in the "Basis for Qualified Opinions on the Governmental Activities Inventory, the Governmental Activities and Business-type Activities Capital Assets, the Business-type Joint Utility Fund, and the Discretely Presented Component Unit" paragraphs, the Schedule of Expenditures of Federal Awards and Supporting Schedules I through V required by 2.2.2 NMAC and the U.S. Department of Housing and Urban Development are fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 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* in considering the City's internal control over financial reporting and compliance.

*Accounting + Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Albuquerque, New Mexico  
November 22, 2013

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**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**

City of Gallup

Statement of Net Position

June 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 8,319,143	\$ 5,900,933	\$ 14,220,076	\$ 381,944
Investments	33,354,377	35,088,094	68,442,471	-
Receivables:				
Property taxes	289,745	-	289,745	-
Other taxes	3,841,545	-	3,841,545	-
Other receivables, net	566,621	269,187	835,808	55,076
Customer receivables, net	-	4,651,968	4,651,968	46,952
Inventory	423,875	2,011,734	2,435,609	62,005
Prepaid expenses	-	-	-	7,702
Internal balances	(6,905,953)	6,905,953	-	-
Total current assets	<u>39,889,353</u>	<u>54,827,869</u>	<u>94,717,222</u>	<u>553,679</u>
Noncurrent assets				
Restricted cash and cash equivalents	8,007	8,658,484	8,666,491	122,320
Bond issuance costs, net of accumulated amortization of \$151,588	332,636	110,543	443,179	-
Bond discount, net of accumulated amortization of \$20,212	11,106	-	11,106	-
Capital assets	151,983,051	102,933,393	254,916,444	15,165,347
Less: accumulated depreciation	(66,449,270)	(51,416,544)	(117,865,814)	(7,158,934)
Total noncurrent assets	<u>85,885,530</u>	<u>60,285,876</u>	<u>146,171,406</u>	<u>8,128,733</u>
Total assets	<u>\$ 125,774,883</u>	<u>\$ 115,113,745</u>	<u>\$ 240,888,628</u>	<u>\$ 8,682,412</u>

The accompanying notes are an integral part of these financial statements

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 1,416,365	\$ 842,881	\$ 2,259,246	\$ 14,083
Accrued payroll	645,698	59,825	705,523	12,773
Accrued tax liability	3,381	168,058	171,439	-
Accrued utilities	-	-	-	19,428
Prepaid rent	-	-	-	5,860
Deposits held in trust for others	-	931,807	931,807	45,473
Accrued interest payable	103,251	29,900	133,151	-
Accrued compensated absences	68,769	16,062	84,831	363
Current portion of bonds payable	2,420,000	1,915,000	4,335,000	-
Current portion of notes payable	96,894	164,442	261,336	-
Total current liabilities	4,754,358	4,127,975	8,882,333	97,980
Noncurrent liabilities				
Accrued compensated absences	790,849	189,863	980,712	5,935
Bond premiums, net of accumulated amortization of \$273,090	810,953	-	810,953	-
Accrued landfill closure costs	-	300,000	300,000	-
Bonds payable	23,240,000	16,580,000	39,820,000	-
Notes payable	1,063,322	3,031,249	4,094,571	-
Total noncurrent liabilities	25,905,124	20,101,112	46,006,236	5,935
Total liabilities	30,659,482	24,229,087	54,888,569	103,915
<b>Net Position</b>				
Net investment in capital assets	58,713,565	29,826,158	88,539,723	8,006,413
Restricted for:				
Debt service	2,019,722	8,658,484	10,678,206	-
Capital projects	4,941,264	-	4,941,264	-
Special revenue	17,060,938	-	17,060,938	-
Tenant and escrow deposits	-	-	-	4,539
Section 8 housing	-	-	-	72,308
Unrestricted	12,379,912	52,400,016	64,779,928	495,237
Total net position	95,115,401	90,884,658	186,000,059	8,578,497
Total liabilities and net position	\$ 125,774,883	\$ 115,113,745	\$ 240,888,628	\$ 8,682,412

**STATE OF NEW MEXICO**  
City of Gallup  
Statement of Activities  
For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General government	\$ 14,855,116	\$ 879,917	\$ 759,198	\$ -
Public safety	10,394,180	94,660	539,271	-
Public works	4,557,808	1,413,693	544,201	324,174
Culture and recreation	3,787,019	7,327	252,825	-
Health and welfare	1,854,367	94,393	163,179	-
Interest on long-term debt	1,198,941	-	-	-
<i>Total governmental activities</i>	<u>36,647,431</u>	<u>2,489,990</u>	<u>2,258,674</u>	<u>324,174</u>
<b>Business-type Activities:</b>				
Joint utilities	25,023,953	32,026,997	-	5,344,973
Solid waste	2,524,107	3,180,955	-	-
Culture and recreation	1,239,604	1,156,639	-	-
<i>Total business-type activities</i>	<u>28,787,664</u>	<u>36,364,591</u>	<u>-</u>	<u>5,344,973</u>
<i>Total primary government</i>	<u>\$ 65,435,095</u>	<u>\$ 38,854,581</u>	<u>\$ 2,258,674</u>	<u>\$ 5,669,147</u>
<b>Component Unit:</b>				
Housing Authority	<u>\$ 1,722,472</u>	<u>\$ 671,799</u>	<u>\$ 940,840</u>	<u>\$ 112,703</u>

**General Revenues/ and Transfers:**

Taxes:

Property taxes, levied for general purposes

Gross receipts taxes

Gasoline and motor vehicle taxes

Franchise taxes

Lodger's taxes

Investment income (loss)

Miscellaneous income

Transfers

Total general revenues

Change in net position

Net position - beginning

Net position restatement (Note 22)

Net position, as restated

Net position - ending

The accompanying notes are an integral part of these financial statements

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (13,216,001)	\$ -	\$ (13,216,001)	\$ -
(9,760,249)	-	(9,760,249)	-
(2,275,740)	-	(2,275,740)	-
(3,526,867)	-	(3,526,867)	-
(1,596,795)	-	(1,596,795)	-
(1,198,941)	-	(1,198,941)	-
<u>(31,574,593)</u>	<u>-</u>	<u>(31,574,593)</u>	<u>-</u>
-	12,348,017	12,348,017	-
-	656,848	656,848	-
-	(82,965)	(82,965)	-
<u>-</u>	<u>12,921,900</u>	<u>12,921,900</u>	<u>-</u>
<u>(31,574,593)</u>	<u>12,921,900</u>	<u>(18,652,693)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,870</u>
2,789,611	-	2,789,611	-
27,190,415	419,734	27,610,149	-
1,146,985	-	1,146,985	-
315,065	-	315,065	-
1,333,588	-	1,333,588	-
(74,921)	120,727	45,806	355
512,214	2,142	514,356	48,796
1,926,940	(1,926,940)	-	-
<u>35,139,897</u>	<u>(1,384,337)</u>	<u>33,755,560</u>	<u>49,151</u>
<u>3,565,304</u>	<u>11,537,563</u>	<u>15,102,867</u>	<u>52,021</u>
91,550,097	79,102,519	170,652,616	8,526,476
-	244,576	244,576	-
<u>91,550,097</u>	<u>79,347,095</u>	<u>170,897,192</u>	<u>8,526,476</u>
<u>\$ 95,115,401</u>	<u>\$ 90,884,658</u>	<u>\$ 186,000,059</u>	<u>\$ 8,578,497</u>

**STATE OF NEW MEXICO**

City of Gallup  
Balance Sheet  
Governmental Funds  
June 30, 2013

	General Fund	Environmental Surcharge Special Revenue Fund	02/11 Sales Tax Revenue Bonds Capital Projects Fund	02/04 Sales Tax Revenue Bonds Debt Service Fund
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 1,741,921	\$ -	\$ 276,185
Restricted cash and cash equivalents	-	-	-	-
Investments	8,823,170	10,900,307	5,747,947	-
Receivables:				
Property taxes	227,251	-	-	-
Other taxes	3,661,467	-	-	-
Other receivables	44,344	-	-	-
Inventory	423,875	-	-	-
Due from other funds	88,359	-	-	-
<i>Total assets</i>	<u>\$ 13,268,466</u>	<u>\$ 12,642,228</u>	<u>\$ 5,747,947</u>	<u>\$ 276,185</u>
<i>Liabilities</i>				
Accounts payable	\$ 194,200	\$ -	\$ 519,906	\$ -
Accrued payroll	616,611	-	-	-
Tax liability	3,381	-	-	-
Deferred revenue	131,016	-	-	-
Due to other funds	2,295,271	-	4,374,182	-
<i>Total liabilities</i>	<u>3,240,479</u>	<u>-</u>	<u>4,894,088</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable				
Inventory	423,875	-	-	-
Spendable				
Restricted for:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	12,642,228	-	-
Fire protection	-	-	-	-
Health and welfare	-	-	-	-
Debt service expenditures	-	-	-	276,185
Capital projects	-	-	853,859	-
Committed to:				
Minimum fund balance	2,037,367	-	-	-
Unassigned	7,566,745	-	-	-
<i>Total fund balances</i>	<u>10,027,987</u>	<u>12,642,228</u>	<u>853,859</u>	<u>276,185</u>
<i>Total liabilities and fund balances</i>	<u>\$ 13,268,466</u>	<u>\$ 12,642,228</u>	<u>\$ 5,747,947</u>	<u>\$ 276,185</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ 5,887,847	\$ 7,905,953
8,007	8,007
4,382,939	29,854,363
62,494	289,745
180,078	3,841,545
522,277	566,621
-	423,875
-	88,359
<u>\$ 11,043,642</u>	<u>\$ 42,978,468</u>
\$ 678,061	\$ 1,392,167
29,087	645,698
-	3,381
35,738	166,754
324,859	6,994,312
<u>1,067,745</u>	<u>9,202,312</u>
-	423,875
307,113	307,113
1,908,088	1,908,088
1,576,983	14,219,211
571,369	571,369
84,212	84,212
1,469,782	1,745,967
4,287,423	5,141,282
-	2,037,367
(229,073)	7,337,672
<u>9,975,897</u>	<u>33,776,156</u>
<u>\$ 11,043,642</u>	<u>\$ 42,978,468</u>

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STATE OF NEW MEXICO

City of Gallup

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2013

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$ 33,776,156
Bond issuance costs net of accumulated amortization are not a current financial resource and, therefore, are not reported in the funds.	332,636
Residual balances of the internal service funds are included within the governmental activities and are not reported within the governmental funds	3,886,425
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	85,533,009
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.	166,754
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable: Accrued interest	(103,251)
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	(856,265)
Bond discount	11,106
Bond premiums	(810,953)
Bonds payable	(25,660,000)
Notes payable	<u>(1,160,216)</u>
Total net position of governmental activities	<u>\$ 95,115,401</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
City of Gallup  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2013

	General Fund	Environmental Surcharge Special Revenue Fund	02/11 Sales Tax Revenue Bonds Capital Projects Fund	02/04 Sales Tax Revenue Bonds Debt Service Fund
<i>Revenues</i>				
Taxes:				
Property	\$ 1,847,838	\$ -	\$ -	\$ -
Gross receipts	26,449,637	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	315,065	-	-	-
Lodger's	-	-	-	-
Intergovernmental income:				
Federal operating grants	73,102	1,164	-	-
State operating grants	221,361	2,028	-	-
State capital grants	-	-	-	-
Charges for services	893,885	1,413,693	-	-
Licenses and fees	87,776	-	-	-
Interest income (loss)	(89,916)	(12,609)	15,632	-
Miscellaneous	457,507	-	-	-
<i>Total revenues</i>	<u>30,256,255</u>	<u>1,404,276</u>	<u>15,632</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	7,692,134	-	2,364,895	-
Public safety	10,158,612	-	-	-
Public works	992,266	51,773	-	-
Culture and recreation	3,158,782	-	-	-
Health and welfare	882,991	-	-	-
Capital outlay	133,717	-	3,863,267	-
Debt service:				
Principal	-	-	-	9,735,000
Interest	-	-	-	508,377
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>23,018,502</u>	<u>51,773</u>	<u>6,228,162</u>	<u>10,243,377</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>7,237,753</u>	<u>1,352,503</u>	<u>(6,212,530)</u>	<u>(10,243,377)</u>
<i>Other financing sources (uses)</i>				
Proceeds from sale of bonds	-	-	-	-
Transfers in	1,835,720	-	-	10,442,640
Transfers out	(5,821,071)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(3,985,351)</u>	<u>-</u>	<u>-</u>	<u>10,442,640</u>
<i>Net change in fund balances</i>	3,252,402	1,352,503	(6,212,530)	199,263
<i>Fund balance - beginning of year</i>	6,775,585	11,289,725	7,066,389	76,922
<i>Fund balance - end of year</i>	<u>\$ 10,027,987</u>	<u>\$ 12,642,228</u>	<u>\$ 853,859</u>	<u>\$ 276,185</u>

The accompanying notes are an integral part of these financial statements

Other			
Governmental		Total	
Funds			
\$ 1,028,035		\$ 2,875,873	
740,778		27,190,415	
1,146,985		1,146,985	
-		315,065	
1,333,588		1,333,588	
828,740		903,006	
1,132,279		1,355,668	
324,174		324,174	
196,380		2,503,958	
-		87,776	
11,972		(74,921)	
54,707		512,214	
<u>6,797,638</u>		<u>38,473,801</u>	
209,831		10,266,860	
235,568		10,394,180	
3,513,769		4,557,808	
628,237		3,787,019	
971,376		1,854,367	
1,246,220		5,243,204	
1,798,329		11,533,329	
823,579		1,331,956	
42,176		42,176	
<u>9,469,085</u>		<u>49,010,899</u>	
<u>(2,671,447)</u>		<u>(10,537,098)</u>	
9,325,000		9,325,000	
6,497,929		18,776,289	
<u>(10,923,278)</u>		<u>(16,744,349)</u>	
<u>4,899,651</u>		<u>11,356,940</u>	
2,228,204		819,842	
<u>7,747,693</u>		<u>32,956,314</u>	
<u>\$ 9,975,897</u>		<u>\$ 33,776,156</u>	

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**STATE OF NEW MEXICO**

City of Gallup

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2013

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	\$	819,842
Change in net position of internal service funds		(206,699)
Adjustment to residual balance of internal service funds		(45)

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		5,243,204
Depreciation expense		(4,670,396)

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

Decrease in deferred revenue related to property taxes receivable		(86,262)
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The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Amortization of bond issuance costs		(42,660)
Current year bond issuance costs		42,176
Retirement of bond issuance costs		(141,706)
Decrease in accrued interest		36,913
Decrease in accrued compensated absences		82,140
Amortization of bond discount		(2,615)
Amortization of bond premiums		104,532
Retirement of bond premiums		178,551
Bond proceeds		(9,325,000)
Principal payments on bonds payable		11,440,000
Principal payments on loans payable		93,329

Change in net position of governmental activities	\$	<u>3,565,304</u>
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The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit C-1

City of Gallup

General Fund

## Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
<i>Taxes:</i>				
Property taxes	\$ 2,281,654	\$ 2,241,523	\$ 1,821,530	\$ (419,993)
Gross receipts	20,975,000	20,961,350	22,852,905	1,891,555
Gas and motor vehicle	-	-	-	-
Other	1,600,000	2,000,000	313,795	(1,686,205)
<i>Intergovernmental income:</i>				
Federal operating grants	-	72,743	72,742	(1)
Federal capital grants	-	-	-	-
State operating grants	182,500	433,065	251,170	(181,895)
State capital grants	-	-	-	-
Charges for services	1,060,150	1,022,264	915,532	(106,732)
Licenses and fees	121,250	125,300	112,893	(12,407)
Interest income (loss)	350,000	500,000	(89,916)	(589,916)
Miscellaneous	1,488,000	501,150	458,257	(42,893)
<i>Total revenues</i>	<u>28,058,554</u>	<u>27,857,395</u>	<u>26,708,908</u>	<u>(1,148,487)</u>
<i>Expenditures</i>				
<i>Current:</i>				
General government	7,809,106	7,862,758	7,577,885	284,873
Public safety	11,586,163	11,516,120	10,126,971	1,389,149
Public works	1,350,551	1,223,475	1,022,114	201,361
Culture and recreation	3,370,327	3,738,306	3,225,170	513,136
Health and welfare	1,124,734	1,185,587	917,551	268,036
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>25,240,881</u>	<u>25,526,246</u>	<u>22,869,691</u>	<u>2,656,555</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,817,673</u>	<u>2,331,149</u>	<u>3,839,217</u>	<u>1,508,068</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,070,520	1,654,203	-	(1,654,203)
Transfers in	1,934,427	1,835,720	1,835,720	-
Transfers out	(5,822,620)	(5,821,072)	(5,821,071)	1
<i>Total other financing sources (uses)</i>	<u>(2,817,673)</u>	<u>(2,331,149)</u>	<u>(3,985,351)</u>	<u>(1,654,202)</u>
<i>Net change in fund balance</i>	-	-	(146,134)	(146,134)
<i>Fund balance - beginning of year</i>	-	-	6,762,392	6,762,392
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,616,258</u>	<u>\$ 6,616,258</u>
Net change in fund balance (Non-GAAP basis)				\$ (146,134)
Adjustment to revenues for taxes, grants, charges for service, miscellaneous, and investment income				3,547,347
Adjustments to expenditures for payroll, accounts payable, accounts receivable accruals				(148,811)
Net change in fund balance (GAAP basis)				<u>\$ 3,252,402</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit C-2

City of Gallup  
Environmental Surcharge Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gas and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	1,164	1,164	1,164	-
Federal capital grants	-	-	-	-
State operating grants	1,200	2,625	2,028	(597)
State capital grants	-	-	-	-
Charges for services	1,360,000	1,370,000	1,413,759	43,759
Licenses and fees	-	-	-	-
Interest income (loss)	25,000	50,000	(11,051)	(61,051)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,387,364</u>	<u>1,423,789</u>	<u>1,405,900</u>	<u>(17,889)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,387,364	2,676,510	53,355	2,623,155
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>1,387,364</u>	<u>2,676,510</u>	<u>53,355</u>	<u>2,623,155</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(1,252,721)</u>	<u>1,352,545</u>	<u>2,605,266</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	1,252,721	-	(1,252,721)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>1,252,721</u>	<u>-</u>	<u>(1,252,721)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>1,352,545</u>	<u>1,352,545</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>11,289,683</u>	<u>11,289,683</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,642,228</u>	<u>\$ 12,642,228</u>
Net change in fund balance (Non-GAAP basis)				\$ 1,352,545
Adjustment to revenues for charges for service income				(1,624)
Adjustments to expenditures for payroll, accounts payable, accounts receivable accruals				<u>1,582</u>
Net change in fund balance (GAAP basis)				<u>\$ 1,352,503</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit D-1

City of Gallup  
Statement of Net Position  
Proprietary Funds  
June 30, 2013

	Enterprise Funds			Governmental Activities
	Joint Utilities	Nonmajor Funds	Total	Internal Service Fund
<i>Assets</i>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 3,903,572	\$ 1,997,361	\$ 5,900,933	\$ 413,190
Investments	31,388,091	3,700,003	35,088,094	3,500,014
Other receivables, net	269,187	-	269,187	-
Customer receivables, net	4,176,625	475,343	4,651,968	-
Inventory	2,011,734	-	2,011,734	-
Interfund receivable	6,905,953	-	6,905,953	-
<i>Total current assets</i>	<u>48,655,162</u>	<u>6,172,707</u>	<u>54,827,869</u>	<u>3,913,204</u>
<i>Noncurrent assets</i>				
Restricted cash and cash equivalents	8,658,484	-	8,658,484	-
Bond issuance costs	110,543	-	110,543	-
Capital assets	98,143,183	4,790,210	102,933,393	36,538
Less: accumulated depreciation	(47,620,977)	(3,795,567)	(51,416,544)	(35,766)
<i>Total noncurrent assets</i>	<u>59,291,233</u>	<u>994,643</u>	<u>60,285,876</u>	<u>772</u>
<i>Total assets</i>	<u>\$ 107,946,395</u>	<u>\$ 7,167,350</u>	<u>\$ 115,113,745</u>	<u>\$ 3,913,976</u>
<i>Liabilities and net position</i>				
<i>Liabilities</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 496,123	\$ 346,758	\$ 842,881	\$ 24,198
Accrued payroll	48,645	11,180	59,825	-
Accrued tax liability	166,454	1,604	168,058	-
Deposits held in trust for others	931,807	-	931,807	-
Accrued interest payable	29,900	-	29,900	-
Accrued compensated absences	13,098	2,964	16,062	268
Current portion of bonds payable	1,915,000	-	1,915,000	-
Current portion of notes payable	164,442	-	164,442	-
<i>Total current liabilities</i>	<u>3,765,469</u>	<u>362,506</u>	<u>4,127,975</u>	<u>24,466</u>
<i>Noncurrent liabilities</i>				
Accrued compensated absences	157,252	32,611	189,863	3,085
Accrued landfill closure costs	-	300,000	300,000	-
Bonds payable	16,580,000	-	16,580,000	-
Loans payable	3,031,249	-	3,031,249	-
<i>Total noncurrent liabilities</i>	<u>19,768,501</u>	<u>332,611</u>	<u>20,101,112</u>	<u>3,085</u>
<i>Total liabilities</i>	<u>23,533,970</u>	<u>695,117</u>	<u>24,229,087</u>	<u>27,551</u>
<i>Net position</i>				
Net investment in capital assets	28,831,515	994,643	29,826,158	772
Restricted for:				
Debt service	8,658,484	-	8,658,484	-
Unrestricted	46,922,426	5,477,590	52,400,016	3,885,653
<i>Total net position</i>	<u>84,412,425</u>	<u>6,472,233</u>	<u>90,884,658</u>	<u>3,886,425</u>
<i>Total liabilities and net position</i>	<u>\$ 107,946,395</u>	<u>\$ 7,167,350</u>	<u>\$ 115,113,745</u>	<u>\$ 3,913,976</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit D-2

City of Gallup

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2013

	Enterprise Funds		Total	Governmental
	Joint Utilities	Nonmajor Funds		Internal Service Fund
<i>Operating revenues</i>				
Charges for services	\$ 32,026,997	\$ 4,337,594	\$ 36,364,591	\$ 1,990,960
<i>Total operating revenues</i>	<u>32,026,997</u>	<u>4,337,594</u>	<u>36,364,591</u>	<u>1,990,960</u>
<i>Operating expenses</i>				
Personnel services	2,849,332	677,613	3,526,945	146,533
Contractual services	18,486,029	3,022,060	21,508,089	2,001,280
Supplies	874,153	-	874,153	-
Repairs and maintenance	1,516,443	31,126	1,547,569	-
Utilities	468,569	26,669	495,238	-
Equipment	-	6,243	6,243	-
Depreciation	-	-	-	-
Other costs	10,379	-	10,379	-
<i>Total operating expenses</i>	<u>24,204,905</u>	<u>3,763,711</u>	<u>27,968,616</u>	<u>2,147,813</u>
<i>Operating income (loss)</i>	<u>7,822,092</u>	<u>573,883</u>	<u>8,395,975</u>	<u>(156,853)</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	-	419,734	419,734	-
Interest expense	(819,048)	-	(819,048)	-
Interest income	111,779	8,948	120,727	3,749
Miscellaneous income	-	2,142	2,142	51,405
<i>Total non-operating revenues (expenses)</i>	<u>(707,269)</u>	<u>430,824</u>	<u>(276,445)</u>	<u>55,154</u>
<i>Income (loss) before transfers and contributions</i>	<u>7,114,823</u>	<u>1,004,707</u>	<u>8,119,530</u>	<u>(101,699)</u>
State and federal capital grants	5,329,973	15,000	5,344,973	-
Transfers in	29,490,283	39,582	29,529,865	-
Transfers out	(31,241,585)	(215,220)	(31,456,805)	(105,000)
<i>Change in net position</i>	<u>10,693,494</u>	<u>844,069</u>	<u>11,537,563</u>	<u>(206,699)</u>
<i>Net position, beginning of year</i>	<u>73,474,355</u>	<u>5,628,164</u>	<u>79,102,519</u>	<u>4,093,124</u>
<i>Net position restatement (Note 22)</i>	<u>244,576</u>	<u>-</u>	<u>244,576</u>	<u>-</u>
<i>Net position, as restated</i>	<u>73,718,931</u>	<u>5,628,164</u>	<u>79,347,095</u>	<u>4,093,124</u>
<i>Net position, end of year</i>	<u>\$ 84,412,425</u>	<u>\$ 6,472,233</u>	<u>\$ 90,884,658</u>	<u>\$ 3,886,425</u>

The accompanying notes are an integral part of these financial statements

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**STATE OF NEW MEXICO**  
City of Gallup  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2013

Exhibit D-3

	Enterprise Funds			Governmental Activities
	Joint Utilities	Nonmajor Funds	Total	Internal Service Fund
<i>Cash flows from operating activities</i>				
Cash received from user charges	\$ 31,971,546	\$ 4,313,336	\$ 36,284,882	\$ 1,999,565
Cash payments to employees for services	(2,673,851)	(701,793)	(3,375,644)	(312,198)
Cash payments to suppliers for goods and services	(20,861,962)	(3,028,948)	(23,890,910)	(1,869,962)
<i>Net cash provided (used) by operating activities</i>	<u>8,435,733</u>	<u>582,595</u>	<u>9,018,328</u>	<u>(182,595)</u>
<i>Cash flows from noncapital financing activities</i>				
Gross receipts taxes	-	419,734	419,734	-
Miscellaneous income	-	2,142	2,142	51,405
Payments for noncurrent accrued compensated absences	(26,873)	(9,257)	(36,130)	(10,656)
Interfund advances (payments) and transfers	(8,023,131)	(175,638)	(8,198,769)	(105,000)
<i>Net cash provided (used) by noncapital financing activities</i>	<u>(8,050,004)</u>	<u>236,981</u>	<u>(7,813,023)</u>	<u>(64,251)</u>
<i>Cash flows from capital and related financing activities</i>				
State and federal capital grants	5,329,973	15,000	5,344,973	-
Interest paid	(900,490)	-	(900,490)	-
Principal payments on long-term debt	(281,196)	-	(281,196)	-
Acquisition of capital assets	-	(173,461)	(173,461)	(45)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>4,148,287</u>	<u>(158,461)</u>	<u>3,989,826</u>	<u>(45)</u>
<i>Cash flows from investing activities</i>				
Proceeds from sales and maturities	682,460	-	682,460	-
Interest on investments	111,779	8,948	120,727	3,749
<i>Net cash provided (used) by investing activities</i>	<u>794,239</u>	<u>8,948</u>	<u>803,187</u>	<u>3,749</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	5,328,255	670,063	5,998,318	(243,142)
<i>Cash and cash equivalents - beginning of year</i>	<u>7,233,801</u>	<u>1,327,298</u>	<u>8,561,099</u>	<u>656,332</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 12,562,056</u>	<u>\$ 1,997,361</u>	<u>\$ 14,559,417</u>	<u>\$ 413,190</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>				
Operating income (loss)	\$ 7,822,092	\$ 573,883	\$ 8,395,975	\$ (156,853)
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>				
<i>Changes in assets and liabilities</i>				
Receivables	(55,451)	(24,258)	(79,709)	8,605
Inventory	108,059	-	108,059	-
Accounts payable	374,172	73,374	447,546	(28,449)
Accrued payroll expenses	178,394	(34,741)	143,653	(4,971)
Current accrued compensated absences	(2,913)	(5,663)	(8,576)	(927)
Meter deposits	11,380	-	11,380	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ 8,435,733</u>	<u>\$ 582,595</u>	<u>\$ 9,018,328</u>	<u>\$ (182,595)</u>

The accompanying notes are an integral part of these financial statements

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**STATE OF NEW MEXICO**  
City of Gallup  
Statement of Fiduciary Assets and Liabilities - Agency Funds  
June 30, 2013

Exhibit E-1

<i>Assets</i>	
Cash	\$ 515,490
Accounts receivable	<u>7,337</u>
Total assets	<u><u>\$ 522,827</u></u>
 <i>Liabilities</i>	
Deposits payable	\$ 509,728
Due to other entities	<u>13,099</u>
Total liabilities	<u><u>\$ 522,827</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies**

The City of Gallup (City) was founded in 1881. The City is a home rule municipality operating under the powers granted by the constitution and laws of the State of New Mexico. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, public utilities (electricity, water, wastewater, and solid waste), health and social services, culture-recreation, education, public improvements, housing, planning and zoning, and general administrative services.

The City of Gallup is a body politic 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. During the year ended June 30, 2013, the City adopted Governmental Accounting Standards Board (GASB) Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements describes requirements for service concession arrangements. The City does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

**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 Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**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. Based upon the application of these criteria, the City does have a component unit that is required to be reported under GASB Statements No. 14, No. 39, and No. 61.

*Discretely presented component unit*

The Gallup Housing Authority (the Authority) is responsible for providing low-income public housing services within city limits. A board appointed by the City's elected council governs the Authority. However, the City is financially accountable for the Authority because the City's council must approve any debt issuances and the legal liability for the general obligation portion of the Authority's debt remains with the City. The Authority is presented as a Component Unit with a separately issued financial statement.

Complete financial statements for the component unit may be obtained at the entity's administrative office: Gallup Housing Authority, 203 Debra, Gallup, New Mexico 87301.

**B. *Government-wide and fund financial statements***

The government-wide financial statements (i.e., the statement of net position 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 Position 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 Position, 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 position is reported in three parts – Net investment in capital assets; restricted net position; and unrestricted net position.

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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*.

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 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.

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

The City reports the following major governmental funds:

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

The *Environmental Surcharge Special Revenue Fund* is used to account for the accumulation of and payments made for environmental surcharge payments (Ordinance Number S2012-5).

The *02/11 Sales Tax Revenue Bonds Capital Projects Fund* is used to account for the financial resources provided by the February 2011 Sales Tax Revenue Bonds. Proceeds are to be used to refund the 2000 issue and for the construction of a new Eastside Fire Station, for the installation of field turf on two (2) baseball fields and a football field, for improvements at the Northside Senior Center, and for improvements at Red Rock Park, which total \$12,000,000.

The *02/04 Sales Tax Revenue Bonds Debt Service Fund* accounts for the accumulation of resources for and the payment of, principal and interest of sales tax revenue bonds issued February 9, 2004. The resources of this fund are generated by the City's share of the gross receipts tax and lodgers' tax.

The City reports the following major proprietary fund:

The *Joint Utilities Fund* accounts for the activities of the City's electric, wastewater, and water systems.

The City maintains one individual internal service fund. A description of the fund is as follows:

The *Internal Service Fund* accounts for the operations of the Risk Management Fund which services the City's departments on a cost-reimbursement basis.

Additionally, the City reports the following fund type:

The *Fiduciary Fund* is purely custodial (assets equal liabilities) and does not involve the measurement of results of operations. This fund accounts for assets held by the City in a trustee capacity.

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. The Joint Utilities fund is combined with funds that have identical activities for financial statement reporting.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayers, 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 such as small cities assistance 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 Gallup  
Notes to the Financial Statements  
June 30, 2013

**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. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on 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.

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.

***D. Assets, Liabilities and Net Position 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. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**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.

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

The City estimates the allowance for uncollectible accounts based off the days delinquent and a percentage of current year and prior year write offs. The City has estimated all accounts that are greater than 90 days to be uncollectible as well as a percentage of the accounts that are less than 90 days old.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10<sup>th</sup> and April 10<sup>th</sup> are considered delinquent and the City may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by McKinley County and remitted monthly to the City.

**Inventory:** The City’s method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost and consists of supplies and materials. The cost of purchased supplies and materials is recorded as an expenditure at the time individual inventory items are consumed.

**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 and restricted for future debt service payments.

**Capital Assets:** Capital assets, which include property, plant, 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 costs of infrastructure assets (retroactive to 1979) 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 machinery and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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. There was no interest expense capitalized by the City during the current fiscal year. 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	40
Infrastructure	40
Distribution System	40
Equipment	6

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**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 60 days after year end.

**Compensated Absences:** The City's employees earn personal leave at a rate of 280 to 392 hours per year based on years of service.

**Vacation Pay-** 40 hour employees may accumulate a total of 280 hours of vacation a year. 42 hour employees may accumulate a total of 294 hours of vacation a year. 56 hour employees may accumulate a total of 392 hours of vacation a year.

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 position.

**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 position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

**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 be taken to establish a fund balance commitment is the City Council.

For assigned fund balance, the City Council or an official or body to which the City Council delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the City considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**Nonspendable Fund Balance:** At June 30, 2013, the City had \$423,875 of fund balances in nonspendable form related to inventory.

**Restricted and Committed Fund Balance:** At June 30, 2013, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$307,113 for public safety, \$1,908,088 for culture and recreation, \$14,219,211 for public works, \$571,369 for fire protection, \$84,212 for health and welfare, \$1,745,967 for debt service expenditures, and \$5,141,282 for capital projects. The details of these fund balance items are located on the governmental funds balance sheet as detailed on pages 20-21.

**Minimum Fund Balance Policy:** The City's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the City holds cash reserves of 1/12th the General Fund expenditures for the upcoming budget year. The City has committed \$2,037,367 for minimum fund balance at June 30, 2013.

**Net Position:** Equity is classified as Net Position and displayed in three components:

- a. Net investment in capital assets: This component consists of 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 position: Net Position is reported as restricted when constraints placed on net position 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 the related restrictions for net position restricted for "special revenue, debt service, and capital projects" are described on pages 39 and 68-71.
- c. Unrestricted Net Position: All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

**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 joint utilities fund and depreciation on capital assets.

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**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 Councilors, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments 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.

Governmental fund budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Proprietary fund budgets are prepared on the GAAP basis. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The City does not budget for depreciation expense, only capital outlay.

The budgetary information presented in these financial statements has been properly amended by City Council in accordance with the above procedures. These amendments resulted in the following changes:

	<u>Excess (deficiency) of revenues over expenditures</u>	
	<u>Original Budget</u>	<u>Final Budget</u>
Budgeted Funds:		
General Fund	\$ 2,817,673	\$ 2,331,149
Environmental Surcharge Special Revenue Fund	\$ -	\$ (1,252,721)
02/11 Sales Tax Revenue Bonds Capital Projects Fund	\$ (4,441,167)	\$ (7,131,121)
02/04 Sales Tax Revenue Bonds Debt Service Fund	\$ (1,213,140)	\$ (10,243,490)
Nonmajor Governmental Funds	\$ (2,416,763)	\$ (5,035,435)
	<u>Change in net position</u>	
Budgeted Funds:		
Joint Utilities Proprietary Fund	\$ (4,663,222)	\$ (11,096,496)
Nonmajor Enterprise Funds	\$ (111,446)	\$ (525,962)
Internal Service Fund	\$ (15,210)	\$ (349,369)

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual and Statements of Revenues, Expenses and Changes in Net Position- Budget (GAAP Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

The reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund are included in each individual budgetary comparison.

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**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, 2013.

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. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. 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.

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the FDIC. Beginning January 1, 2013, all of the City's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

*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 set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2013, \$25,396,128 of the City's cash & CD account deposits of \$25,896,128 were exposed to custodial credit risk. \$23,756,052 of the City's cash & CD account deposits were uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name, and \$1,640,076 was uninsured and uncollateralized.

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 3. Deposits and Investments (continued)**

	<u>Wells Fargo Bank, N.A.</u>	<u>US Bank</u>	<u>Total</u>
Amount of deposits	\$ 3,895,903	\$ 22,000,225	\$ 25,896,128
FDIC Coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	<u>3,645,903</u>	<u>21,750,225</u>	<u>25,396,128</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	2,005,827	21,750,225	23,756,052
Uninsured and uncollateralized	<u>\$ 1,640,076</u>	<u>\$ -</u>	<u>\$ 1,640,076</u>
Collateral requirement (50% of uninsured funds)	\$ 1,822,952	\$ 10,875,113	\$ 12,698,064
Pledged Collateral	2,005,827	22,000,000	24,005,827
Over (Under) collateralized	<u>\$ 182,876</u>	<u>\$ 11,124,888</u>	<u>\$ 11,307,763</u>

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

**Investments**

Repurchase Agreement

	<u>Wells Fargo Bank, N.A.</u>
Amount of deposits	\$ 11,575,360
FDIC Coverage	(250,000)
Total uninsured public funds	<u>11,325,360</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	11,325,360
Uninsured and uncollateralized	<u>\$ -</u>
Collateral requirement (102% of uninsured funds)	\$ 11,551,867
Pledged Collateral	11,806,867
Over (Under) collateralized	<u>\$ 255,000</u>

**STATE OF NEW MEXICO**  
City of Gallup  
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June 30, 2013

**NOTE 3. Deposits and Investments (continued)**

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged to be delivered for securities underlying an overnight repurchase agreement, or a joint safekeeping receipt be issued to the City for at least one hundred two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution. At June 30, 2013, \$11,325,360 of the City's investment balance was exposed to custodial credit risk but was collateralized by collateral held by the counterparty, not in the City's name. The securities are not subject to custodial credit risk as they are registered and held in the name of City of Gallup.

The City had invested \$489 in the State Treasurer Local Government Investment Pool Reserve Contingency Fund as of June 30, 2013. However, the current trustee believes that there will be no further distributions from the Reserve Primary Fund estate. As of June 30, 2011, the LGIP made the decision to "write down" the remaining portion of the estate. As such, the State's financial statements do not include holdings of the Reserve Primary Fund or the Primary Fund- in Liquidation.

As of June 30, 2013, the City's investment in the State Treasurer Local Government Investment Pool- Reserve Contingency Fund was unrated.

Additionally, the City has investments held in U.S. Treasury Money Market Mutual Funds at the Bank of Albuquerque in connection with New Mexico Finance Authority (NMFA) loans. Also, the City has investments which are managed by NMFA, on deposit with the State Treasurer's office, in NMFA's name for the benefit of the City.

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 3. Deposits and Investments (continued)**

The City's investments at June 30, 2013 include the following:

<u>Investments</u>	<u>Rating*</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Reserve Contingency Fund**	Unrated	Does not earn interest	\$ 489
Negotiable Certificates of Deposits***	Unrated	1 year	12,990,044
Money Market Mutual Funds****	AA+	<1 year	15,171,060
Federal Home Loan Bank	A-1+	>1 year	4,874,465
Federal National Mortgage Association	A-1+	>1 year	1,865,916
Freddie Mac Discount	AA+	>1 year	464,484
New Mexico Government Bonds*****	*****	>1 year	6,263,232
Goldman Sach BK Interest Bearing Bonds	A	>1 year	247,892
New Mexico Finance Authority REE-Transr	AAA	>1 year	148,990
New Mexico State Treasurer Debt Service	AA+	>365 Days	4,415,674
New Mexico State Treasurer Debt Service**	AA+	>365 Days	8,666,491
			<u>\$ 55,108,737</u>

\* Based off Standard & Poor's rating

\*\* Restricted cash and cash equivalents per Exhibit A-1

\*\*\* Subject to FDIC coverage

\*\*\*\* Wells Fargo Money Market Mutual Fund Account is guaranteed by US Securities

\*\*\*\*\* The ratings on the municipal bonds vary, however each bond is underwritten and subject to Section 6-10-10(F)(1) and Section 6-13-6, NMSA 1978. Each bond has revenue as security for the bonds.

The investments are listed on Schedule I of this report.

In addition to the investments above are \$22,000,225 of certificates of deposit that are greater than 90 days and therefore are considered investments in the Statement of Net Position. There is also \$8,666,980 of restricted cash included in the disclosure due to the type of account.

*Interest Rate Risk – Investments.* The City has investments in which the maturity date is greater than one year. Schedule I in this report specifically identifies the investment type and amount of investment for these securities. The fair value of the securities exposed to interest rate risk is \$42,026,083. These securities do not have call options. The City's policy related to interest rate risk with investments is to comply with the statute 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 investments in Negotiable Certificates of Deposits, Money Market Mutual Funds, Federal Home Loan Bank, New Mexico Governmental Bonds, and New Mexico State Treasurer Debt Service represent 24%, 28%, 9%, 12%, and 24%, respectively, of the investment portfolio. Since the City only purchases investments with the highest credit rating, the additional 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).

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 3. Deposits and Investments (continued)**

Reconciliation to the Statement of Net Position:

Cash and cash equivalents per Exhibit A-1	\$ 14,220,076
Investments per Exhibit A-1	68,442,471
Restricted cash and cash equivalents per Exhibit A-1	8,666,491
Agency funds cash per Exhibit E-1	515,490
 Total cash, cash equivalents and investments	 91,844,528
 Plus outstanding checks	 13,360,529
Less: deposits in transit	(11,747,489)
Less: Unreconciled Bond defeasance distributions	(872,371)
Less: State Treasurer Debt Service	(13,082,165)
Less: investment repurchasing agreement	(11,575,360)
Less: investements held in Money Market Funds	(15,171,060)
Less: investements held in negotiable certificates of deposits	(12,990,044)
Less: investements held in Federal Home Loan	(4,874,465)
Less: investements held in New Mexico Government Bonds	(6,263,232)
Less: investements held in Federal National Mortgage Association	(1,865,916)
Less: investements held in Goldman Sach BK interest bearing commerical paper	(247,892)
Less: investements held in Freddie Mac	(464,484)
Less: investements held in New Mexico Finance Authority REE-Transr	(148,990)
Less: Reserve Contingency Fund	(489)
Less: petty cash	(4,972)
 Bank balance of deposits	 \$ 25,896,128

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 4. Receivables**

Receivables as of June 30, 2013, are as follows:

Governmental Activities:	General	Other Governmental Funds	Total
Property taxes receivable	\$ 227,251	\$ 62,494	\$ 289,745
Other taxes receivable:			
Gross receipts	3,596,732	-	3,596,732
Gasoline and motor vehicle	11,787	73,936	85,723
Franchise taxes	52,948	-	52,948
Lodger's taxes	-	106,142	106,142
Other receivables:			
Intergovernmental:			
Federal grants	10,422	154,199	164,621
State grants	33,922	368,078	402,000
Total gross receivables	<u>3,933,062</u>	<u>764,849</u>	<u>4,697,911</u>
Less: allowance for charges for services	-	-	-
Total receivables	<u>\$3,933,062</u>	<u>\$ 764,849</u>	<u>\$ 4,697,911</u>

Receivables for governmental activities are considered to be 100% collectible at June 30, 2013.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Deferred revenue related to property taxes receivable for the City for the year ended June 30, 2013 was \$166,754

Business-type Activities:	Joint Utilities	Other Proprietary Funds	Total
Customer receivables	\$4,895,755	\$ 544,685	\$ 5,440,440
Other receivables:			
Federal grants	24,611	-	24,611
Miscellaneous	244,576	-	244,576
Total gross receivables	<u>5,164,942</u>	<u>544,685</u>	<u>5,709,627</u>
Less: allowance for customer receivables	(719,130)	(69,342)	(788,472)
Total net receivables	<u>\$4,445,812</u>	<u>\$ 475,343</u>	<u>\$ 4,921,155</u>

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 5. Transfers and Interfund Receivables**

Net operating transfers were made during the year for supplementing other funding in the normal course of operations, and also for the purposes to retire debt related to the advanced refunding of bonds. These transfers were as follows:

Transfers In	Transfers Out	Amount
02/04 Sales Tax Revenue Bonds	09/12 GRT Refunding Revenue	\$ 9,049,150
Joint Utility	09/12 GRT Refunding Revenue	69,198
NM Finance Authority Loans	Fire Protection	143,260
Lodger's Tax	General Fund	144,189
Municipal Gas Tax	General Fund	5,000
Senior Citizens	General Fund	530,000
Airport	General Fund	100,000
Infrastructure GRT	General Fund	1,751,630
1/4% Infrastructure GRT	General Fund	171,190
09/12 GRT Refunding Revenue	General Fund	317,150
02/04 Sales Tax Revenue Bonds	General Fund	1,213,490
06/10 Sales Tax Revenue Bonds	General Fund	1,548,840
Fitness Center	General Fund	39,582
Municipal Gas Tax	Infrastructure GRT	1,481,670
Municipal Gas Tax	Internal Service	105,000
Joint Utility	Joint Utility	* 29,421,085
General Fund	Joint Utility	1,670,510
Municipal Gas Tax	Joint Utility	150,000
02/04 Sales Tax Revenue Bonds	Lodger's Tax	180,000
General Fund	Solid Waste	165,210
Municipal Gas Tax	Solid Waste	50,000
		<u>\$ 48,306,154</u>

\*Transfers in and out include all pooled funds associated with the Joint Utilities.

Internal balances have primarily been recorded when funds overdraw their share of pooled cash. At year end June 30, 2013, the City did not adjust cash and investment balances in the general fund and 02/11 Sales Tax Revenues Bonds Capital projects fund, resulting in negative cash balances of \$2,295,271 and \$4,374,182 respectively. The composition of interfund balances as of June 30, 2013 is as follows:

Due from Other Funds	Due to Other Funds	Amount
Joint Utilities	General Fund	\$ 2,295,271
Joint Utilities	02/11 Sales Tax Revenue Bonds Capital Projects Fund	4,374,182
Joint Utilities	Intergovernmental Grants	170,000
Joint Utilities	Legislative Appropriations	16,500
Joint Utilities	Public Works	50,000
General Fund	11/00 Sales Tax Revenue Bonds	54,197
General Fund	Legislative Appropriations	34,162
		<u>\$ 6,994,312</u>

All interfund transactions are short-term and are expected to be repaid within one year.

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2013 follows. Land is not subject to depreciation.

<b>Governmental activities:</b>	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets, not depreciated:				
Land	\$ 7,678,744	\$ 111,384	\$ -	\$ 7,790,128
Total capital assets, not depreciated	<u>7,678,744</u>	<u>111,384</u>	<u>-</u>	<u>7,790,128</u>
Capital assets, depreciated:				
Buildings	78,076,437	4,150,897	-	82,227,334
Infrastructure	44,056,463	438,271	-	44,494,734
Equipment	17,026,402	542,652	98,199	17,470,855
Total capital assets, depreciated	<u>139,159,302</u>	<u>5,131,820</u>	<u>98,199</u>	<u>144,192,923</u>
Less accumulated depreciation:				
Buildings	(26,731,181)	(2,072,170)	-	(28,803,351)
Infrastructure	(20,553,000)	(1,549,975)	-	(22,102,975)
Equipment	(14,592,892)	(1,048,251)	(98,199)	(15,542,944)
Total accumulated depreciation	<u>(61,877,073)</u>	<u>(4,670,396)</u>	<u>(98,199)</u>	<u>(66,449,270)</u>
Net book value	<u>\$ 84,960,973</u>	<u>\$ 572,808</u>	<u>\$ -</u>	<u>\$ 85,533,781</u>

For the year ended June 30, 2013, depreciation expense in the amount of \$4,670,396 was allocated to the functions of the general government.

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 6. Capital Assets (continued)**

<b>Business-type activities:</b>	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets, not depreciated:				
Land	\$ 483,907	\$ -	\$ -	\$ 483,907
Total capital assets, not depreciated	<u>483,907</u>	<u>-</u>	<u>-</u>	<u>483,907</u>
Capital assets, depreciated:				
Distribution systems	55,077,490	-	-	55,077,490
Buildings	34,762,149	-	-	34,762,149
Equipment	12,530,011	79,836	-	12,609,847
Total capital assets, depreciated	<u>102,369,650</u>	<u>79,836</u>	<u>-</u>	<u>102,449,486</u>
Less accumulated depreciation:				
Distribution systems	(26,177,358)	-	-	(26,177,358)
Buildings	(15,007,469)	-	-	(15,007,469)
Equipment	(10,231,717)	-	-	(10,231,717)
Total accumulated depreciation	<u>(51,416,544)</u>	<u>-</u>	<u>-</u>	<u>(51,416,544)</u>
Net book value	<u>\$ 51,437,013</u>	<u>\$ 79,836</u>	<u>\$ -</u>	<u>\$ 51,516,849</u>

For the year ended June 30, 2013, due to insufficient information, there was no depreciation posted for the business-type activities capital assets.

**NOTE 7. Long-term Debt**

**Governmental Activities:**

During the year ended June 30, 2013, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
GO Bonds	\$ 3,105,000	\$ -	\$ 540,000	\$ 2,565,000	\$ 565,000
Revenue Bonds	24,670,000	9,325,000	10,900,000	23,095,000	1,855,000
NMFA Loans	1,253,545	-	93,329	1,160,216	96,894
Compensated Absences	953,341	662,385	756,108	859,618	68,769
Total Long-Term Debt	<u>\$ 29,981,886</u>	<u>\$ 9,987,385</u>	<u>\$ 12,289,437</u>	<u>\$ 27,679,834</u>	<u>\$ 2,585,663</u>

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 7. Long-term Debt (continued)**

**General Obligation Bonds**

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The bonds are twenty (20) year serial bonds with equal amounts of principal maturing each year. Principal is paid annually each June and August and interest is paid semi-annually each December and February and June and August. The general obligation bonds are as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2013
GO Bonds Series 2011	02/24/11	06/30/21	2.00-4.00%	\$ 3,630,000	<u>\$ 2,565,000</u>

The annual requirements to amortize the general obligation bonds as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 565,000	\$ 64,750	\$ 629,750
2015	590,000	53,200	643,200
2016	615,000	38,075	653,075
2017	145,000	26,675	171,675
2018	150,000	22,250	172,250
2019-2021	500,000	30,400	530,400
	<u>\$ 2,565,000</u>	<u>\$ 235,350</u>	<u>\$ 2,800,350</u>

**Sales Tax Revenue Bonds**

The City issues bonds where the City pledges income from the receipt of sales tax revenue (Gross Receipts Tax). Sales tax bonds have been issued for governmental activities. The original amount of sales tax bonds issued in prior years was \$33,085,000. These bonds provided funds for the construction of many City capital improvements. The City pledges an intercept of gross receipts tax (GRT) revenues for these bonds, which has varying interest rates that range from 2.0% to 5.125%.

In the current year the City issued sales tax revenue bonds to refund \$9,020,000 of Capital Projects Sales Tax Revenue Bonds Series 2004A . These sales tax revenue bonds have been issued for governmental activities. The original amount of sales tax revenue bonds issued in September 2012 was \$9,325,000 with an interest rate of 2.17%. The sales tax revenue bonds are as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2013
Capital Projects Sales Tax Revenue Bonds Series 2004B	02/19/04	06/01/15	2.00-4.75%	\$ 4,095,000	\$ 1,440,000
Infrastructure Sales Tax Revenue Bond Series 2010A	06/30/10	06/01/30	3.00-5.125%	11,910,000	10,680,000
Infrastructure Sales Tax Revenue Bond Series 2010B	06/30/10	06/01/16	2.00-4.00%	3,520,000	1,830,000
GRT Refunding Revenue Bonds Series 2012	09/27/12	06/01/24	2.17%	9,325,000	<u>9,145,000</u>
					<u>\$ 23,095,000</u>

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 7. Long-term Debt (continued)**

**Sales Tax Revenue Bonds (continued)**

The annual requirements to amortize the sales tax revenue bonds as of June 30, 2013, including interest payments, are as follows:

**Capital Projects Sales Tax Revenue Bonds Series 2004B**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 745,000	\$ 69,840	\$ 814,840
2015	695,000	33,708	728,708
	<u>\$ 1,440,000</u>	<u>\$ 103,548</u>	<u>\$ 1,543,548</u>

**Infrastructure Sales Tax Revenue Bonds Series 2010A**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 440,000	\$ 452,782	\$ 892,782
2015	460,000	430,782	890,782
2016	480,000	407,782	887,782
2017	505,000	383,782	888,782
2018	530,000	357,902	887,902
2019-2023	2,975,000	1,470,632	4,445,632
2024-2028	3,620,000	837,564	4,457,564
2029-2030	1,670,000	110,468	1,780,468
	<u>\$ 10,680,000</u>	<u>\$ 4,451,694</u>	<u>\$ 15,131,694</u>

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 7. Long-term Debt (continued)**

**Sales Tax Revenue Bonds (continued)**

**Infrastructure Sales Tax Revenue Bonds Series 2010B**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 590,000	\$ 73,200	\$ 663,200
2015	610,000	49,600	659,600
2016	630,000	25,200	655,200
	<u>\$ 1,830,000</u>	<u>\$ 148,000</u>	<u>\$ 1,978,000</u>

**Refunding Revenue Bonds Series 2012**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 80,000	\$ 198,446	\$ 278,446
2015	175,000	196,710	371,710
2016	905,000	192,913	1,097,913
2017	925,000	173,274	1,098,274
2018	945,000	153,203	1,098,203
2019-2023	5,040,000	449,407	5,489,407
2024	1,075,000	23,327	1,098,327
	<u>\$ 9,145,000</u>	<u>\$ 1,387,280</u>	<u>\$ 10,532,280</u>

**Total Revenue Bonds**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 1,855,000	\$ 794,268	\$ 2,649,268
2015	1,940,000	710,800	2,650,800
2016	2,015,000	625,895	2,640,895
2017	1,430,000	557,056	1,987,056
2018	1,475,000	511,105	1,986,105
2019-2023	8,015,000	1,920,039	9,935,039
2024-2028	4,695,000	860,891	5,555,891
2029-2030	1,670,000	110,468	1,780,468
	<u>\$ 23,095,000</u>	<u>\$ 6,090,522</u>	<u>\$ 29,185,522</u>

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 7. Long-term Debt (continued)**

**Capital Loans**

The City has issued low interest rate loans provided by intergovernmental agencies for the acquisition of minor equipment needs and construction of major capital facilities. The City has obtained a loan from the New Mexico Finance Authority in June 2007 to construct a west side fire station. The original loan amount was \$1,452,605 with interest rates ranging from 3.42% to 3.86%. The term of the loan is sixteen (16) years with payments commencing November 2008. Principal is paid annually each May and interest is paid semi-annually each November and May. The capital loans are as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2013
NMFA 2015-PP - Westside Fire Station	06/29/07	05/01/23	3.42-3.86%	\$ 1,452,605	<u>\$ 1,160,216</u>

The annual requirements to amortize the capital loans as of June 30, 2013, including interest payments, are as follows:

**NMFA 2015-PP - Westside Fire Station**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 96,894	\$ 43,474	\$ 140,368
2015	100,624	39,996	140,620
2016	104,528	36,352	140,880
2017	108,615	32,538	141,153
2018	112,905	28,530	141,435
2019-2023	636,650	75,172	711,822
	<u>\$ 1,160,216</u>	<u>\$ 256,062</u>	<u>\$ 1,416,278</u>

**Compensated Absences-** Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2013, compensated absences decreased \$82,140 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 7. Long-term Debt (continued)**

**Business-type Activities:**

The proprietary funds have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2013:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Revenue Bonds	\$ 19,045,000	\$ 20,290,000	\$ 20,840,000	\$ 18,495,000	\$ 1,915,000
Notes Payable	2,353,755	3,264,186	2,422,250	3,195,691	164,442
Landfill Closure Liability	300,000	-	-	300,000	-
Compensated Absences	242,613	409,852	446,540	205,925	16,062
<b>Total Long-Term Debt</b>	<b>\$ 21,941,368</b>	<b>\$ 23,964,038</b>	<b>\$ 23,708,790</b>	<b>\$ 22,196,616</b>	<b>\$ 2,095,504</b>

**Revenue Bonds**

The City issues bonds where the City pledges income derived from the net revenues from the operations of the municipal joint water and sewer distribution systems. Revenue bonds have been issued for business-type activities. The original amount of revenue bonds issued in prior years was \$28,720,000. These bonds provided funds for the completion of many capital improvement projects for the City's water and wastewater distribution systems. Interest rates on bonds range from 3.0% to 4.5%. The revenue bonds are as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2013
Refunding Revenue Bonds Series 2012	09/27/12	06/01/25	1.94%	\$ 20,290,000	<u>\$ 18,495,000</u>

The annual requirements to amortize the revenue bonds as of June 30, 2013, including interest payments, are as follows:

**Refunding Revenue Bonds Series 2012**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 1,915,000	\$ 358,803	\$ 2,273,803
2015	1,945,000	321,652	2,266,652
2016	1,985,000	283,919	2,268,919
2017	2,020,000	245,410	2,265,410
2018	2,065,000	206,222	2,271,222
2019-2023	6,710,000	529,038	7,239,038
2024-2025	1,855,000	54,126	1,909,126
	<u>\$ 18,495,000</u>	<u>\$ 1,999,170</u>	<u>\$ 20,494,170</u>

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 7. Long-term Debt (continued)**

**Notes Payable**

The City has issued low interest rate loans provided by intergovernmental agencies for the construction of major capital facilities. The Joint Utilities Fund received a loan of \$1,748,652 from the New Mexico Finance Authority. These funds secured the construction of a storage tank pipeline. The loan closed on October 19, 2012, with the City's first payment due June 1, 2013. The loan will be repaid over a twenty (20) year period. The loan is interest free, however, the City will pay administrative fees over the life of the loan of approximately \$2,269 annually.

Also, the Joint Utilities Fund received a loan of \$1,515,534 from the New Mexico Finance Authority. These funds secured the construction of the Navajo Gallup Water Supply. The loan closed on March 22, 2013, with the City's first payment due June 1, 2013. The loan will be repaid over a twenty (20) year period. The loan is interest free, however, the City will pay administrative fees over the life of the loan of approximately \$1,889 annually.

Notes payables are as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2013
NMFA Gallup 8 - Gamerco Storage Tank Pipeline	10/19/12	06/01/32	0.00%	1,748,652	\$ 1,694,951
NMFA Gallup 9 - Navajo Gallup Water Supply	03/22/13	06/01/32	0.00%	1,515,534	1,500,740
					<u>\$ 3,195,691</u>

The annual requirement to amortize the loans as of June 30, 2013, including interest payments, is as follows:

**NMFA Gallup 8 - Gamerco Storage Tank Pipeline**

Fiscal Year Ending June 30,	Principal	Administrative Fees	Total Debt Service
2014	\$ 87,218	\$ 4,237	\$ 91,455
2015	87,436	4,019	91,455
2016	87,654	3,801	91,455
2017	87,873	3,582	91,455
2018	88,093	3,362	91,455
2019-2023	443,779	13,496	457,275
2024-2028	449,354	8,593	457,947
2029-2032	363,544	2,274	365,818
	<u>\$ 1,694,951</u>	<u>\$ 43,364</u>	<u>\$ 1,738,315</u>

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 7. Long-term Debt (continued)**

**Notes Payable (continued)**

**NMFA Gallup 9 - Navajo Gallup Water Supply**

Fiscal Year Ending June 30,	Principal	Administrative Fees	Total Debt Service
2014	\$ 77,224	\$ 3,752	\$ 80,976
2015	77,417	3,559	80,976
2016	77,611	3,365	80,976
2017	77,805	3,171	80,976
2018	77,999	2,977	80,976
2019-2023	392,930	11,949	404,879
2024-2028	397,866	7,012	404,878
2029-2032	321,888	2,014	323,902
	<u>\$ 1,500,740</u>	<u>\$ 37,799</u>	<u>\$ 1,538,539</u>

**Compensated Absences-** Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2013, compensated absences decreased \$36,688 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

**Operating Leases-**The City has several operating leases for golf carts as of year end June 30, 2013. The required lease payments related to these golf carts are as follows:

Fiscal Year Ending June 30,	Principal
2014	48,017
2015	12,004
	<u>\$ 60,021</u>

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**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 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 coverage has not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2013, 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. The City is not aware of any major lawsuits that have been filed.

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. Other Required Individual Fund Disclosures**

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

- A. Deficit fund balance of individual funds. The following funds had deficit fund balances as of June 30, 2013.

	Amount
Intergovernmental Grants Special Revenue Fund	\$ 29,055
Airport Special Revenue Fund	200,018
	\$ 229,073

- B. Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary legal level of control is at the fund level. There were no funds that exceeded approved budgetary authority for the year ended June 30, 2013.
- C. Designated cash appropriations in excess of available balances. There were no funds which had designated cash appropriations in excess of available balances for the year ended June 30, 2013.

**NOTE 10. Pension Plan- Public Employees Retirement Association**

*Plan Description.* Substantially all of the City of Gallup's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 10. Pension Plan- Public Employees Retirement Association (continued)**

*Funding Policy.* Plan members are required to contribute the following percentages of their gross salary: 16.30 % for law enforcement, 16.20% for fire protection, and 13.15% for municipal employees. The City is required to contribute the following percentages of the gross covered salary: 18.50% for law enforcement employees, 21.25% for fire protection employees, and 9.15% for municipal employees. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. However, the City has elected to adopt the 75% pick-up provision allowed by state statute thereby reducing all employee contributions as follows:

	<u>City Pickup</u>	<u>Employee</u>	<u>Total</u>
<i>Firefighters</i>	12.30	4.00	16.30
<i>Police officers</i>	12.20	4.00	16.20
<i>Regular</i>	9.86	3.29	13.15

The requirements may be amended by acts of the legislature. The City’s contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$3,138,332, \$3,072,686, and \$3,238,059, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan**

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

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

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

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

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)**

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act

The City's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$313,203, \$273,932 and \$313,203, respectively, which equal the required contributions for each year.

**NOTE 12. Retirement Plan**

The City provides two optional deferred compensation 457 plans. These plans were created in accordance with IRC Section 457. The plans are available to any City employee. Nationwide Retirement Solutions, Inc. and International City/County Managers Association (ICMA) Retirement Corporation administer the individual plans. Employee contributions totaled \$219,746 for Nationwide and \$7,800 for ICMA for the year ended June 30, 2013.

**NOTE 13. Labor Unions**

The City has three labor unions: United Mine Workers of America (UMWA), Gallup Police Officers Association, and Gallup Firefighters Union. The UMWA agreement went into effect on January 8, 2013. Employees covered under this plan are non-probationary labors, as specified in the contract. The Police agreement went into effect on November 14, 2012. Employees covered under this plan include non-probationary uniformed police officers up to the rank of sergeant. The Firefighters collective bargaining agreement terminated October 13, 2012. The City is in negotiations with the union to renew the firefighter's agreements but this has not been finalized at this time. The terms of the existing contract continue to be followed until replaced. Employees covered under this plan include non-probationary firefighters up to the rank of battalion commanders.

Copies of each collective bargaining agreement can be obtained from the City of Gallup Human Resources Department, P.O. Box 1270, Gallup, NM 87305.

**NOTE 14. Contingent Liabilities**

The City is party to various claims and lawsuits arising in the normal course of business. The City is insured through the New Mexico Self Insurers Fund. The maximum exposure of the City is not estimable as of June 30, 2013.

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 15. Federal and State Grants**

In the normal course of operations, the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**NOTE 16. Landfill Closure and Post Closure Care Costs**

State and Federal laws and regulations require that the City place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill site, an expense provision and related liability are being recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. As of June 30, 2013, the landfill is closed and post-closure monitoring activities were taking place. The Solid Waste Enterprise Fund accounts for the landfill post-closure care costs and had accrued \$300,000 as of prior year, however, due to the City not providing sufficient evidence to support the years transactions or the estimated post closure care costs, the City's prior year post closure care cost liability was kept at \$300,000 for fiscal year 2013. The primary source of repayment is from Gross Receipts Tax.

**NOTE 17. Construction and Other Significant Commitments**

The City does not have any construction at June 30, 2013. However, the City does have a significant commitment related to a Joint Powers agreement reported at Schedule IV in the amount of \$85,000,000. The intent of this agreement is to establish a commitment and mechanism by which the City and County can provide a portion of the non-federal matching funding to pay for the Navajo-Gallup Water Supply Project which will provide water to the City of Gallup and surrounding areas, including private and Navajo land. However, this commitment is contingent upon certain criteria and may not take place if these criteria are not met.

**NOTE 18. Subsequent Events**

Subsequent to year end, the Department of the Treasury Internal Revenue Service (IRS) conducted an employment tax examination regarding backup withholding taxes. The IRS concluded through this review that the City failed to secure valid TIN's from 66 vendors and assessed additional tax for fiscal year 2011. However, the City is in negotiations to provide the proper documentation needed to abate additional taxes. At this time it is impracticable to estimate any liability at this time.

Also, the IRS conducted an examination over the 1099's for year 2011 and concluded that 76 vendors were not furnished a proper 1099. This resulted in a \$15,200 assessed penalty. However, these 76 vendors were presumed to be required to be furnished with a 1099 due to the lack of information in the City's vendor system. The City is in the process of providing all proper documentation and is disputing this penalty.

The date to which events occurring after June 30, 2013, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 22, 2013, which is the date on which the financial statements were issued.

**NOTE 19. Restricted Net Position**

The government-wide statement of net position reports \$32,680,408 of restricted net position, all of which is restricted by enabling legislation. See page 39 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 20. Utility Revenues Pledged**

The City of Gallup has pledged future revenues from the water and sewer system, net of operation and maintenance expenses, to repay \$2,273,803 in Series 2012 Utility Revenue Bonds. The bonds are payable solely from utility customer net revenues and are payable through June, 2025. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the bond agreement, including an amount sufficient to cure any deficiencies in the debt service account or the bond agreement reserve account. The total principal and interest remaining to be paid on the bonds is \$18,495,000 and \$1,999,170 respectively. Principal and interest paid for the current year were \$1,795,000 and \$266,760 respectively.

The City of Gallup has pledged utility revenues for two NMFA loans payable through June, 2032. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the loan agreement. The total principal and interest remaining is \$3,195,691 and \$80,490 respectively. Principal and interest paid for the current year were \$68,495 and \$3,422 respectively.

**NOTE 21. Subsequent Pronouncements**

In March 2012, GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In March 2012, GASB Statement No. 66 *Technical Corrections-2012-an amendment of the GASB Statements No. 10 and No. 62*, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. 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, 2014.

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2016.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The City will implement this standard during fiscal year June 30, 2014.

In April 2013, GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The City is still evaluating how this reporting standard will affect the reporting entity.

**STATE OF NEW MEXICO**  
City of Gallup  
Notes to the Financial Statements  
June 30, 2013

**NOTE 22. Business-type Activities Net Position Restatement**

*Business-type Activities:* The City restated the business-type activities net position in the Joint Utilities Fund in the amount of \$244,576 related to over billings for electricity in prior years. These over billings have lead to a \$244,576 refund that the City is expecting to receive in 2014. Total Business-type activities restatement totaled \$244,576 as noted at Exhibit A-2.

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**

City of Gallup

Nonmajor Fund Descriptions

June 30, 2013

**Special Revenue Funds**

Corrections Fees accounts for a \$10 fee imposed upon conviction of an individual as stipulated under Section 35-14-11 NMSA 1978. The funds collected are restricted to use in the operation of the City's jail facilities.

Emergency Medical Service (EMS) accounts for funds made available to municipalities in proportion to their needs for use in the establishment of emergency medical services in order to reduce injury and loss of life under Section 24-10A and 24-10B NMSA 1978. These funds are to be spent on the training of personnel and non-administrative expenditures involved in providing this service.

Fire Protection accounts for the accumulation of resources from the State's Fire Protection Fund. These funds are to be used for the operation, maintenance, and betterment of local fire districts under Section 59A-53-1 to 59A-53-17 NMSA 1978.

Law Enforcement Protection accounts for the accumulation of resources received from the City's equitable distribution of funds to municipal police under Section 29-13 NMSA 1978. The funds are for the use in the maintenance and improvement of the police department in order to enhance their effectiveness.

Special Library accounts for the accumulation of resources received from the New Mexico State Grant in Aid. Under Chapter 59 of the laws of 1981 and the New Mexico State Library Rule 81-2 funds are limited to the purchase of books and other non-administrative purchases for the library.

Lodger's Tax accounts for the resources from the lodgers' tax levied by the City under Sections 3-38-13 to 3-38-24 NMSA 1978. The occupancy tax is imposed and collected on certain revenues of lodging establishments. The funds may be used for tourist related facilities, advertising, promotions, collecting and administering the tax, and various other uses as cited in the state law.

Municipal Gas Tax accounts for resources received from the one-cent gasoline tax imposed by Section 7-1-6.27 NMSA 1978. The funds are to be used for the reconstruction, resurfacing, maintaining and repairing, or otherwise improvement of existing or new alleys, streets, roads, or bridges.

Juvenile Recreation accounts for the accumulation of resources from the City's distribution of the State's one cent cigarette tax. These funds are to be spent on the operation of recreation facilities, including salaries of instructors and other employees within the guidelines set forth on disposition of revenues collected under the authority of the laws of the State of New Mexico (Section 7-12-15- NMSA 1978).

Intergovernmental Grants accounts for the resources from various City governmental grants. These funds are to be spent on expenditures outlined in the grant awards (Resolution R2002-10).

Senior Citizens accounts for the resources from the New Mexico Area Agency on Aging. The funds are to be spent on expenditures associated with the operation of the City's Senior Citizen Centers (Resolution R2002-10).

Navajo Gallup Water Project accounts for a 1/4% GRT fund specifically for the construction, expansion, operation and maintenance of the Navajo Gallup water supply pipeline project.

Community Development Block Grant (CDBG) accounts for the accumulation of resources received from the U.S. Department of Housing and Urban Development (Federal CFDA 14.228). These funds are a part of the comprehensive housing program of rehabilitation and new construction (Resolution R2002-10).

Business Improvement District accounts for the accumulation of resources received from a property owner assessment. These funds are to be spent on improvements in the Downtown area.

**STATE OF NEW MEXICO**  
City of Gallup  
Nonmajor Fund Descriptions  
June 30, 2013

**Capital Projects Funds**

Airport accounts for the costs associated with Airport improvements.

Infrastructure GRT accounts for the financial resources received from the 1/12% GRT imposed for infrastructure.

¼% Infrastructure GRT accounts for the financial resources received from the last ¼% GRT increment that is dedicated to infrastructure projects.

11/00 Sales Tax Revenue Bonds accounts for financial resources to be used for various City infrastructure projects that were received from the issuance of the November 2003 Sales Tax Revenue Bonds. Projects will total \$7,260,000.

Legislative Appropriations accounts for the financial resources received from the State of New Mexico. Resources are restricted by project. Funds are received on a cost reimbursement basis, once the City completes the project.

08/03 General Obligation Bonds accounts for financial resources to be used for various City infrastructure projects that were received from the issuance of the February 2011 Sales Tax Revenue Bonds.

02/04 Sales NonTax Revenue Bond accounts for the financial resources provided by the February 2004 Sales Tax Bonds. Proceeds are to be used for the reconstruction of the Downtown Plaza and for public art work. These projects will total \$1,422,514 and represent the non-taxable portion of the bond proceeds.

02/04 Sales Tax Revenue Bond accounts for the financial resources provided by the February 2004 Sales Tax Bonds. Proceeds are to be used to refund the 1997 and 1999 issues and for the construction of a new aquatic center, for the installation of field turf on two (2) baseball fields, for various street improvements, for condemnation and urban renewal, and for various recreational projects, which total \$12,295,985. This fund accumulates the costs of the capital projects that will be funded from the taxable portion of the bond proceeds.

Public Works accounts for the financial resources for various capital construction projects. Transfers from various funds and grants from the State of New Mexico provide resources for the construction projects.

**Debt Service Funds**

New Mexico Finance Authority Loans accounts for the accumulation of resources for and the payment of, principal and interest of a restricted loan used for the purchase of two fire trucks. The repayment source is generated by the City's share of the State's Fire Fund. It also accounts for the accumulation of resources and the payment of interest of restricted loans used for the purchase of equipment and for construction of capital projects around the City. The repayment source is generated by the City's gross receipts tax share.

06/10 Sales Tax Revenue Bonds accounts for the accumulation of resources for and the payment of principal and interest of sales tax revenue bonds issued June 30, 2010. The resources of this fund are generated by the City's ¼% gross receipts tax dedicated for infrastructure.

The 02/11 General Obligation Bond accounts for the financial resources provided by the February 2011 general obligation bond.

09/12 GRT Refunding Revenue accounts for the refunding of 2004A bonds. The par amount of the refunded bonds is \$8,850,000.

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**STATE OF NEW MEXICO**

City of Gallup

Nonmajor Fund Descriptions

June 30, 2013

**Proprietary Funds**

Solid Waste accounts for the operations of the City's refuse system. Activities of the fund include the administration and operation of the system. All costs are financed through user fees.

Fitness Center accounts for the operations of the Fitness Center Health Club. Activities of the fund include administration, operation, and maintenance of the facility. All costs are financed through membership dues.

Rodeo accounts for the operations of NHJFR. Activities of the fund include administration and operation of the rodeo. All costs are financed through ticket sales and sponsorships.

Gamerco Billings Fund accounts for the operation of wastewater, water, and solid waste collection services to the residents of the township of Gamerco. Activities of the fund include administration, operation, and maintenance of the distribution system. The fund also accounts for the accumulation of resources for, and the payment of accounts receivable due to the City of Gallup for the Gamerco Water and Sanitation District.

**STATE OF NEW MEXICO**  
City of Gallup  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2013

	Special Revenue			
	Corrections		Fire Protection	Law Enforcement
	Fees	EMS		Protection
<i>Assets</i>				
Cash and cash equivalents	\$ 156,659	\$ 75	\$ 321,369	\$ 379
Restricted cash and cash equivalents	-	-	-	-
Investments	150,000	-	250,000	-
Receivables:				
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Other receivables	-	-	-	-
<i>Total assets</i>	\$ 306,659	\$ 75	\$ 571,369	\$ 379
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	-	-	-	-
<i>Fund balances</i>				
Spendable:				
Restricted for:				
General government	-	-	-	-
Public safety	306,659	75	-	379
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Fire protection	-	-	571,369	-
Health and welfare	-	-	-	-
Debt service expenditures	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	306,659	75	571,369	379
<i>Total liabilities and fund balances</i>	\$ 306,659	\$ 75	\$ 571,369	\$ 379

The accompanying notes are an integral part of these financial statements

Special Revenue

Special Library	Lodger's Tax	Municipal Gas Tax	Juvenile Recreation	Intergovernmental Grants	Senior Citizens
\$ 95,227	\$ 676,385	\$ 795,129	\$ 38,752	\$ 98,144	\$ 56,728
-	-	-	-	-	-
-	1,000,000	-	-	-	-
-	-	-	-	-	-
-	106,142	73,936	-	-	-
9,082	-	-	-	62,701	-
<u>\$ 104,309</u>	<u>\$ 1,782,527</u>	<u>\$ 869,065</u>	<u>\$ 38,752</u>	<u>\$ 160,845</u>	<u>\$ 56,728</u>
\$ -	\$ 17,500	\$ 37,563	\$ -	\$ 19,900	\$ -
-	-	19,672	-	-	9,415
-	-	-	-	-	-
-	-	-	-	170,000	-
-	17,500	57,235	-	189,900	9,415
-	-	-	-	-	-
-	-	-	-	-	-
104,309	1,765,027	-	38,752	-	-
-	-	811,830	-	-	-
-	-	-	-	-	-
-	-	-	-	-	47,313
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(29,055)	-
<u>104,309</u>	<u>1,765,027</u>	<u>811,830</u>	<u>38,752</u>	<u>(29,055)</u>	<u>47,313</u>
<u>\$ 104,309</u>	<u>\$ 1,782,527</u>	<u>\$ 869,065</u>	<u>\$ 38,752</u>	<u>\$ 160,845</u>	<u>\$ 56,728</u>

**STATE OF NEW MEXICO**  
City of Gallup  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2013

	Special Revenue		Capital Projects	
	Navajo Gallup Water Project	CDBG	Business Improvement District	Airport
<i>Assets</i>				
Cash and cash equivalents	\$ 488,505	\$ 24,375	\$ 36,899	\$ 220,341
Restricted cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables:				
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Other receivables	252,273	-	-	145,222
	<u>\$ 740,778</u>	<u>\$ 24,375</u>	<u>\$ 36,899</u>	<u>\$ 365,563</u>
<i>Total assets</i>	<u>\$ 740,778</u>	<u>\$ 24,375</u>	<u>\$ 36,899</u>	<u>\$ 365,563</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ 565,581
Accrued payroll	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>565,581</u>
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>565,581</u>
<i>Fund balances</i>				
Spendable:				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Public works	740,778	24,375	-	-
Fire protection	-	-	-	-
Health and welfare	-	-	36,899	-
Debt service expenditures	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	(200,018)
	<u>740,778</u>	<u>24,375</u>	<u>36,899</u>	<u>(200,018)</u>
<i>Total fund balances</i>	<u>740,778</u>	<u>24,375</u>	<u>36,899</u>	<u>(200,018)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 740,778</u>	<u>\$ 24,375</u>	<u>\$ 36,899</u>	<u>\$ 365,563</u>

The accompanying notes are an integral part of these financial statements

Capital Projects

Infrastructure GRT	1/4% Infrastructure GRT	11/00 Sales Tax Revenue Bonds	Legislative Appropriations	08/03 General Obligation Bonds	02/04 Sales NonTax Revenue Bonds
\$ 847,878	\$ 201,399	\$ -	\$ -	\$ 38,819	\$ 2,908
-	-	-	-	-	-
1,250,000	1,500,000	100,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	52,999	-	-
<u>\$ 2,097,878</u>	<u>\$ 1,701,399</u>	<u>\$ 100,000</u>	<u>\$ 52,999</u>	<u>\$ 38,819</u>	<u>\$ 2,908</u>
\$ 37,517	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	54,197	50,662	-	-
<u>37,517</u>	<u>-</u>	<u>54,197</u>	<u>50,662</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,060,361	1,701,399	45,803	2,337	38,819	2,908
-	-	-	-	-	-
<u>2,060,361</u>	<u>1,701,399</u>	<u>45,803</u>	<u>2,337</u>	<u>38,819</u>	<u>2,908</u>
<u>\$ 2,097,878</u>	<u>\$ 1,701,399</u>	<u>\$ 100,000</u>	<u>\$ 52,999</u>	<u>\$ 38,819</u>	<u>\$ 2,908</u>

**STATE OF NEW MEXICO**  
City of Gallup  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2013

	<u>Capital Projects</u>		<u>Debt Service</u>	
	02/04 Sales Tax Revenue Bonds	Public Works	NM Finance Authority Loans	06/10 Sales Tax Revenue Bonds
<i>Assets</i>				
Cash and cash equivalents	\$ 118,076	\$ 367,720	\$ -	\$ 87,632
Restricted cash and cash equivalents	-	-	8,007	-
Investments	-	-	126,814	6,122
Receivables:				
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Other receivables	-	-	-	-
<i>Total assets</i>	<u>\$ 118,076</u>	<u>\$ 367,720</u>	<u>\$ 134,821</u>	<u>\$ 93,754</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	50,000	-	-
<i>Total liabilities</i>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable:				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Fire protection	-	-	-	-
Health and welfare	-	-	-	-
Debt service expenditures	-	-	134,821	93,754
Capital projects	118,076	317,720	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>118,076</u>	<u>317,720</u>	<u>134,821</u>	<u>93,754</u>
<i>Total liabilities and fund balances</i>	<u>\$ 118,076</u>	<u>\$ 367,720</u>	<u>\$ 134,821</u>	<u>\$ 93,754</u>

The accompanying notes are an integral part of these financial statements

Debt Service

<u>02/11 General Obligation Bonds</u>	<u>09/12 GRT Refunding Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 1,049,943	\$ 164,505	\$ 5,887,847
-	-	8,007
3	-	4,382,939
62,494	-	62,494
-	-	180,078
-	-	522,277
<u>\$ 1,112,440</u>	<u>\$ 164,505</u>	<u>\$ 11,043,642</u>
\$ -	\$ -	\$ 678,061
-	-	29,087
35,738	-	35,738
-	-	324,859
<u>35,738</u>	<u>-</u>	<u>1,067,745</u>
-	-	-
-	-	307,113
-	-	1,908,088
-	-	1,576,983
-	-	571,369
-	-	84,212
1,076,702	164,505	1,469,782
-	-	4,287,423
-	-	(229,073)
<u>1,076,702</u>	<u>164,505</u>	<u>9,975,897</u>
<u>\$ 1,112,440</u>	<u>\$ 164,505</u>	<u>11,043,642</u>

**STATE OF NEW MEXICO**  
City of Gallup  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2013

	Special Revenue			
	Corrections	EMS	Fire Protection	Law
	Fees			Enforcement
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Lodger's	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
State operating grants	-	12,424	463,055	60,600
State capital grants	-	-	-	-
Charges for services	94,660	-	-	-
Interest income	2,104	-	2,337	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	96,764	12,424	465,392	60,600
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	47,905	22,033	69,885	95,745
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	47,905	22,033	69,885	95,745
<i>Excess (deficiency) of revenues over expenditures</i>	48,859	(9,609)	395,507	(35,145)
<i>Other financing sources (uses)</i>				
Proceeds from sale of bonds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(143,260)	-
<i>Total other financing sources (uses)</i>	-	-	(143,260)	-
<i>Net change in fund balances</i>	48,859	(9,609)	252,247	(35,145)
<i>Fund balances - beginning of year</i>	257,800	9,684	319,122	35,524
<i>Fund balances - end of year</i>	\$ 306,659	\$ 75	\$ 571,369	\$ 379

The accompanying notes are an integral part of these financial statements

Special Revenue

Special Library	Lodger's Tax	Municipal Gas Tax	Juvenile Recreation	Intergovernmental Grants	Senior Citizens
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	1,146,985	-	-	-
-	1,333,588	-	-	-	-
-	-	-	-	227,019	79,433
77,849	-	174,976	-	12,500	176,093
-	-	-	-	-	-
7,327	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	54,707
<u>85,176</u>	<u>1,333,588</u>	<u>1,321,961</u>	<u>-</u>	<u>239,519</u>	<u>310,233</u>
-	-	-	-	193,513	-
-	-	-	-	-	-
-	-	2,216,819	-	-	-
47,973	580,264	-	-	-	-
-	-	-	-	-	806,665
-	111,384	408,935	-	94,452	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>47,973</u>	<u>691,648</u>	<u>2,625,754</u>	<u>-</u>	<u>287,965</u>	<u>806,665</u>
<u>37,203</u>	<u>641,940</u>	<u>(1,303,793)</u>	<u>-</u>	<u>(48,446)</u>	<u>(496,432)</u>
-	-	-	-	-	-
-	144,189	1,791,670	-	-	530,000
-	(180,000)	-	-	-	-
-	(35,811)	1,791,670	-	-	530,000
37,203	606,129	487,877	-	(48,446)	33,568
67,106	1,158,898	323,953	38,752	19,391	13,745
<u>\$ 104,309</u>	<u>\$ 1,765,027</u>	<u>\$ 811,830</u>	<u>\$ 38,752</u>	<u>\$ (29,055)</u>	<u>\$ 47,313</u>

**STATE OF NEW MEXICO**  
City of Gallup  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2013

	Special Revenue			Capital Projects
	Navajo Gallup Water Project	CDBG	Business Improvement District	Airport
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	740,778	-	-	-
Gasoline and motor vehicle	-	-	-	-
Lodger's	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	522,288
State operating grants	-	-	95,369	21,913
State capital grants	-	-	-	-
Charges for services	-	-	94,393	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>740,778</u>	<u>-</u>	<u>189,762</u>	<u>544,201</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	560,861
Culture and recreation	-	-	-	-
Health and welfare	-	-	164,711	-
Capital outlay	-	-	-	442,991
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>164,711</u>	<u>1,003,852</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>740,778</u>	<u>-</u>	<u>25,051</u>	<u>(459,651)</u>
<i>Other financing sources (uses)</i>				
Proceeds from sale of bonds	-	-	-	-
Transfers in	-	-	-	100,000
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
<i>Net change in fund balances</i>	740,778	-	25,051	(359,651)
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>24,375</u>	<u>11,848</u>	<u>159,633</u>
<i>Fund balances - end of year</i>	<u>\$ 740,778</u>	<u>\$ 24,375</u>	<u>\$ 36,899</u>	<u>\$ (200,018)</u>

The accompanying notes are an integral part of these financial statements

Capital Projects

Infrastructure GRT	1/4% Infrastructure GRT	11/00 Sales Tax Revenue Bonds	Legislative Appropriations	08/03 General Obligation Bonds	02/04 Sales NonTax Revenue Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	56,857	-	-
-	220	1,870	-	4,675	-
-	-	-	-	-	-
-	220	1,870	56,857	4,675	-
-	-	-	-	-	10,223
-	-	-	-	-	-
619,325	-	-	57,419	4,465	-
-	-	-	-	-	-
-	14,279	174,179	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
619,325	14,279	174,179	57,419	4,465	10,223
(619,325)	(14,059)	(172,309)	(562)	210	(10,223)
-	-	-	-	-	-
1,751,630	171,190	-	-	-	-
(1,481,670)	-	-	-	-	-
269,960	171,190	-	-	-	-
(349,365)	157,131	(172,309)	(562)	210	(10,223)
2,409,726	1,544,268	218,112	2,899	38,609	13,131
\$ 2,060,361	\$ 1,701,399	\$ 45,803	\$ 2,337	\$ 38,819	\$ 2,908

**STATE OF NEW MEXICO**  
City of Gallup  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2013

	Capital Projects		Debt Service	
	02/04 Sales Tax Revenue Bonds	Public Works	NM Finance Authority Loans	06/10 Sales Tax Revenue Bonds
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Lodger's	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
State operating grants	37,500	-	-	-
State capital grants	-	267,317	-	-
Charges for services	-	-	-	-
Interest income	-	-	485	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	37,500	267,317	485	-
<i>Expenditures</i>				
Current:				
General government	2,961	-	3,134	-
Public safety	-	-	-	-
Public works	-	54,880	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	93,329	985,000
Interest	-	-	46,797	563,832
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	2,961	54,880	143,260	1,548,832
<i>Excess (deficiency) of revenues over expenditures</i>	34,539	212,437	(142,775)	(1,548,832)
<i>Other financing sources (uses)</i>				
Proceeds from sale of bonds	-	-	-	-
Transfers in	-	-	143,260	1,548,840
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	143,260	1,548,840
<i>Net change in fund balances</i>	34,539	212,437	485	8
<i>Fund balances - beginning of year</i>	83,537	105,283	134,336	93,746
<i>Fund balances - end of year</i>	\$ 118,076	\$ 317,720	\$ 134,821	\$ 93,754

The accompanying notes are an integral part of these financial statements

<u>Debt Service</u>		
<u>02/11 General Obligation Bonds</u>	<u>09/12 GRT Refunding Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 1,028,035	\$ -	\$ 1,028,035
-	-	740,778
-	-	1,146,985
-	-	1,333,588
-	-	828,740
-	-	1,132,279
-	-	324,174
-	-	196,380
252	29	11,972
-	-	54,707
<u>1,028,287</u>	<u>29</u>	<u>6,797,638</u>
-	-	209,831
-	-	235,568
-	-	3,513,769
-	-	628,237
-	-	971,376
-	-	1,246,220
540,000	180,000	1,798,329
75,800	137,150	823,579
-	42,176	42,176
<u>615,800</u>	<u>359,326</u>	<u>9,469,085</u>
<u>412,487</u>	<u>(359,297)</u>	<u>(2,671,447)</u>
-	9,325,000	9,325,000
-	317,150	6,497,929
-	(9,118,348)	(10,923,278)
-	523,802	4,899,651
412,487	164,505	2,228,204
<u>664,215</u>	<u>-</u>	<u>7,747,693</u>
<u>\$ 1,076,702</u>	<u>\$ 164,505</u>	<u>\$ 9,975,897</u>

## STATE OF NEW MEXICO

Statement B-1

City of Gallup

Corrections Fees Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	86,000	144,000	94,660	(49,340)
Interest income	2,500	3,000	2,805	(195)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>88,500</u>	<u>147,000</u>	<u>97,465</u>	<u>(49,535)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	88,500	101,000	47,905	53,095
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>88,500</u>	<u>101,000</u>	<u>47,905</u>	<u>53,095</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>46,000</u>	<u>49,560</u>	<u>3,560</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(46,000)	-	46,000
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(46,000)</u>	<u>-</u>	<u>46,000</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>49,560</u>	<u>49,560</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>257,099</u>	<u>257,099</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 306,659</u>	<u>\$ 306,659</u>
Net change in fund balance (Non-GAAP basis)				\$ 49,560
Adjustment to revenues for investment income				(701)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 48,859</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-2

City of Gallup

EMS Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	14,000	12,424	12,424	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>14,000</u>	<u>12,424</u>	<u>12,424</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	36,440	22,369	22,294	75
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>36,440</u>	<u>22,369</u>	<u>22,294</u>	<u>75</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(22,440)</u>	<u>(9,945)</u>	<u>(9,870)</u>	<u>75</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	22,440	9,945	-	(9,945)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>22,440</u>	<u>9,945</u>	<u>-</u>	<u>(9,945)</u>
<i>Net change in fund balance</i>	-	-	(9,870)	(9,870)
<i>Fund balance - beginning of year</i>	-	-	9,945	9,945
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ 75</u>
Net change in fund balance (Non-GAAP basis)				\$ (9,870)
No adjustments to revenues				-
Adjustments to expenditures for public safety accruals				261
Net change in fund balance (GAAP basis)				<u>\$ (9,609)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-3

City of Gallup

Fire Protection Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	390,000	463,055	463,055	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	3,000	3,507	3,506	(1)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>393,000</u>	<u>466,562</u>	<u>466,561</u>	<u>(1)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	354,100	637,749	69,885	567,864
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>354,100</u>	<u>637,749</u>	<u>69,885</u>	<u>567,864</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>38,900</u>	<u>(171,187)</u>	<u>396,676</u>	<u>567,863</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	101,468	314,447	-	(314,447)
Transfers in	-	-	-	-
Transfers out	(140,368)	(143,260)	(143,260)	-
<i>Total other financing sources (uses)</i>	<u>(38,900)</u>	<u>171,187</u>	<u>(143,260)</u>	<u>(314,447)</u>
<i>Net change in fund balance</i>	-	-	253,416	253,416
<i>Fund balance - beginning of year</i>	-	-	317,953	317,953
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 571,369</u>	<u>\$ 571,369</u>
Net change in fund balance (Non-GAAP basis)				\$ 253,416
Adjustment to revenues for investment income				(1,169)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 252,247</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-4

City of Gallup

Law Enforcement Protection Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	60,000	60,600	60,600	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>60,000</u>	<u>60,600</u>	<u>60,600</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	60,000	96,124	95,889	235
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>60,000</u>	<u>96,124</u>	<u>95,889</u>	<u>235</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(35,524)</u>	<u>(35,289)</u>	<u>235</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	35,524	-	(35,524)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>35,524</u>	<u>-</u>	<u>(35,524)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(35,289)</u>	<u>(35,289)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>35,668</u>	<u>35,668</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 379</u>	<u>\$ 379</u>
Net change in fund balance (Non-GAAP basis)				\$ (35,289)
No adjustments to revenues				-
Adjustment to expenditures for public safety accruals				144
Net change in fund balance (GAAP basis)				<u>\$ (35,145)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-5

City of Gallup

Special Library Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	106,795	77,850	68,767	(9,083)
State capital grants	-	-	-	-
Charges for services	-	-	7,327	7,327
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>106,795</u>	<u>77,850</u>	<u>76,094</u>	<u>(1,756)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	106,795	51,472	48,137	3,335
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>106,795</u>	<u>51,472</u>	<u>48,137</u>	<u>3,335</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>26,378</u>	<u>27,957</u>	<u>1,579</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(26,378)	-	26,378
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(26,378)</u>	<u>-</u>	<u>26,378</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>27,957</u>	<u>27,957</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>67,270</u>	<u>67,270</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,227</u>	<u>\$ 95,227</u>
Net change in fund balance (Non-GAAP basis)				\$ 27,957
Adjustments to revenues for state operating grants accruals				9,082
Adjustment to expenditures for culture and recreation accruals				164
Net change in fund balance (GAAP basis)				<u>\$ 37,203</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-6

City of Gallup

Lodger's Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	1,300,000	1,375,000	1,374,974	(26)
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	5,000	-	(5,000)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,300,000</u>	<u>1,380,000</u>	<u>1,374,974</u>	<u>(5,026)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	1,474,000	1,197,992	749,027	448,965
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,474,000</u>	<u>1,197,992</u>	<u>749,027</u>	<u>448,965</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(174,000)</u>	<u>182,008</u>	<u>625,947</u>	<u>443,939</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	595,000	(146,197)	-	146,197
Transfers in	-	144,189	144,189	-
Transfers out	(421,000)	(180,000)	(180,000)	-
<i>Total other financing sources (uses)</i>	<u>174,000</u>	<u>(182,008)</u>	<u>(35,811)</u>	<u>146,197</u>
<i>Net change in fund balance</i>	-	-	590,136	590,136
<i>Fund balance - beginning of year</i>	-	-	1,086,249	1,086,249
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,676,385</u>	<u>\$ 1,676,385</u>
Net change in fund balance (Non-GAAP basis)				\$ 590,136
Adjustment to revenues for lodger's taxes				(41,386)
Adjustment to expenditures for culture and recreation accruals				57,379
Net change in fund balance (GAAP basis)				<u>\$ 606,129</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-7

City of Gallup

Municipal Gas Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(NonGAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	1,050,000	1,184,300	1,258,388	74,088
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	120,000	247,190	174,976	(72,214)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,170,000</u>	<u>1,431,490</u>	<u>1,433,364</u>	<u>1,874</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	2,666,740	2,614,124	2,199,256	414,868
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	563,852	408,935	154,917
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,666,740</u>	<u>3,177,976</u>	<u>2,608,191</u>	<u>569,785</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,496,740)</u>	<u>(1,746,486)</u>	<u>(1,174,827)</u>	<u>571,659</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(303,260)	(45,184)	-	45,184
Transfers in	1,800,000	1,791,670	1,791,670	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,496,740</u>	<u>1,746,486</u>	<u>1,791,670</u>	<u>45,184</u>
<i>Net change in fund balance</i>	-	-	616,843	616,843
<i>Fund balance - beginning of year</i>	-	-	178,286	178,286
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 795,129</u>	<u>\$ 795,129</u>
Net change in fund balance (Non-GAAP basis)				\$ 616,843
Adjustment to revenues for taxes				(111,403)
Adjustment to expenditures for public works and capital outlay accruals				(17,563)
Net change in fund balance (GAAP basis)				<u>\$ 487,877</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-8

City of Gallup

Juvenile Recreation Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest 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	38,752	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>38,752</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(38,752)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	38,752	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>38,752</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	38,752	38,752
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,752</u>	<u>\$ 38,752</u>
Net change in fund balance (Non-GAAP 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-9

City of Gallup

Intergovernmental Grants Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	280,898	178,119	(102,779)
Federal capital grants	-	-	-	-
State operating grants	-	178,691	178,690	(1)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>459,589</u>	<u>356,809</u>	<u>(102,780)</u>
<i>Expenditures</i>				
Current				
General government	-	68,305	273,818	(205,513)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	236,000	-	236,000
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>304,305</u>	<u>273,818</u>	<u>30,487</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>155,284</u>	<u>82,991</u>	<u>(72,293)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(155,284)	-	155,284
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(155,284)</u>	<u>-</u>	<u>155,284</u>
<i>Net change in fund balance</i>	-	-	82,991	82,991
<i>Fund balance - beginning of year</i>	-	-	(154,847)	(154,847)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (71,856)</u>	<u>\$ (71,856)</u>
Net change in fund balance (Non-GAAP basis)				\$ 82,991
Adjustment to revenues for grant revenue accruals				(117,290)
Adjustment to expenditures for health and welfare and capital outlay accruals				(14,147)
Net change in fund balance (GAAP basis)				<u>\$ (48,446)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-10

City of Gallup

Senior Citizens Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	201,084	82,317	(118,767)
Federal capital grants	-	-	-	-
State operating grants	260,000	169,137	187,716	18,579
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	50,000	54,710	54,707	(3)
<i>Total revenues</i>	<u>310,000</u>	<u>424,931</u>	<u>324,740</u>	<u>(100,191)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	844,558	928,937	805,379	123,558
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>844,558</u>	<u>928,937</u>	<u>805,379</u>	<u>123,558</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(534,558)</u>	<u>(504,006)</u>	<u>(480,639)</u>	<u>23,367</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(25,994)	-	25,994
Transfers in	534,558	530,000	530,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>534,558</u>	<u>504,006</u>	<u>530,000</u>	<u>25,994</u>
<i>Net change in fund balance</i>	-	-	49,361	49,361
<i>Fund balance - beginning of year</i>	-	-	7,367	7,367
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,728</u>	<u>\$ 56,728</u>
Net change in fund balance (Non-GAAP basis)				\$ 49,361
Adjustment to revenues for grant revenue accruals				(14,507)
Adjustment to expenditures for health and welfare accruals				(1,286)
Net change in fund balance (GAAP basis)				<u>\$ 33,568</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-11

City of Gallup

Navajo Gallup Water Project Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	1,480,000	488,510	488,505	(5)
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,480,000</u>	<u>488,510</u>	<u>488,505</u>	<u>(5)</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>1,480,000</u>	<u>488,510</u>	<u>488,505</u>	<u>(5)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(3,480,000)	(488,510)	-	488,510
Transfers in	2,000,000	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(1,480,000)</u>	<u>(488,510)</u>	<u>-</u>	<u>488,510</u>
<i>Net change in fund balance</i>	-	-	488,505	488,505
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,505</u>	<u>\$ 488,505</u>
Net change in fund balance (Non-GAAP basis)				\$ 488,505
Adjustment to revenues for gross receipts tax revenue accruals				252,273
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 740,778</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-12

City of Gallup

CDBG Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	450,000	-	(450,000)
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>450,000</u>	<u>-</u>	<u>(450,000)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	450,000	-	450,000
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>450,000</u>	<u>-</u>	<u>450,000</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>	-	-	24,375	24,375
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,375</u>	<u>\$ 24,375</u>
Net change in fund balance (Non-GAAP 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 Gallup

Business Improvement District Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	130,000	130,000	95,369	(34,631)
State capital grants	-	-	-	-
Charges for services	130,000	130,000	94,393	(35,607)
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>260,000</u>	<u>260,000</u>	<u>189,762</u>	<u>(70,238)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	260,000	260,000	195,693	64,307
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>260,000</u>	<u>260,000</u>	<u>195,693</u>	<u>64,307</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(5,931)</u>	<u>(5,931)</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>(5,931)</u>	<u>(5,931)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>42,830</u>	<u>42,830</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,899</u>	<u>\$ 36,899</u>
Net change in fund balance (Non-GAAP basis)				\$ (5,931)
No adjustments to revenues				-
Adjustment to expenditures for health and welfare accruals				30,982
Net change in fund balance (GAAP basis)				<u>\$ 25,051</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-14

City of Gallup

Airport Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	1,069,980	415,894	(654,086)
Federal capital grants	-	-	-	-
State operating grants	-	103,332	5,099	(98,233)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>1,173,312</u>	<u>420,993</u>	<u>(752,319)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	1,395,294	438,271	957,023
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>1,395,294</u>	<u>438,271</u>	<u>957,023</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(221,982)</u>	<u>(17,278)</u>	<u>204,704</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	121,982	-	(121,982)
Transfers in	-	100,000	100,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>221,982</u>	<u>100,000</u>	<u>(121,982)</u>
<i>Net change in fund balance</i>	-	-	82,722	82,722
<i>Fund balance - beginning of year</i>	-	-	137,619	137,619
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,341</u>	<u>\$ 220,341</u>
Net change in fund balance (Non-GAAP basis)				\$ 82,722
Adjustment to revenues for grant revenue accruals				123,208
Adjustment to expenditures for capital outlay accruals				(565,581)
Net change in fund balance (GAAP basis)				<u>\$ (359,651)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-15

City of Gallup  
 Infrastructure GRT Capital Projects Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget (Non-GAAP Basis) and Actual  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	330,292	198,454	131,838
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	712,601	408,036	304,565
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>1,042,893</u>	<u>606,490</u>	<u>436,403</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(1,042,893)</u>	<u>(606,490)</u>	<u>436,403</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	772,933	-	(772,933)
Transfers in	1,600,000	1,751,630	1,751,630	-
Transfers out	(1,600,000)	(1,481,670)	(1,481,670)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>1,042,893</u>	<u>269,960</u>	<u>(772,933)</u>
<i>Net change in fund balance</i>	-	-	(336,530)	(336,530)
<i>Fund balance - beginning of year</i>	-	-	2,434,408	2,434,408
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,097,878</u>	<u>\$ 2,097,878</u>
Net change in fund balance (Non-GAAP basis)				\$ (336,530)
No adjustments to revenues				-
Adjustment to expenditures for general government and capital outlay accruals				(12,835)
Net change in fund balance (GAAP basis)				<u>\$ (349,365)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-16

City of Gallup

1/4% Infrastructure GRT Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	500	221	220	(1)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>500</u>	<u>221</u>	<u>220</u>	<u>(1)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	268,393	20,085	248,308
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	135,500	172,751	19,901	152,850
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>135,500</u>	<u>441,144</u>	<u>39,986</u>	<u>401,158</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(135,000)</u>	<u>(440,923)</u>	<u>(39,766)</u>	<u>401,157</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	269,733	-	(269,733)
Transfers in	135,000	171,190	171,190	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>135,000</u>	<u>440,923</u>	<u>171,190</u>	<u>(269,733)</u>
<i>Net change in fund balance</i>	-	-	131,424	131,424
<i>Fund balance - beginning of year</i>	-	-	1,569,975	1,569,975
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,701,399</u>	<u>\$ 1,701,399</u>
Net change in fund balance (Non-GAAP basis)				\$ 131,424
No adjustments to revenues				-
Adjustment to expenditures for public works accruals				25,707
Net change in fund balance (GAAP basis)				<u>\$ 157,131</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-17

City of Gallup

02/11 Sales Tax Revenue Bonds Capital Projects Fund (Major)  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	4,500	15,632	15,632	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>4,500</u>	<u>15,632</u>	<u>15,632</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	4,445,667	7,146,753	5,822,868	1,323,885
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,445,667</u>	<u>7,146,753</u>	<u>5,822,868</u>	<u>1,323,885</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,441,167)</u>	<u>(7,131,121)</u>	<u>(5,807,236)</u>	<u>1,323,885</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	4,441,167	7,131,121	-	(7,131,121)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>4,441,167</u>	<u>7,131,121</u>	<u>-</u>	<u>(7,131,121)</u>
<i>Net change in fund balance</i>	-	-	(5,807,236)	(5,807,236)
<i>Fund balance - beginning of year</i>	-	-	7,181,001	7,181,001
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,373,765</u>	<u>\$ 1,373,765</u>
Net change in fund balance (Non-GAAP basis)				\$ (5,807,236)
No adjustments to revenues				-
Adjustment to expenditures for general government and capital outlay accruals				(405,294)
Net change in fund balance (GAAP basis)				<u>\$ (6,212,530)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-18

City of Gallup

11/00 Sales Tax Revenue Bonds Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	1,500	1,870	1,870	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,500</u>	<u>1,870</u>	<u>1,870</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	204,428	174,179	30,249
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>204,428</u>	<u>174,179</u>	<u>30,249</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,500</u>	<u>(202,558)</u>	<u>(172,309)</u>	<u>30,249</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(1,500)	202,558	-	(202,558)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(1,500)</u>	<u>202,558</u>	<u>-</u>	<u>(202,558)</u>
<i>Net change in fund balance</i>	-	-	(172,309)	(172,309)
<i>Fund balance - beginning of year</i>	-	-	218,112	218,112
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,803</u>	<u>\$ 45,803</u>
Net change in fund balance (Non-GAAP basis)				\$ (172,309)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (172,309)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-19

City of Gallup

Legislative Appropriations Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	25,000	412,216	22,738	(389,478)
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>25,000</u>	<u>412,216</u>	<u>22,738</u>	<u>(389,478)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	25,000	393,338	57,419	335,919
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>25,000</u>	<u>393,338</u>	<u>57,419</u>	<u>335,919</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>18,878</u>	<u>(34,681)</u>	<u>(53,559)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(18,878)	-	18,878
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(18,878)</u>	<u>-</u>	<u>18,878</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(34,681)</u>	<u>(34,681)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(15,981)</u>	<u>(15,981)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,662)</u>	<u>\$ (50,662)</u>
Net change in fund balance (Non-GAAP basis)				\$ (34,681)
Adjustment to revenues for grant revenues				34,119
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (562)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-20

City of Gallup

08/03 General Obligation Bonds Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	9,000	7,013	7,013	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>9,000</u>	<u>7,013</u>	<u>7,013</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	15,251	9,741	5,510
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>15,251</u>	<u>9,741</u>	<u>5,510</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>9,000</u>	<u>(8,238)</u>	<u>(2,728)</u>	<u>5,510</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(9,000)	8,238	-	(8,238)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(9,000)</u>	<u>8,238</u>	<u>-</u>	<u>(8,238)</u>
<i>Net change in fund balance</i>	-	-	(2,728)	(2,728)
<i>Fund balance - beginning of year</i>	-	-	41,547	41,547
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,819</u>	<u>\$ 38,819</u>
Net change in fund balance (Non-GAAP basis)				\$ (2,728)
Adjustment to revenues for investment income				(2,338)
Adjustment to expenditures for public works accruals				5,276
Net change in fund balance (GAAP basis)				<u>\$ 210</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-21

City of Gallup

02/04 Sales NonTax Revenue Bonds Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	12,500	10,223	2,277
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>12,500</u>	<u>10,223</u>	<u>2,277</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(12,500)</u>	<u>(10,223)</u>	<u>2,277</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	12,500	-	(12,500)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>12,500</u>	<u>-</u>	<u>(12,500)</u>
<i>Net change in fund balance</i>	-	-	(10,223)	(10,223)
<i>Fund balance - beginning of year</i>	-	-	13,131	13,131
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,908</u>	<u>\$ 2,908</u>
Net change in fund balance (Non-GAAP basis)				\$ (10,223)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (10,223)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-22

City of Gallup

02/04 Sales Tax Revenue Bonds Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	37,500	37,500	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>37,500</u>	<u>37,500</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	106,036	2,961	103,075
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>106,036</u>	<u>2,961</u>	<u>103,075</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(68,536)</u>	<u>34,539</u>	<u>103,075</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	68,536	-	(68,536)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>68,536</u>	<u>-</u>	<u>(68,536)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>34,539</u>	<u>34,539</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>83,537</u>	<u>83,537</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,076</u>	<u>\$ 118,076</u>
Net change in fund balance (Non-GAAP basis)				\$ 34,539
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 34,539</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-23

City of Gallup

Public Works Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	81,680	81,681	1
State operating grants	-	-	-	-
State capital grants	-	337,439	337,440	1
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	419,119	419,121	2
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	267,317	54,880	212,437
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	267,317	54,880	212,437
<i>Excess (deficiency) of revenues over expenditures</i>	-	151,802	364,241	212,439
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(151,802)	-	151,802
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	(151,802)	-	151,802
<i>Net change in fund balance</i>	-	-	364,241	364,241
<i>Fund balance - beginning of year</i>	-	-	(46,521)	(46,521)
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 317,720	\$ 317,720
Net change in fund balance (Non-GAAP basis)				\$ 364,241
Adjustment to revenues for grant revenue accruals				(151,804)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				\$ 212,437

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-24

City of Gallup

02/04 Sales Tax Revenue Bonds Debt Service Fund (Major)

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest 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	745,000	9,735,000	9,735,000	-
Interest	468,140	508,490	508,377	113
<i>Total expenditures</i>	<u>1,213,140</u>	<u>10,243,490</u>	<u>10,243,377</u>	<u>113</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,213,140)</u>	<u>(10,243,490)</u>	<u>(10,243,377)</u>	<u>113</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	398,300	(199,151)	-	199,151
Transfers in	814,840	10,442,641	10,442,640	(1)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,213,140</u>	<u>10,243,490</u>	<u>10,442,640</u>	<u>199,150</u>
<i>Net change in fund balance</i>	-	-	199,263	199,263
<i>Fund balance - beginning of year</i>	-	-	76,922	76,922
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,185</u>	<u>\$ 276,185</u>
Net change in fund balance (Non-GAAP basis)				\$ 199,263
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 199,263</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-25

City of Gallup

NM Finance Authority Loans Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	450	485	35
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>450</u>	<u>485</u>	<u>35</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	96,894	93,329	93,329	-
Interest	43,474	46,797	46,797	-
Bond issuance costs	-	3,134	3,134	-
<i>Total expenditures</i>	<u>140,368</u>	<u>143,260</u>	<u>143,260</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(140,368)</u>	<u>(142,810)</u>	<u>(142,775)</u>	<u>35</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(450)	-	450
Transfers in	140,368	143,260	143,260	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>140,368</u>	<u>142,810</u>	<u>143,260</u>	<u>450</u>
<i>Net change in fund balance</i>	-	-	485	485
<i>Fund balance - beginning of year</i>	-	-	134,336	134,336
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,821</u>	<u>\$ 134,821</u>
Net change in fund balance (Non-GAAP basis)				\$ 485
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 485</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-26

City of Gallup

06/10 Sales Tax Revenue Bonds Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest 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	1,030,000	985,000	985,000	-
Interest	525,983	563,840	563,832	8
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>1,555,983</u>	<u>1,548,840</u>	<u>1,548,832</u>	<u>8</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,555,983)</u>	<u>(1,548,840)</u>	<u>(1,548,832)</u>	<u>8</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	1,555,983	1,548,840	1,548,840	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,555,983</u>	<u>1,548,840</u>	<u>1,548,840</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	8	8
<i>Fund balance - beginning of year</i>	-	-	93,746	93,746
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,754</u>	<u>\$ 93,754</u>
<i>Net change in fund balance (Non-GAAP basis)</i>				\$ 8
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ 8</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-27

City of Gallup

02/11 General Obligation Bonds Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ 1,060,000	\$ 1,026,860	\$ 1,026,210	\$ (650)
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	500	300	252	(48)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,060,500</u>	<u>1,027,160</u>	<u>1,026,462</u>	<u>(698)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	565,000	540,000	540,000	-
Interest	64,750	75,800	75,800	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>629,750</u>	<u>615,800</u>	<u>615,800</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>430,750</u>	<u>411,360</u>	<u>410,662</u>	<u>(698)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(671,750)	(411,360)	-	411,360
Transfers in	241,000	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(430,750)</u>	<u>(411,360)</u>	<u>-</u>	<u>411,360</u>
<i>Net change in fund balance</i>	-	-	410,662	410,662
<i>Fund balance - beginning of year</i>	-	-	639,284	639,284
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,049,946</u>	<u>\$ 1,049,946</u>
<i>Net change in fund balance (Non-GAAP basis)</i>				\$ 410,662
Adjustment to revenues for property taxes accruals				1,825
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ 412,487</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-28

City of Gallup

09/12 GRT Refunding Revenue Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	100	29	(71)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>100</u>	<u>29</u>	<u>(71)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	80,000	180,000	180,000	-
Interest	198,447	137,151	137,150	1
Bond issuance costs	625	42,176	42,176	-
<i>Total expenditures</i>	<u>279,072</u>	<u>359,327</u>	<u>359,326</u>	<u>1</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(279,072)</u>	<u>(359,227)</u>	<u>(359,297)</u>	<u>(70)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	625	(233,773)	-	233,773
Bond proceeds	-	9,325,000	9,325,000	-
Transfers in	278,447	317,151	317,150	(1)
Transfers out	-	(9,049,151)	(9,118,348)	(69,197)
<i>Total other financing sources (uses)</i>	<u>279,072</u>	<u>359,227</u>	<u>523,802</u>	<u>164,575</u>
<i>Net change in fund balance</i>	-	-	164,505	164,505
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,505</u>	<u>\$ 164,505</u>
<i>Net change in fund balance (Non-GAAP basis)</i>				\$ 164,505
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ 164,505</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
City of Gallup  
Combining Statement of Net Position  
Nonmajor Proprietary Funds  
June 30, 2013

Statement C-1

	Enterprise Funds				Total
	Solid Waste	Fitness Center	Rodeo	Gamerico	
<i>Assets</i>					
<i>Current assets</i>					
Cash and cash equivalents	\$ 1,142,594	\$ 384,519	\$ 349,153	\$ 121,095	\$ 1,997,361
Investments	3,500,000	-	-	200,003	3,700,003
Customer receivables, net	400,575	-	-	74,768	475,343
<i>Total current assets</i>	<u>5,043,169</u>	<u>384,519</u>	<u>349,153</u>	<u>395,866</u>	<u>6,172,707</u>
<i>Noncurrent assets</i>					
Capital assets	4,470,882	319,328	-	-	4,790,210
Less: accumulated depreciation	(3,727,675)	(67,892)	-	-	(3,795,567)
<i>Total noncurrent assets</i>	<u>743,207</u>	<u>251,436</u>	<u>-</u>	<u>-</u>	<u>994,643</u>
<i>Total assets</i>	<u>\$ 5,786,376</u>	<u>\$ 635,955</u>	<u>\$ 349,153</u>	<u>\$ 395,866</u>	<u>\$ 7,167,350</u>
<i>Liabilities and net position</i>					
<i>Liabilities</i>					
<i>Current liabilities</i>					
Accounts payable	\$ 95,332	\$ -	\$ 244,662	\$ 6,764	\$ 346,758
Accrued payroll	8,991	2,189	-	-	11,180
Accrued tax liability	-	1,604	-	-	1,604
Accrued compensated absences	2,271	693	-	-	2,964
<i>Total current liabilities</i>	<u>106,594</u>	<u>4,486</u>	<u>244,662</u>	<u>6,764</u>	<u>362,506</u>
<i>Noncurrent liabilities</i>					
Accrued compensated absences	26,248	6,363	-	-	32,611
Accrued landfill closure costs	300,000	-	-	-	300,000
<i>Total noncurrent liabilities</i>	<u>326,248</u>	<u>6,363</u>	<u>-</u>	<u>-</u>	<u>332,611</u>
<i>Total liabilities</i>	<u>432,842</u>	<u>10,849</u>	<u>244,662</u>	<u>6,764</u>	<u>695,117</u>
<i>Net position</i>					
Net investment in capital assets	743,207	251,436	-	-	994,643
Unrestricted	4,610,327	373,670	104,491	389,102	5,477,590
<i>Total net position</i>	<u>5,353,534</u>	<u>625,106</u>	<u>104,491</u>	<u>389,102</u>	<u>6,472,233</u>
<i>Total liabilities and net position</i>	<u>\$ 5,786,376</u>	<u>\$ 635,955</u>	<u>\$ 349,153</u>	<u>\$ 395,866</u>	<u>\$ 7,167,350</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-2

City of Gallup

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Proprietary Funds

For the Year Ended June 30, 2013

	Enterprise Funds				Total
	Solid Waste	Fitness Center	Rodeo	Gamerico	
<i>Operating revenues</i>					
Charges for services	\$ 3,180,955	\$ 278,614	\$ 505,550	\$ 372,475	\$ 4,337,594
<i>Total operating revenues</i>	<u>3,180,955</u>	<u>278,614</u>	<u>505,550</u>	<u>372,475</u>	<u>4,337,594</u>
<i>Operating expenses</i>					
Personnel services	544,582	133,031	-	-	677,613
Contractual services	1,979,525	32,554	614,899	395,082	3,022,060
Repairs and maintenance	-	31,126	-	-	31,126
Utilities	-	26,669	-	-	26,669
Equipment	-	6,243	-	-	6,243
Depreciation	-	-	-	-	-
<i>Total operating expenses</i>	<u>2,524,107</u>	<u>229,623</u>	<u>614,899</u>	<u>395,082</u>	<u>3,763,711</u>
<i>Operating income (loss)</i>	<u>656,848</u>	<u>48,991</u>	<u>(109,349)</u>	<u>(22,607)</u>	<u>573,883</u>
<i>Non-operating revenues (expenses)</i>					
Gross receipts taxes	419,734	-	-	-	419,734
Interest income	8,406	-	-	542	8,948
Miscellaneous income	-	189	-	1,953	2,142
<i>Total non-operating revenues (expenses)</i>	<u>428,140</u>	<u>189</u>	<u>-</u>	<u>2,495</u>	<u>430,824</u>
<i>Income (loss) before transfers and contributions</i>	<u>1,084,988</u>	<u>49,180</u>	<u>(109,349)</u>	<u>(20,112)</u>	<u>1,004,707</u>
State and federal capital grants	-	-	15,000	-	15,000
Transfers in	-	39,582	-	-	39,582
Transfers out	(215,220)	-	-	-	(215,220)
<i>Change in net position</i>	<u>869,768</u>	<u>88,762</u>	<u>(94,349)</u>	<u>(20,112)</u>	<u>844,069</u>
<i>Net position, beginning of year</i>	<u>4,483,766</u>	<u>536,344</u>	<u>198,840</u>	<u>409,214</u>	<u>5,628,164</u>
<i>Net position, end of year</i>	<u>\$ 5,353,534</u>	<u>\$ 625,106</u>	<u>\$ 104,491</u>	<u>\$ 389,102</u>	<u>\$ 6,472,233</u>

The accompanying notes are an integral part of these financial statements

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**STATE OF NEW MEXICO**  
City of Gallup  
Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Year Ended June 30, 2013

Statement C-3

	Enterprise Funds				Total
	Solid Waste	Fitness Center	Rodeo	Gamerico	
<i>Cash flows from operating activities</i>					
Cash received from user charges	\$3,127,426	\$ 279,124	\$ 514,849	\$ 391,937	\$4,313,336
Cash payments to employees for services	(577,998)	(60,896)	(62,899)	-	(701,793)
Cash payments to suppliers for goods and services	(1,984,372)	(170,831)	(478,489)	(395,256)	(3,028,948)
<i>Net cash provided (used) by operating activities</i>	565,056	47,397	(26,539)	(3,319)	582,595
<i>Cash flows from noncapital financing activities</i>					
Gross receipts taxes	419,734	-	-	-	419,734
Miscellaneous income	-	189	-	1,953	2,142
Payments for noncurrent accrued compensated absences	-	(9,257)	-	-	(9,257)
Interfund advances (payments) and transfers	(215,220)	39,582	-	-	(175,638)
<i>Net cash provided (used) by noncapital financing activities</i>	204,514	30,514	-	1,953	236,981
<i>Cash flows from capital and related financing activities</i>					
State and federal capital grants	-	-	15,000	-	15,000
Acquisition of capital assets	(180,383)	6,922	-	-	(173,461)
<i>Net cash provided (used) by capital and related financing activities</i>	(180,383)	6,922	15,000	-	(158,461)
<i>Cash flows from investing activities</i>					
Interest on investments	8,406	-	-	542	8,948
<i>Net cash provided by investing activities</i>	8,406	-	-	542	8,948
<i>Net increase (decrease) in cash and cash equivalents</i>	597,593	84,833	(11,539)	(824)	670,063
<i>Cash and cash equivalents - beginning of year</i>	545,001	299,686	360,692	121,919	1,327,298
<i>Cash and cash equivalents - end of year</i>	\$1,142,594	\$ 384,519	\$ 349,153	\$ 121,095	\$1,997,361
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>					
Operating income (loss)	\$ 656,848	\$ 48,991	\$ (109,349)	\$ (22,607)	\$ 573,883
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	-	-
Changes in assets and liabilities					
Receivables	(53,529)	510	9,299	19,462	(24,258)
Accounts payable	4,144	(4,107)	73,511	(174)	73,374
Accrued payroll expenses	(36,712)	1,971	-	-	(34,741)
Accrued compensated absences	(5,695)	32	-	-	(5,663)
<i>Net cash provided (used) by operating activities</i>	\$ 565,056	\$ 47,397	\$ (26,539)	\$ (3,319)	\$ 582,595

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement D-1

City of Gallup

Joint Utilities Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Position

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 30,000,000	\$ 32,157,114	\$ 32,026,997	\$ (130,117)
<i>Total operating revenues</i>	<u>30,000,000</u>	<u>32,157,114</u>	<u>32,026,997</u>	<u>(130,117)</u>
<i>Operating expenses</i>				
Personnel services	3,263,087	3,159,341	2,849,332	310,009
Contractual services	3,904,856	28,108,410	18,486,029	9,622,381
Supplies	-	-	874,153	(874,153)
Repairs and maintenance	20,615,850	4,494,960	1,516,443	2,978,517
Utilities	509,901	742,760	468,569	274,191
Equipment	630,000	3,760,584	-	3,760,584
Depreciation	-	-	-	-
Miscellaneous	3,799,243	5,508,113	10,379	5,497,734
<i>Total operating expenses</i>	<u>32,722,937</u>	<u>45,774,168</u>	<u>24,204,905</u>	<u>21,569,263</u>
<i>Operating income (loss)</i>	<u>(2,722,937)</u>	<u>(13,617,054)</u>	<u>7,822,092</u>	<u>21,439,146</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	-	-	-	-
Interest expense	(1,253,127)	(1,214,531)	(819,048)	395,483
Interest income	113,300	111,780	111,779	(1)
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>(1,139,827)</u>	<u>(1,102,751)</u>	<u>(707,269)</u>	<u>395,482</u>
<i>Income (loss) before transfers and contributions</i>	<u>(3,862,764)</u>	<u>(14,719,805)</u>	<u>7,114,823</u>	<u>21,834,628</u>
State and federal capital grants	365,000	5,443,809	5,329,973	(113,836)
Transfers	(1,165,458)	(1,820,500)	(1,751,302)	69,198
<i>Change in net position</i>	<u>\$ (4,663,222)</u>	<u>\$ (11,096,496)</u>	<u>10,693,494</u>	<u>\$ 21,789,990</u>
<i>Net position, beginning of year</i>			73,474,355	
<i>Net position restatement (Note 22)</i>			<u>244,576</u>	
<i>Net position, as restated</i>			<u>73,718,931</u>	
<i>Net position, end of year</i>			<u>\$ 84,412,425</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement D-2

City of Gallup

Solid Waste Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Position

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 2,926,300	\$ 3,078,110	\$ 3,180,955	\$ 102,845
<i>Total operating revenues</i>	<u>2,926,300</u>	<u>3,078,110</u>	<u>3,180,955</u>	<u>102,845</u>
<i>Operating expenses</i>				
Personnel services	664,131	661,008	544,582	116,426
Contractual services	2,433,817	2,888,163	1,979,525	908,638
Supplies	-	-	-	-
Repairs and maintenance	-	-	-	-
Utilities	-	-	-	-
Equipment	-	-	-	-
Depreciation	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating expenses</i>	<u>3,097,948</u>	<u>3,549,171</u>	<u>2,524,107</u>	<u>1,025,064</u>
<i>Operating income (loss)</i>	<u>(171,648)</u>	<u>(471,061)</u>	<u>656,848</u>	<u>1,127,909</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	430,000	455,040	419,734	(35,306)
Interest expense	-	-	-	-
Interest income	3,500	26,130	8,406	(17,724)
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>433,500</u>	<u>481,170</u>	<u>428,140</u>	<u>(53,030)</u>
<i>Income (loss) before transfers and contributions</i>	<u>261,852</u>	<u>10,109</u>	<u>1,084,988</u>	<u>1,074,879</u>
State and federal capital grants	-	-	-	-
Transfers	(373,298)	(215,220)	(215,220)	-
<i>Change in net position</i>	<u>\$ (111,446)</u>	<u>\$ (205,111)</u>	<u>869,768</u>	<u>\$ 1,074,879</u>
<i>Net position, beginning of year</i>			<u>4,483,766</u>	
<i>Net position, end of year</i>			<u>\$ 5,353,534</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement D-3

City of Gallup

Fitness Center Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Position

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 200,000	\$ 285,700	\$ 278,614	\$ (7,086)
<i>Total operating revenues</i>	200,000	285,700	278,614	(7,086)
<i>Operating expenses</i>				
Personnel services	150,492	145,251	133,031	12,220
Contractual services	58,300	63,787	32,554	31,233
Supplies	-	-	-	-
Repairs and maintenance	39,000	104,900	31,126	73,774
Utilities	36,000	24,000	26,669	(2,669)
Equipment	-	6,243	6,243	-
Depreciation	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating expenses</i>	283,792	344,181	229,623	114,558
<i>Operating income (loss)</i>	(83,792)	(58,481)	48,991	107,472
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	-	-	-	-
Interest expense	-	-	-	-
Interest income	-	-	-	-
Gain on disposal of capital assets	-	-	-	-
Miscellaneous income	-	-	189	189
<i>Total non-operating revenues (expenses)</i>	-	-	189	189
<i>Income (loss) before transfers and contributions</i>	(83,792)	(58,481)	49,180	107,661
State and federal capital grants	-	-	-	-
Transfers	83,792	39,582	39,582	-
<i>Change in net position</i>	\$ -	\$ (18,899)	88,762	\$ 107,661
<i>Net position, beginning of year</i>			536,344	
<i>Net position, end of year</i>			\$ 625,106	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement D-4

City of Gallup

Rodeo Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Position  
 Budget (GAAP Basis) and Actual  
 For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ -	\$ 645,267	\$ 505,550	\$ (139,717)
<i>Total operating revenues</i>	-	645,267	505,550	(139,717)
<i>Operating expenses</i>				
Personnel services	-	-	-	-
Contractual services	-	987,261	614,899	372,362
Supplies	-	-	-	-
Repairs and maintenance	-	-	-	-
Utilities	-	-	-	-
Equipment	-	-	-	-
Depreciation	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating expenses</i>	-	987,261	614,899	372,362
<i>Operating income (loss)</i>	-	(341,994)	(109,349)	232,645
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	-	-	-	-
Other taxes	-	25,000	-	(25,000)
Interest expense	-	-	-	-
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	-	25,000	-	(25,000)
<i>Income (loss) before transfers and contributions</i>	-	(316,994)	(109,349)	207,645
State and federal capital grants	-	15,000	15,000	-
Transfers	-	-	-	-
<i>Change in net position</i>	\$ -	\$ (301,994)	(94,349)	\$ 207,645
<i>Net position, beginning of year</i>			198,840	
<i>Net position, end of year</i>			\$ 104,491	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement D-5

City of Gallup

Gamerico Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Position  
Budget (GAAP Basis) and Actual  
For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 370,000	\$ 399,500	\$ 372,475	\$ (27,025)
<i>Total operating revenues</i>	<u>370,000</u>	<u>399,500</u>	<u>372,475</u>	<u>(27,025)</u>
<i>Operating expenses</i>				
Personnel services	-	-	-	-
Contractual services	370,500	400,000	395,082	4,918
Supplies	-	-	-	-
Repairs and maintenance	-	-	-	-
Utilities	-	-	-	-
Equipment	-	-	-	-
Depreciation	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating expenses</i>	<u>370,500</u>	<u>400,000</u>	<u>395,082</u>	<u>4,918</u>
<i>Operating income (loss)</i>	<u>(500)</u>	<u>(500)</u>	<u>(22,607)</u>	<u>(22,107)</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	-	-	-	-
Interest expense	-	-	-	-
Interest income	500	542	542	-
Bad debt expense	-	-	1,953	1,953
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>500</u>	<u>542</u>	<u>2,495</u>	<u>1,953</u>
<i>Income (loss) before transfers and contributions</i>	<u>-</u>	<u>42</u>	<u>(20,112)</u>	<u>(20,154)</u>
State and federal capital grants	-	-	-	-
Transfers	-	-	-	-
<i>Change in net position</i>	<u>\$ -</u>	<u>\$ 42</u>	<u>(20,112)</u>	<u>\$ (20,154)</u>
<i>Net position, beginning of year</i>			<u>409,214</u>	
<i>Net position, end of year</i>			<u>\$ 389,102</u>	

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement D-6

City of Gallup

Internal Service Fund

Statement of Revenues, Expenses and Changes in Net Position  
 Budget (GAAP Basis) and Actual  
 For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 2,000,000	\$ 2,000,830	\$ 1,990,960	\$ (9,870)
<i>Total operating revenues</i>	<u>2,000,000</u>	<u>2,000,830</u>	<u>1,990,960</u>	<u>(9,870)</u>
<i>Operating expenses</i>				
Personnel services	105,400	315,639	146,533	169,106
Contractual services	1,989,310	1,994,560	2,001,280	(6,720)
Depreciation	-	-	-	-
<i>Total operating expenses</i>	<u>2,094,710</u>	<u>2,310,199</u>	<u>2,147,813</u>	<u>162,386</u>
<i>Operating income (loss)</i>	<u>(94,710)</u>	<u>(309,369)</u>	<u>(156,853)</u>	<u>152,516</u>
<i>Non-operating revenues (expenses)</i>				
Interest income	4,500	15,000	3,749	(11,251)
Miscellaneous income	75,000	50,000	51,405	1,405
<i>Total non-operating revenues (expenses)</i>	<u>79,500</u>	<u>65,000</u>	<u>55,154</u>	<u>(9,846)</u>
<i>Income (loss) before transfers and contributions</i>	<u>(15,210)</u>	<u>(244,369)</u>	<u>(101,699)</u>	<u>142,670</u>
State and federal capital grants	-	-	-	-
<i>Change in net position</i>	<u>\$ (15,210)</u>	<u>\$ (349,369)</u>	<u>(206,699)</u>	<u>\$ 142,670</u>
<i>Net position, beginning of year</i>			<u>4,093,124</u>	
<i>Net position, end of year</i>			<u>\$ 3,886,425</u>	

The accompanying notes are an integral part of these financial statements

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**SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
City of Gallup  
Schedule of Deposit and Investment Accounts  
June 30, 2013

Schedule I

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
<b>Wells Fargo Bank, N.A.</b>					
Operational	Checking	\$ 3,888,989	\$ 11,747,489	\$ 1,784,017	\$ 13,852,461
Operational	Repurchase Agreement	11,575,360	-	11,575,360	-
Gallup Municipal Court	Checking	6,914	-	1,152	5,762
Total Wells Fargo Bank, N.A.		<u>15,471,263</u>	<u>11,747,489</u>	<u>13,360,529</u>	<u>13,858,223</u>
<b>Wells Fargo Brokerage</b>					
Money Market Account #1	Money Market	4,754,193	-	-	4,754,193
Negotiable CD	Certificates of Deposit	1,499,131	-	-	1,499,131
Misc NM Government Bonds	Money Market	500,745	-	-	500,745
Money Market Account #2	Money Market	10,416,867	-	-	10,416,867
Negotiable CD	Certificates of Deposit	11,490,913	-	-	11,490,913
Federal Home Loans	Money Market	4,874,465	-	-	4,874,465
Misc NM Government Bonds	Money Market	5,762,487	-	-	5,762,487
Federal National Mortgage Associations	Money Market	1,865,916	-	-	1,865,916
Goldman Sach BK Interest bearing comm. paper	Money Market	247,892	-	-	247,892
Freddie Mac	Money Market	464,484	-	-	464,484
New Mexico Finance Authority REE-Transr	Money Market	148,990	-	-	148,990
Total Wells Fargo Brokerage		<u>42,026,083</u>	<u>-</u>	<u>-</u>	<u>42,026,083</u>
<b>US Bank</b>					
City of Gallup	Certificates of Deposit	22,000,225	-	-	22,000,225
Total US Bank		<u>22,000,225</u>	<u>-</u>	<u>-</u>	<u>22,000,225</u>
<b>New Mexico Finance Authority</b>					
NMFA Gallup 4 Cash & Reserve	State Tr. Debt Service	134,821	-	-	134,821
NMFA Gallup 6 Program Funds	State Tr. Debt Service	4,786,880	-	-	4,786,880
NMFA Gallup 8 Program Funds	State Tr. Debt Service	2,622,978	-	-	2,622,978
NMFA Gallup 9 Program Funds	State Tr. Debt Service	2,273,300	-	-	2,273,300
NMFA Gallup 8 Loan proceeds	State Tr. Debt Service	1,748,652	-	-	1,748,652
NMFA Gallup 9 Loan proceeds	State Tr. Debt Service	1,515,534	-	-	1,515,534
Total New Mexico Finance Authority		<u>13,082,165</u>	<u>-</u>	<u>-</u>	<u>13,082,165</u>
<b>Total</b>		<u>\$92,579,736</u>	<u>\$11,747,489</u>	<u>\$13,360,529</u>	90,966,696
New Mexico State Treasurer Reserve Contingencies Fund					489
Add: Unreconciled bond defeasance distributions					872,371
Add: petty cash					4,972
Total deposits and investments					<u>\$91,844,528</u>
<b>Deposits and investments per financial statements:</b>					
Cash and cash equivalents - Exhibit A-1					\$14,220,076
Investments - Exhibit A-1					68,442,471
Restricted cash and cash equivalents - Exhibit A-1					8,666,491
Fiduciary funds cash - Exhibit E-1					515,490
Total deposits and investments					<u>\$91,844,528</u>

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**STATE OF NEW MEXICO**  
City of Gallup  
Schedule of Collateral Pledged by Depository for Public Funds  
June 30, 2013

Schedule II

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2013	Location of Safekeeper
<b>Wells Fargo Bank, N.A.</b>					
	FN AL0604 3.000% 08/01/2026	8/1/2026	3138EGU69	\$ 103,947	Wells Fargo Bank Northwest, NA
	FN AR9198 3.000% 03/01/2043	3/1/2043	3138W7GG3	271,899	Wells Fargo Bank Northwest, NA
	FN AB6498 3.000% 10/01/2042	10/1/2042	31417DGG2	19,143	Wells Fargo Bank Northwest, NA
	FN AE0216 4.000% 08/01/2040	8/1/2040	31419AG27	1,610,838	Wells Fargo Bank Northwest, NA
	FH-30 1B8481 3.07%	7/1/2041	3128UGY50	10,512,814	WF Brokerage, Minneapolis, MN
	FN-30 AR7062 3.00%	3/1/2043	3138W246	1,294,053	WF Brokerage, Minneapolis, MN
				<u>13,812,694</u>	
<b>US Bank</b>					
	FHLB of Cincinnati *	7/1/2013	NA	<u>22,000,000</u>	Federal Home Loan Bank- Cincinnati, OH
Total Pledged Collateral				<u><u>\$ 35,812,694</u></u>	

(\*) This is a letter of credit that is irrevocable, unconditional, and nontransferable

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STATE OF NEW MEXICO

Schedule III

City of Gallup

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2013

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<i>Assets</i>				
Cash	\$ 408,840	\$ 106,650	\$ -	\$ 515,490
Accounts receivable	-	7,337	-	7,337
Total assets	<u>\$ 408,840</u>	<u>\$ 113,987</u>	<u>\$ -</u>	<u>\$ 522,827</u>
<i>Liabilities</i>				
Deposits payable	\$ 408,840	\$ 100,888	\$ -	\$ 509,728
Accounts payable	-	13,099	-	13,099
Total liabilities	<u>\$ 408,840</u>	<u>\$ 113,987</u>	<u>\$ -</u>	<u>\$ 522,827</u>

See independent auditors' report

**STATE OF NEW MEXICO**  
City of Gallup  
Schedule of Joint Powers Agreements and Memo of Understanding  
June 30, 2013

Agreement	The City Participates with	Party Responsible for Operation	Description
Navajo-Gallup Water Supply Project	McKinley County	City of Gallup	This agreement is to establish a commitment for the county to provide a portion of the non-federal matching funds to pay for the NGWSP which will provide water to the City of Gallup and surrounding areas, including private and Navajo Lands.
Wildland Fire Protection and Suppression	Energy, Minerals and Natural Resources Department, Forestry Division	Both	Joint Powers Agreement between the Energy, Minerals and Natural Resources Department, Forestry Division and the City of Gallup for Wildland Fire Protection and Suppression
Operation of a Jail Facility	McKinley County	McKinley County	Agreement between the parties for operation of the jail facility.
Liquor Excise Tax	McKinley County	McKinley County	Liquor Excise Tax usage
Metro-Dispatch Center	McKinley County	McKinley County	Agreement between the parties for the operation of a joint Metro-dispatch Center
Aquatics Center Swimming Facility	Gallup McKinley County School District No. 1	City of Gallup	Agreement between the parties for the operation of a swimming facility.
Athletics and Recreational Facilities	Gallup McKinley County School District No. 1	City of Gallup	Agreement between the parties for the use of City owned recreational facilities by the GMCS.

See independent auditors' report

<u>Period</u>	<u>Cost to City</u>	<u>City Contributions</u>	<u>Audit Responsibility</u>
8/2012 for 35 yr term	City Commitment is approximately \$85,000,000	None to date	Bureau of Reclamation
3/2008 until terminated	Undetermined	Undetermined	City of Gallup
9/2003, amended 6/2005 until terminated	City pays 30% of cost of operating facility calculated after tax receipts and housing revenues are applied	Currently housing and tax receipts cover city portion	McKinley County
10/2006 until terminated	None	None	McKinley County
12/2003 until terminated	Paid by emergency tax revenue. Any shortfall will be paid 50% each by City/County.	None	McKinley County
4/2004 until terminated	City pays all operating costs	Varies annually	City of Gallup
6/2012 until terminated	City pays all operating costs	Varies annually	City of Gallup

**STATE OF NEW MEXICO**  
**Gallup Housing Authority**  
A Component Unit of the City of Gallup  
**Financial Data Schedule**  
June 30, 2013

Low Rent Public Housing Program

Line Item Number	Description	Project 1 NM006000001 14.850	Project 2 NM006000002 14.850	Project 3 NM006000003 14.850	Other Project 14.850
111	Cash - Unrestricted	\$ 225,870	\$ (20,367)	\$ 131,348	\$ 8,244
113	Cash - Other Restricted	-	-	-	-
114	Cash - Tenant Security Deposits	40,121	3,263	6,628	-
100	Total Cash	<u>265,991</u>	<u>(17,104)</u>	<u>137,976</u>	<u>8,244</u>
122	Accounts Receivable - HUD Other Projects	55,076	-	-	-
126	Accounts Receivable - Tenants - Dwelling Rents	66,472	1,421	21,134	-
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(31,525)	-	(10,550)	-
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>90,023</u>	<u>1,421</u>	<u>10,584</u>	<u>-</u>
142	Prepaid Expenses and Other Assets	5,453	974	1,275	-
143	Inventories	46,993	7,180	11,096	-
143.1	Allowance for Obsolete Inventories	(2,350)	(359)	(555)	-
150	Total Current Assets	<u>406,110</u>	<u>(7,888)</u>	<u>160,376</u>	<u>8,244</u>
161	Land	1,486,872	75,593	116,825	6,872
162	Buildings	7,289,886	1,166,515	2,283,777	1,548,459
163	Furniture, Equipment & Machinery - Dwellings	210,992	35,661	50,519	-
164	Furniture, Equipment & Machinery - Administration	161,204	16,270	23,505	188,563
166	Accumulated Depreciation	(3,695,468)	(553,242)	(1,205,466)	(1,689,956)
167	Construction in progress	447,958	-	41,074	-
160	Total Capital Assets, Net of Accumulated Depreciation	<u>5,901,444</u>	<u>740,797</u>	<u>1,310,234</u>	<u>53,938</u>
180	Total Non-Current Assets	<u>5,901,444</u>	<u>740,797</u>	<u>1,310,234</u>	<u>53,938</u>
190	Total Assets	<u>\$ 6,307,554</u>	<u>\$ 732,909</u>	<u>\$ 1,470,610</u>	<u>\$ 62,182</u>

See independent auditors' report

Housing Choice Vouchers Program 14.871	Homeless Prevention & Rapid Rehousing 14.257	Total
\$ 36,785	\$ 64	\$ 381,944
72,308	-	72,308
-	-	50,012
109,093	64	504,264
-	-	55,076
-	-	89,027
-	-	(42,075)
-	-	102,028
-	-	7,702
-	-	65,269
-	-	(3,264)
109,093	64	675,999
-	-	1,686,162
-	-	12,288,637
-	-	297,172
14,802	-	404,344
(14,802)	-	(7,158,934)
-	-	489,032
-	-	8,006,413
-	-	8,006,413
\$ 109,093	\$ 64	\$ 8,682,412

**STATE OF NEW MEXICO**  
**Gallup Housing Authority**  
A Component Unit of the City of Gallup  
**Financial Data Schedule**  
June 30, 2013

Low Rent Public Housing Program

Line Item Number	Description	Project 1 NM006000001 14.850	Project 2 NM006000002 14.850	Project 3 NM006000003 14.850	Other Project 14.850
312	Accounts Payable <= 90 Days	\$ 11,072	\$ 978	\$ 1,014	\$ 1,008
321	Accrued Wage/Payroll Taxes Payable	5,245	852	1,264	5,292
322	Accrued Compensated Absences - Current Portion	204	31	48	64
331	Accounts payable - HUD PHA programs	-	-	-	-
341	Tenant Security Deposits	35,582	3,263	6,628	-
342	Deferred Revenues	3,408	844	777	831
346	Accrued Liabilities - Other	19,428	-	-	-
310	Total Current Liabilities	<u>74,939</u>	<u>5,968</u>	<u>9,731</u>	<u>7,195</u>
354	Accrued Compensated Absences - Non- Current	3,330	509	786	1,048
350	Total Non-Current Liabilities	<u>3,330</u>	<u>509</u>	<u>786</u>	<u>1,048</u>
300	Total Liabilities	<u>78,269</u>	<u>6,477</u>	<u>10,517</u>	<u>8,243</u>
508.1	Net investment in capital assets	5,901,444	740,797	1,310,234	53,938
511	Restricted Net Position	4,539	-	-	-
512.1	Unrestricted Net Position	323,302	(14,365)	149,859	1
513	Total Equity/Net Position	<u>6,229,285</u>	<u>726,432</u>	<u>1,460,093</u>	<u>53,939</u>
600	Total Liabilities and Equity/Net Position	<u>\$ 6,307,554</u>	<u>\$ 732,909</u>	<u>\$ 1,470,610</u>	<u>\$ 62,182</u>

See independent auditors' report

Housing Choice Vouchers Program 14.871	Homeless Prevention & Rapid Rehousing 14.257	Total
\$ -	\$ -	\$ 14,072
120	-	12,773
16	-	363
11	-	11
-	-	45,473
-	-	5,860
-	-	19,428
147	-	97,980
262	-	5,935
262	-	5,935
409	-	103,915
-	-	8,006,413
72,308	-	76,847
36,376	64	495,237
108,684	64	8,578,497
\$ 109,093	\$ 64	\$ 8,682,412

**STATE OF NEW MEXICO**  
 Gallup Housing Authority  
 A Component Unit of the City of Gallup  
 Financial Data Schedule  
 June 30, 2013

Low Rent Public Housing Program

Line Item Number	Description	Project 1 NM006000001 14.850	Project 2 NM006000002 14.850	Project 3 NM006000003 14.850	Other Project 14.850
70300	Net Tenant Rental Revenue	\$ 493,458	\$ 74,090	\$ 75,996	\$ -
70400	Tenant Revenue - Other	24,880	-	3,375	-
70500	Total Tenant Revenue	518,338	74,090	79,371	-
70600	HUD PHA Operating Grants	609,212	53,392	181,267	-
70610	Capital Grants	-	-	-	-
70800	Other Governmental Grants	-	-	-	-
71100	Investment Income - Unrestricted	254	45	49	-
71400	Fraud Recovery	5,155	-	9,925	-
71500	Other Revenue	20,719	855	2,091	-
70000	Total Revenue	1,153,678	128,382	272,703	-
91100	Administrative Salaries	80,253	13,491	14,910	-
91200	Auditing Fees	16	3	4	-
	Employee Benefit Contributions -				
91500	Administrative	16,125	2,739	2,996	-
91600	Office Expenses	18,510	3,494	4,393	-
91700	Legal Expense	370	68	86	-
91800	Travel	946	172	212	-
91810	Allocated Overhead	115,892	18,550	25,407	-
91900	Other Operating - Administrative	18,995	3,702	4,259	-
91000	Total Operating - Administrative	251,107	42,219	52,267	-
93100	Water	71,149	4,579	1,121	-
93200	Electricity	77,314	9,875	1,318	-
93300	Gas	71,613	10,425	2,241	-
93600	Sewer	39,790	2,199	564	-
93800	Other Utilities Expense	12,333	1,322	1,384	-
93000	Total Utilities	272,199	28,400	6,628	-

See independent auditors' report

Public Housing Capital Projects Fund					
Project 1 NM006000001 14.872	Project 2 NM006000002 14.872	Project 3 NM006000003 14.872	Housing Choice Vouchers Program 14.871	Homeless Prevention & Rapid Rehousing 14.257	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 643,544
-	-	-	-	-	28,255
-	-	-	-	-	671,799
6,091	931	1,438	88,509	-	940,840
101,148	-	11,555	-	-	112,703
-	-	-	-	-	-
-	-	-	7	-	355
-	-	-	-	-	15,080
-	-	-	10,051	-	33,716
107,239	931	12,993	98,567	-	1,774,493
-	-	-	10,674	-	119,328
-	-	-	-	-	23
-	-	-	2,612	-	24,472
-	-	-	267	-	26,664
-	-	-	-	-	524
-	-	-	-	-	1,330
-	-	-	5,083	-	164,932
-	-	-	-	60	27,016
-	-	-	18,636	60	364,289
-	-	-	-	-	76,849
-	-	-	-	-	88,507
-	-	-	-	-	84,279
-	-	-	-	-	42,553
-	-	-	-	-	15,039
-	-	-	-	-	307,227

**STATE OF NEW MEXICO**  
 Gallup Housing Authority  
 A Component Unit of the City of Gallup  
 Financial Data Schedule  
 June 30, 2013

Low Rent Public Housing Program

Line Item Number	Description	Project 1 NM006000001 14.850	Project 2 NM006000002 14.850	Project 3 NM006000003 14.850	Other Project 14.850
94100	Ordinary Maintenance & Operation - Labor	164,449	25,664	38,828	-
94200	Ordinary Maintenance & Operation - Materials & Other	132,554	24,876	26,116	-
94300	Ordinary Maintenance & Operation Contracts	60,289	13,026	16,130	-
94500	Employee Benefit Contributions - Ordinary Maintenance	34,857	5,476	8,373	-
94000	Total Maintenance	<u>392,149</u>	<u>69,042</u>	<u>89,447</u>	<u>-</u>
96110	Property Insurance	25,835	4,736	6,028	-
96120	Liability Insurance	9,541	2,571	3,271	-
96130	Workmen's Compensation	5,117	938	1,194	-
96140	All Other Insurance	6,040	1,108	1,410	-
96100	Total Insurance Premiums	<u>46,533</u>	<u>9,353</u>	<u>11,903</u>	<u>-</u>
96400	Bad Debt - Tenant Rents	17,973	-	7,585	-
96000	Total Other General	<u>17,973</u>	<u>-</u>	<u>7,585</u>	<u>-</u>
96900	Total Operating Expenses	<u>\$ 979,961</u>	<u>\$ 149,014</u>	<u>\$ 167,830</u>	<u>\$ -</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>173,717</u>	<u>(20,632)</u>	<u>104,873</u>	<u>-</u>
97300	Housing Assistance Payments	-	-	-	-
97350	HAP Portability-In	-	-	-	-
97400	Depreciation Expense	161,062	30,105	58,504	4,653
90000	Total Expenses	<u>\$ 1,141,023</u>	<u>\$ 179,119</u>	<u>\$ 226,334</u>	<u>\$ 4,653</u>
10010	Operating Transfers In	6,091	931	1,438	-
10020	Operating Transfers Out	-	-	-	-
10091	Inter Project excess Cash Transfer In	-	-	-	-
10092	Inter Project excess Cash Transfer Out	-	-	-	-
10100	Total Other Financing Sources (Uses)	<u>6,091</u>	<u>931</u>	<u>1,438</u>	<u>-</u>
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	18,746	(49,806)	47,807	(4,653)

See independent auditors' report

Public Housing Capital Projects Fund						
Project 1 NM006000001 14.872	Project 2 NM006000002 14.872	Project 3 NM006000003 14.872	Housing Choice Vouchers Program 14.871	Homeless Prevention & Rapid Rehousing 14.257	Total	
-	-	-	-	-	-	228,941
-	-	-	-	-	-	183,546
-	-	-	-	-	-	89,445
-	-	-	-	-	-	48,706
-	-	-	-	-	-	550,638
-	-	-	-	-	-	36,599
-	-	-	-	-	-	15,383
-	-	-	-	-	-	7,249
-	-	-	-	-	-	8,558
-	-	-	-	-	-	67,789
-	-	-	-	-	-	25,558
-	-	-	-	-	-	25,558
\$ -	\$ -	\$ -	\$ 18,636	\$ 60	\$	1,315,501
107,239	931	12,993	79,931	(60)		458,992
-	-	-	134,601	-		134,601
-	-	-	18,046	-		18,046
-	-	-	-	-		254,324
\$ -	\$ -	\$ -	\$ 171,283	\$ 60	\$	1,722,472
-	-	-	-	-		8,460
(6,091)	(931)	(1,438)	-	-		(8,460)
-	-	-	-	-		-
-	-	-	-	-		-
(6,091)	(931)	(1,438)	-	-		-
101,148	-	11,555	(72,716)	(60)		52,021

**STATE OF NEW MEXICO**  
 Gallup Housing Authority  
 A Component Unit of the City of Gallup  
 Financial Data Schedule  
 June 30, 2013

		<u>Low Rent Public Housing Program</u>			
Line Item Number	Description	Project 1 NM006000001 14.850	Project 2 NM006000002 14.850	Project 3 NM006000003 14.850	Other Project 14.850
11030	Beginning Equity	4,585,877	516,912	896,124	58,592
	Ending Equity (deficit)	\$ 4,604,623	\$ 467,106	\$ 943,931	\$ 53,939
11190	Unit Months Available	2,304	348	552	-
11210	Number of Unit Months Leased	2,113	320	506	-
11620	Building Purchases	\$ -	\$ -	\$ -	\$ -

See independent auditors' report

Public Housing Capital Projects Fund					
Project 1 NM006000001 14.872	Project 2 NM006000002 14.872	Project 3 NM006000003 14.872	Housing Choice Vouchers Program 14.871	Homeless Prevention & Rapid Rehousing 14.257	Total
1,523,514	259,326	504,607	181,400	124	8,526,476
\$ 1,624,662	\$ 259,326	\$ 516,162	\$ 108,684	\$ 64	\$ 8,578,497
-	-	-	-	-	3,097
-	-	-	-	-	2,633
\$ 101,148	\$ -	\$ 11,555	\$ -	\$ -	\$ 112,703

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**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***

**INDEPENDENT AUDITORS' REPORT**

Hector H. Balderas  
New Mexico State Auditor  
The United States Office of Management and Budget and  
The City Council  
City of Gallup  
Gallup, New Mexico

We have audited 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, the financial statements of governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue fund of the City of Gallup (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual fund and related budgetary comparisons of the City, presented as supplemental information, and have issued our report thereon dated November 22, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a deficiency in internal controls that we consider to be a significant deficiency.

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 a 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 12-01, FS 12-02, FS 12-03, FS 12-04, FS 12-05, FS 12-06, FS 12-08, FS 12-12, FSHA 08-07, FSHA 12-01, FSHA 12-02, FSHA 12-03, FSHA 12-04, FSHA 12-06, FSHA 12-07, FSHA 12-11, FSHA 12-12, and FSHA 13-01 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 the deficiency described in the accompanying schedule of findings and questioned costs as item FSHA 12-15 to be a significant deficiency.

### **Compliance and Other Matters**

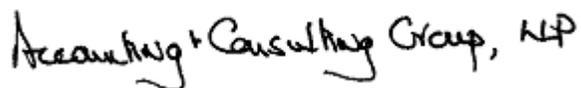
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 12-12, FS 2013-001, FS 2013-002, FSHA 12-01, FSHA 12-04, FSHA 12-05, FSHA 12-08, FSHA 12-09, FSHA 12-10, and FSHA 12-14.

### **City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Accounting & Consulting Group, LLP  
Albuquerque, New Mexico  
November 22, 2013

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**FEDERAL FINANCIAL ASSISTANCE**



**Accounting & Consulting Group, LLP**  
Certified Public Accountants

## **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

### **INDEPENDENT AUDITORS' REPORT**

Hector H. Balderas  
New Mexico State Auditor  
The United States Office of Management and Budget and  
The City Council  
City of Gallup  
Gallup, New Mexico

#### **Report on Compliance for Each Major Federal Program**

We have audited the City of Gallup's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

## **Basis for Adverse Opinion on the City's Discretely Presented Component Unit's CFDA 14.850 Public and Indian Housing**

As described in the accompanying schedule of findings and questioned costs, the City's discretely presented component unit did not comply with requirements regarding CFDA 14.850 Public and Indian Housing program as described in findings FAHA 12-03 for Equipment and Real Property Management; FAHA 12-04 for Reporting; and FAHA 12-05 for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for the City's discretely presented component unit to comply with the requirements applicable to that program.

## **Adverse Opinion on the City's Discretely Presented Component Unit CFDA 14.850 Public and Indian Housing Program**

In our opinion, because of the significance of the effects of the noncompliance described in the basis for Adverse Opinion Paragraph, the Discretely Presented Component Unit did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 14.850 Public and Indian Housing program for the year ended June 30, 2013.

## **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect of each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

## **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a significant deficiency.

*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 combination of deficiencies, in internal control over compliance, such that there is 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FAHA 12-02, FAHA 12-03, FAHA 12-05, and FAHA 13-01 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FAHA 12-01 to be a significant deficiency.

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The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Albuquerque, New Mexico  
November 22, 2013

**STATE OF NEW MEXICO**  
City of Gallup  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

Funding Source/Grantor or Contact Name	CFDA Number	Federal Grant Number	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>			
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044 (1)	2010-12 60013	\$ 21,917
Special Programs for the Aging Title III, Part C-1 Nutrition Services	93.045 (1)	2011-12 60013	42,212
Special Programs for the Aging Title III, Part C-2 Nutrition Services	93.045 (1)	2011-12 60013	13,502
Nutrition Service Incentive Program (NSIP)	93.053 (1)	2011-12 60013	46,123
Total U.S. Department of Health and Human Services			<u>123,754</u>
<b>U.S. Department of the Interior</b>			
Navajo-Gallup Water Supply Project	* 15.552	11-WC-40-435	519,222
Total U.S. Department of the Interior			<u>519,222</u>
<b>U.S. Department of Transportation</b>			
Scenic Byways Program - Route 66 Phase II	20.205 (2)	SB-2007-NM-02	2,856
Recreational Trails Program	20.219 (2)	11-521-0551-0173	94,453
Airport Improvement Program	* 20.106	3-35-0019-022-2012	394,444
100 Days and Nights of Summer	20.600	12-PT-DS-037	7,378
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	12-AL-64-037	51,563
Total U.S. Department of Transportation			<u>550,694</u>
<b>Department of Homeland Security</b>			
FEMA & DHS I	97.044 (3)	EMW-2010-FO-09043	13,801
FEMA & DHS II	97.044 (3)	EMW-2010-FO-09043	110,548
Total Department of Homeland Security			<u>124,349</u>
<b>U.S. Department of Housing and Urban Development</b>			
Public and Indian Housing	* 14.850	Component Unit	843,871
Section 8 Housing Choice Vouchers	14.871	Component Unit	88,509
Public Housing Capital Fund	14.872	Component Unit	121,163
Total U.S. Department of Housing and Urban Development			<u>1,053,543</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 2,371,562</u>

() Denotes cluster programs

\* Denotes Major Federal Financial Assistance Program

See independent auditors' report  
See accompanying notes to schedule of expenditures of federal awards

**Notes to Schedule of Expenditures of Federal Awards****Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Gallup and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the governmental fund financial statements, except for the proprietary funds. 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.

**Subrecipients**

The City did not provide any federal awards to subrecipients during the year.

**Non-Cash Federal Assistance**

The City did not receive any non-cash federal assistance 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	\$ 2,371,562
Total expenditures funded by other sources	<u>75,427,001</u>
Total expenditures	<u><u>\$ 77,798,563</u></u>

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**STATE OF NEW MEXICO**  
City of Gallup  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

**SECTION I – SUMMARY OF AUDIT RESULTS**

*Financial Statements:*

- |  |           |
|--|-----------|
| 1. Type of auditors’ report issued   | Qualified |
| 2. Internal control over financial reporting:                                    |           |
| a. Material weaknesses 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?  | Yes       |
| b. Significant deficiencies identified not considered to be material weaknesses?                                      | Yes       |
| 2. Type of auditors’ report issued on compliance for major programs   | Qualified |
| 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:  |           |

CFDA Number	Federal Program
15.552	Navajo-Gallup Water Supply Project
20.106	Airport Improvement Program
14.850	Public and Indian Housing

- |  |           |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs:                                    | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under the requirements set forth by OMB Circular A-133 section 530? | No        |

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS**

**Primary Government**

**FS 12-01 Inventory – Material Weakness**

*Condition:* The City does not have proper physical internal controls over inventory to properly safeguard inventory assets at June 30, 2013.

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

*Effect:* Inventory is subject to theft and this could also result in misstatements to inventory amounts reported on the City's financial statements.

*Cause:* Due to the City's inability to provide a complete inventory listing, the City was not able to perform an inventory count.

*Auditors' Recommendation:* We recommend that the City ensure compliance with (SAS AU) paragraph 110.03 by implementing internal control processes that will safeguard inventory and increase monitoring and control related to inventory, particularly in the areas of shipping and packing, inventory counts and clerical accuracy. Also, we would recommend the City produce an inventory listing.

*Management's Response:* We will conduct a full inventory count at the end of each fiscal year. For Fiscal year 2013 we did conduct counts of Fixed Assets and the warehouse inventory as well as the golf course inventory. We are now completing work on the miscellaneous inventory that had not been included. We anticipate having up to date lists during fiscal year 2014 and will conduct inventory counts during the year as well as at year end. Variances to counts will be reviewed to identify problems with tracking and control.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FS 12-02 Financial Statement Adjustments – Material Weakness**

*Condition:* The initial trial balance that was provided for the audit required material adjustments to cash, accounts receivable, accounts payable, capital assets, long term debt, and fund balance/ net position.

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

*Effect:* When sufficient controls over account balances are not implemented and operating effectively, an entity’s ability to prevent or detect a misstatement in its financial statements is limited.

*Cause:* Due to the turnover in management in prior years, the City’s internal controls that were implemented in prior years were not implemented or monitored fully during the fiscal year 2013.

*Auditors’ Recommendation:* We recommend that the City develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

*Management’s Response:* The City finance staff will attend proper training in order to prepare the financial statements for the City of Gallup.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FS 12-03 Internal Controls – Lack of Segregation of Duties and Internal Controls (Payroll, Receipts and Disbursements Cycle) – Material Weakness**

*Condition:* During our walkthrough of the payroll, receipts, and disbursements transaction cycles we observed the following:

- Management had total control over these cycles and could potentially override internal controls that are in place
- Management does not have internal controls to properly monitor or safeguard master file transactions for customers, vendors, or employees
- Management does not have proper internal controls for reviewing payroll reports to the general ledger to ensure accuracy and completeness

*Criteria:* Appropriate segregation of duties in cash receipting, disbursements and payroll processing is required to maintain proper and sufficient internal controls and properly report all revenues and expenditures as required by Section 6-6-3, NMSA 1978.

*Effect:* Without adequate segregation of duties in key control processes, there is an increased risk of fraudulent activity, and also an increased risk of errors that may not be detected timely.

*Cause:* Due to the turnover in management in prior years, the City's internal controls that were implemented in prior years were not implemented or monitored fully during the fiscal year 2013.

*Auditors' Recommendation:* We recommend the City develop a formal review process for the receipt, disbursement, and payroll transaction cycles. Also, implement and document policies and procedures to maintain proper internal controls that include segregation of duties.

*Management's Response:* The finance department management has been replaced and proper segregation, approvals and monitoring are being implemented.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FS 12-04 Capital Assets – Material Weakness**

*Condition:* During the capital asset inventory procedures, we noted the following issues:

- The City does not have processes or internal controls in place over their governmental activity capital asset listing to ensure the information is correct. This includes:
  - The capital assets system was not being reconciled during the fiscal year
  - Several assets on the listing do not have the required information to properly describe, track, or monitor the assets
  - The City's system did not properly track equipment depreciation by asset
  - The City did not perform the required annual inventory
  - The City does not track the internal service fund assets
  - The City is not properly tracking construction in process and does not have a process in place to ensure construction is being monitored
  
- The City does not have processes or internal controls in place over their business-type activity capital asset listing. This includes:
  - The City does not have a complete detail asset report for the business-type activities.
  - The City did not perform the required annual inventory.
  - The City is not properly tracking construction in process and does not have a process in place to ensure construction is being monitored
  - The City does not have processes in place to track or monitor business-type assets.

*Criteria:* Section 2.20.1 of NMAC requires agencies to properly account for capital assets. The required capital asset accounting system is described in Section 2.20.1.8 of NMAC. Proper controls over the capital assets are described in Section 2.20.1.15 of NMAC. The statutory annual inventory requirement is described in Section 2.20.1.16 of NMAC. Section 12-6-10 NMSA1978 requires that the city's capital asset inventory list any item costing more than \$5,000, effective June 17, 2005. Per guidance from the State Auditor dated September 8, 2006, the older capital asset items that did not meet the new capitalization threshold were supposed to remain on the list until they are disposed of in accordance with applicable statutes.

*Effect:* Without proper accounting for capital asset additions, deletions, and depreciation, the financial statements of the City may be misstated.

*Cause:* The City does not have a sufficient internal control system in place to properly account for capital assets. The City did not properly maintain, track, and record capital assets throughout the fiscal year.

*Auditors' Recommendation:* The City must conduct a physical inventory of its capital assets in accordance with state statute and update the inventory annually. The inventory report must include asset identification, location and historical cost. This process will also assist the City in the determination of obsolete equipment. Finally, a complete and updated capital assets inventory listing is necessary in order for the City to record capital assets and accumulated depreciation in accordance with GAAP. We also recommend that the capital asset listing is properly set up as to the function of each capital asset to ensure the City is able to properly classify the depreciation expense by function.

*Management's Response:* The City has conducted a city wide inventory of all fixed assets in which detailed listings are available and is reconciling the results to the General Ledger. This will be done annually. For the business-type activities efforts are underway to compile the detailed information to support the values represented in the General Ledger. Processes have been implemented to monitor new purchases to be added to the asset records, tagged and placed in service. With updated information, depreciation of assets will be easily determined and recorded.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FS 12-05 Entity-Wide Control Deficiency – Material Weakness**

*Condition:* During our process of understanding the entity and its environment, we noted instances where elements of the framework of Committee of Sponsoring Organizations (COSO) were nonexistent or deficient. We noted that the risk assessment element and monitoring element were not documented or sufficiently designed. We also noted the following deficiencies:

- During our audit procedures, we noted that the City has insufficient internal controls to properly identify and assess fraud risks.
- During our audit procedures, we noted that the City has insufficient internal controls to properly identify and assess risks related to employee turnover and employee retirements.
- The City does not have a proper structure in place for the finance department to ensure that duties, control, and monitoring functions are delegated to individuals at the appropriate level of the entity and that proper oversight is in place over these functions.
- During our review of the bank reconciliations, we noted that the City does not have proper internal controls and segregation of duties over bank reconciliations.
- The City did not properly provide accurate accrual account listings at year end.
- During audit review and testing procedures performed, we noted several instances of incorrect account coding to expenditure accounts.
- The City does not have a proper IT structure in place to achieve proper safeguarding of assets and financial reporting objectives.
- The City was not able to provide information regarding the liability for landfill closure and post-closure care costs.
- The City does not have proper internal controls to monitor who is using City vehicles for personnel use.

*Criteria:* The Committee of Sponsoring Organizations (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FS 12-05 Entity-Wide Control Deficiency (continued) – Material Weakness**

*Effect:* Without all of the five elements of the COSO framework present, the City is exposing itself to the risk of misappropriation of assets and does not have set processes in place to maximize the resources of the City.

*Cause:* Due to the turnover in management several times throughout the prior years, the City's internal controls that were implemented in prior years were not implemented or monitored fully during the fiscal year 2013.

*Auditors' Recommendation:* We recommend that the City incorporate the five elements of the COSO internal control integrated framework in their organization as planned.

*Management's Response:* The City will implement the COSO framework as recommended to properly identify control deficiencies and implement changes to ensure proper controls.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FS 12-06 Internal Controls Over Non-Standard Journal Entries – Material Weakness**

*Condition:* During our procedures over non-standard journal entries, we noted the City does not have adequate internal controls over non-standard journal entries entered into its accounting system.

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

*Effect:* Improper adjustments could result in balances being materially misstated. Also, the risk of misappropriation acts increases without proper internal controls.

*Cause:* The City did not follow the established internal controls over non-standard journal entries.

*Auditors' Recommendation:* We recommend the City follow their policies and procedures regarding the review and approval of manual journal entries and implement a procedure to ensure non-standard journal entries are reviewed, approved, and supported.

*Management's Response:* The City has implemented a journal log as of July 1, 2013. The log lists all manual journal entries created each month. The log is maintained in a monthly file with all documentation of each journal entry. The journal entries are created by one finance staff member and reviewed by a second prior to posting.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FS 12-08 Inadequate Closing Cycle – Material Weakness**

*Condition:* During our fieldwork, we noted that the City had the following accounts that were not updated from prior year:

- Deferred revenue
- Fund balance and net position

Also, the closing cycle was not being performed in a timely manner, and was not closed until several months after year end. In addition, it appears that management did not perform a review of the trial balance to ensure each fund accurately reflected the year's activity.

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

*Effect:* As a result, the City's trial balance did not represent an accurate picture of the City's operational transactions or equity position at year end. Also, due to the severe condition of the financial data, several audit procedures could not be performed to obtain reasonable assurance over account balances which can lead to a high risk of not identifying fraudulent, erroneous, or unusual transactions.

*Cause:* Due to the lack of internal controls, the trial balance was inaccurate and incomplete.

*Auditors' Recommendation:* We recommend the City incorporate processes and internal controls to ensure account balances are properly posted in order to be able to produce a complete and accurate trial balance.

*Management's Response:* With changes in finance staff proper procedures will be implemented to close cycle timely. This will include additional training on the accounting system.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FS 12-12 Maintenance of Long-Term Debt Material Weakness/Noncompliance**

*Condition:* During our testwork over long term debt, we noted the following items:

- The City was unable to produce any information related to the Landfill, closure and post-closure expenses, environmental studies, or monitoring expenses for the year ended June 30, 2013.
- The City incorrectly accounted for the advance refunding of 4 bonds, resulting in material adjustments to correct the errors and also had a lack of documentation for the transactions.

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

*Effect:* The City debt was not properly recorded on the general ledger at year end.

*Cause:* Due to management turnover, the City did not properly track debt activity during the fiscal year 2013.

*Auditors' Recommendation:* The City should ensure that all debt payments, proceeds, and refunding are correctly posted in the City's general ledger.

*Management's Response:* The finance staff is addressing the compliance issues and anticipates being brought up to full compliance during fiscal year 2014.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FS 2013-001 Untimely Submission of PERA reports – Noncompliance**

*Condition:* During our procedures we noted that the payments made to PERA were made after the due date for 15 of the 26 pay periods during FY13.

*Criteria:* Section 2 of the NMSA Employer Guide, "Both the Wage and Contribution Report (WCR) and the combined contributions are due to PERA no later than the fifth working day after the payday applicable to the payroll period being reported.

*Effect:* Per NMSA statute 10-11-126, "The association may assess an interest charge and a penalty charge on any remittance not made by its due date."

*Cause:* Management is not completing the required reports in a timely manner related to PERA reports.

*Auditors' Recommendation:* The City should implement internal controls and processes to ensure timely reporting to PERA.

*Management's Response:* The finance department is working to ensure timely payment of PERA funds. The staffing changes resulted in periods of low staffing which affected timing of some processes. The department is diligently working to improve efficiency to manage tasks better.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FS 2013-002 Stale Dated Checks – Other Matters**

*Condition:* The City had 390 checks listed as outstanding that were over one year old. The total amount of the stale checks was \$40,710.51. The City has not reported the payee or turned over the funds to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

*Criteria:* New Mexico Statutes, Section 6-10-57, NMSA, 1978 compilation, requires local public bodies to cancel or void any checks that are unpaid for one year after it is written. The City has not reported the payees or turned over the funds to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

*Effect:* The City is not in compliance with Section 6-10-57, NMSA 1978. The City's cash balance may be misstated by the amount of the stale checks.

*Cause:* The City overlooked these checks as part of their reconciling procedures at year end.

*Auditors' Recommendation:* We recommend that the outstanding checks be voided as soon as possible and that the City follows their procedure to track and void stale dated checks. We also recommend that the City remit the stale-dated check funds to the New Mexico Taxation and Revenue Department.

*Management's Response:* The stale checks will be voided and funds turned over to the state as required. This will be done annually going forward.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**Component Unit**

**FSHA 08-07 Internal Control Over Financial Reporting – Material Weakness**

*Condition:* The financial statements and related disclosures are not being prepared by the Authority. Also, the Authority failed to propose all necessary adjustments to fairly present the financial statements in accordance with Generally Accepted Accounting Principles.

*Criteria:* According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 115, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

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

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

*Auditors' Recommendations:* We recommend Authority management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

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

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

*Agency's Response:* The previous management always maintained that this finding had been taken care of. The Authority has made arrangements to have the Albuquerque HUD office help the staff to learn about the requirements and begin preparing the required financial statements. A new Policies and Procedures manual is also in the works, but still needs finalizing and Board approval.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FSHA 12-01 Deficiencies in Internal Control Structure Design, Operation, and Oversight – Material Weakness/Noncompliance**

*Condition:* The Authority does not have a comprehensive documented internal control structure. The internal control structure should include controls that allow the governing body to exercise effective oversight of internal controls and the financial reporting process. Also, controls in certain specific areas are not operating as designed. These include:

- During testwork, we noted instances of fraud and illegal acts allegedly perpetrated by previous management of the Authority; however at June 30, 2013 the results of investigations have not yet been released by the Office of the Inspector General. The actual amount of fraud and illegal acts is undeterminable at the date of the issuance of this report, but testwork revealed 85 purchases totaling \$7,812 that are believed to be fraudulent in nature.
- There is not a fraud risk assessment done at the Authority.
- There are inadequate internal controls over bank reconciliations.
- There are inadequate segregation of duties in accounting personnel at the Authority.
- There are inadequate internal controls to mitigate risks of management override to perpetrate fraud.
- There are inadequate internal controls to mitigate risks of management override to manipulate bid awards.
- There are inadequate internal controls to monitor projects as follows:
  - Ensure proper licensing by contractors
  - Ensure proper monitoring of project completeness per specifications before payment
  - Ensure proper filing of supporting documentation
- There are inadequate internal controls to ensure proper quotes for purchases.
- There is a lack of proper monitoring and safeguarding of debit card purchases.
- There is no proper conflict of interest policy maintained by the Authority.
- There is a lack of proper monitoring over vendor master files.
- There is a lack of internal controls over capital assets.
- There is a lack of internal controls over voided checks.
- There is a lack of internal controls over journal entries.
- The Board of the Housing Authority did not exercise appropriate oversight over operations of the Housing Authority.
- “Risk appetite,” or the amount of risk the entity is willing to accept, associated with each new activity is not discussed and influenced by the Authority’s culture and operating practices. Management’s philosophy and operating style are not consistent with a sound control environment and have a negative pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolve improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that ensure safeguard of assets.
- Process procedures are not sufficiently formal such that management can determine whether the control objective is met, documentation supporting the procedures is in place, and personnel routinely know the procedures that need to be performed. Information relevant to financial reporting is not identified, captured, processed, and distributed within the parameters established by the Authority’s control processes to support the achievement of financial reporting objectives.
- Data underlying the financial statements are not captured completely, accurately, and timely, in accordance with the Authority’s policies and procedures and in compliance with laws and regulations. Information relevant to financial reporting is not identified, captured, processed, and distributed within the parameters established by the Authority’s control processes to support the achievement of financial reporting objectives.
- In 2 cash receipts transactions totaling \$493 out of 5 tested totaling \$1,390; the supporting documentation was not accompanied by a validated deposit receipt.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FSHA 12-01 Deficiencies in Internal Control Structure Design, Operation, and Oversight – Material Weakness/Noncompliance (continued)**

*Criteria:* As required by NMSA 1978 Section 6-6-3, the Authority should design and maintain an internal control structure that enables it to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

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

The SAS No. 115 Appendix lists the following circumstance as a possible control deficiency, significant deficiency, or material weakness: “inadequate documentation of the components of internal control.” SAS 115 paragraph 15 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and as a strong indicator of a material weakness in internal control.

*Effect:* Because there is not an adequate internal control structure or oversight by the governing body, complete and accurate financial data cannot be verified, assets are not properly safeguarded, reconciliations are not performed, or at a minimum not performed on a timely basis, and adequate controls are not in place to prevent or detect intentional misstatements of accounting information due to errors or fraud. Also, the Authority’s governing body did not provide effective oversight of internal control and financial reporting processes.

*Cause:* For the fiscal year 2013 management, the body charged with governance and staff did not have expertise and/or training to implement an adequate internal control structure. As a result, management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of the requirements under SAS No. 115 to provide effective oversight of internal control and the financial reporting process.

*Auditors’ Recommendations:* The Authority should ensure that a comprehensive internal control structure is designed, documented and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process. Additionally, Authority management should give annual consideration to how fraud might occur in their organization; develop procedures to address fraud risk and document those risks and procedures.

*Agency’s Response:* The previous management is currently under investigation by the HUD Inspector General’s office and the FBI. There was alleged fraud and embezzlement. Some of the “policies and procedures” were changed by the previous management and governing body. The Authority is currently in the process of writing a new policies and procedures manual to define the internal control processes utilizing policies already in place at other Authorities as a template. Once completed the new policy manual will be approved by the new governing body.

Many files, especially Capital Fund files were destroyed by the previous management, leaving the personnel unable to provide the necessary documentation. The Authority has made changes to ensure that all records are accurate and complete going forward.

Because of the physical absence of an Executive Director, many of the current policies and procedures were not followed due to lack of personnel to implement the required division of duties properly. The Authority has an Interim Executive Director who is not involved in the day-to-day operations but is in the process of hiring a new, permanent Executive Director. The internal control structure has been temporarily altered to provide the most safeguards to Authority assets until the new polices can be put into place. In addition the new governing body is providing significantly more oversight in the day to day operations of the Authority and providing staff with the necessary training to better complete their tasks and safeguard Authority assets.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FSHA 12-02 Internal Controls/Segregation of Duties – Material Weakness**

*Condition:* The Authority lacks adequate internal controls over its accounting processes. During review of internal control procedures, we noted that the prior Executive Director had the ability to perform management override over all major functions of the Authority related to the accounting processes.

*Criteria:* Systems of internal control with the most favorable designs allow for an adequate segregation of duties to reduce the risk of error or fraud because they are structured using a combination of controls designed to either detect instances of error or fraud that occur, or optimally, to prevent instances of error or fraud before they occur (AU 325). Section 6-5-2, NMSA 1978, requires that the authority shall implement internal control accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

*Effect:* The Authority's books or records contain misstatements related to alleged fraud, which were not detected within a timely manner.

*Cause:* The Authority and Oversight Committee did not assess risks or implement internal controls to segregate duties.

*Auditors' Recommendation:* We recommend that the Board provide extensive oversight and implement segregation of duties to the extent possible to reduce the risk of errors or fraud.

*Management's Response:* Since the Authority has had an Executive Director that was physically absent for most of the time for the last two years, it has been almost impossible to have proper segregation of duties because of lack of personnel. The previous Board was fired in November 2012 and the new Board is not very familiar with HUD rules and regulations. They will be trained as soon as feasible training is available.

The previous management approved any and all purchases made by the Asset Manager. This is part of the investigations being performed by the HUD Inspector General's office and the FBI.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FSHA 12-03 Internal Control Deviations – Disbursements – Material Weakness**

*Condition:* During our review of internal controls over disbursements, we noted the following:

- In 5 disbursements totaling \$35,326 out of 60 disbursements tested totaling \$72,919, purchase orders were not created and authorized prior to the purchase being made.

*Criteria:* Per section 6-6-3 NMSA 1978 every local public body shall: keep all the books, records and accounts in their respective offices in the form prescribed by the local government division; make all reports as may be required by the local government division; and conform to the rules and regulations adopted by the local government division. Also, good internal controls and sound business practice require that the Authority develop policies and procedures for internal controls over disbursements. Good internal controls and sound business practice also require that the Authority establish and implement internal control procedures over cash disbursements. The Authority should ensure that all checks are printed with all required information and should be reviewed for accuracy, completeness and reasonableness before signing.

*Effect:* Internal controls over disbursements are not sufficiently monitored and maintained to prevent or detect accidental or intentional misappropriation of the Authority's assets. This may result in many issues, including but not limited to, purchase of unauthorized or unnecessary items. Furthermore, in the case of improperly posted transactions, this could result in incorrect balances being reflected that could adversely affect decision making.

*Cause:* The Authority has failed to established policies and procedures over the internal control structure over disbursements.

*Auditors' Recommendations:* The Authority should establish policies and procedures to ensure that the proper internal controls are in place over its disbursements. Additionally, the Authority should ensure that all supporting documentation is adequately maintained and available for inspection. Lastly, the Authority should review all postings to the general ledger on a regular basis to ensure all postings are reasonable and accurate.

*Agency's Response:* The previous management, primarily the Asset Manager, created all of his own purchase orders. He would bypass the internal control process for purchase orders to be created prior to the purchase by completing them from the receipts of items already purchased. The staff at the Authority now asks for a purchase order for each purchase. The Authority does not have an Executive Director to approve them at this point, but the Authority is currently searching for a knowledgeable replacement.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FSHA 12-04 Capital Assets Listing – Material Weakness/ Noncompliance**

*Condition:* During our audit procedures we found the following related to capital assets:

- The Authority did not perform an annual inventory of capital assets.
- The Authority did not provide sufficient audit evidence for capital assets in their listing to prove accuracy and completeness of their capital asset listing.

*Criteria:* Per section 2.20.1.10 of NMAC, capital assets acquired through purchase shall be recorded at cost. Capital assets include assets constructed by agency personnel. Per Section 2.20.1.14 of NMAC, repairs and maintenance on capital assets which are routine and necessary for continued, safe, and productive operation should be charged to maintenance expense in the period in which they occur. GASB 34 paragraph 20 requires capital assets to be reported, net of accumulated depreciation, in the statement of net position. Section 12-6-10, NMSA 1978, requires all agencies to conduct a physical inventory of their capital assets inventory at the end of each fiscal year. Section 12-6-10, NMSA 1978 also changed the capitalization threshold to items that cost more than \$5,000, effective June 17, 2005.

*Effect:* There are more assets included on the capital assets listing than are allowed by the State's capitalization policy. The balances are material to the financial statements, in continuing with this capitalization policy the Authority is materially overstating its capital assets and depreciation expense while materially understating actual expenses because the expenses are being capitalized rather than expensed.

*Cause:* The Authority has not ensured compliance with the State Auditor requirements related to capital assets by updating its capitalization policy to reflect the State Auditor requirement that does not allow for capitalization thresholds which are more restrictive than the applicable law. In addition the Authority has not maintained or updated capital assets records to ensure accuracy or accountability of the Authority's assets due to disregard of applicable state law by Authority management.

*Auditors' Recommendations:* We recommend that the Authority maintain capital assets records and record depreciation only for those assets with a cost in excess of \$5,000. For accountability purposes, the Authority should track assets in accordance with the existing policy, although these assets should not be included in the capital assets reported on the financial statements.

*Agency's Response:* The previous management hired an Asset Manager, who was entirely in charge of all Inventories and Capital Assets listings. It became immediately obvious that he did not have any knowledge of what he was supposed to do. Items were being capitalized that were below the Authority threshold for capitalization and items were not being depreciated in line with Authority policy. The Authority is currently seeking applicants for new maintenance personnel with knowledge of inventories and fixed assets. The current policy is that capital assets costs are in excess of \$5,000 for capitalization.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FSHA 12-05 RHC Reports and the General Ledger – Other Matter**

*Condition:* The amount reported in the general ledger for employer's contribution to Retiree Health Care of \$5,781 does not tie to the reported expense of \$7,778 resulting in a difference of \$1,997.

*Criteria:* Per Section 10-7C-15 NMSA 1978, each state agency or affiliated public employer shall be responsible for deducting the applicable contribution from the salary or wages paid to each member for each payroll period.

*Effect:* The amount of RHC being withheld from employee paychecks could be incorrect and not be detected due to the lack of reconciliations.

*Cause:* The Authority did not properly reconcile the RHC reports to the General Ledger.

*Auditors' Recommendation:* We recommend that the Authority implement a process for reconciling amounts sent to RHC and amounts recorded in the general ledger.

*Agency's Response:* The Authority is working with Tenmast (the accounting software company) to repair the error in the software. The system has not accepted the new rates entered.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FSHA 12-06 Incomplete Trial Balance – Material Weakness**

*Condition:* During our fieldwork, we noted that the Authority's trial balance was neither complete nor accurate. Audit adjustments were necessary to record payables, accrued payroll liabilities, allocate cash between each project, and to record transfers.

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

*Effect:* The Authority's trial balance did not represent an accurate picture of the Authority's operational transactions or equity position at year end. Also, due to the severe condition of the financial data, several audit procedures could not be performed to obtain reasonable assurance over account balances which can lead to a high risk of not identifying fraudulent, erroneous, or unusual transactions.

*Cause:* Due to the lack of internal controls and monitoring, the trial balance was inaccurate and incomplete.

*Auditors' Recommendation:* We recommend the Authority incorporate processes and internal controls to ensure account balances are properly posted in order to be able to produce a complete and accurate trial balance.

*Agency's Response:* The Authority personnel were not aware that so many audit adjustments were necessary. The Authority personnel will discuss the matter with the Fee Accountant and the software provider to see how these changes in the procedures can be made.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FSHA 12-07 Internal Control Deficiencies – Payroll – Material Weakness**

*Condition:* During our walkthrough and review of the payroll transaction cycle, we noted the following deficiency:

- Management does not review payroll reports for accuracy or irregularities.

*Criteria:* A review of employee timesheets, a review of payroll reports, and proper authorization and approval for wages, as indicated in NMSA 1978 Section 6-6-3, are required to be maintained in order to have proper and sufficient internal controls to reduce the risk of fraudulent activities.

*Effect:* Internal controls over payroll are not monitored and maintained to prevent or detect intentional misappropriation of Authority assets.

*Cause:* For the fiscal year 2013 management did not follow its own policies to ensure internal controls were in place and working properly.

*Auditors' Recommendations:* The Authority should follow its internal controls over payroll that are in place and perform periodic reviews of the supporting documentation to ensure that they are operating effectively.

*Agency's Response:* The previous administration was not physically present on most days for the last two years. The Executive Director was not available to approve the payroll. Also most of the checked time sheets belong to the previous administration and he was not physically present to sign them. He was typically only physically present to collect them after office closing time when the checks were on his desk to be signed. Since the termination of the previous Executive Director in November 2012, the Authority has since began the search for a replacement and are expecting to fill the position in the near future.

The Authority is looking at applicants with previous management experience and is familiar with the operations of Housing Authorities and the ability to provide structure and oversight.

The Authority is currently in the process of writing a new policies and procedures manual to define the internal control processes utilizing policies already in place at other Authorities as a template. Once completed the new policy manual will be approved by the new governing body. In the meantime the Authority has changed the internal controls over payroll and is having the Program Manager approve all time sheets and approve the payroll before it is completed. Management is ensuring that all employee time sheets are being signed by the employees and are utilizing the "Time Pilot" system to track the hours worked of all hourly employees.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FSHA 12-08 Noncompliance with Procurement Code – Noncompliance**

*Condition:* During our test work regarding compliance with the NM Procurement Code, we noted that the Authority made purchases over \$5,000, but failed to maintain sufficient records to support the assertion that management complied with the required level of documentation for procurement. During our testwork over bids, no supporting documentation was maintained supporting the existence of bids.

*Criteria:* The New Mexico Procurement Code, Section 13-1-125, NMSA 1978, was amended effective July 1, 2005 to increase the maximum value of small purchases from \$10,000 to \$20,000 in Subsection A; increase the maximum value of professional services from \$20,000 to \$30,000 in Subsection B; and increase the maximum value of purchases at best obtainable prices from \$1,500 to \$5,000 in Subsection C. Therefore, purchases over \$1,500 up to \$5,000 should have three oral quotes documented, and purchases over \$5,000 and up to \$20,000 should have three written quotes documented.

*Effect:* The Authority did not comply with the Procurement Code requirement to document three quotes for purchases over \$5,000. The Authority may have paid more than necessary in order to obtain the goods and services that the Authority needed.

*Cause:* The Authority did not have policies and procedures requiring the proper maintenance of procurement documentation.

*Auditors' Recommendations:* We recommend that the Authority adopt procurement policies and procedures that are in compliance with the New Mexico Procurement Code and update them as the laws are amended.

*Agency's Response:* The Procurement Code internal controls have now been put in place. However, the now terminated Asset Manager was not familiar or interested in learning the code. Purchases of \$60.00 and over were capitalized and depreciated over 10 years. The paperwork on the one purchase greater than \$5,000 was destroyed prior to his termination. With new management providing oversight of internal controls this finding should be remedied.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FSHA 12-09 Cash Deposits not Made Timely – Other Matter**

*Condition:* During testwork performed over cash receipts 5 out of 5 receipts tested totaling \$1,390 were not deposited in a timely manner.

*Criteria:* Good accounting practices require cash deposits to be made in a timely manner.

*Effect:* The Authority is not maintaining adequate controls over cash, which increases the risk of misappropriation of assets.

*Cause:* The Authority does not have procedures in place requiring staff to make deposits in a timely manner. In addition, supervisors are not overseeing the process.

*Auditors' Recommendation:* We recommend that the Authority establish policies and procedures for making timely cash deposits from department receipting locations.

*Agency's Response:* During the last two years of the previous administration, the Executive Director would make the bank deposits. He was not physically present in the office and the deposits sat on his desk until he came in or until someone noticed they were still sitting there. At the point deposits were made, he would have his wife make the deposit. We are presently making the deposits in a timely manner.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FSHA 12-10 Stale Dated Transactions Not Cancelled – Noncompliance**

*Condition:* The Authority is in violation of state statutes regarding stale-dated checks. The Authority maintained eight checks totaling \$1,640 and two deposits totaling \$380 on its bank reconciliations that were dated over one year old at June 30, 2013.

*Criteria:* Chapter 7 Article 8A, NMSA 1978, and related regulations require that the Authority provide information about the payees and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year.

*Effect:* Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds. Also, the Authority could be subject to penalty for failure to follow and comply with state regulation.

*Cause:* The Authority did not implement an internal control policy to account for stale dated outstanding checks and deposits and did not clear these items on a timely basis.

*Auditors' Recommendations:* We recommend that the Authority implement a procedure to review the outstanding check and deposit listings for all bank accounts and track stale-dated items. If items on the outstanding check and deposit listings are greater than one year old we recommend these items be voided. Also, we recommend that the Authority provide the information to the Property Division of the New Mexico Taxation and Revenue Department as required.

*Agency's Response:* The Authority will start voiding all stale dated/outstanding checks. All manual transactions (like recording automatic withdrawals, etc.) will have to be voided by Tenmast.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FSHA 12-11 Inventories – Material Weakness**

*Condition:* Authority inventories were not available for the fiscal year ending June 30, 2013.

*Criteria:* Section 6-6-3 NMSA, 1978 states that every local public body shall keep all the books, records and accounts in their respective offices in the form prescribed by the local government division.

*Effect:* Without proper inventory controls, the Authority cannot be sure about what inventory they have on hand in case of an emergency. The Authority may also suffer an opinion modification on the financial statements.

*Cause:* The turnover in the accounting department has transpired without the employees being trained which resulted in a lapse of duties and proper training. This turnover has also created a situation in which there is a backlog of work, making it difficult for current employees to catch-up.

*Auditors' Recommendation:* The Authority should, at a minimum, complete a year end inventory and adjust the accounting records for any differences noted.

*Agency's Response:* Since the departure of the Asset Manager, new inventories were taken and most inventories have been updated for the first time since about 2003.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FSHA 12-12 Inadequate Review of Manual Journal Entries – Material Weakness**

*Condition:* During the 2013 fiscal year, the Authority did not have procedures in place for authorization and review of manual journal entries. Multiple journal entries were posted to reconcile revenues and expenditures of the Authority without proper supporting documentation and management review.

*Criteria:* Good accounting practice requires that manual adjusting entries be authorized and reviewed by someone other than the person initiating the adjusting entry.

*Effect:* Without proper review processes, there is a greater risk that improper adjustments could be made. Improper adjustments result in balances being materially misstated. Also, the risk of fraudulent acts increases without proper review.

*Cause:* The Authority was unaware of the significance of internal controls needed for manual journal entries.

*Auditors' Recommendation:* We recommend that all journal entries require a second person's review prior to posting to the accounting records.

*Agency's Response:* The previous administration did not have any knowledge of the journal entry process or its purpose. The new Administration should be more knowledgeable and provide the necessary oversight.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FSHA 12-14 Violations of Open Meetings Act – Noncompliance**

*Condition:* For the first half of the fiscal year, the Authority did not properly record how the Commissioners voted on action items during open meetings and did not properly record the minutes of the Board of Commissioners meetings.

*Criteria:* Section 10-15-1G, NMSA 1978, states that “...The minutes shall include at a minimum the date, time and place of the meeting, the names of the 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...”

*Effect:* Not properly recording how each commissioner votes could result in Authority Commission actions, such as contracts, bid awards and disbursement approvals, being challenged and possibly overturned for noncompliance with the aforementioned statute.

*Cause:* The Authority has not instituted and implemented proper internal policies related to how the Commission meetings are to be recorded.

*Auditors’ Recommendations:* The Authority should implement policies pertaining to the recording of open meetings held by the Commission. Each commissioner’s vote should be chronicled in accordance with the New Mexico Statutes. In addition, the approved minutes should be signed by the Chairman of the Board of Commissioners or his/her designee and attested to by his/her designee.

*Agency’s Response:* The new board has begun complying with the Open Meetings Act, once they were put in place in December, 2012. Every meeting has been advertised in a Legal Notice since the first meeting and the Open Meeting Act was officially adopted by Board Resolution No. R-2013-01 on May 10, 2013.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FSHA 12-15 Procurement Code (Related Parties) – Significant Deficiency**

*Condition:* The Authority did not have proper segregation of duties in relation to related party transactions. The governing body allowed the prior Executive Director to have full control over the finances of the Authority, and from review, there were related party transactions that were not properly procured. In addition, the Authority has no evidence that the work billed was actually performed.

*Criteria:* Section 6.20.2.11 of NMAC requires each Authority to develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

*Effect:* Not following the procurement code while purchasing items from a related party can promote favoritism within the organization and set a bad example for employees. This condition can also open the Authority to potential litigation.

*Cause:* There was an oversight and lack of segregation by management while purchasing these items and did not review to ensure proper policy compliance.

*Auditors' Recommendation:* We recommend the Authority develop an internal control policy for procurement that incorporates internal controls to monitor the policy to ensure that all procurement, including related party transactions, follows procurement codes.

*Agency's Response:* The previous administration had several vendors hired as Contractors that were only approved by the Executive Director. The Board always took the Director's word and never questioned anybody else regarding the issue. When asked, the Director would say that everything was legal and on the "up and up". Since his termination there have been no purchases from "Related Parties" and purchases with Capital Funds have ended.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)**

**FSHA 13-01 Tenant Rent Receivables and Prepaid Rents – Material Weakness**

*Condition:* During our testwork over the tenant receivables, we noted the following:

- The Authority failed to reconcile the outstanding balance per the General Ledger to the outstanding balance to the Tenant Accounting software for tenant rent receivable and prepaid rents presented as deferred revenues.
- The Authority was unable to present a consistent listing of tenant rent receivables outstanding at year end. The Authority presented 2 reports to during the audit. The first indicated a receivable balance of \$165,787 and the second indicated a receivable balance of \$53,911.

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

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect misstatements of accounting information. Also, the Authority received an opinion modification over the account balances.

*Cause:* An adequate accounting system is not in place to ensure proper collection, posting, and review. Authority personnel believe the variances are due to prior year write-off’s not being entered into the Tenant Accounting system.

*Auditors’ Recommendations:* We recommend that the Authority incorporate processes and internal controls to ensure account balances and amounts written off are properly posted and that the outstanding balances are collected in a timely manner. We also recommend that the Authority evaluate the outstanding balances and remove items that are known to be uncollectible.

*Agency’s Response:* The Authority is working on a set of policy and procedures to ensure internal controls administratively and accounting measures to safeguard against waste, fraud and inefficiency. The establishment of new policy and procedures will promote the accuracy and reliability in operations and accounting systems.

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**FAHA 12-01 Excluded Parties List – Significant Deficiency**

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development  
Title: Public and Indian Housing  
CFDA Number: 14.850

*Condition:* During our review of the procurement process, it was noted the Authority does not reference the Excluded Parties List System contracts of goods or services in which more than \$25,000 is expended.

*Criteria:* OMB A-133 stipulates non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered Transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction that is expected to equal or exceed \$25,000 or meet other certain specified criteria.

*Questioned Costs:* Undeterminable

*Effect:* The Authority could be contracting with vendors for services or goods that are included on the suspension and debarment listing which potentially decrease federal funding received due to noncompliance with Federal regulations.

*Cause:* The Authority has not implemented checking the Excluded Parties List System website into their purchasing process.

*Auditors’ Recommendation:* We recommend that the Authority implement procedures to ensure all vendors for services and goods over \$25,000 be verified that they do not exist on the suspension and debarment listing.

*Agency’s Response:* The last contract of \$25,000 or more was entered into under the previous administration and was not approved by HUD because of number of deficiencies. The next contract will be in fiscal year 2014 and will be properly executed and the Excluded Parties List system will be checked.

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)**

**FAHA 12-02 Deficiencies in Internal Control Structure Design, Operation and Oversight – Mechanisms to Identify Risks of Inaccurate Financial Reporting – Material Weakness**

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development  
Title: Public and Indian Housing  
CFDA Number: 14.850

*Condition:* The Authority does not have the mechanisms in place to identify risks of faulty reporting caused by items such as lack of current knowledge, inconsistent application, or carelessness or disregard for standards and reporting requirements of federal awards.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require mechanisms to identify risks of faulty reporting be established.

*Questioned Costs:* Undeterminable

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2013 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendations:* The Authority should ensure that a comprehensive internal control structure, including mechanisms to identify risks of faulty reporting, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency's Response:* The staff of the Authority has been working without a supervisor for about 3 years now. We are expecting to have a qualified director within the next few months.

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)**

**FAHA 12-03 Deficiencies in Internal Control Structure Design, Operation and Oversight – Tracking Property and Equipment Purchased with Federal Award Funds – Material Weakness/Noncompliance**

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development  
Title: Public and Indian Housing  
CFDA Number: 14.850

*Condition:* During FY 2013, management did not track any capital assets, including property and equipment purchased with federal awards.

*Criteria:* The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management track any property and equipment purchased with federal award funds.

*Questioned Costs:* None

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* For the fiscal year 2013 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal Awards.

*Auditors' Recommendations:* The Authority should ensure that a comprehensive internal control structure, including tracking of property and equipment purchased with federal award funds, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency's Response:* Since terminating the prior Executive Director and Asset Manager, the Authority has had no problems tracking capital assets purchased with federal monies. In addition the Authority will be performing an annual inventory of all capital assets.

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)**

**FAHA 12-04 Reporting – Noncompliance**

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development  
Title: Public and Indian Housing  
CFDA Number: 14.850

*Condition:* The required report Form HUD 60002 was not submitted within the required time frame for the year ended June 30, 2013.

*Criteria:* For each public and Indian housing grant that involved development, operating, or modernization assistance, the prime recipient must submit Form HUD 60002 (24 CFR sections 135.3(a) and 135.90).

*Questioned Costs:* None

*Effect:* Form HUD 60002 was not submitted timely and the Authority is not in compliance with reporting requirements for its federal programs.

*Cause:* Procedures were not in place to ensure that the Authority submitted this form within the required time frame set forth by HUD.

*Auditors' Recommendation:* The Authority should establish procedures ensuring that reports are completed and submitted in a timely manner and in compliance with HUD requirements.

*Agency's Response:* Since the previous administration totally insisted that the prior Executive Director was performing all necessary reporting requirements, the Authority staff was not aware of any deadlines or reports due. The Albuquerque HUD office has helped the staff in showing how to complete the reports and meet the necessary deadlines. Also, once a new Executive Director is hired, the Authority will be able to provide oversight on all reporting when due.

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)**

**FAHA 12-05 Circular A-87 Cost Principles and Allowable Activities – Material Weakness/Noncompliance**

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development  
Title: Public and Indian Housing  
CFDA Number: 14.850

*Condition:* During our review of the procurement process, it was noted the Authority does not reference the Cost Principles contained in Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, applicable to costs charged to federal programs and that Authority staff were unaware of this document. Also, during testwork performed on internal controls over compliance with compliance requirements that could have a direct and material effect on major programs, we noted that 85 expenditures totaling \$7,812 for the Public and Indian Housing Program were missing evidence of review by an individual familiar with allowable costs and activities, the supplement not supplant requirement, and did not contain proper management approval or adequate supporting documentation.

*Criteria:* OMB Circular A-133 stipulates that non-federal entities must follow the Cost Principles as applicable to their entity for all costs charged to federal programs. Also, the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that staff reviewing federal expenditures be familiar with federal program compliance requirements.

*Questioned Costs:* \$7,812

*Effect:* Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

*Cause:* The Authority has not implemented a review of Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, into its procurement processes for federal awards. Also, for the fiscal year 2013 management did not have a documented policy to ensure internal controls were in place and working properly. Lastly, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

*Auditors' Recommendations:* We recommend that the Authority implement procedures to ensure that all staff charged with administration of federal programs be made aware of the Cost Principles contained in Circular A-87 and understand the importance of abiding by the Cost Principles. The Authority should ensure that a comprehensive internal control structure, including procedures for ensuring that all federal program expenditures are reviewed and approved by management personnel familiar with the applicable compliance requirements, is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

*Agency's Response:* The previous Asset Manager had complete disregard for any rules, regulations or laws. The previous management supported him completely and provided excuses to cover up any of his questionable actions. As a result there has been a federal investigation ongoing. The new Management will be able to correct the situation.

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)**

**FAHA 13-01 Lack of Proper Documentation in Tenant Files – Material Weakness**

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development  
Title: Public and Indian Housing  
CFDA Number: 14.850

*Condition:* During testwork over tenant files we noted that in 4 tenant files out of 60 tested, the Authority did not perform a recertification of family income as least annually.

*Criteria:* In accordance with 24 CFR sections 5.230, 5.609, and 982.516, as a condition of admission or continued occupancy, the Housing Authority must require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility. The Housing Authority is also required to re-examine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third-party verification.

*Questioned Costs:* None

*Effect:* The Housing Authority could be providing services to tenants who are not eligible for the program. As a result, it could affect funding for the program.

*Cause:* Files from Gallup Housing Authority lacked proper documentation and management of the Housing Authority did not provide sufficient monitoring to ensure that tenant files and eligibility determinations were being performed timely.

*Auditors' Recommendation:* Management should implement an internal control structure to ensure that all files have the necessary supporting documentation to comply with eligibility and special reporting requirements as identified by the Department of Housing and Urban Development.

*Agency's Response:* The Authority is continually working on policy and procedures for administration and accounting to ensure proper internal controls, however, HUD form 50058 have been sent to HUD Field Office on a timely basis. PIC database system has not informed the Authority of any errors or discrepancies regarding our housing inventory. Should any errors or problems appear the Authority identifies and corrects all reports

**STATE OF NEW MEXICO**  
City of Gallup  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

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**SECTION IV – PRIOR YEAR AUDIT FINDINGS**

**Financial Statement- Primary Government**

FS 12-01 Inventory – Significant Deficiency (Repeat)

FS 12-02 Preparation of Financial Statements – Material Weakness (Repeat/ Modified)

FS 12-03 Internal Controls – Lack of Segregation of Duties and Internal Controls (Payroll, Receipts and Disbursements Cycle) – Material Weakness (Repeat/ Modified)

FS 12-04 Capital Assets – Material Weakness (Repeat)

FS 12-05 Entity-Wide Control Deficiency – Material Weakness (Repeat/ Modified)

FS 12-06 Internal Controls Over Non-Standard Journal Entries – Material Weakness (Repeated)

FS 12-07 Late Filing of Audit Report – Material Noncompliance (Resolved)

FS 12-08 Inadequate Closing Cycle – Material Weakness (Repeat/ Modified)

FS 12-09 Procurement Code – Contracts- Other Matter (Resolved)

FS 12-10 Procurement Code (Related Parties) – Other Matter (Resolved)

FS 12-11 Schedule of Federal Expenditures (SEFA) – Material Weakness (Resolved)

FS 12-12 Maintenance of Long-Term Debt (Material Weakness/Noncompliance) (Repeat/ Modified)

FS 12-13 Lack of Internal Controls Over Voided Checks – Material Weakness (Resolved)

**Financial Statement- Component Unit**

FSHA 08-07 Internal control over Financial Reporting – Material Weakness – (Repeat)

FSHA 12-01 Deficiencies in Internal Control Structure Design, Operation, and Oversight – Material Weakness/Material Noncompliance – (Repeat / Modified)

FSHA 12-02 Internal Controls/Segregation of Duties – Material Weakness – (Repeat)

FSHA 12-03 Internal Control Deviations – Disbursements – Material Weakness – (Repeat / Modified)

FSHA 12-04 Capital Assets Listing – Material Weakness/Material Noncompliance – (Repeat)

FSHA 12-05 RHC Reports and the General Ledger – Other Matter – (Repeat/ Modified)

FSHA 12-06 Incomplete Trial Balance – Material Weakness – (Repeat/ Modified)

FSHA 12-07 Internal Control Deficiencies – Payroll – Material Weakness – (Repeat/ Modified)

FSHA 12-08 Noncompliance with Procurement Code – Noncompliance – (Repeat)

FSHA 12-09 Cash Deposits not Made Timely – Other Matter – (Repeat/ Modified)

FSHA 12-10 Stale Dated Transactions Not Cancelled – Noncompliance – (Repeat/ Modified)

**STATE OF NEW MEXICO**  
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Schedule of Findings and Questioned Costs  
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**Financial Statement- Component Unit (continued)**

FSHA 12-11 Inventories – Material Weakness – (Repeat)

FSHA 12-12 Inadequate Review of Manual Journal Entries – Material Weakness – (Repeat)

FSHA 12-13 Late Filing of Audit Report – Noncompliance – (Resolved)

FSHA 12-14 Violations of Open Meetings Act – Noncompliance – (Repeat)

FSHA 12-15 Procurement Code (Related Parties) – Other Matter – (Repeat)

**Federal Award- Primary Government**

FA 12-01 Late Data Collection Form Submission – Noncompliance (Resolved)

FA 12-02 Schedule of Federal Expenditures (SEFA) – Material Weakness (Resolved)

**Federal Awards- Component Unit**

FAHA 12-01 Excluded Parties List – Significant Deficiency – (Repeat)

FAHA 12-02 Deficiencies in Internal Control Structure Design, Operation and Oversight – Mechanisms to Identify Risks of Inaccurate Financial Reporting – Material Weakness – (Repeat)

FAHA 12-03 Deficiencies in Internal Control Structure Design, Operation and Oversight – Tracking Property and Equipment Purchased with Federal Award Funds – Material Weakness – (Repeat/ Modified)

FAHA 12-04 Reporting – Noncompliance – (Repeat)

FAHA 12-05 Circular A-87 Cost Principles and Allowable Activities – Material Weakness/Noncompliance – (Repeat/ Modified)

FAHA 12-06 Late Data Collection Form Submission – Noncompliance – (Resolved)

FAHA 12-07 Inter Project Excess Cash Transfer Out – Noncompliance – (Resolved)

**STATE OF NEW MEXICO**  
City of Gallup  
Other Disclosures  
For the Year Ended June 30, 2013

**OTHER DISCLOSURES**

**Exit Conference**

An exit conference was held on November 27, 2013. In attendance were the following:

**Representing the City of Gallup:**

Allan Landavazo	Councilor
Daniel R. Dible	City Manager
Patty Holland	Chief Financial Officer

**Representing Accounting & Consulting Group, LLP:**

Ray Roberts, CPA	Managing Partner
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**Auditor Prepared Financial Statements**

Accounting and Consulting, Group, LLP prepared the GAAP-basis financial statements and footnotes of the City of Gallup 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.