

# STATE OF NEW MEXICO



## FINANCIAL STATEMENTS WITH REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2008

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**STATE OF NEW MEXICO  
CITY OF GALLUP**

**INDEPENDENT AUDITOR'S REPORT  
WITH FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2008**

**JUDI M. STARKOVICH  
EXECUTIVE DIRECTOR OF  
ADMINISTRATIVE SERVICES DIVISION**

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# **INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO  
CITY OF GALLUP  
LIST OF ELECTED AND APPOINTED OFFICIALS  
JUNE 30, 2008**

**ELECTED OFFICIALS**

<b>MAYOR</b>	<b>HARRY MENDOZA</b>
<b>COUNCILOR – DISTRICT 1</b>	<b>WILLIAM “BILL” NECHERO</b>
<b>COUNCILOR – DISTRICT 2</b>	<b>ALLAN LANDAVAZO</b>
<b>COUNCILOR – DISTRICT 3</b>	<b>PAT BUTLER</b>
<b>COUNCILOR – DISTRICT 4</b>	<b>JAY AZUA</b>

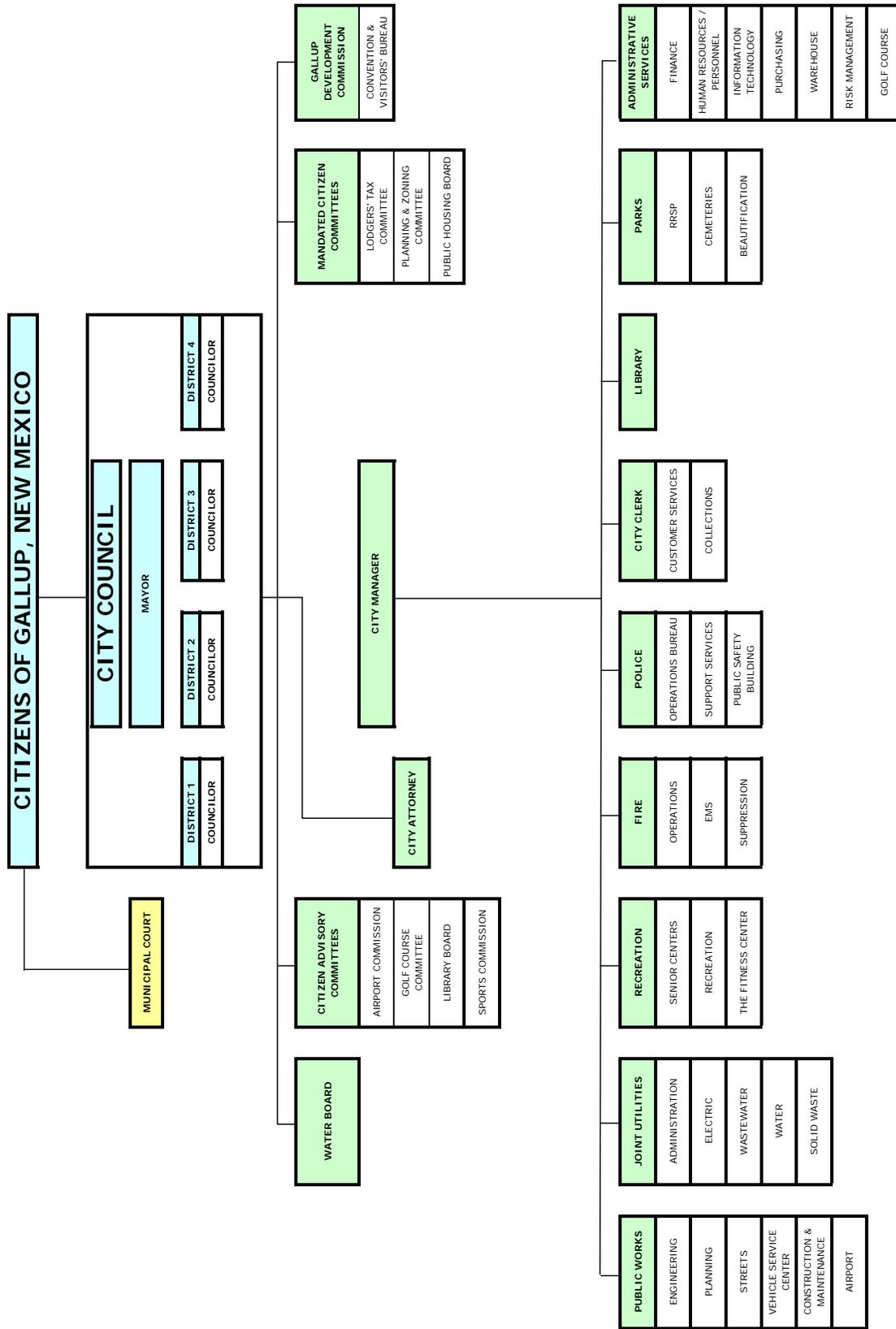
**APPOINTED OFFICIALS**

<b>CITY MANAGER</b>	<b>GERALD HERRERA</b>
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**OTHER OFFICIALS**

<b>EXECUTIVE DIRECTOR OF ADMINISTRATIVE SERVICES</b>	<b>JUDI M. STARKOVICH</b>
<b>CITY CLERK</b>	<b>ALFRED ABEITA</b>
<b>FINANCE DIRECTOR</b>	<b>KARLA NEWBERRY</b>

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## **FINANCIAL SECTION**

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**Griego Professional Services, LLC**  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

City of Gallup  
Gallup, New Mexico  
To the Honorable Mayor and City Council  
Hector Balderas  
New Mexico State Auditor  
The Office of Management and Budget

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, budgetary comparisons for the general fund and the aggregate remaining fund information of City of Gallup (the "City"), New Mexico, as of and for the year ended June 30, 2008, 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, nonmajor enterprise and internal service funds, including budgetary comparisons, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the City of Gallup, New Mexico's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Because of the inadequacy of accounting records relating to the Housing Authority's income and expenses by project, we were unable to form an opinion regarding the amounts at which revenues and expenses were recorded in the accompanying Statement of Activities relating to the Housing Authority (component unit) as of June 30, 2008 and for the for the year then ended.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had records concerning the Housing Authority's revenues and expenses been adequate, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gallup, New Mexico, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise and internal service fund of the City of Gallup, New Mexico, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and respective budgetary comparison for all nonmajor funds and the major enterprise fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued a report dated May 12, 2009 on our consideration of the City of Gallup, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

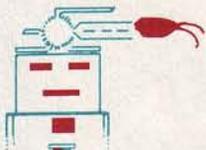
The *Management's Discussion and Analysis* on pages 7 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The additional schedules listed as "New Mexico State Auditor Disclosures" in the table of contents and the schedule of changes in fiduciary assets and liabilities are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Grigo Professional Services, LLC*

Albuquerque, New Mexico  
May 12, 2009

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# CITY OF GALLUP

MAYOR: HARRY H. MENDOZA  
COUNCILORS: JOHN J. AZUA  
PATRICK "PAT" BUTLER  
ALLAN LANDAVAZO  
WILLIAM "BILL" NECHERO  
CITY MANAGER: GERALD J. HERRERA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gallup (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information furnished in the audit report.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$131,443,104 (*net assets*). Of this amount, \$48,490,117 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$15,464,697. Approximately one half of this increase is due the increased utility and recreation rates.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,666,163, an increase of \$2,560,005 in comparison with prior year. Approximately 43.45% of this total amount, \$8,737,002, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$8,737,002 or 37.38 % of total general fund expenditures. Cash basis fund balance of \$7,089,141 can be found on page 21.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacations leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, culture and recreation, public safety, health and welfare, and public works (highways and streets). The business-type activities of the City include the operations of Gallup Joint Utilities (GJU), Solid Waste, The Fitness Center, New Mexico Junior High School Rodeo (NMJHSR), Gallup McKinley Adult Detention Center (GMADC), Gamerco Billings and Risk Management internal service fund.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate housing authority for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 17 and 18 of this report.





**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *government funds* with similar information presented for *government activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-six (26) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Environmental Surcharge Special Revenue Fund, both of which are considered to be major funds. Data from the other twenty-five (25) governmental funds are also combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all its funds. A budgetary comparison statement has been provided for all its funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19 through 22 of this report.

**Proprietary funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its GJU, Solid Waste, The Fitness Center, NMJHSR, GMADC, and Gamerco Billings. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its insurance administration. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Joint Utilities, which is considered to be the major proprietary fund of the City. Conversely, the internal service fund is combined into a single, aggregated presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 23 through 25 of the report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund statements can be found on page 26 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 through 52 of this report.





**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental and nonmajor proprietary funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 54 through 72 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$131,443,104 at the close of the most recent fiscal year.

The largest portion, 61.28%, of the City's net assets (\$80,551,196) represents its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (36.89%) reflects the balances of its *unrestricted net assets* (\$48,490,117) which may be used to meet the City's ongoing obligations to citizens and creditors. The remaining balance (\$2,401,791) reflects resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**CITY OF GALLUP'S NET ASSETS  
(AMOUNTS IN THOUSANDS)**

	Governmental Activities		Business-type Activities		Total Government	
	2008	2007	2008	2007	2008	2007
<b>ASSETS</b>						
Current and other assets	\$ 29,223	\$ 25,806	\$30,130	\$30,074	\$59,353	\$55,880
Capital assets	84,240	81,865	51,181	45,305	135,421	127,170
Total assets	<u>\$113,463</u>	<u>\$107,671</u>	<u>\$ 81,311</u>	<u>\$75,379</u>	<u>\$194,774</u>	<u>\$183,050</u>
<b>LIABILITIES</b>						
Long-term liabilities outstanding	\$ 28,826	\$ 28,673	\$ 28,686	\$30,305	\$ 57,512	\$58,978
Other liabilities	3,541	4,493	2,279	3,600	5,820	8,093
Total liabilities	<u>\$ 32,367</u>	<u>\$ 33,166</u>	<u>\$ 30,965</u>	<u>\$33,905</u>	<u>\$ 63,332</u>	<u>\$67,071</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	\$ 57,476	\$ 53,192	\$23,075	\$15,640	\$ 80,551	\$68,832
Restricted net assets	2,402	12,158	0	0	2,402	12,158
Unrestricted net assets	21,219	9,155	27,271	25,834	48,490	34,989
Total net assets	<u>\$ 81,097</u>	<u>\$ 74,505</u>	<u>\$ 50,347</u>	<u>\$41,474</u>	<u>\$131,443</u>	<u>\$115,979</u>

Overall net assets increased by \$15,464,697. This was a 156.33% increase from prior year. Although charges for services and taxes are increasing, they are not growing at the same rate as operating expenses. The main increase in expenses is caused by the increasing cost of services, mainly fuel, and by the completion of many bond projects, which is two fold. As we use construction funds, bond funds decrease, which causes a decrease in interest income, which had been very healthy in the prior fiscal year. In addition, intergovernmental grants have dramatically decreased.

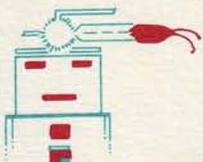


**CITY OF GALLUP 'S CHANGES IN NET ASSETS  
(AMOUNTS IN THOUSANDS)**

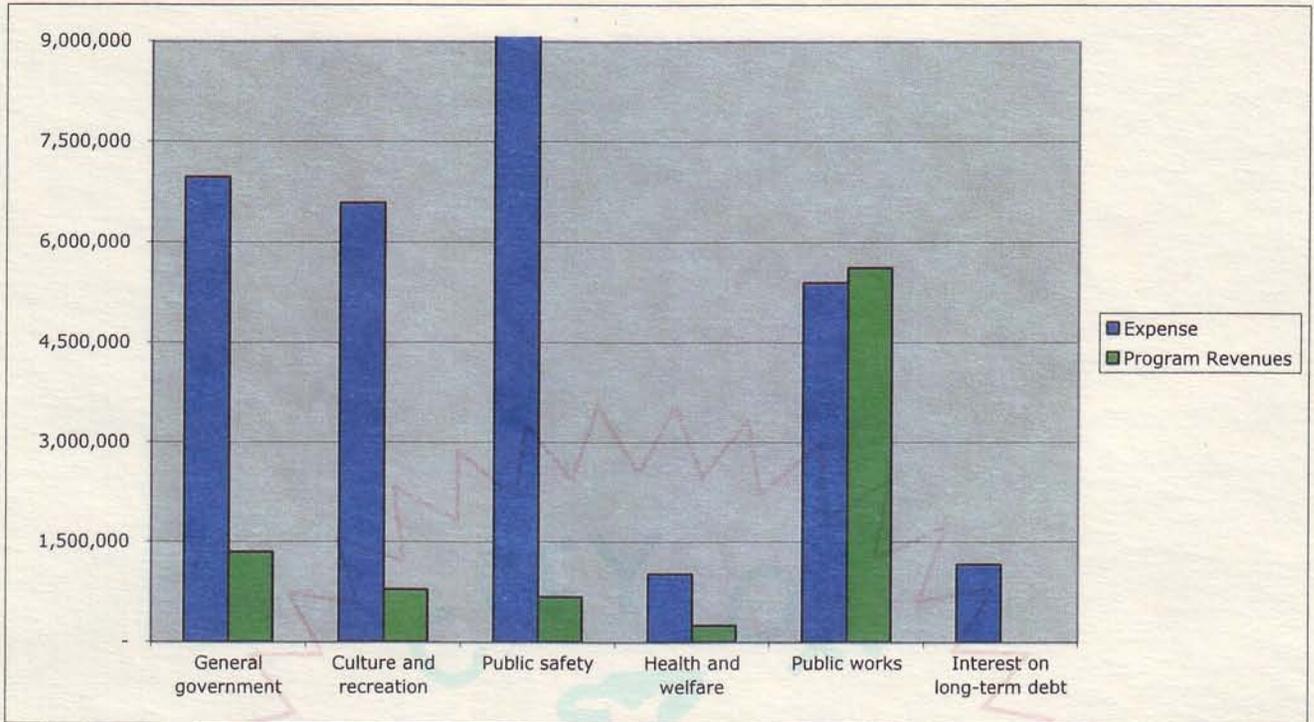
	Governmental Activities		Business-type Activities		Total Government	
	2008	2007	2008	2007	2008	2007
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 3,400	\$ 3,089	\$ 31,284	\$30,320	\$ 34,684	\$33,409
Operating and capital grants	5,271	2,932	5,243	642	10,514	3,574
General Revenues						
Property taxes	2,647	2,342	0	0	2,647	2,342
Other taxes	13,406	12,020	450	399	13,856	12,419
Grants and other contributions	10,028	8,988	0	0	10,028	8,988
Other	1,050	1,330	1,028	1,999	2,078	3,329
Total Revenues	<u>35,802</u>	<u>30,701</u>	<u>38,005</u>	<u>33,360</u>	<u>73,807</u>	<u>64,061</u>
<b>EXPENSES</b>						
General government	6,970	6,274	0	0	6,970	6,274
Culture and recreation	6,590	6,222	604	700	7,194	6,922
Public safety	10,599	10,268	20	130	10,619	10,398
Health and welfare	1,021	1,192	0	0	1,021	1,192
Public works	5,395	4,563	0	0	5,395	4,563
Electric	0	0	16,573	17,272	16,573	17,272
Wastewater	0	0	2,602	2,885	2,602	2,885
Water	0	0	4,175	4,716	4,175	4,716
Sanitation	0	0	2,630	2,629	2,630	2,629
Interest on long-term debt	1,163	1,177	0	0	1,163	1,177
Total Expenses	<u>31,738</u>	<u>29,696</u>	<u>26,604</u>	<u>28,332</u>	<u>58,342</u>	<u>58,028</u>
Increase in Net Assets Before Net Transfers	4,064	1,005	11,401	5,028	15,465	6,033
Net Transfers	2,528	2,183	(2,528)	(2,183)	0	0
Increase in Net Assets	<u>6,592</u>	<u>3,188</u>	<u>8,873</u>	<u>2,845</u>	<u>15,465</u>	<u>6,033</u>
Net Assets, 06/30/07	74,505	63,603	41,473	38,628	115,978	102,231
Prior Period Adjustment	0	7,714	0	0	0	7,714
Net Assets, 06/30/07 Restated	<u>74,505</u>	<u>71,317</u>	<u>41,473</u>	<u>38,628</u>	<u>115,978</u>	<u>109,945</u>
Net Assets, 06/30/08	<u>\$81,097</u>	<u>\$74,505</u>	<u>\$ 50,346</u>	<u>\$41,473</u>	<u>\$ 131,443</u>	<u>\$115,978</u>

**Governmental Activities.** Governmental activities increased the City's net assets by \$6,591,599, thereby accounting for 42.62% of the total increase in the net assets of the City. Key elements of this increase are as follows:

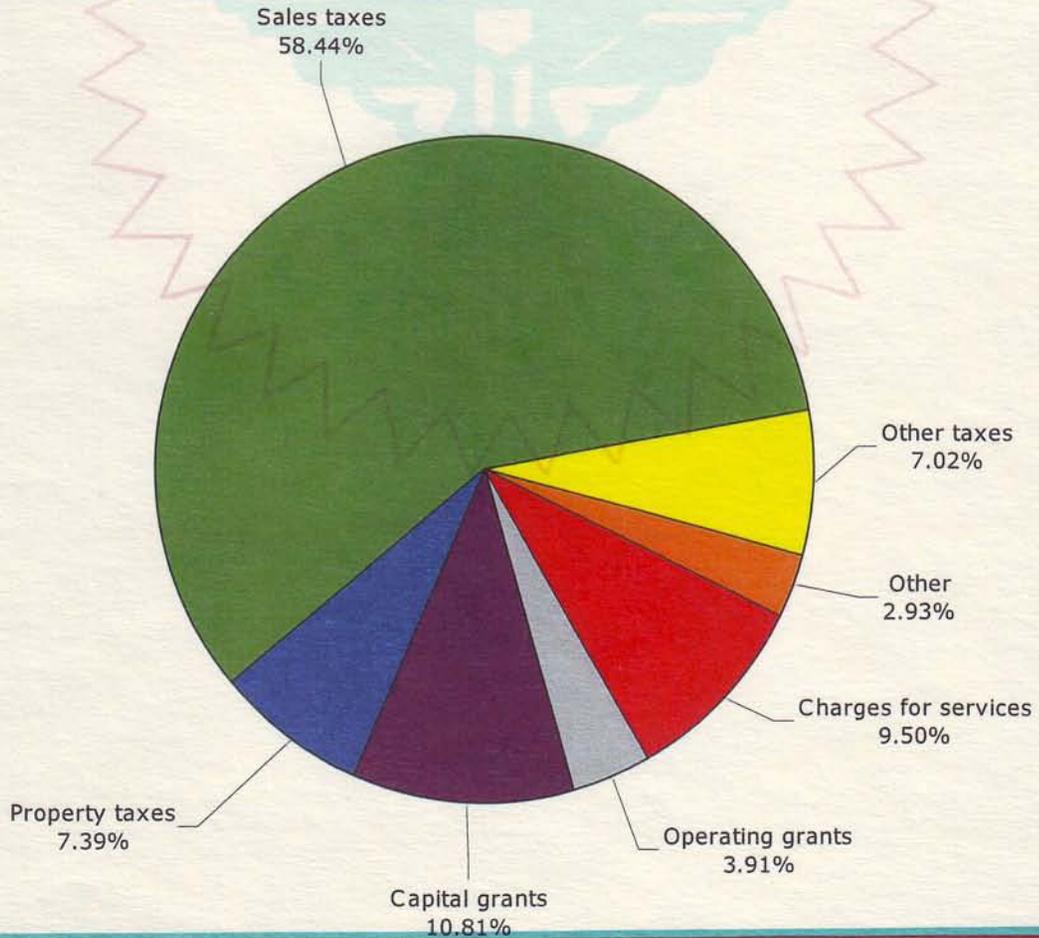
- Gross receipts (sales taxes) increased by \$250,412, mainly due to the development of a calendar of events designed to develop tourism and economic development. Some of the events include hosting many amateur and professional rodeos, mountain bike races, and outdoor sporting events.
- Interest income increased by \$66,847 due to favorable market rates that the City was able to secure during the prior fiscal year.
- Operating transfers to governmental funds increased by \$379,376, primarily to the increased services cost to Gallup Joint Utilities and the close of many bond capital projects.



### EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES



### REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES

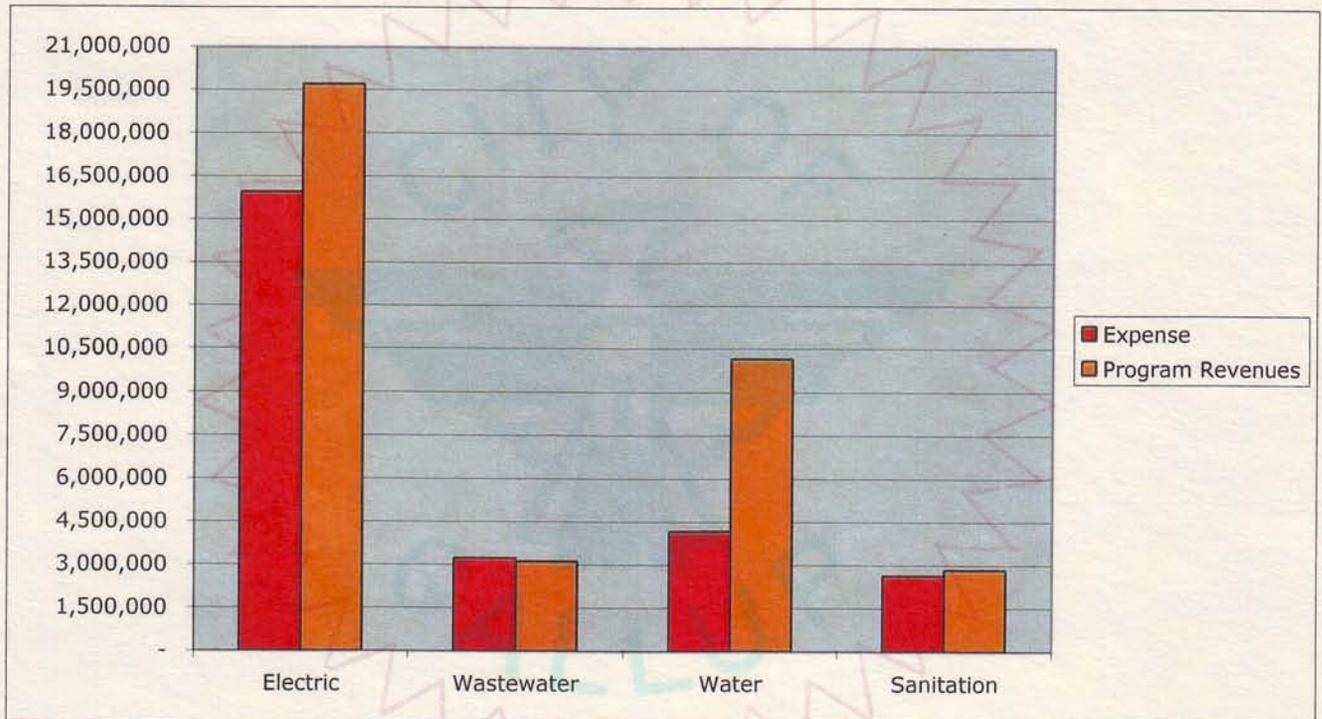




**Business-type Activities.** Business-type activities increased the City's net assets by \$8,873,098 accounting for 57.41% of the total growth of the government's net assets. Key elements of this increase are as follows:

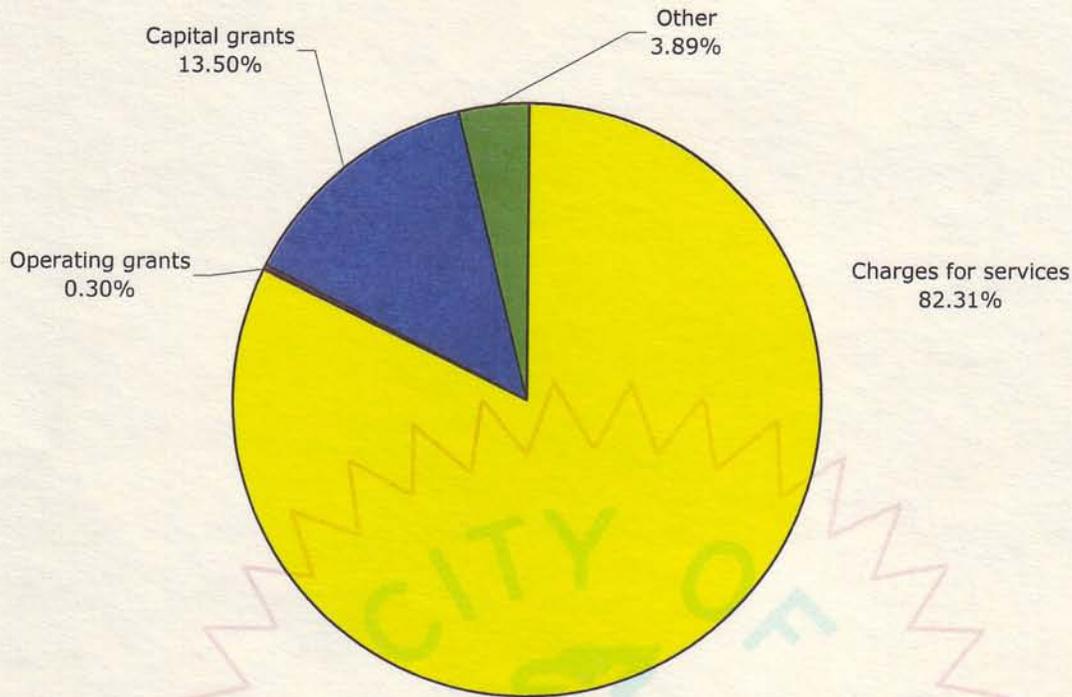
- Charges for services for business-type activities increased by 11.7%. Gallup Joint Utilities accounts for a significant portion of this increase, which resulted from the approval of a tiered rate increase passed in 2005. Revenues also increased as a result of growth in commercial customer base and a modest increase in overall usage. Together, these factors, account for the \$3,678,972 increase in charges for services for Gallup Joint Utilities. The remaining decrease of \$511,762 is attributable to a small increase in the customer base of our recreational facilities and the transfer of operation of the GMADC to McKinley County.
- During the year, the County and the City settled up for charges accrued in connection with the operation of the GMADC, which resulted in an increase to miscellaneous income for \$413,779
- Interest income, which is a component of other revenues, increased by \$347,594, which resulted from residual invested balances of bond proceeds from 2004 and favorable market rates.

**EXPENSES AND PROGRAM REVENUES – BUSINESS-TYPE ACTIVITIES**





## REVENUES BY SOURCE BUSINESS –TYPE ACTIVITIES



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,666,163, an increase of \$2,560,005 in comparison with the prior year. The General Fund individually had a increase of \$864,768 in unreserved fund balance, which is available for spending at the City's discretion.

The General Fund is the chief operating fund for the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$8,737,002 while total fund balance was \$9,721,225. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 37.38% of total General Fund expenditures, and total fund balance represents 41.59% of that same amount. The expenditure calculation does not consider \$1,791,684 in net transfers out of the General Fund.

During the current fiscal year, the fund balance of the City's General Fund increased by \$864,768. This reflects an increase of 363.07%. Key factors in this increase are as follows:

- Intergovernmental income dramatically decreased by \$1,496,982 due to lack of funding opportunities at the state level.
- Miscellaneous income decreased by \$1,558,669 primarily from the completion of bond capital projects. Many projects were financed by memorandums of agreement where outside parties contributed funds for construction.
- Overall, the increase in taxes (\$586,830) helped to offset the effect of these shortfalls.





**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total unrestricted net assets at the end of the year amounted to \$24,648,755. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget were relatively minor (\$1,088,743 increase in appropriations) can be briefly summarized as follows:

- \$664,714 in increases allocated to recreation departments
- \$249,720 in increases allocated to the police department
- \$629,276 in increases allocated to capital outlay (mainly the result of the carryover of purchase orders from the prior year)
- \$497,519 increase in net operating transfers out (mainly the repayment/borrowings of interfund loans)

Of the increase \$536,295 was to be funded out of miscellaneous increases in various intergovernmental grants and interest income. The remaining \$1,088,743 was to be budgeted from available fund balance. During the year, however, expenditures and net transfers out were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$135,422,063 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, and distribution systems. The total increase in the City's investment in capital assets for the current fiscal year was 6.48% (2.90% increase for governmental activities and 12.96% for business-type activities).

Major capital asset events during the current fiscal year included the following:

- During the fiscal year, the City concluded its capitalization of infrastructure under GASB 34.
- Many bond projects, which were funded by debt issues in prior years, were completed. Some of the projects include sidewalk construction, water and sewer line reconstruction, and the continuation of the construction of a new wastewater treatment plant.

**CITY OF GALLUP'S CAPITAL ASSETS  
NET OF DEPRECIATION  
(AMOUNTS IN THOUSANDS)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Land	\$ 7,384	\$ 7,096	\$ 484	\$ 484	\$ 7,868	\$ 7,580
Distribution & collection Systems	0	0	25,561	22,259	25,561	22,259
Buildings & improvements	54,223	50,843	22,309	21,769	76,532	72,612
Infrastructure	20,389	21,325	0	0	20,389	21,325
Equipment	<u>2,245</u>	<u>2,601</u>	<u>2,827</u>	<u>793</u>	<u>5,072</u>	<u>3,394</u>
	<b>\$84,241</b>	<b>\$81,865</b>	<b>\$51,181</b>	<b>\$45,305</b>	<b>\$ 135,422</b>	<b>\$ 127,170</b>

Additional information on the City's capital assets can be found on pages 41 and 42 of this report.





**Long-term Debt.** During the fiscal year, the City did not issue any new debt. In total, the City repaid \$3,424,355 of its total debt that was outstanding at June 30, 2007. At the end of the current fiscal year, the City had total bonded debt outstanding of \$54,167,569. Of this amount \$5,590,000 comprises debt back by property taxes, \$18,980,000 comprises debt backed by gross receipts tax revenues and \$23,910,000 is backed by revenue generated by Gallup Joint Utilities. The remaining balance of \$5,687,569 is made up of loans backed by specified operational revenue sources.

**CITY OF GALLUP'S OUTSTANDING DEBT  
(AMOUNTS IN THOUSANDS)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
General obligation bonds	\$ 5,590	\$ 6,030	\$ 0	\$ 0	\$ 5,590	\$ 6,030
Sales tax revenue bonds	18,980	20,190	0	0	18,980	20,190
Revenue bonds	0	0	23,910	25,125	23,910	25,125
Loans payable	<u>1,981</u>	<u>2,227</u>	<u>3,706</u>	<u>4,020</u>	<u>5,687</u>	<u>6,247</u>
	<b>\$26,551</b>	<b>\$28,447</b>	<b>\$27,616</b>	<b>\$29,145</b>	<b>\$54,167</b>	<b>\$57,592</b>

The City bonds are rated only by Moody's. Currently the City maintains an A3 rating on its general obligation bonds and an A2 rating on its sales tax bonds. Gallup Joint Utilities maintains an A1 rating on its revenue bonds from Moody's and an A rating from Fitch.

State statutes limit the amount of general obligation debt a governmental entity may issue to four percent (4%) of its total assessed valuation. The current debt limitation for the City is approximately \$12.1 million, with \$6.1 million as remaining capacity.

Additional information on the City's long-term debt can be found on pages 43 through 47 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Budget revenues were projected flat. Although, the City has seen about a three percent (3%) growth rate in charges for services and taxes over the past few years.
- Economic growth has improved over the last fiscal year. A surge of new business in our downtown and west side areas has emerged.
- Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, unreserved fund balance in the general fund increased \$864,768. The City has appropriated \$1,693,790 of fund balance for spending in the 2009 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges for services during the 2009 fiscal year. Although City Council is looking at a quarter cent increase in gross receipts tax to fund much need capital outlay.

Gallup Joint Utilities were increased rates for the 2009 budget year. Rates increased by an average of 3.00% for all customers. These rate increases were necessary to finance debt service on the water and sewer distribution systems and to provide funding for electric and sanitation capital needs.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Gallup, Finance Department, P.O. Box 1270, Gallup, New Mexico 87305. In addition, information concerning the City's component unit, Gallup Housing Authority's and their complete financial statements can be obtained from the Gallup Housing Authority, 203 Debra, Gallup, New Mexico 87301.



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## **BASIC FINANCIAL STATEMENTS**

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**STATE OF NEW MEXICO  
CITY OF GALLUP  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	<b>PRIMARY GOVERNMENT</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 22,786,026	\$ 9,655,363	\$ 32,441,389	\$ 132,640
Accounts receivable, net	5,683,537	2,634,698	8,318,235	119,840
Internal balances	-	-	-	164
Inventories	362,807	2,237,311	2,600,118	9,880
Prepaid expenses	-	-	-	15,441
Deferred charges	210,758	173,290	384,048	-
Restricted cash and cash equivalents	179,692	15,429,088	15,608,780	1,066
Capital assets:				
Land	7,383,732	483,907	7,867,639	1,686,162
Distribution and collections systems	-	46,508,276	46,508,276	-
Buildings and improvements	73,470,446	33,864,909	107,335,355	10,147,921
Infrastructure	35,183,434	-	35,183,434	-
Equipment	15,754,186	10,417,925	26,172,111	573,626
Less accumulated depreciation	(47,551,260)	(40,093,493)	(87,644,753)	(5,994,816)
Other assets held for sale	-	-	-	-
<b>Total Assets</b>	<b>113,463,358</b>	<b>81,311,274</b>	<b>194,774,632</b>	<b>6,691,924</b>
<b>LIABILITIES</b>				
Accounts payable	1,639,728	1,128,385	2,768,113	115,236
Accrued wages and taxes	543,179	274,388	817,567	3,093
Deferred revenue	1,181,289	57,991	1,239,280	-
Payable from restricted assets	-	666,440	666,440	21,006
Accrued interest	177,042	151,250	328,292	-
Long-term obligations:				
Compensated absences	648,874	220,307	869,181	11,519
Claims and judgements payable	1,411,783	-	1,411,783	-
Due within one year	1,966,083	1,573,307	3,539,390	-
Due in more than one year	24,798,767	26,892,710	51,691,477	-
<b>Total Liabilities</b>	<b>32,366,745</b>	<b>30,964,778</b>	<b>63,331,523</b>	<b>150,854</b>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	57,475,688	23,075,507	80,551,195	6,412,893
Restricted for:				
Inventories	362,807	-	362,807	-
Encumbrances	2,038,984	-	2,038,984	-
Unrestricted	21,219,134	27,270,989	48,490,123	128,177
<b>Total Net Assets</b>	<b>\$ 81,096,613</b>	<b>\$ 50,346,496</b>	<b>\$ 131,443,109</b>	<b>\$ 6,541,070</b>

The accompanying notes are an integral part of these financial statements.

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STATE OF NEW MEXICO  
CITY OF GALLUP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	Expenses	Charges for Services	Operating	Capital	PRIMARY GOVERNMENT			Component Unit
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:								
General government	\$ 6,969,988	\$ 1,348,936	\$ -	\$ -	\$ (5,621,052)	\$ -	\$ (5,621,052)	\$ -
Culture and recreation	6,590,093	8,960	606,933	166,976	(5,807,224)	-	(5,807,224)	-
Public safety	10,593,062	103,326	547,818	17,822	(9,924,096)	-	(9,924,096)	-
Health and welfare	1,020,677	-	246,000	-	(774,677)	-	(774,677)	-
Public works	5,395,481	1,932,964	774	3,685,137	223,394	-	223,394	-
Interest on long-term debt	1,162,574	-	-	-	(1,162,574)	-	(1,162,574)	-
Total Governmental Activities	<u>31,731,875</u>	<u>3,394,186</u>	<u>1,401,525</u>	<u>3,869,935</u>	<u>(23,066,229)</u>	<u>-</u>	<u>(23,066,229)</u>	<u>-</u>
Business-type activities:								
Culture and recreation	604,512	626,915	100,000	-	-	122,403	122,403	-
Public safety	20,578	-	-	-	-	(20,578)	(20,578)	-
Electric	15,957,279	19,688,241	-	-	-	3,730,962	3,730,962	-
Wastewater	3,231,224	3,110,955	-	-	-	(120,269)	(120,269)	-
Water	4,160,886	5,033,388	-	5,128,829	-	6,001,331	6,001,331	-
Sanitation	2,629,813	2,823,961	14,289	-	-	208,437	208,437	-
Total Business-type Activities	<u>26,604,292</u>	<u>31,283,460</u>	<u>114,289</u>	<u>5,128,829</u>	<u>-</u>	<u>9,922,286</u>	<u>9,922,286</u>	<u>-</u>
Total Primary Government	<u>\$ 58,336,167</u>	<u>\$ 34,677,646</u>	<u>\$ 1,515,814</u>	<u>\$ 8,998,764</u>	<u>(23,066,229)</u>	<u>9,922,286</u>	<u>(13,143,943)</u>	<u>-</u>
COMPONENT UNIT:								
Housing authority	\$ 1,397,768	\$ 417,920	\$ 597,228	\$ -	-	-	-	(382,620)
GENERAL REVENUES:								
Taxes:								
Property taxes, levied for general purposes					1,783,871	-	1,783,871	-
Property taxes, levied for debt service					862,653	-	862,653	-
Franchise taxes					1,427,749	-	1,427,749	-
Gross receipts taxes					10,894,333	450,170	11,344,503	-
Public service taxes					1,083,969	-	1,083,969	-
Grants and contributions not restricted to specific program					10,027,808	-	10,027,808	-
Miscellaneous income					160,966	137,595	298,561	125,017
Interest income					888,946	890,585	1,779,531	3,603
Net Transfers					2,527,533	(2,527,533)	-	-
Total General Revenues and Transfers					<u>29,657,828</u>	<u>(1,049,183)</u>	<u>28,608,645</u>	<u>128,620</u>
CHANGE IN NET ASSETS					6,591,599	8,873,103	15,464,702	(254,000)
Net Assets, Beginning of Year					<u>74,505,014</u>	<u>41,473,393</u>	<u>115,978,407</u>	<u>6,795,070</u>
Net Assets, End of Year					<u>\$ 81,096,613</u>	<u>\$ 50,346,496</u>	<u>\$ 131,443,109</u>	<u>\$ 6,541,070</u>

The accompanying notes are an integral part of these financial statements.

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**STATE OF NEW MEXICO  
CITY OF GALLUP  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008**

	<b>SPECIAL REVENUE FUND</b>			<b>Total Governmental Funds</b>
	<b>General</b>	<b>Environmental Surcharge</b>	<b>Non Major Funds</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,050,737	\$ 5,816,673	\$ 7,106,926	\$ 19,974,336
Accounts receivable, net	4,931,989	96,569	654,979	5,683,537
Due from other funds	100,000	-	-	100,000
Inventories	362,807	-	-	362,807
<b>Total Assets</b>	<b>\$ 12,445,533</b>	<b>\$ 5,913,242</b>	<b>\$ 7,761,905</b>	<b>\$ 26,120,680</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,118,379	\$ -	\$ 480,056	\$ 1,598,435
Accrued wages and taxes	499,736	-	35,057	534,793
Due to other funds	-	-	140,000	140,000
Deferred revenue	1,106,193	-	75,096	1,181,289
Payable from restricted	-	-	-	-
<b>Total Liabilities</b>	<b>2,724,308</b>	<b>-</b>	<b>730,209</b>	<b>3,454,517</b>
<b>FUND BALANCES</b>				
Reserved for:				
Inventories	362,807	-	-	362,807
Encumbrances	621,416	-	1,417,568	2,038,984
Special revenue funds	-	5,913,242	1,882,845	7,796,087
Debt service funds	-	-	1,673,998	1,673,998
Capital projects funds	-	-	2,057,285	2,057,285
Unreserved, reported in:				
General fund	8,737,002	-	-	8,737,002
<b>Total Fund Balances</b>	<b>9,721,225</b>	<b>5,913,242</b>	<b>7,031,696</b>	<b>22,666,163</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,445,533</b>	<b>\$ 5,913,242</b>	<b>\$ 7,761,905</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	84,238,110
The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	1,559,589
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(27,367,249)</u>
<b>Net Assets of Governmental Activities</b>	<b>\$ 81,096,613</b>

**STATE OF NEW MEXICO  
CITY OF GALLUP  
GOVERNMENTAL FUNDS  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2008**

	General	SPECIAL REVENUE FUND		Total Governmental Funds
		Environmental Surcharge	Non Major Funds	
<b>REVENUES</b>				
Intergovernmental income	\$ 786,268	\$ 774	\$ 4,484,418	\$ 5,271,460
Taxes	14,105,952	-	1,946,623	16,052,575
Operating grant - taxes	9,254,063	-	773,745	10,027,808
Charges for services	1,348,936	1,201,363	112,157	2,662,456
Miscellaneous income	82,104	-	52,160	134,264
Interest income	450,367	183,561	175,726	809,654
Total Revenues	<u>26,027,690</u>	<u>1,385,698</u>	<u>7,544,829</u>	<u>34,958,217</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,427,725	-	84,328	6,512,053
Culture and recreation	4,428,954	-	1,028,034	5,456,988
Public safety	8,257,528	-	187,795	8,445,323
Health and welfare	579,398	-	302,800	882,198
Public works	1,459,570	75,341	2,685,930	4,220,841
Debt service:				
Principal retirement	-	-	1,895,465	1,895,465
Interest and other charges	-	-	1,130,526	1,130,526
Capital outlay	<u>2,218,063</u>	<u>-</u>	<u>4,164,288</u>	<u>6,382,351</u>
Total Expenditures	<u>23,371,238</u>	<u>75,341</u>	<u>11,479,166</u>	<u>34,925,745</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,656,452</u>	<u>1,310,357</u>	<u>(3,934,337)</u>	<u>32,472</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	-	-	-
Operating transfers in	3,764,025	-	7,542,929	11,306,954
Operating transfers out	<u>(5,555,709)</u>	<u>-</u>	<u>(3,223,712)</u>	<u>(8,779,421)</u>
Total Other Financing Sources (Uses)	<u>(1,791,684)</u>	<u>-</u>	<u>4,319,217</u>	<u>2,527,533</u>
Net Change in Fund Balances	864,768	1,310,357	384,880	2,560,005
Fund Balance, Beginning of Year	<u>8,856,457</u>	<u>4,602,885</u>	<u>6,646,816</u>	
Fund Balance, End of Year	<u>\$ 9,721,225</u>	<u>\$ 5,913,242</u>	<u>\$ 7,031,696</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,376,658
The internal service fund is used by management to charge the costs of insurance to individual funds. The net revenue is reported with governmental activities.	(164,094)
The issuance of long-term debt 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 assets. 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,895,465
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(76,435)</u>
<b>Change in Net Assets of Governmental Activities</b>	<u>\$ 6,591,599</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental income	\$ 1,826,960	\$ 2,227,551	\$ 786,268	\$ (1,441,283)
Taxes	13,465,780	13,465,780	14,105,952	640,172
Operating grant - taxes	8,622,240	8,622,240	9,254,063	631,823
Charges for services	1,350,930	1,227,100	906,566	(320,534)
Miscellaneous income	213,000	213,000	82,104	(130,896)
Interest income	150,500	150,500	450,367	299,867
Total Revenues	<u>25,629,410</u>	<u>25,906,171</u>	<u>25,585,320</u>	<u>(320,851)</u>
<b>EXPENDITURES</b>				
General government	7,122,270	7,122,270	5,833,446	1,288,824
Culture and recreation	5,395,310	5,395,310	4,410,272	985,038
Public safety	8,643,100	8,643,100	8,133,207	509,893
Health and welfare	424,720	618,513	584,497	34,016
Public works	2,124,250	2,167,683	1,430,669	737,014
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>1,615,170</u>	<u>3,201,012</u>	<u>2,218,063</u>	<u>982,949</u>
Total Expenditures	<u>25,324,820</u>	<u>27,147,888</u>	<u>22,610,154</u>	<u>4,537,734</u>
Excess (Deficiency) of Revenues over Expenditures	<u>304,590</u>	<u>(1,241,717)</u>	<u>2,975,166</u>	<u>4,216,883</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	1,291,000	2,379,743	-	(2,379,743)
Transfers from other funds	2,625,880	4,266,751	3,764,025	(502,726)
Transfers to other funds	<u>(4,221,470)</u>	<u>(5,404,777)</u>	<u>(5,213,838)</u>	<u>190,939</u>
Total Other Financing Sources (Uses)	<u>(304,590)</u>	<u>1,241,717</u>	<u>(1,449,813)</u>	<u>(2,691,530)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	1,525,353	<u>\$ 1,525,353</u>
Fund Balance, Beginning of Year			<u>5,525,384</u>	
Fund Balance, End of Year			<u>\$ 7,050,737</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
ENVIRONMENTAL SURCHARGE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	950,000	950,000	1,219,369	269,369
Miscellaneous income	-	774	774	-
Interest income	-	-	183,561	183,561
Total Revenues	<u>950,000</u>	<u>950,774</u>	<u>1,403,704</u>	<u>452,930</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	100,000	75,341	(24,659)
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	350,944	-	350,944
Total Expenditures	<u>-</u>	<u>450,944</u>	<u>75,341</u>	<u>326,285</u>
Excess (Deficiency) of Revenues over Expenditures	<u>950,000</u>	<u>499,830</u>	<u>1,328,363</u>	<u>779,215</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 950,000</u>	<u>\$ 499,830</u>	<u>1,328,363</u>	<u>\$ 779,215</u>
Fund Balance, Beginning of Year			<u>4,488,310</u>	
Fund Balance, End of Year			<u>\$ 5,816,673</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
PROPRIETARY FUNDS  
STATEMENTS OF NET ASSETS  
JUNE 30, 2008**

ASSETS	<b>BUSINESS TYPE ACTIVITIES</b>			<b>GOVERNMENTAL</b>
	<b>Joint Utilities</b>	<b>Non Major Funds</b>	<b>Total</b>	<b>ACTIVITIES</b>
				<b>Internal Service</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 6,773,436	\$ 2,881,927	\$ 9,655,363	\$ 2,991,382
Accounts receivable, net	2,251,512	383,186	2,634,698	-
Due from other funds	-	-	-	40,000
Inventories	2,237,311	-	2,237,311	-
Total Current Assets	<u>11,262,259</u>	<u>3,265,113</u>	<u>14,527,372</u>	<u>3,031,382</u>
<b>NONCURRENT ASSETS</b>				
Restricted cash and cash equivalents	15,424,786	4,302	15,429,088	-
Capital assets:				
Land	416,528	67,379	483,907	-
Distribution and collections systems	45,838,986	669,290	46,508,276	-
Buildings and improvements	33,525,171	339,738	33,864,909	2,180
Equipment	7,634,576	2,783,349	10,417,925	55,331
Less accumulated depreciation	(36,968,699)	(3,124,794)	(40,093,493)	(55,083)
Deferred charges	173,290	-	173,290	-
Total Noncurrent Assets	<u>66,044,638</u>	<u>739,264</u>	<u>66,783,902</u>	<u>2,428</u>
Total Assets	<u>77,306,897</u>	<u>4,004,377</u>	<u>81,311,274</u>	<u>3,033,810</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	919,959	208,426	1,128,385	41,293
Accrued wages and taxes	253,546	20,842	274,388	8,386
Due to other funds	-	-	-	-
Deferred revenue	35,963	22,028	57,991	-
Compensated absences	188,724	31,583	220,307	12,759
Claims and judgements	-	-	-	1,411,783
Loans - current	323,307	-	323,307	-
Revenue bonds - current	1,250,000	-	1,250,000	-
Payable from restricted assets	662,138	4,302	666,440	-
Accrued interest	151,250	-	151,250	-
Total Current Liabilities	<u>3,784,887</u>	<u>287,181</u>	<u>4,072,068</u>	<u>1,474,221</u>
<b>NONCURRENT LIABILITIES</b>				
Landfill closure	-	360,000	360,000	-
Loans payable	3,383,043	-	3,383,043	-
Revenue bonds payable (net of unamortized premiums and discounts)	23,149,667	-	23,149,667	-
Total Noncurrent Liabilities	<u>26,532,710</u>	<u>360,000</u>	<u>26,892,710</u>	<u>-</u>
Total Liabilities	<u>30,317,597</u>	<u>647,181</u>	<u>30,964,778</u>	<u>1,474,221</u>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	22,340,545	734,962	23,075,507	2,428
Unrestricted	24,648,755	2,622,234	27,270,989	1,557,161
Total Net Assets	<u>\$ 46,989,300</u>	<u>\$ 3,357,196</u>	<u>\$ 50,346,496</u>	<u>\$ 1,559,589</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
PROPRIETARY FUNDS  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008

	BUSINESS TYPE ACTIVITIES			GOVERNMENTAL
	Joint Utilities	Non Major Funds	Total	ACTIVITIES Internal Service
OPERATING REVENUES				
Intergovernmental income	\$ 5,128,829	\$ 114,289	\$ 5,243,118	\$ -
Taxes	-	450,170	450,170	-
Operating grant - taxes	-	-	-	-
Charges for services	27,543,398	3,740,062	31,283,460	-
Miscellaneous income	-	137,595	137,595	26,702
Assessments	-	-	-	1,829,340
Total Operating Revenues	<u>32,672,227</u>	<u>4,442,116</u>	<u>37,114,343</u>	<u>1,856,042</u>
OPERATING EXPENSES				
Personnel services	3,020,623	640,452	3,661,075	266,997
Depreciation expense	2,491,034	474,204	2,965,238	861
Operating expenses	<u>16,599,747</u>	<u>2,213,510</u>	<u>18,813,257</u>	<u>1,831,570</u>
Total Operating Expenses	<u>22,111,404</u>	<u>3,328,166</u>	<u>25,439,570</u>	<u>2,099,428</u>
Operating Income (Loss)	<u>10,560,823</u>	<u>1,113,950</u>	<u>11,674,773</u>	<u>(243,386)</u>
NONOPERATING REVENUES (EXPENSES)				
Loss on sale of capital assets	-	-	-	-
Interest income	811,937	78,648	890,585	79,292
Bond issue costs	19,089	-	19,089	-
Interest and other charges	<u>(1,183,811)</u>	<u>-</u>	<u>(1,183,811)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(352,785)</u>	<u>78,648</u>	<u>(274,137)</u>	<u>79,292</u>
Income (Loss) Before Operating Transfers	<u>10,208,038</u>	<u>1,192,598</u>	<u>11,400,636</u>	<u>(164,094)</u>
NET OPERATING TRANSFERS IN (OUT)				
Operating transfers from other funds	3,621,110	152,150	3,773,260	-
Operating transfers to other funds	<u>(6,097,650)</u>	<u>(203,143)</u>	<u>(6,300,793)</u>	<u>-</u>
Net Operating Transfers In (Out)	<u>(2,476,540)</u>	<u>(50,993)</u>	<u>(2,527,533)</u>	<u>-</u>
Change in Net Assets	7,731,498	1,141,605	8,873,103	(164,094)
Total Net Assets, Beginning of Year	<u>39,257,802</u>	<u>2,215,591</u>	<u>41,473,393</u>	<u>1,723,683</u>
Total Net Assets, End of Year	<u>\$ 46,989,300</u>	<u>\$ 3,357,196</u>	<u>\$ 50,346,496</u>	<u>\$ 1,559,589</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
PROPRIETARY FUNDS  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2007

	BUSINESS TYPE ACTIVITIES			GOVERNMENTAL
	Joint Utilities	Non Major Funds	Total	Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 33,079,771	\$ 4,446,981	\$ 37,526,752	\$ 1,858,888
Cash paid to suppliers for goods and services	(18,086,789)	(2,332,134)	(20,418,923)	(1,723,658)
Cash paid to employees for services	(3,035,881)	(647,545)	(3,683,426)	(264,657)
Cash received from other funds for services	-	-	-	-
Net Cash Provided by (Used for)				
Operating Activities	<u>11,957,101</u>	<u>1,467,302</u>	<u>13,424,403</u>	<u>(129,427)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating subsidies (to) from other funds	<u>(2,476,540)</u>	<u>(50,993)</u>	<u>(2,527,533)</u>	<u>(40,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earned	<u>811,937</u>	<u>78,648</u>	<u>890,585</u>	<u>79,292</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(8,268,872)	(572,965)	(8,841,837)	-
Proceeds from the issuance of debt	-	-	-	-
Principal paid on capital debt	(1,528,890)	-	(1,528,890)	-
Interest paid on capital debt	<u>(1,192,216)</u>	<u>-</u>	<u>(1,192,216)</u>	<u>-</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(10,989,978)</u>	<u>(572,965)</u>	<u>(11,562,943)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(697,480)	921,992	224,512	(90,135)
Cash and Cash Equivalents, Beginning of Year	<u>22,895,702</u>	<u>1,964,237</u>	<u>24,859,939</u>	<u>3,081,517</u>
Cash and Cash Equivalents, End of Year	<u>\$ 22,198,222</u>	<u>\$ 2,886,229</u>	<u>\$ 25,084,451</u>	<u>\$ 2,991,382</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ 10,560,823	\$ 1,113,950	\$ 11,674,773	\$ (243,386)
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation	2,491,034	474,204	2,965,238	861
(Increase) decrease in accounts receivable	232,421	(42,260)	190,161	2,846
Increase (decrease) in provision for doubtful accounts	286,125	40,610	326,735	-
(Increase) decrease in inventories	(299,704)	-	(299,704)	-
Increase (decrease) in accounts payable	(1,187,338)	(38,624)	(1,225,962)	(20,984)
Increase (decrease) in accrued wages and taxes	15,509	1,824	17,333	1,461
Increase (decrease) in due to other funds	-	(60,000)	(60,000)	-
Increase (decrease) in compensated absences	(30,767)	(8,917)	(39,684)	879
Increase (decrease) in claims and adjustments	-	-	-	128,896
Increase (decrease) in deferred revenue	(104,598)	2,213	(102,385)	-
Decrease in payable from restricted assets	(6,404)	4,302	(2,102)	-
Decrease in landfill postclosure	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net Cash Provided by (Used for)				
Operating Activities	<u>\$ 11,957,101</u>	<u>\$ 1,467,302</u>	<u>\$ 13,424,403</u>	<u>\$ (129,427)</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>307,703</u>
 Total Assets	 \$ <u>307,703</u>
LIABILITIES	
Accounts payable	\$ 1,163
Special projects payable	<u>306,540</u>
 Total Liabilities	 \$ <u>307,703</u>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

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**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the City's accounting policies are described below.

GASB Statement No. 14 established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the City is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body (mayor and four member council), is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the City may, without the approval or consent of another government entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The City also has a *component unit*, as defined by GASB Statement No. 14 and/or GASB Statement No. 39, as there is a legally separate organization for which the elect City councilors are financial accountable. The City is financially accountable for the City of Gallup Housing Authority.

Discrete Component Unit

The Gallup Housing Authority (the Authority) is responsible for providing public housing services within the city limits. The Section 8 housing assistance program is responsible for subsidizing low income housing and the Housing Development Corporation is responsible for providing housing for elderly persons who qualify for assistance under Section 8 of the United States Housing Act of 1987. The Authority is governed by a board appointed by the City's elected council. Bond issuance authorizations are approved by the City's council and the legal liability for the general obligation portion of the Authority's debt remains with the City.

The Authority's complete financial statements can be obtained from the 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 Assets and the Statement of Changes in Net Assts) report information on all of the nonfiduciary activities of the primary government and its component unit. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

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.

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 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 funds are reported using the *current financial resources measurement focus* and are accounted for using the *modified accrual basis of accounting*. Under this method, 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund 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. Sales and use (gross receipts) 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the primary operating fund of the City. This fund is used to account for all financial resources traditionally associated with government except those required to be accounted for in another fund.

The *Environmental Surcharge Special Revenue Fund* accounts for the accumulation of and payments made for environmental surcharge payments.

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

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

*Agency funds* are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the City hold for others in an agency capacity.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

Proprietary funds are accounted for on the flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position and changes in cash flow. The Proprietary Funds are accounted for using the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. The City applies all applicable FASB pronouncements issued after November 30, 1989, to government wide financial statements (business –type activities) and to proprietary funds in the fund financial statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's electric, wastewater, water, solid waste and insurance functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are changers to customers for sales and services, although subsidies may be used for operating or capital to some degree. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Subsequent Accounting Standard Pronouncements**

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, which is effective for financial statements for periods beginning after December 15, 2006. This statement improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The City is analyzing the effect that this standard will have on its financial statements and currently believes it will have no significant effect on the financial statements for the upcoming year.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Subsequent Accounting Standard Pronouncements (Continued)**

In December 2004, the GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation*, which is effective for financial statements for periods beginning after June 15, 2005. The clarifications in the statement should improve the understandability and comparability of net asset information by making the assessment of legal enforceability more uniform across governments. The City has analyzed the effect that this standard will have on its financial statements, and has determined that it will have no significant effect on the financial statements for the current or upcoming year.

In June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*, which is effective for financial statements for periods beginning after June 15, 2005 or in conjunction with implementation of GASB No. 45. This statement requires governments to recognize a liability and expense for voluntary termination benefits when the offer is accepted and the amount can be estimated. The Statement also requires governments to account for involuntary termination benefits in the same manner when a plan of termination has been approved by those with the authority to commit a government to the plan. The City has analyzed the effect that this standard will have on its financial statements, and has determined that it will have no significant effect on the financial statements for the current or upcoming year.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which is effective for financial statements for periods beginning after December 15, 2006. This statement established the criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The City is analyzing the effect that this standard will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which is effective for financial statements for periods beginning after December 15, 2007. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current and potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The City is analyzing the effect that this standard will have on its financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*, which is effective for financial statements for periods beginning after June 15, 2007. This statement more closely aligns the financial reporting requirements for pensions with those for other post employment benefits. The City is analyzing the effect that this standard will have on its financial statements.

In June 2007, the GASB issued Statement No. 51, *Accounting and financial Reporting for Intangible Assets*, which is effective for financial statements for periods beginning after June 15, 2009. This statement requires that all intangible assets not specifically excluded by its scope provision be classified as capital assets. The City is analyzing the effect that this standard will have on its financial statements.

**E. Assets, Liabilities and Fund Equity**

*Cash and Investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of two years or less from the date of acquisition.

Under New Mexico State statutes the City can invest in obligations of the U.S. Treasury and the State Treasurer's Investment Pool.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Liabilities and Fund Equity (Continued)**

Investments for the government are reported at fair value. The State's Treasurer's Investment 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*

Activity between funds that are representative of lending/borrowing arrangement outstanding at the end of the fiscal year are referred to as either "due to/from other funds". Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade receivables are shown net of an allowance for doubtful accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for doubtful accounts.

Property taxes are levied as of November 1<sup>st</sup> on property values assessed as of January 1<sup>st</sup>. Property taxes, collected by McKinley County (the County), are due in two equal installments on November 10<sup>th</sup> and April 10<sup>th</sup>. The billings are considered pas due 60 days after the respective billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

The City is permitted to levy taxes for general operating purposes based on taxable value for residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bond principal and interest in an amount approved by the City. The City's total tax rate to finance general government services for the year ended June 30, 2007 was \$7.650 per \$1,000 for nonresidential property and \$4.935 per \$1,000 for residential property. The City's tax rate for debt service was \$1.387 for both residential and non-residential property.

*Applicable State Statutes*

Article IX, Section 12, of the New Mexico Constitution provides that the City may not incur debt, which, in the aggregate, exceeds four percent (4%) of the value of taxable property within the City. The proscription does not extend to debt incurred for construction or purchase of a water or sewer system.

Article IV, Section 12 of the New Mexico Constitution also provides that the City may not incur debt unless the ordinance pertaining thereto also includes a tax levy. The tax levy may not exceed 12 mills (\$0.012) per dollar upon all taxable property within the city so that it is sufficient to pay all interest and principal on such debt within 50 years. Section 6-15-3 NMSA 1978 provides that the City may not issue general obligation bonds with maturities in excess of 20 years.

Chapter 20, laws of 1978 amended Section 7-37-7, NMSA to increase the maximum tax rate allowable for general operating purposes for each municipality to \$7.650 per \$1,000 of net taxable value of all property allocated to the City.

Section 6-15-11 NMSA 1978 provides that the City may issue refunding bonds, for the purpose of refunding any of its general obligation bonded indebtedness, only with approval of the New Mexico Department of Finance and Administration.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Liabilities and Fund Equity (Continued)**

*Inventories*

The inventory held in the General Fund consists of expendable supplies and museum artifacts that are held in custody for an outside agency. Inventories are valued at a weighted average cost using the first-in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories reported in the General Fund are offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The inventory recorded in Proprietary Funds consists of supplies and are carried at a weighted average cost. Inventories of business-type funds are recorded as expenses when consumed rather than when purchased.

*Restricted Assets*

Certain proceeds of the City revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets, since their use is limited by applicable bond covenants. In addition, the City has imposed designations on cash balances for specific purposes.

*Capital Assets*

Capital assets which include property, plant, furniture, vehicles and equipment (including software), and infrastructure assets (roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at cost or if contributed at their fair market value at contribution. Assets capitalized have an original cost of \$5,000 or more and have an estimated useful life greater than one year. Capital assets, if purchased or constructed, are recorded at historical costs or estimated historical cost if original cost was not available.

Repairs and maintenance that do not add to the value of the assets or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as the project is completed. Information Technology Equipment, including software, is being capitalized and included in machinery and equipment. The City expenses the cost of library books when purchased.

Depreciation has been calculated on each class of depreciable property using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Building improvements	40
System infrastructure	40
Vehicles	6
Furniture	6
Miscellaneous equipment	6

*Compensated Absences*

The City's policy allows employees to accumulate limited amounts of vacation and sick pay, which are payable to the employee upon termination or retirement. For Governmental Funds, expenditures are recognized during the period in which the amount are payable from current available resources. A liability for amounts accrued is recorded in the related funds. For Proprietary Funds, vacation and sick leave costs are recognized when incurred. This liability includes an accrual of all related employer payroll taxes.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Liabilities and Fund Equity (Continued)**

*Long-term Obligations*

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Fund Equity*

In fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans, which are subject to change.

**NOTE 2: RECONCILIATION OF GOVERNMENT –WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets**

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of the \$27,367,249 difference are as follows:

Bonds payable	\$24,570,000
Loans payable	1,981,219
Less: deferred charge for issuance costs (to be amortized over life of debt)	(210,758)
Issuance premium (to be amortized as interest expense)	213,631
Accrued interest	177,042
Compensated absences	<u>636,115</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$27,367,249</u>

**B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

The governmental statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets – governmental activities as reported in the government – wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$2,376,658 difference are as follows:

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 2: RECONCILIATION OF GOVERNMENT –WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED)**

**B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)**

Capital outlay	\$ 6,382,351
Depreciation expense	<u>(4,005,693)</u>
Net adjust to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,376,658</u>

Another element of that reconciliation states that "The issuance of long-term debt 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 assets. 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." The details of this \$1,895,465 difference are as follows:

Principal Repayments:	
Revenue bond debt	\$1,210,000
General obligation debt	440,000
Loans payable	<u>245,465</u>
Net adjustment to increase net changes in fund – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$1,895,465</u>

Another element of that reconciliation explains that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$76,435 difference are as follows:

Compensated absences	\$(43,387)
Accrued interest	(15,004)
Amortization of bond issuance costs	(29,987)
Amortization of bond premiums	<u>12,943</u>
Net adjustment to increase net changes in fund – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$(76,435)</u>

**NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The City follows the following procedures in establishing the budgetary data reflected in the financial statements.

- In April, the City Treasurer and Finance Director submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
- Each fund's appropriated budget is prepared on a detailed line item basis. Expenditures are budgeted by department and function (personnel services, operating expenses, and capital outlay). This constitutes the legal level of control. Expenditures may not exceed appropriations at this level.
- Public hearings are conducted in May and June to obtain taxpayer comments.
- Upon approval by the Department of Finance and Administration (DFA), the budget is legally enacted through passage of the budget resolution.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**Budgetary Information (Continued)**

- The City Council is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by DFA.
- Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debts Service Funds, Capital Project Funds, and Proprietary Funds.
- Budgets for the City are adopted on a basis that is not in accordance with the United States of America's generally accepted accounting principles (GAAP). The budgets secure appropriations for only one year. Carryover funds must be reappropriated in the budget of the subsequent fiscal year. Budget amounts are as originally adopted, but can be amended.
- Budget amendments are initiated by the Treasurer and Finance Director in a proposal that is presented to the Council who approves the amendment by motion. A resolution is sent to DFA for approval. Upon approval, budget changes are made. Three (3) revisions were made during the fiscal year.

**B. Excess of Expenditures/Expenses Over Appropriations**

The General Fund's budgeted expenditures exceeded its revenues and transfers by \$2,379,743. Actual expenditures did not exceed actual revenues.

The Emergency Medical Services Special Revenue Fund budgeted that expenditures would exceed revenues and transfers by \$413. Actual decrease in net fund balance of \$393 was funded by available cash balance.

The Special Library Special Revenue Fund budgeted that expenditures would exceed revenues and transfers by \$122,487. Actual decrease in net fund balance of \$163,800 was funded by available cash balance.

The Lodgers' Tax Special Revenue Fund budgeted that expenditures would exceed revenues and transfers by \$79,130. Actual decrease in net fund balance of \$32,114 was funded by available cash balance.

The Juvenile Recreation Special Revenue Fund budgeted that expenditures would exceed revenues and transfers by \$20,461. Actual decrease in net fund balance of \$7,270 was funded by available cash balance.

The Na' Nizhoozhi Special Revenue Fund budgeted that expenditures would exceed revenues and transfers by \$29,670. Actual decrease in net fund balance of \$29,475 was funded by available cash balance.

The following Special Revenue Funds budgeted expenditures exceeded their special revenue appropriation and transfers. In no case did actual expenditures exceed actual revenues.

Correction Fee	\$30,000
Fire	172,559
Law Enforcement Protection	31,661
Intergovernmental Grants	916

The New Mexico Finance Authority Service Fund budgeted that expenditures would exceed revenues and transfers by \$1,320,150. Actual decrease in net fund balance of \$543,121 was funded by available cash balance.

The Airport Capital Project Fund budgeted that expenditures would not exceed revenues and transfers. Actual decrease in net fund balance of \$246,984 was funded by available cash balance.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**B. Excess of Expenditures/Expenses Over Appropriations (Continued)**

The Infrastructure GRT Capital Project Fund budgeted that expenditures would exceed revenues and transfers by \$495,662. Actual decrease in net fund balance of \$99,244 was funded by available cash balance.

The 11/00 Sales Tax Capital Projects Fund budgeted that expenditures would exceed revenues and transfers by \$397,427. Actual decrease in net fund balance of \$139,725 was funded by available cash balance.

The Legislative Appropriation Capital Projects Fund budgeted that expenditures would exceed revenues and transfers by \$140,284. Actual decrease in net fund balance of \$243,400 was funded by available cash balance.

The General Obligation Bond Capital Projects Fund budgeted that expenditures would exceed revenues and transfers by \$360,357. Actual decrease in net fund balance of \$50,921 was funded by available cash balance.

The 02/04 Sales Non Tax Bond Capital Projects Fund budgeted that expenditures would exceed revenues and transfers by \$121,338. Actual decrease in net fund balance of \$25,250 was funded by available cash balance.

The 02/04 Sales Tax Bond Capital Projects Fund budgeted that expenditures would exceed revenues and transfers by \$94,801. Actual decrease in net fund balance of \$31,121 was funded by available cash balance.

The Public Works Capital Projects Fund budgeted that expenditures would exceed revenues and transfers by \$622,418. Actual expenditures did not exceed actual revenues.

The Joint Utilities Enterprise Fund budgeted that expenses would exceed revenues and transfers by \$12,782,275. Actual decrease in net assets of \$2,058,761 was funded by available cash balance.

The following Enterprise Funds budgeted expenses exceeded their budgeted revenues and transfers. In no case did actual expenses exceed actual revenues.

Solid Waste	\$596,823
The Fitness Center	1,996
NM Junior High School Rodeo	159,072
GMADC	5,205

The Risk Management Internal Service Fund budgeted that expenses would exceed revenues and transfers by \$686,888. Actual decrease in net assets of \$95,300 was funded by available cash balance.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**C. GAAP to Budgetary Basis Reconciliation**

The following are reconciliations between the Non-GAAP budgetary basis amounts and the GAAP financial statements basis by fund type.

	<u>General</u>	Major Governmental Fund Environmental <u>Surcharge</u>	Nonmajor Governmental <u>Funds</u>	Internal <u>Service</u>
<b>Governmental Activities</b>				
Net change in fund balance (GAAP basis)	\$ 864,768	\$1,310,357	\$ 384,880	\$(164,094)
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals	(442,370)	18,006	(264,303)	2,846
Expenditures for payables, prepaid expenses and other accruals	<u>1,102,955</u>	<u>0</u>	<u>(148,435)</u>	<u>71,113</u>
Net change in fund balance (budget basis)	<u>\$1,525,353</u>	<u>\$1,328,363</u>	<u>\$ (27,858)</u>	<u>\$ (90,135)</u>
		Major Proprietary Fund <u>Joint Utilities</u>	Nonmajor Proprietary <u>Funds</u>	
<b>Business-type Activities</b>				
Change in net assets (GAAP basis)	\$ 7,731,498		\$1,141,605	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals	2,166,835		(36,667)	
Expenses for payables, prepaid expenses and other accruals	<u>(10,595,813)</u>		<u>(162,946)</u>	
Change in net assets (budget basis)	<u>\$ (697,480)</u>		<u>\$ 941,992</u>	

**D. Deficit Fund Equity**

The following fund reflected a deficit fund balance as of June 30, 2008:

**GOVERNMENTAL ACTIVITIES**

Nonmajor fund

Legislative Appropriations Capital Projects Fund           \$94,841

This deficit is expected to be funded by grants and expense reimbursements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 4: DETAILED NOTES ON ALL FUNDS**

**A. Pooled Cash and Investments**

Below is a summary of the City's cash and cash equivalents.

	<u>FM Value</u>	<u>Bank Balance</u>	<u>Maturities</u>
<b>Depository Accounts</b>			
Checking	\$ 3,824,441	\$ 2,972,390	
Money Market	161,723	162,375	
Cash with Fiscal Agent	<u>6,888,121</u>	<u>6,888,121</u>	
	<u>10,784,285</u>	<u>10,022,886</u>	
<b>Investments</b>			
State Investment Pool	1,000,000	1,000,000	6.5 Month Average
Treasury Notes	13,477,167	13,477,167	Six Year or Less
Certificate of Deposits	<u>23,000,000</u>	<u>23,000,000</u>	Two Year or Less
	<u>37,477,167</u>	<u>37,477,167</u>	
	48,351,452	47,500,053	
Cash on Hand	<u>6,422</u>	<u>0</u>	
	48,357,874	47,500,053	
Component Unit Cash	<u>133,706</u>	<u>149,123</u>	
<b>Total cash and cash equivalents</b>	<u>\$48,491,580</u>	<u>\$47,649,176</u>	

The City invests in the State Investment Pool, which is valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts fund were invested. Participation in the local government investment pool is voluntary. Collateral pledged to secure the State Treasurer's cash and investments can be reviewed in the agency's complete financial statements. A copy can be obtained from the New Mexico State Treasurer, P.O. Box 608, Santa Fe, New Mexico 87504.

Detail of pledged collateral specific to the City's deposit with the New Mexico Finance Authority (NMFA) is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

In the state statutes it allows for money markets. They do not have to be collateralized because there is fixed income securities or debt instruments inside the fund. Money at banks has to be collateralized because if the bank goes under that's it. A fund is made up of many different fixed income assets with short term maturities. The fund also has a AAA rating from the Moody's.

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the even of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2008, the City's bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$7,349,387
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**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Pooled Cash and Investments (Continued)**

*Interest Rate Risk*

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. At June 30, 2008, the City's investment of New MexiGROW LGIP had a value of \$1,000,000 and a 50 day WAM.

*Credit Risk*

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of June 30, 2008, the City's investment in the state investment pool was AAAM by Moody's Investor's Service.

**B. Accounts Receivable**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, deferred and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes	\$ 155,799	\$ 0
Gross receipts taxes	<u>1,025,490</u>	<u>0</u>
	<u>\$1,181,289</u>	<u>\$ 0</u>

Receivables as of year end for the government's individual major and nonmajor funds and internal service fund in the aggregate, including the applicable allowances for uncollectible accounts follow:

	<u>General</u>	Major Governmental Fund Environmental <u>Surcharge</u>	Nonmajor Governmental <u>Funds</u>	Internal <u>Service</u>	<u>Total</u>
<b>Governmental Activities</b>					
Receivables					
Intergovernmental	\$ 82,751	\$ 0	\$ 302,503	\$ 0	\$ 385,254
Taxes	4,816,661	135,649	352,476	0	5,304,786
Charges for services	337,205	1,216	34,567	0	372,988
Other	<u>19,322</u>	<u>0</u>	<u>0</u>	<u>14,972</u>	<u>34,294</u>
Gross Receivables	5,255,939	136,865	689,546	14,972	6,097,322
Allowance for doubtful Accounts	<u>(323,950)</u>	<u>(40,296)</u>	<u>(34,567)</u>	<u>(14,972)</u>	<u>(413,785)</u>
Net Receivables	<u>\$4,931,989</u>	<u>\$ 96,569</u>	<u>\$ 654,979</u>	<u>\$ 0</u>	<u>\$5,683,537</u>

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Accounts Receivable (Continued)**

<b>Business-type Activities</b>	Major Proprietary Fund <u>Joint Utilities</u>	Nonmajor Proprietary Funds	<u>Total</u>
Receivables			
Intergovernmental	\$ 0	\$ 0	\$ 0
Taxes	0	101,578	101,578
Charges for services	3,388,342	428,638	3,816,980
Other	<u>11,468</u>	<u>(7,985)</u>	<u>3,483</u>
Gross Receivables	3,399,810	522,231	3,922,041
Allowance for doubtful accounts	<u>(1,148,298)</u>	<u>(139,050)</u>	<u>(1,287,348)</u>
Net Receivables	<u>\$ 2,251,512</u>	<u>\$ 383,181</u>	<u>\$ 2,634,693</u>

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments &amp; Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>					
Capital assets, not being depreciated					
Land	\$ 7,096,345	\$ 287,387	\$ 0	\$ 0	\$ 7,383,732
Capital assets, being depreciated					
Buildings	68,409,423	5,061,023	0	0	73,470,446
Infrastructure	34,670,898	512,536	0	0	35,183,434
Equipment	<u>14,953,557</u>	<u>521,404</u>	<u>(19,700)</u>	<u>298,925</u>	<u>15,754,186</u>
Total capital assets, being depreciated	<u>118,033,878</u>	<u>6,094,963</u>	<u>(19,700)</u>	<u>298,925</u>	<u>124,408,066</u>
Less accumulated depreciation for:					
Buildings	(17,566,041)	(1,681,599)	0	0	(19,247,640)
Infrastructure	(13,346,413)	(1,448,316)	0	0	(14,794,729)
Equipment	<u>(12,353,027)</u>	<u>(876,639)</u>	<u>19,700</u>	<u>(298,925)</u>	<u>(13,508,891)</u>
Total accumulated depreciation	<u>(43,265,481)</u>	<u>(4,006,554)</u>	<u>19,700</u>	<u>(298,925)</u>	<u>(47,551,260)</u>
Total capital assets, net of depreciation	<u>74,768,397</u>	<u>2,088,410</u>	<u>0</u>	<u>0</u>	<u>76,856,806</u>
Governmental activities capital assets, net	<u>\$ 81,864,742</u>	<u>\$ 2,375,796</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 84,240,538</u>

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Capital Assets (Continued)**

	Beginning <u>Balance</u>	Additions	Deletions	Adjustments & Transfers	Ending <u>Balance</u>
<b>Business-type Activities</b>					
Capital assets, not being depreciated					
Land	\$ 483,907	\$ 0	\$ 0	\$ 0	\$ 483,907
Capital assets, being depreciated					
Distribution systems	42,053,279	4,965,190	0	(510,193)	46,508,276
Buildings	32,475,792	1,878,241	0	(489,124)	33,864,909
Equipment	<u>7,745,008</u>	<u>1,998,406</u>	<u>(25,881)</u>	<u>700,392</u>	<u>10,417,925</u>
Total capital assets, being depreciated	<u>82,274,079</u>	<u>8,841,837</u>	<u>(25,881)</u>	<u>(298,925)</u>	<u>90,791,110</u>
Less accumulated depreciation for:					
Distribution systems	(19,794,451)	(1,152,507)	0	0	(20,946,958)
Buildings	(10,707,026)	(849,074)	0	0	(11,556,100)
Equipment	<u>(6,951,583)</u>	<u>(963,657)</u>	<u>25,881</u>	<u>298,925</u>	<u>(7,590,434)</u>
Total accumulated depreciation	<u>(37,453,060)</u>	<u>(2,965,238)</u>	<u>25,881</u>	<u>298,925</u>	<u>(40,093,492)</u>
Total capital assets, net of depreciation	<u>44,821,019</u>	<u>5,876,599</u>	<u>0</u>	<u>0</u>	<u>50,697,618</u>
Business-type activities capital assets, net	<u>\$ 45,304,926</u>	<u>\$ 5,876,599</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 51,181,525</u>

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental Activities	
General government	\$ 1,149,881
Culture and recreation	862,210
Public safety	1,634,273
Health and welfare	105,373
Public works	<u>254,817</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 4,006,554</u>
Business-type Activities	
Electric	\$ 479,804
Wastewater	944,318
Water	1,041,340
Administration	25,571
Sanitation	465,765
Culture and recreation	<u>8,440</u>
Total Depreciation Expense – Business-type Activities	<u>\$2,965,238</u>

**D. Internal Balances**

Receivables and payables from interfund transactions are the result of cash overdrafts. Below are interfund balances as of June 30, 2008.

**GOVERNMENTAL ACTIVITIES**

Due to Risk Management Internal Service Fund from:

Nonmajor Special Revenue Funds	10,000
Nonmajor Capital Project Funds	<u>30,000</u>
	<u>\$ 40,000</u>

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Internal Balances (Continued)**

Net operating transfers are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Transfer Out Purpose</u>
<b>MAJOR FUNDS</b>			
Governmental Activities			
General Fund	\$ 3,764,025	\$ 5,555,709	Debt service and operating subsidies
Business-type Activities			
Major Fund – Joint Utilities	<u>3,621,110</u>	<u>6,097,650</u>	Debt service and operating subsidies
Total Major Funds	<u>7,385,135</u>	<u>11,653,359</u>	
<b>NONMAJOR FUNDS</b>			
Governmental Activities			
Nonmajor Funds	7,542,929	3,223,712	Fund close out, operating subsidies, debt services, and capital project transfers
Business-type Activities			
Nonmajor Funds	<u>152,150</u>	<u>203,143</u>	Operating subsidy
Total Nonmajor Funds	<u>7,695,079</u>	<u>3,426,855</u>	
<b>Total Funds</b>	<u>\$15,080,214</u>	<u>\$15,080,214</u>	

**E. Leases**

*Operating Leases*

The City leases office equipment, machinery, golf carts, and a fire truck under short-term cancelable operating leases. Rental expenses for the year ended June 30, 2008 was \$726,366.

**F. Long-Term Liabilities**

*Landfill Closure Costs*

State and Federal laws and regulations required that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty (30) years after closure. In addition to operating expenditures related to current activities of the landfill, an expenditure provision and related liability are being recognized based on the future post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. As of June 30, 2008, the landfill had been 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 \$360,000 as of year-end, which was based on 100% of the capacity consumed at that date. The City does not foresee changes in technology, inflation or environmental standards that would result in significant modification to our estimate. The primary source of repayment is from Gross Receipts Tax.

*General Obligation Bonds*

The City issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued in February 2004 was \$7,305,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as twenty (20) year serial bonds with equal amounts of principal maturing each year. Shortly after the bonds were issued, the City refinanced these bonds with a loan from the New Mexico Finance Authority. By doing so the City shortened the life of the bonds to seventeen (17) years and tied into interest rates ranging from 0.87% to 4.22%. Principal is paid annually each August and interest is paid semiannually each February and August. Payments range from \$40,696 to \$250,170. General obligation bonds currently outstanding are as follows:

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Long-Term Liabilities (Continued)**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 460,000	\$ 179,484
2010	485,000	168,032
2011	510,000	154,481
2012	540,000	138,794
2013	570,000	121,245
2014-2018	2,320,000	315,071
2019-2021	<u>705,000</u>	<u>45,166</u>
	<u>\$5,590,000</u>	<u>\$1,122,273</u>

*Sales Tax Revenue Bonds*

The City also 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 \$24,915,000. 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 have varying interest rates that range from 3.0% to 5.2%.

Sales tax bonds outstanding at year end are as follows:

	<u>Amount</u>	<u>Maturity Date</u>
February 2004		
Capital Projects	\$10,405,000	June 1, 2024
Capital Projects	<u>3,985,000</u>	June 1, 2015
	14,390,000	
November 2000		
Infrastructure	<u>4,590,000</u>	June 1, 2016
	<u>\$18,980,000</u>	

Annual debt service requirements to maturity for all capital project sales tax revenue bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 765,000	\$ 627,587
2010	785,000	606,265
2011	815,000	578,115
2012	850,000	545,077
2013	885,000	508,477
2014-2018	4,095,000	1,984,448
2019-2023	5,035,000	1,041,200
2024	<u>1,160,000</u>	<u>58,000</u>
	<u>\$14,390,000</u>	<u>\$ 5,949,169</u>

Annual debt service requirements to maturity for all infrastructure sales tax revenue bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 480,000	\$ 233,844
2010	505,000	210,564
2011	530,000	184,051
2012	555,000	158,081
2013	585,000	130,331
2014-2016	<u>1,935,000</u>	<u>204,912</u>
	<u>\$4,590,000</u>	<u>\$1,121,783</u>

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Long-Term Liabilities (Continued)**

*Revenue Bonds*

The City also 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 between 3.0% and 4.5%.

Revenue bonds outstanding at year end are as follows:

	<u>Amount</u>	<u>Maturity Date</u>
March 2004 Capital Projects	\$ 3,215,000	June 1, 2023
January 2005 Capital Projects	<u>20,695,000</u>	June 1, 2025
	<u>\$23,910,000</u>	

Revenue bond debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,250,000	\$ 1,036,671
2010	1,155,000	1,001,771
2011	1,210,000	964,609
2012	1,250,000	923,034
2013	1,290,000	877,118
2014-2018	7,310,000	3,539,589
2019-2023	7,730,000	1,734,501
2024-2025	<u>2,715,000</u>	<u>205,250</u>
	<u>\$23,910,000</u>	<u>\$10,282,543</u>

*Capital Loans*

The City has also issued low interest rate loans provided by intergovernmental agencies for the acquisition of minor equipment needs and construction of major capital facilities. Capital loans have been issued for both governmental and business-type activities. The original amount of capital loans issued in prior years was \$8,721,827.

The City 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 3.40% to 3.86%. The term of the loan is fifteen (15) years with payments commencing November 2008. Principal is paid annually each May and interest is paid semiannually each November and May. Payments range from \$2,829 to \$140,541.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Long-Term Liabilities (Continued)**

Capital loan debt service requirements to maturity of this loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 3,314	\$105,652
2010	19,203	57,333
2011	86,630	56,613
2012	89,913	53,338
2013	93,329	49,931
2014-2018	523,566	192,875
2019-2023	<u>636,650</u>	<u>80,074</u>
	<u>\$1,452,605</u>	<u>\$595,816</u>

The City also had obtained a loan from the New Mexico Finance Authority in January 2001 for the purchase of equipment. The original amount of the loan was \$2,082,222 with interest ranging from 4.3% to 4.87%. The term of the loan is ten (10) years with payments commencing May 2010. Principal is paid annually each May and interest is paid semiannually each November and May. Payments range from \$89,907 to \$277,779.

Capital loan debt service requirements to maturity of this loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 257,769	\$ 25,589
2010	<u>270,845</u>	<u>13,190</u>
	<u>\$ 528,614</u>	<u>\$ 38,779</u>

The Joint Utilities Fund received a loan not to exceed \$5,187,000 from the New Mexico Environment Department in September 1999. These funds will be used for the construction of a new lift station and for substantial upgrades at the wastewater plant. The final close out of the loan was on January 31, 2003, with the City's first payment due December 13, 2003. Pledged revenues after payment of operation and maintenance expenses will repay the loan over a fifteen (15) year period, at an interest rate of 3.0%. Annual payments total \$434,497.

Capital loan debt service requirements to maturity of this loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 323,307	\$ 111,190
2010	333,006	101,491
2011	342,996	91,501
2012	353,286	81,211
2013	363,885	70,613
2014-2018	<u>1,989,870</u>	<u>182,616</u>
	<u>\$3,706,350</u>	<u>\$ 638,622</u>

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Long-Term Liabilities (Continued)**

*Changes in Long-Term Liabilities*

In prior years, unamortized bond premiums were classified as other assets. The City has reclassified these amounts as a part of long term liabilities (debt). Long-term liability activity for the year ended June 30, 2007 was as follows:

	Outstanding <u>07/01/07</u>	Additions	Reductions	Outstanding <u>06/30/08</u>	Due Within <u>One Year</u>
<b>Governmental Activities</b>					
General obligation bonds	\$ 6,030,000	\$ 0	\$ 440,000	\$ 5,590,000	\$ 460,000
Sales tax bonds	20,190,000	0	1,210,000	18,980,000	1,245,000
Capital loans	2,226,684	0	245,465	1,981,219	261,083
Bond premiums	226,574	0	12,943	213,631	0
Compensated absences	603,608	45,266	0	648,874	0
Claims and judgments	<u>1,282,887</u>	<u>223,083</u>	<u>94,187</u>	<u>1,411,783</u>	<u>0</u>
Total Governmental Activities	<u>30,559,753</u>	<u>268,349</u>	<u>2,002,595</u>	<u>28,825,507</u>	<u>1,966,083</u>
<b>Business-type Activities</b>					
Landfill closure	380,000	0	20,000	360,000	0
Revenue bonds	25,125,000	0	1,215,000	23,910,000	1,250,000
Capital loans	4,020,240	0	313,890	3,706,350	323,307
Bond premiums	520,047	0	30,381	489,667	0
Compensated absences	<u>259,991</u>	<u>797</u>	<u>40,481</u>	<u>220,307</u>	<u>0</u>
Total Business-type Activities	<u>30,305,278</u>	<u>797</u>	<u>1,619,752</u>	<u>28,686,324</u>	<u>1,573,307</u>
Total Primary Government	<u>\$60,865,031</u>	<u>\$ 269,146</u>	<u>\$ 3,622,347</u>	<u>\$57,511,831</u>	<u>\$3,539,390</u>

In prior years, the General Fund was typically used to liquidate long-term liabilities other than debt.

**G. Restricted Assets**

The balances of the restricted cash and cash equivalents are as follows:

Governmental Activities	
Designated for sick leave bank	\$ 179,692
Business-type Activities	
Restricted for meter deposits	662,138
Restricted for debt service	4,568,053
Restricted for construction	<u>10,198,897</u>
Total Primary Government	<u>\$15,608,780</u>

**NOTE 5: OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City established a limited risk management program for workers' compensation in Fiscal Year 1988. A New Mexico Self Insurers' Fund is the third party administrator of this program. Premiums are paid into the Risk Management Internal Service fund by all other funds and are available to pay claims, claims reserves and administrative costs of the program. Net assets are designated to cover claims that have been incurred but not reported. In fiscal year 2008 net assets decreased by \$164,094.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 5: OTHER INFORMATION (CONTINUED)**

**A. Risk Management (Continued)**

The City self-insures its workers' compensation liability with risk retention of \$250,000 per accident with a fund's specific limit of insurance being \$1,750,000. The City is required to maintain a fund to ensure that income in this special fund is sufficient during the fiscal year to cover its obligations for future claims and costs for this policy period. These obligations may be calculated as the reserves and IBNR within the City's specific and aggregate retentions as reflected in the funds monthly reports to the City, plus any outstanding amounts due to the fund herein, less the loss fund deposit.

Changes in the Internal Service Fund's workers' compensation claims were as follows:

Beginning of year balance	\$1,282,887
Claims and estimates incurred	223,083
Payments on claims	<u>(94,187)</u>
End of year balance	<u>\$1,411,783</u>

**B. Segment Information - Enterprise Funds**

The City issues revenue bonds to finance its water and wastewater departments. The two departments are accounted for in the Joint Utilities Fund, along with the electric department. Investors in those bonds rely solely on the revenue generated by the individual activities for repayment. The Water Department operates the City's water supply system. The Wastewater Department operates the City's sewage treatment plant, sewage pumping stations, and collection systems. Summary financial information is presented below.

<b>CONDENSED STATEMENT OF NET ASSETS</b>	<b><u>Wastewater</u></b>	<b><u>Water</u></b>
<b>ASSETS</b>		
Current assets	\$ 5,782,176	\$ 12,398,794
Capital assets	22,360,892	21,175,532
Noncurrent assets	<u>76,541</u>	<u>96,749</u>
Total Assets	<u>\$28,219,609</u>	<u>\$ 33,671,075</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 498,715	\$ 293,166
Payable from restricted	72,621	116,215
Noncurrent liabilities	<u>15,912,862</u>	<u>12,278,567</u>
Total Liabilities	<u>16,484,198</u>	<u>12,778,671</u>
<b>NET ASSETS</b>		
Investment in capital assets, net of related debt	6,498,823	8,931,584
Unrestricted	<u>5,236,588</u>	<u>11,960,820</u>
Total Net Assets	<u>11,735,411</u>	<u>20,892,404</u>
Total Liabilities and Net Assets	<u>\$28,219,609</u>	<u>\$ 33,671,075</u>

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 5: OTHER INFORMATION (CONTINUED)**

**B. Segment Information - Enterprise Funds**

**CONDENSED STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN NET ASSETS**

	<u>Wastewater</u>	<u>Water</u>
Operating revenues	\$ 3,020,878	\$ 9,963,108
Personnel services	(454,062)	(590,504)
Depreciation expense	(944,318)	(1,041,340)
Amortization expense	8,698	10,392
Operating expenses	<u>(1,209,026)</u>	<u>(1,914,876)</u>
Net Operating Income/(Loss)	422,170	6,426,780
Nonoperating revenues (expenses)		
Interest income	374,140	241,083
Interest and other charges	(609,697)	(574,114)
Transfers from (to) other funds	<u>(1,019,382)</u>	<u>2,487,431</u>
Change in net assets	(832,769)	8,581,180
Beginning Net Assets	<u>12,568,180</u>	<u>12,311,224</u>
Ending Net Assets	<u>\$ 11,735,411</u>	<u>\$ 20,892,404</u>

**CONDENSED STATEMENT OF CASH FLOWS**

Net cash provided by (used for):		
Operating activities	\$ 225,374	\$ 7,532,138
Noncapital financing activities	(1,019,382)	2,487,431
Investing activities	374,140	241,083
Capital financing activities	<u>(4,285,598)</u>	<u>(5,634,946)</u>
Net increase (decrease) in cash and cash equivalents	(4,705,466)	4,625,706
Beginning cash and cash equivalents	<u>9,990,091</u>	<u>6,972,882</u>
Ending cash and cash equivalents	<u>\$ 5,284,625</u>	<u>\$ 11,598,588</u>

**C. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the city expects such amounts, if any, to be immaterial.

The City was a defendant in various claims and lawsuits at June 30, 2007. Although the outcome of these suits and claims is not presently determinable, it is the opinion of legal counsel that all claims were within insurance policy limits or risk management provisions.

The City of Gallup adopted ordinance no. S95-3, wherein the City incurs a special limited obligation, in conjunction with Cibola County, Village of Milan, City of Grants and McKinley County, to pay a principal amount not to exceed \$8,250,000, together with interest thereon, for the purpose of defraying the cost of acquiring and constructing a solid waste disposal facility as a member of the Northwest New Mexico Regional Solid Waste Authority.

The obligation is payable first from "tipping fees" generated by the New Mexico Regional Solid Waste Authority. Secondly, the City and other members, pursuant to the agreements, have pledged their environmental gross receipts tax revenues and the Governmental units grant a security interest therein for the payment of the principal of, premium, if any, and interest on, and any other, amounts due under the loan, subject to the uses thereof permitted by, and the priorities set forth in this ordinance. The loan constitutes an irrevocable and first lien, but not necessarily an exclusive first lien, on the pledged revenues as set forth herein and therein. The City and other members have agreed to jointly exercise common powers and contributions in proportion to the percentage of the total environmental gross receipts tax contributed by each entity. This results in the following percentages:

**STATE OF NEW MEXICO  
CITY OF GALLUP  
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**NOTE 5: OTHER INFORMATION (CONTINUED)**

**C. Contingent Liabilities (Continued)**

City of Gallup	37%
City of Grants	12%
Village of Milan	3%
Cibola County	10%
McKinley County	<u>38%</u>
	<u>100%</u>

In October 2004, the City signed a consent decree with the Department of Justice relating to suit of intentional employment discrimination against American Indians by using recruitment and hiring procedures that have excluded qualified American Indians from the City's workforce in violation of Title VII. The City accrued a payable of \$322,950 for future claims subsequent to July 1, 2005. As of year end, the City paid out \$320,005 in employment claims relating to the consent decree. All claimants were paid.

**D. PERA Pension Plan**

Substantially all of the City's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. A copy of this report can be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

The contribution requirements of plan members and the City are established under Chapter 10, Article 11 NMSA 1978. The City is required by state statute to contribute 21.25% of a firefighter's salary, 18.50% of a police officer's salary, 16.65% of an adult detention officer's salary, and 9.15% of a regular employee's salary. These statutes also require that plan members who are police officers contribute 16.30% of their gross salary, fire fighters contribute 16.20%, adult detention officers contribute 16.65% and regular employees contribute 13.15%. However, the City is has elected to adopt the 75% pick-up provision allowed by state statute thereby reducing all employee contributions. Percentages are as follows:

	<u>City Pickup</u>	<u>Employee</u>	<u>Total</u>
Firefighters	12.00%	4.20%	16.20%
Police Officers	12.00%	4.30%	16.30%
Adult Detention Officers	8.32%	8.33%	16.65%
Regular	9.86%	3.29%	13.15%

The requirements specified under the statute may be amended by acts of the legislature. . All amounts expended were equal to the required contribution amounts for each year. The City's contributions to PERA for the years ending 2008, 2007, and 2006 are as follows:

	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
Firefighters	\$ 473,034	\$ 384,892	\$ 304,480
Police Officers	630,956	547,549	386,926
Adult Detention Officers	2,495	18,853	94,630
Regular	<u>1,605,174</u>	<u>1,504,785</u>	<u>1,522,964</u>
<b>TOTAL GOVERNMENT</b>	<u><b>\$2,711,659</b></u>	<u><b>\$2,456,079</b></u>	<u><b>\$2,309,000</b></u>

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 5: OTHER INFORMATION (CONTINUED)**

**E. Post Employment Benefits**

*PLAN DESCRIPTION:* The Retiree Health Care Act (the "Act") (10-7C-1 to 10-7C-16 NMSA 1978) provides comprehensive core group health insurance for persons who have retired from selected public services in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, surviving spouses, and surviving dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees. Funding flows to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, State Agencies, State Courts, Magistrate Courts, Municipalities or Counties, which are affiliated under or covered by the Educational Retirement Act (ERA), the Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. Eligible retirees are (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that time made contributions as a participant in the Retiree Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

*FUNDING POLICY:* Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an employee contribution in an amount equal to 0.65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage. Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstance, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

*ANNUAL COST:* During the fiscal year ended June 30, 2008, the City remitted \$157,274 in employer contributions to the Retiree Health Care Authority. The City's annual cost, for the preceding two years were \$151,695 and \$57,848.

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

**F. Retirement Plan**

The City approved an optional 401 EX (A) plan on March 19, 2001, with implementation on April 18, 2001. This deferred compensation plan was created in accordance with IRC Section 401. The plan is available for any City employee who is covered under a retirement plan other than PERA and who is exempt from PERA coverage, under PERA rules. The City's contribution percentage is equal to 19.01% of the employee's gross salary. Employees have the option to make employee contributions to the plan. International City/County Managers Association (ICMA) Retirement Corporation administers the plan. One City employee participated in the plan. As of June 30, 2008, the City's contributions totaled \$3,992, which equaled the required contribution amounts for the year.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 5: OTHER INFORMATION (CONTINUED)**

**F. Retirement Plan (Continued)**

The City provides two (2) 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 \$129,086 (\$93,626 Nationwide and \$35,460 ICMA) for the year ending June 30, 2008.

**G. Labor Unions**

On November 25, 2008, the City and the Gallup Police Officers Association adopted a collective bargaining agreement. The terms of the agreement shall continue in full force and terminate on February 1, 2009. Employees covered under this plan include non-probationary police officers up to rank of sergeants.

**H. Joint Power Agreements**

*GMADC*

On July 1, 2005 the City and County entered into a joint powers agreement to operate the Gallup McKinley Adult Detention Center (GMADC) jail. The County owns the building and the jail's activities are governed by a Jail Authority Board which is comprised of representatives from the County and City. Day to day operations is the responsibility of the Jail Administrator, who is appointed by the Board. The County acts as the fiscal agent for the jail and employees of the jail are City employees. Employees remained the responsibility of the City because of a change in retirement plans. The City kept four (4) GMADC employees until retirement (October 2007). The related payroll expenses for these individuals will be reimbursed by the County. All other responsibilities will remain intact. The terms of this agreement are perpetual unless either party terminates this agreement at any time later than three (3) years from its inception.

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## **NON MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

*Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a specific purpose*

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

Law Enforcement Protection Fund 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 Fund 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.

Lodgers' Tax Fund 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 Fund 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 Fund 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).

## **NON MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS (CONTINUED)**

Intergovernmental Grants Fund 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 Fund 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).

Na'Nizhoozhi (NCI) Fund was established by the City (Resolution R2002-10) to account for pass-through funds from the Department of Health and Human Services. These funds are intended for use by Na' Nizhoozhi Center to provide Native American Residential Treatments and Aftercare Expansion.

Community Development Block Grant Fund accounts for the accumulation of resources received from the U.S. Department of Housing and Urban Development (Federal CFDA 14.859). These funds are a part of the comprehensive housing program of rehabilitation and new construction (Resolution R2002-10).

Law Enforcement Block Grant Fund accounts for the accumulation of resources received from the U.S. Department of Justice (CFDA 16.592). The funds are to be spent on police equipment, other allowable program expenses, and these resources and any other matching funds can earn interest (Resolution R2002-10).

### **DEBT SERVICE FUNDS**

*Debt service funds are used to account for the accumulation of resources and payment of principal and interest on the City's general bonded debt*

The 02/04 Sales Tax Revenue Bond 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 New Mexico Finance Authority Fund 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.

The 11/00 Sales Tax Revenue Bond Fund accounts for the accumulation of resources for and the payment of, principal and interest of sales tax revenue bond issued November 1, 2000. The resources of this fund are generated by the City's share of the gross receipts tax.

## **NON MAJOR GOVERNMENTAL FUNDS**

### **CAPITAL PROJECTS FUNDS**

*Capital project funds are used to account for the acquisition and construction of major capital projects other than those financed by proprietary funds*

The Airport Capital Project Fund accounts for the financial resources for the construction of taxiway facilities and the improvements on runways. Resources are provided by the U.S. Department of Transportation and grants from the State of New Mexico.

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

The 11/00 Sales Tax Bond Capital Project Fund 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.

The Legislative Appropriations Capital Project Fund 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.

The General Obligation Bond Capital Projects Fund accounts for the financial resources provided by the NMFA loan that refunded the December 2003 general obligation bonds. Proceeds will be used to build a new fire station, for sidewalk improvements, and for various recreational projects totaling \$6,715,000.

The 02/04 Sales Non Tax Bond Capital Projects Fund 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 nontaxable portion of the bond proceeds.

The 02/04 Sales Tax Bond Capital Projects Fund 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.

The Public Works Capital Project Fund 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.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008

SPECIAL REVENUE FUNDS

	Correction Fees	Emergency Medical Services	Fire	Law Enforcement Protection	Special Library	Lodgers' Tax
<b>ASSETS</b>						
Cash and cash equivalents	\$ 346,157	\$ 1,404	\$ 407,478	\$ 37,069	\$ 21,388	\$ 428,265
Accounts receivable, net	-	-	-	-	59,731	124,422
Due from other funds	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total Assets	<u>\$ 346,157</u>	<u>\$ 1,404</u>	<u>\$ 407,478</u>	<u>\$ 37,069</u>	<u>\$ 81,119</u>	<u>\$ 552,687</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 9,370	\$ 1,155	\$ 156	\$ 18,000
Accrued wages and taxes	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Payable from restricted	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>9,370</u>	<u>1,155</u>	<u>156</u>	<u>18,000</u>
<b>FUND BALANCES</b>						
Reserved for:						
Inventories	-	-	-	-	-	-
Encumbrances	-	425	390,221	32,284	9,635	24,000
Unreserved, reported in:						
General fund	-	-	-	-	-	-
Special revenue funds	346,157	979	7,887	3,630	71,328	510,687
Debt service funds	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-
Total Fund Balances	<u>346,157</u>	<u>1,404</u>	<u>398,108</u>	<u>35,914</u>	<u>80,963</u>	<u>534,687</u>
Total Liabilities and Fund Balances	<u>\$ 346,157</u>	<u>\$ 1,404</u>	<u>\$ 407,478</u>	<u>\$ 37,069</u>	<u>\$ 81,119</u>	<u>\$ 552,687</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
JUNE 30, 2008

SPECIAL REVENUE FUNDS

	<u>Municipal Gas Tax</u>	<u>Juvenile Recreation</u>	<u>Intergovern- mental Grants</u>	<u>Senior Citizens</u>	<u>Na' Nizhoozhi Center</u>	<u>Community Development</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 778,607	\$ 73,504	\$ 186,858	\$ 4,754	\$ 14,359	\$ 195,264
Accounts receivable, net	165,434	2,654	21,734	38,054	-	-
Due from other funds	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total Assets	<u>\$ 944,041</u>	<u>\$ 76,158</u>	<u>\$ 208,592</u>	<u>\$ 42,808</u>	<u>\$ 14,359</u>	<u>\$ 195,264</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 31,398	\$ 6,892	\$ 32,003	\$ 4,693	\$ -	\$ 28,990
Accrued wages and taxes	28,637	-	-	6,420	-	-
Due to other funds	-	-	-	10,000	-	-
Deferred revenue	38,511	618	-	-	-	-
Payable from restricted	-	-	-	-	-	-
Total Liabilities	<u>98,546</u>	<u>7,510</u>	<u>32,003</u>	<u>21,113</u>	<u>-</u>	<u>28,990</u>
<b>FUND BALANCES</b>						
Reserved for:						
Inventories	-	-	-	-	-	-
Encumbrances	351,237	1,293	18,138	(18,648)	-	-
Unreserved, reported in:						
General fund	-	-	-	-	-	-
Special revenue funds	494,258	67,355	158,451	40,343	14,359	166,274
Debt service funds	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-
Total Fund Balances	<u>845,495</u>	<u>68,648</u>	<u>176,589</u>	<u>21,695</u>	<u>14,359</u>	<u>166,274</u>
Total Liabilities and Fund Balances	<u>\$ 944,041</u>	<u>\$ 76,158</u>	<u>\$ 208,592</u>	<u>\$ 42,808</u>	<u>\$ 14,359</u>	<u>\$ 195,264</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
JUNE 30, 2008

	Law Enforcement Block Grant	Subtotal Special Revenue Funds	DEBT SERVICE FUNDS			Subtotal Debt Service Funds
			02/04 Sales Tax Revenue Bonds	NM Finance Authority Loans	11/00 Sales Tax Bonds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,137	\$ 2,496,244	\$ 71,906	\$ 1,493,313	\$ 84,780	\$ 1,649,999
Accounts receivable, net	-	412,029	-	59,966	-	59,966
Due from other funds	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total Assets	\$ 1,137	\$ 2,908,273	\$ 71,906	\$ 1,553,279	\$ 84,780	\$ 1,709,965
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ -	132,657	\$ -	\$ -	\$ -	\$ -
Accrued wages and taxes	-	35,057	-	-	-	-
Due to other funds	-	10,000	-	-	-	-
Deferred revenue	-	39,129	-	35,967	-	35,967
Payable from restricted	-	-	-	-	-	-
Total Liabilities	-	216,843	-	35,967	-	35,967
<b>FUND BALANCES</b>						
Reserved for:						
Inventories	-	-	-	-	-	-
Encumbrances	-	808,585	-	-	-	-
Unreserved, reported in:						
General fund	-	-	-	-	-	-
Special revenue funds	1,137	1,882,845	-	-	-	-
Debt service funds	-	-	71,906	1,517,312	84,780	1,673,998
Capital projects funds	-	-	-	-	-	-
Total Fund Balances	1,137	2,691,430	71,906	1,517,312	84,780	1,673,998
Total Liabilities and Fund Balances	\$ 1,137	\$ 2,908,273	\$ 71,906	\$ 1,553,279	\$ 84,780	\$ 1,709,965

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
JUNE 30, 2008

	<u>CAPITAL PROJECT FUNDS</u>					
	<u>Airport</u>	<u>Infrastructure GRT</u>	<u>11/00 Sales Tax Bonds</u>	<u>Legislative Appropriations</u>	<u>General Obligation Bond Projects</u>	<u>02/04 Sales NonTax Bonds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 13,980	\$ 886,638	\$ 273,040	\$ 2,215	\$ 309,443	\$ 96,091
Accounts receivable, net	179,753	-	-	3,231	-	-
Due from other funds	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total Assets	<u>\$ 193,733</u>	<u>\$ 886,638</u>	<u>\$ 273,040</u>	<u>\$ 5,446</u>	<u>\$ 309,443</u>	<u>\$ 96,091</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 1,850	\$ -	\$ 1,960	\$ 287	\$ 17,346	\$ 8,423
Accrued wages and taxes	-	-	-	-	-	-
Due to other funds	30,000	-	-	100,000	-	-
Deferred revenue	-	-	-	-	-	-
Payable from restricted	-	-	-	-	-	-
Total Liabilities	<u>31,850</u>	<u>-</u>	<u>1,960</u>	<u>100,287</u>	<u>17,346</u>	<u>8,423</u>
<b>FUND BALANCES</b>						
Reserved for:						
Inventories	-	-	-	-	-	-
Encumbrances	394,803	612	39,576	50,939	70,241	50,153
Unreserved, reported in:						
General fund	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-
Capital projects funds	(232,920)	886,026	231,504	(145,780)	221,856	37,515
Total Fund Balances	<u>161,883</u>	<u>886,638</u>	<u>271,080</u>	<u>(94,841)</u>	<u>292,097</u>	<u>87,668</u>
Total Liabilities and Fund Balances	<u>\$ 193,733</u>	<u>\$ 886,638</u>	<u>\$ 273,040</u>	<u>\$ 5,446</u>	<u>\$ 309,443</u>	<u>\$ 96,091</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
JUNE 30, 2008

	<u>CAPITAL PROJECT FUNDS</u>		<u>Subtotal Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>02/04 Sales Tax Bonds</u>	<u>Public Works</u>		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 64,992	\$ 1,314,284	\$ 2,960,683	\$ 7,106,926
Accounts receivable, net	-	-	182,984	654,979
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Total Assets	<u>\$ 64,992</u>	<u>\$ 1,314,284</u>	<u>\$ 3,143,667</u>	<u>\$ 7,761,905</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 317,533	\$ 347,399	480,056
Accrued wages and taxes	-	-	-	35,057
Due to other funds	-	-	130,000	140,000
Deferred revenue	-	-	-	75,096
Payable from restricted	-	-	-	-
Total Liabilities	<u>-</u>	<u>317,533</u>	<u>477,399</u>	<u>730,209</u>
<b>FUND BALANCES</b>				
Reserved for:				
Inventories	-	-	-	-
Encumbrances	2,659	-	608,983	1,417,568
Unreserved, reported in:				
General fund	-	-	-	-
Special revenue funds	-	-	-	1,882,845
Debt service funds	-	-	-	1,673,998
Capital projects funds	62,333	996,751	2,057,285	2,057,285
Total Fund Balances	<u>64,992</u>	<u>996,751</u>	<u>2,666,268</u>	<u>7,031,696</u>
Total Liabilities and Fund Balances	<u>\$ 64,992</u>	<u>\$ 1,314,284</u>	<u>\$ 3,143,667</u>	<u>\$ 7,761,905</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>SPECIAL REVENUE FUNDS</u>					
	<u>Correction Fees</u>	<u>Emergency Medical Services</u>	<u>Fire</u>	<u>Law Enforcement Protection</u>	<u>Special Library</u>	<u>Lodgers' Tax</u>
<b>REVENUES</b>						
Intergovernmental income	\$ -	\$ 18,721	\$ 279,087	\$ 64,200	\$ 166,976	\$ -
Taxes	-	-	-	-	-	1,083,969
Operating grant - taxes	-	-	-	-	-	-
Charges for services	103,326	-	-	-	8,960	-
Miscellaneous income	-	-	-	-	-	-
Interest income	10,135	110	12,083	754	1,252	9,309
Total Revenues	<u>113,461</u>	<u>18,831</u>	<u>291,170</u>	<u>64,954</u>	<u>177,188</u>	<u>1,093,278</u>
<b>EXPENDITURES</b>						
<b>Current:</b>						
General government	-	-	-	-	-	-
Culture and recreation	-	-	-	-	133,628	859,122
Public safety	29,813	37,349	59,941	60,692	-	-
Health and welfare	-	-	-	-	-	-
Public works	-	-	-	-	-	-
<b>Debt service:</b>						
Principal retirement	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	183,243	-
Total Expenditures	<u>29,813</u>	<u>37,349</u>	<u>59,941</u>	<u>60,692</u>	<u>316,871</u>	<u>859,122</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>83,648</u>	<u>(18,518)</u>	<u>231,229</u>	<u>4,262</u>	<u>(139,683)</u>	<u>234,156</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond and loan proceeds	-	-	-	-	-	-
Operating transfers in	-	18,917	-	-	40,000	-
Operating transfers out	-	-	-	-	-	(180,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>18,917</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>(180,000)</u>
Net Change in Fund Balances	83,648	399	231,229	4,262	(99,683)	54,156
Fund Balance, Beginning of Year	<u>262,509</u>	<u>1,005</u>	<u>166,879</u>	<u>31,652</u>	<u>180,646</u>	<u>480,531</u>
Fund Balance, End of Year	<u>\$ 346,157</u>	<u>\$ 1,404</u>	<u>\$ 398,108</u>	<u>\$ 35,914</u>	<u>\$ 80,963</u>	<u>\$ 534,687</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>SPECIAL REVENUE FUNDS</u>					
	<u>Municipal Gas Tax</u>	<u>Juvenile Recreation</u>	<u>Intergovern- mental Grants</u>	<u>Senior Citizens</u>	<u>Na' Nizhoozhi Center</u>	<u>Community Development</u>
<b>REVENUES</b>						
Intergovernmental income	\$ 170,000	\$ -	\$ 329,948	\$ 246,000	\$ -	\$ -
Taxes	-	-	-	-	-	-
Operating grant - taxes	761,841	11,904	-	-	-	-
Charges for services	(129)	-	-	-	-	-
Miscellaneous income	-	-	-	48,352	-	-
Interest income	1,636	775	-	40	189	(1,546)
Total Revenues	<u>933,348</u>	<u>12,679</u>	<u>329,948</u>	<u>294,392</u>	<u>189</u>	<u>(1,546)</u>
<b>EXPENDITURES</b>						
<b>Current:</b>						
General government	-	-	84,328	-	-	-
Culture and recreation	-	25,186	10,098	-	-	-
Public safety	-	-	-	-	-	-
Health and welfare	-	-	-	302,800	-	-
Public works	1,921,484	-	-	-	-	27,068
<b>Debt service:</b>						
Principal retirement	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Capital outlay	439,458	-	58,935	-	-	-
Total Expenditures	<u>2,360,942</u>	<u>25,186</u>	<u>153,361</u>	<u>302,800</u>	<u>-</u>	<u>27,068</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,427,594)</u>	<u>(12,507)</u>	<u>176,587</u>	<u>(8,408)</u>	<u>189</u>	<u>(28,614)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond and loan proceeds	-	-	-	-	-	-
Operating transfers in	1,950,140	-	-	91,000	-	-
Operating transfers out	-	-	-	(34,502)	-	-
Total Other Financing Sources (Uses)	<u>1,950,140</u>	<u>-</u>	<u>-</u>	<u>56,498</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	522,546	(12,507)	176,587	48,090	189	(28,614)
Fund Balance, Beginning of Year	<u>322,949</u>	<u>81,155</u>	<u>2</u>	<u>(26,395)</u>	<u>14,170</u>	<u>194,888</u>
Fund Balance, End of Year	<u>\$ 845,495</u>	<u>\$ 68,648</u>	<u>\$ 176,589</u>	<u>\$ 21,695</u>	<u>\$ 14,359</u>	<u>\$ 166,274</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008

	Law Enforcement Block Grant	Subtotal Special Revenue Funds	DEBT SERVICE FUNDS			Subtotal Debt Service Funds
			02/04 Sales Tax Revenue Bonds	NM Finance Authority Loans	11/00 Sales Tax Bonds	
<b>REVENUES</b>						
Intergovernmental income	\$ -	\$ 1,274,932	\$ -	\$ -	\$ -	\$ -
Taxes	-	1,083,969	-	862,654	-	862,654
Operating grant - taxes	-	773,745	-	-	-	-
Charges for services	-	112,157	-	-	-	-
Miscellaneous income	-	48,352	-	-	-	-
Interest income	10	34,747	14,311	60,177	2,826	77,314
Total Revenues	10	3,327,902	14,311	922,831	2,826	939,968
<b>EXPENDITURES</b>						
Current:						
General government	-	84,328	-	-	-	-
Culture and recreation	-	1,028,034	-	-	-	-
Public safety	-	187,795	-	-	-	-
Health and welfare	-	302,800	-	-	-	-
Public works	-	1,948,552	-	-	-	-
Debt service:						
Principal retirement	-	-	750,000	685,465	460,000	1,895,465
Bond issue costs	-	-	-	-	-	-
Interest and other charges	-	-	646,608	228,224	255,694	1,130,526
Capital outlay	-	681,636	-	-	-	-
Total Expenditures	-	4,233,145	1,396,608	913,689	715,694	3,025,991
Excess (Deficiency) of Revenues Over Expenditures	10	(905,243)	(1,382,297)	9,142	(712,868)	(2,086,023)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond and loan proceeds	-	-	-	-	-	-
Operating transfers in	-	2,100,057	1,396,610	534,712	715,700	2,647,022
Operating transfers out	-	(214,502)	-	(1,089,840)	-	(1,089,840)
Total Other Financing Sources (Uses)	-	1,885,555	1,396,610	(555,128)	715,700	1,557,182
Net Change in Fund Balances	10	980,312	14,313	(545,986)	2,832	(528,841)
Fund Balance, Beginning of Year	1,127	1,711,118	57,593	2,063,298	81,948	2,202,839
Fund Balance, End of Year	\$ 1,137	\$ 2,691,430	\$ 71,906	\$ 1,517,312	\$ 84,780	\$ 1,673,998

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>CAPITAL PROJECT FUNDS</u>					
	<u>Airport</u>	<u>Infrastructure GRT</u>	<u>11/00 Sales Tax Bonds</u>	<u>Legislative Appropriations</u>	<u>General Obligation Bond Projects</u>	<u>02/04 Sales Non Tax Bonds</u>
<b>REVENUES</b>						
Intergovernmental income	\$ 2,724,801	\$ -	\$ -	\$ 484,685	\$ -	\$ -
Taxes	-	-	-	-	-	-
Operating grant - taxes	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous income	-	-	-	-	3,808	-
Interest income	688	6,891	6,877	897	12,087	952
Total Revenues	<u>2,725,489</u>	<u>6,891</u>	<u>6,877</u>	<u>485,582</u>	<u>15,895</u>	<u>952</u>
<b>EXPENDITURES</b>						
<b>Current:</b>						
General government	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Public works	640,621	-	8,961	64,018	17,222	-
<b>Debt service:</b>						
Principal retirement	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Capital outlay	2,233,949	118,571	141,146	431,210	38,043	33,125
Total Expenditures	<u>2,874,570</u>	<u>118,571</u>	<u>150,107</u>	<u>495,228</u>	<u>55,265</u>	<u>33,125</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(149,081)</u>	<u>(111,680)</u>	<u>(143,230)</u>	<u>(9,646)</u>	<u>(39,370)</u>	<u>(32,173)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond and loan proceeds	-	-	-	-	-	-
Operating transfers in	50,000	1,900,350	-	-	-	-
Operating transfers out	-	(1,869,370)	-	-	-	-
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>30,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(99,081)	(80,700)	(143,230)	(9,646)	(39,370)	(32,173)
Fund Balance, Beginning of Year	<u>260,964</u>	<u>967,338</u>	<u>414,310</u>	<u>(85,195)</u>	<u>331,467</u>	<u>119,841</u>
Fund Balance, End of Year	<u>\$ 161,883</u>	<u>\$ 886,638</u>	<u>\$ 271,080</u>	<u>\$ (94,841)</u>	<u>\$ 292,097</u>	<u>\$ 87,668</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>CAPITAL PROJECT FUNDS</u>		<u>Subtotal Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>02/04 Sales Tax Bonds</u>	<u>Public Works</u>		
REVENUES				
Intergovernmental income	\$ -	\$ -	\$ 3,209,486	\$ 4,484,418
Taxes	-	-	-	1,946,623
Operating grant - taxes	-	-	-	773,745
Charges for services	-	-	-	112,157
Miscellaneous income	-	-	3,808	52,160
Interest income	4,593	30,680	63,665	175,726
Total Revenues	<u>4,593</u>	<u>30,680</u>	<u>3,276,959</u>	<u>7,544,829</u>
EXPENDITURES				
Current:				
General government	-	-	-	84,328
Culture and recreation	-	-	-	1,028,034
Public safety	-	-	-	187,795
Health and welfare	-	-	-	302,800
Public works	-	6,556	737,378	2,685,930
Debt service:				
Principal retirement	-	-	-	1,895,465
Bond issue costs	-	-	-	-
Interest and other charges	-	-	-	1,130,526
Capital outlay	35,713	450,895	3,482,652	4,164,288
Total Expenditures	<u>35,713</u>	<u>457,451</u>	<u>4,220,030</u>	<u>11,479,166</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(31,120)</u>	<u>(426,771)</u>	<u>(943,071)</u>	<u>(3,934,337)</u>
OTHER FINANCING SOURCES (USES)				
Bond and loan proceeds	-	-	-	-
Operating transfers in	-	845,500	2,795,850	7,542,929
Operating transfers out	-	(50,000)	(1,919,370)	(3,223,712)
Total Other Financing Sources (Uses)	<u>-</u>	<u>795,500</u>	<u>876,480</u>	<u>4,319,217</u>
Net Change in Fund Balances	(31,120)	368,729	(66,591)	384,880
Fund Balance, Beginning of Year	<u>96,112</u>	<u>628,022</u>	<u>2,732,859</u>	<u>6,646,816</u>
Fund Balance, End of Year	<u>\$ 64,992</u>	<u>\$ 996,751</u>	<u>\$ 2,666,268</u>	<u>\$ 7,031,696</u>

The accompanying notes are an integral part of these financial statements.

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## **ENTERPRISE FUNDS**

*Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that costs of providing the goods or services to the general public on a continuing basis will be financed or recovered through user charges. Unlike other Governmental Funds, depreciation is included in operating expenses.*

### **NONMAJOR ENTERPRISE FUNDS**

The Solid Waste Fund accounts for operation of solid waste collection and disposal services to the residents of the City of Gallup. Activities of the fund include administration and operation and maintenance of the solid waste system. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for Solid Waste debt. All costs are financed through charges to sanitation customers.

The Fitness Center Fund 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.

The NMJHSR Fund accounts for the operations of Junior High School Rodeo. Activities of the fund include administration and operation of the rodeo. All costs are financed through ticket sales and sponsorships.

The GMADC Fund accounts for the City's and County's joint venture jail operation. Activities of the fund include the administration, operation, and maintenance of the jail. All costs are financed through prisoner care charges for the housing of inmates from neighboring communities.

The 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 PROPRIETARY FUNDS  
COMBINING STATEMENTS OF NET ASSETS  
JUNE 30, 2008**

	<u>Solid Waste</u>	<u>The Fitness Center</u>	<u>NM Junior High School Rodeo</u>	<u>GMADC</u>	<u>Gamerco Billings</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 1,761,775	\$ 199,504	\$ 473,735	\$ -	\$ 446,913	\$ 2,881,927
Accounts receivable, net	355,873	-	-	-	27,313	383,186
Due from other funds	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total Current Assets	<u>2,117,648</u>	<u>199,504</u>	<u>473,735</u>	<u>-</u>	<u>474,226</u>	<u>3,265,113</u>
<b>NONCURRENT ASSETS</b>						
Restricted cash and cash equivalents	-	-	-	-	4,302	4,302
Capital assets:						
Land	45,500	21,879	-	-	-	67,379
Distribution and collections systems	669,290	-	-	-	-	669,290
Buildings and improvements	48,309	291,429	-	-	-	339,738
Equipment	2,776,428	6,921	-	-	-	2,783,349
Less accumulated depreciation	(3,079,522)	(45,272)	-	-	-	(3,124,794)
Deferred charges	-	-	-	-	-	-
Total Noncurrent Assets	<u>460,005</u>	<u>274,957</u>	<u>-</u>	<u>-</u>	<u>4,302</u>	<u>739,264</u>
Total Assets	<u>2,577,653</u>	<u>474,461</u>	<u>473,735</u>	<u>-</u>	<u>478,528</u>	<u>4,004,377</u>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	166,238	7,058	35,130	-	-	208,426
Accrued wages and taxes	15,293	5,549	-	-	-	20,842
Due to other funds	-	-	-	-	-	-
Deferred revenue	22,028	-	-	-	-	22,028
Compensated absences	25,097	6,486	-	-	-	31,583
Claims and judgements	-	-	-	-	-	-
Loans - current	-	-	-	-	-	-
Revenue bonds - current	-	-	-	-	-	-
Payable from restricted assets	-	-	-	-	4,302	4,302
Accrued interest	-	-	-	-	-	-
Total Current Liabilities	<u>228,656</u>	<u>19,093</u>	<u>35,130</u>	<u>-</u>	<u>4,302</u>	<u>287,181</u>
<b>NONCURRENT LIABILITIES</b>						
Landfill closure	360,000	-	-	-	-	360,000
Loans payable	-	-	-	-	-	-
Revenue bonds payable (net of unamortized premiums and discounts)	-	-	-	-	-	-
Total Noncurrent Liabilities	<u>360,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,000</u>
Total Liabilities	<u>588,656</u>	<u>19,093</u>	<u>35,130</u>	<u>-</u>	<u>4,302</u>	<u>647,181</u>
<b>NET ASSETS</b>						
Investment in capital assets, net of related debt	100,005	274,957	-	-	-	374,962
Unrestricted	<u>1,888,992</u>	<u>180,411</u>	<u>438,605</u>	<u>-</u>	<u>474,226</u>	<u>2,982,234</u>
Total Net Assets	<u>\$ 1,988,997</u>	<u>\$ 455,368</u>	<u>\$ 438,605</u>	<u>\$ -</u>	<u>\$ 474,226</u>	<u>\$ 3,357,196</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Solid Waste</u>	<u>The Fitness Center</u>	<u>NM Junior High School Rodeo</u>	<u>GMADC</u>	<u>Gamerco Billings</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>OPERATING REVENUES</b>						
Intergovernmental income	\$ 14,289	\$ -	\$ 100,000	\$ -	\$ -	\$ 114,289
Taxes	450,170	-	-	-	-	450,170
Operating grants - taxes	-	-	-	-	-	-
Charges for services	2,727,585	189,868	437,047	-	385,562	3,740,062
Miscellaneous income	-	277	112,005	25,313	-	137,595
Assessments	-	-	-	-	-	-
Total Operating Revenues	<u>3,192,044</u>	<u>190,145</u>	<u>649,052</u>	<u>25,313</u>	<u>385,562</u>	<u>4,442,116</u>
<b>OPERATING EXPENSES</b>						
Personnel services	512,944	112,135	-	15,373	-	640,452
Depreciation expense	465,764	8,440	-	-	-	474,204
Operating expenses	<u>1,626,684</u>	<u>125,032</u>	<u>358,905</u>	<u>5,205</u>	<u>97,684</u>	<u>2,213,510</u>
Total Operating Expenses	<u>2,605,392</u>	<u>245,607</u>	<u>358,905</u>	<u>20,578</u>	<u>97,684</u>	<u>3,328,166</u>
Operating Income (Loss)	<u>586,652</u>	<u>(55,462)</u>	<u>290,147</u>	<u>4,735</u>	<u>287,878</u>	<u>1,113,950</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Loss on sale of fixed assets	-	-	-	-	-	-
Interest income	66,912	6,666	147	66	4,857	78,648
Bond issue costs	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	<u>66,912</u>	<u>6,666</u>	<u>147</u>	<u>66</u>	<u>4,857</u>	<u>78,648</u>
Income (Loss) Before Operating Trans	<u>653,564</u>	<u>(48,796)</u>	<u>290,294</u>	<u>4,801</u>	<u>292,735</u>	<u>1,192,598</u>
<b>NET OPERATING TRANSFERS IN (OUT)</b>						
Operating transfers from other funds	-	92,150	-	60,000	-	152,150
Operating transfers to other funds	<u>(189,340)</u>	<u>-</u>	<u>-</u>	<u>(13,803)</u>	<u>-</u>	<u>(203,143)</u>
Net Operating Transfers In (Out)	<u>(189,340)</u>	<u>92,150</u>	<u>-</u>	<u>46,197</u>	<u>-</u>	<u>(50,993)</u>
Change in Net Assets	464,224	43,354	290,294	50,998	292,735	1,141,605
Total Net Assets, Beginning of Year	<u>1,524,773</u>	<u>412,014</u>	<u>148,311</u>	<u>(50,998)</u>	<u>181,491</u>	<u>2,215,591</u>
Total Net Assets, End of Year	<u>\$ 1,988,997</u>	<u>\$ 455,368</u>	<u>\$ 438,605</u>	<u>\$ -</u>	<u>\$ 474,226</u>	<u>\$ 3,357,196</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Solid Waste</u>	<u>The Fitness Center</u>	<u>NM Junior High School Rodeo</u>	<u>GMADC</u>	<u>Gamerco Billings</u>	<u>Total Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 3,203,302	\$ 190,504	\$ 649,052	\$ 26,313	\$ 377,810	\$ 4,446,981
Cash paid to suppliers for goods and services	(1,694,017)	(122,120)	(351,761)	(65,205)	(99,031)	(2,332,134)
Cash paid to employees for services	(518,007)	(109,341)	-	(20,197)	-	(647,545)
Cash received from other funds for services	-	-	-	-	-	-
Net Cash Provided by (Used for)						
Operating Activities	<u>991,278</u>	<u>(40,957)</u>	<u>297,291</u>	<u>(59,089)</u>	<u>278,779</u>	<u>1,467,302</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Operating subsidies (to) from other funds	<u>(189,340)</u>	<u>92,150</u>	<u>-</u>	<u>46,197</u>	<u>-</u>	<u>(50,993)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest earned	<u>66,912</u>	<u>6,666</u>	<u>147</u>	<u>66</u>	<u>4,857</u>	<u>78,648</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from the sale of capital assets	-	-	-	-	-	-
Acquisition of capital assets	(572,965)	-	-	-	-	(572,965)
Principal paid on capital debt	-	-	-	-	-	-
Interest paid on capital debt	-	-	-	-	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(572,965)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(572,965)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	295,885	57,859	297,438	(12,826)	283,636	921,992
Cash and Cash Equivalents, Beginning of Year	<u>1,465,890</u>	<u>141,645</u>	<u>176,297</u>	<u>12,826</u>	<u>167,579</u>	<u>1,964,237</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,761,775</u>	<u>\$ 199,504</u>	<u>\$ 473,735</u>	<u>\$ -</u>	<u>\$ 451,215</u>	<u>\$ 2,886,229</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>						
Operating income (loss)	\$ 586,652	\$ (55,462)	\$ 290,147	\$ 4,735	\$ 287,878	\$ 1,113,950
Adjustments to reconcile net operating income to net cash provided by operating activities:						
Depreciation	465,764	8,440	-	-	-	474,204
(Increase) decrease in accounts receivable	(17,981)	359	-	1,000	(25,638)	(42,260)
Increase (decrease) in provision for doubtful accounts	27,026	-	-	-	13,584	40,610
(Increase) decrease in inventories	-	-	-	-	-	-
Increase (decrease) in accounts payable	(47,333)	2,912	7,144	-	(1,347)	(38,624)
Increase (decrease) in accrued wages and taxes	(173)	1,997	-	-	-	1,824
Increase (decrease) in due to other funds	-	-	-	(60,000)	-	(60,000)
Increase (decrease) in compensated absence	(4,890)	797	-	(4,824)	-	(8,917)
Increase (decrease) in claims and adjustments	-	-	-	-	-	-
Increase (decrease) in deferred revenue	2,213	-	-	-	-	2,213
Increase in payable from restricted assets	-	-	-	-	4,302	4,302
Decrease in landfill postclosure	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>
Net Cash Provided by (Used for)						
Operating Activities	<u>\$ 991,278</u>	<u>\$ (40,957)</u>	<u>\$ 297,291</u>	<u>\$ (59,089)</u>	<u>\$ 278,779</u>	<u>\$ 1,467,302</u>

The accompanying notes are an integral part of these financial statements.

## **FIDUCIARY (AGENCY) FUNDS**

*Fiduciary funds account for assets held by the City in a trustee or agency capacity for individuals, private organizations, other governmental units, and/or other funds. Agency Funds are purely custodial and do not involve measurement of results of operations.*

The Appearance Bonds Fund accounts for the receipt and disbursement of appearance bonds for those appearing in municipal court.

The Special Gifts Fund accounts for the receipt of various donations for a specific project from individuals and private businesses. It also accounts for refundable deposits to library users. The funds are held until legally budgeted (revenues and expenditures) in the Library Special Revenue Fund.

The Community Development Block Grant (CDBG) Loan Reserve Fund accounts for the expenditure of funds provided by the Department of Housing and Urban Development (HUD) for the improvement of "Metropolitan Redevelopment District." The City acts as agent for persons receiving loans both during the construction phase and until loans have been retired.

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**STATE OF NEW MEXICO  
CITY OF GALLUP  
FIDUCIARY FUNDS  
SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Appearance Bonds</u>	<u>Special Gifts</u>	<u>Community Development Loan Reserve</u>	<u>Total Agency Funds</u>
<b>CASH AND CASH EQUIVALENTS</b>				
Balance as of June 30, 2007	\$ 15,317	\$ 299,753	\$ 106	\$ 315,176
<b>ADDITIONS</b>				
Contributions	107,283	131,570	-	238,853
Interest income	-	6,483	-	6,483
Total Additions	<u>107,283</u>	<u>138,053</u>	<u>-</u>	<u>245,336</u>
<b>DEDUCTIONS</b>				
Refunds of contributions	\$ 107,693	\$ 145,010	\$ 106	\$ 252,809
Total Deductions	<u>107,693</u>	<u>145,010</u>	<u>106</u>	<u>252,809</u>
Balance as of June 30, 2008	<u>\$ 14,907</u>	<u>\$ 292,796</u>	<u>\$ -</u>	<u>\$ 307,703</u>
<b>ACCOUNTS PAYABLE</b>				
Balance as of June 30, 2007	\$ -	\$ 4,204	\$ -	\$ 4,204
<b>ADDITIONS</b>				
Contributions	-	100,194	-	100,194
Interest income	-	-	-	-
Total Additions	<u>-</u>	<u>100,194</u>	<u>-</u>	<u>100,194</u>
<b>DEDUCTIONS</b>				
Refunds of contributions	\$ -	\$ 103,235	\$ -	\$ 103,235
Total Deductions	<u>-</u>	<u>103,235</u>	<u>-</u>	<u>103,235</u>
Balance as of June 30, 2008	<u>\$ -</u>	<u>\$ 1,163</u>	<u>\$ -</u>	<u>\$ 1,163</u>
<b>SPECIAL PROJECTS PAYABLE</b>				
Balance as of June 30, 2007	\$ 15,317	\$ 295,549	\$ 106	\$ 310,972
<b>ADDITIONS</b>				
Contributions	107,283	236,432	-	343,715
Interest income	-	-	(106)	(106)
Total Additions	<u>107,283</u>	<u>236,432</u>	<u>(106)</u>	<u>343,609</u>
<b>DEDUCTIONS</b>				
Refunds of contributions	\$ 107,693	\$ 240,348	\$ -	\$ 348,041
Total Deductions	<u>107,693</u>	<u>240,348</u>	<u>-</u>	<u>348,041</u>
Balance as of June 30, 2008	<u>\$ 14,907</u>	<u>\$ 291,633</u>	<u>\$ -</u>	<u>\$ 306,540</u>

The accompanying notes are an integral part of these financial statements.

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**SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL**

**STATE OF NEW MEXICO  
CITY OF GALLUP  
CORRECTION FEE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	103,326	103,326
Miscellaneous income	-	-	-	-
Interest income	-	-	10,135	10,135
Total Revenues	<u>-</u>	<u>-</u>	<u>113,461</u>	<u>113,461</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	30,000	29,813	187
Health and welfare	-	-	-	-
Public works	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>30,000</u>	<u>29,813</u>	<u>187</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(30,000)</u>	<u>83,648</u>	<u>113,648</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	30,000	-	30,000
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>83,648</u>	<u>\$ 83,648</u>
Fund Balance, Beginning of Year			<u>262,509</u>	
Fund Balance, End of Year			<u>\$ 346,157</u>	
<b>NET CHANGE IN FUND BALANCE (BUDGET BASIS)</b>			<u>\$ 83,648</u>	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>-</u>	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>			<u>\$ 83,648</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
EMERGENCY MEDICAL SERVICES SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ 12,010	\$ 18,917	\$ 18,721	\$ (196)
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	110	110
Total Revenues	12,010	18,917	18,831	(86)
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	24,000	38,247	38,141	106
Health and welfare	-	-	-	-
Public works	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	24,000	38,247	38,141	106
Excess (Deficiency) of Revenues over Expenditures	(11,990)	(19,330)	(19,310)	20
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	413	-	(413)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	12,010	18,917	18,917	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	12,010	19,330	18,917	(413)
NET CHANGE IN FUND BALANCE	\$ 20	\$ -	(393)	\$ (393)
Fund Balance, Beginning of Year			1,797	
Fund Balance, End of Year			\$ 1,404	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (393)	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			792	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			\$ 399	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
FIRE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental income	\$ 240,330	\$ 279,087	\$ 279,087	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	7,000	12,083	5,083
Total Revenues	<u>240,330</u>	<u>286,087</u>	<u>291,170</u>	<u>5,083</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	23,000	71,805	56,252	15,553
Health and welfare	-	-	-	-
Public works	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	386,841	-	386,841
Total Expenditures	<u>23,000</u>	<u>458,646</u>	<u>56,252</u>	<u>402,394</u>
Excess (Deficiency) of Revenues over Expenditures	<u>217,330</u>	<u>(172,559)</u>	<u>234,918</u>	<u>407,477</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	172,559	-	(172,559)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>172,559</u>	<u>-</u>	<u>(172,559)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 217,330</u>	<u>\$ -</u>	<u>234,918</u>	<u>\$ 234,918</u>
Fund Balance, Beginning of Year			<u>172,560</u>	
Fund Balance, End of Year			<u>\$ 407,478</u>	
<b>NET CHANGE IN FUND BALANCE (BUDGET BASIS)</b>			<u>\$ 234,918</u>	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>(3,689)</u>	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>			<u>\$ 231,229</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
LAW ENFORCEMENT PROTECTION SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ 64,200	\$ 64,200	\$ 64,200	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	754	754
Total Revenues	64,200	64,200	64,954	754
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	28,800	62,861	59,567	3,294
Health and welfare	-	-	-	-
Public works	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	33,000	33,000	-	33,000
Total Expenditures	61,800	95,861	59,567	36,294
Excess (Deficiency) of Revenues over Expenditures	2,400	(31,661)	5,387	37,048
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	31,661	-	(31,661)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	-	31,661	-	(31,661)
NET CHANGE IN FUND BALANCE	\$ 2,400	\$ -	5,387	\$ 5,387
Fund Balance, Beginning of Year			31,682	
Fund Balance, End of Year			\$ 37,069	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 5,387	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			(1,125)	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			\$ 4,262	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
SPECIAL LIBRARY SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 186,301	\$ 107,245	\$ (79,056)
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	8,960	8,960
Miscellaneous income	-	-	-	-
Interest income	3,200	3,200	1,252	(1,948)
Total Revenues	3,200	189,501	117,457	(72,044)
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	3,200	19,815	17,609	2,206
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	292,173	263,649	28,524
Total Expenditures	3,200	311,988	281,258	30,730
Excess (Deficiency) of Revenues over Expenditures	-	(122,487)	(163,801)	(41,314)
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	122,487	-	122,487
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	-	122,487	-	122,487
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(163,801)	\$ 81,173
Fund Balance, Beginning of Year			185,189	
Fund Balance, End of Year			\$ 21,388	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (163,801)	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			99,731	
Expenditures for payables, prepaid expenditures and other accruals			(35,613)	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			\$ (99,683)	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
LODGERS' TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	930,000	1,027,000	1,064,043	37,043
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	9,309	9,309
Total Revenues	930,000	1,027,000	1,073,352	46,352
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	620,000	926,130	926,122	8
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	85,000	-	-	-
Total Expenditures	705,000	926,130	926,122	8
Excess (Deficiency) of Revenues over Expenditures	225,000	100,870	147,230	46,360
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	79,130	-	(79,130)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	(180,000)	(180,000)	(180,000)	-
Total Other Financing Sources (Uses)	(180,000)	(100,870)	(180,000)	(79,130)
NET CHANGE IN FUND BALANCE	\$ 45,000	\$ -	(32,770)	\$ (32,770)
Fund Balance, Beginning of Year			461,035	
Fund Balance, End of Year			\$ 428,265	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (32,770)	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			19,926	
Expenditures for payables, prepaid expenditures and other accruals			67,000	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			\$ 54,156	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
MUNICIPAL GAS TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 325,000	\$ 170,000	\$ (155,000)
Taxes	-	-	-	-
Operating grant - taxes	735,000	735,000	761,841	26,841
Charges for services	-	-	-	-
Miscellaneous income	-	-	28,182	28,182
Interest income	10,000	10,000	1,636	(8,364)
Total Revenues	<u>745,000</u>	<u>1,070,000</u>	<u>961,659</u>	<u>(108,341)</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	2,001,370	2,089,493	2,082,567	6,926
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>613,000</u>	<u>831,061</u>	<u>439,458</u>	<u>391,603</u>
Total Expenditures	<u>2,614,370</u>	<u>2,920,554</u>	<u>2,522,025</u>	<u>398,529</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,869,370)</u>	<u>(1,850,554)</u>	<u>(1,560,366)</u>	<u>290,188</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	1,869,370	1,949,370	1,950,140	770
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,869,370</u>	<u>1,949,370</u>	<u>1,950,140</u>	<u>770</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 98,816</u>	<u>389,774</u>	<u>\$ 290,958</u>
Fund Balance, Beginning of Year			<u>388,833</u>	
Fund Balance, End of Year			<u>\$ 778,607</u>	
<b>NET CHANGE IN FUND BALANCE (BUDGET BASIS)</b>			<u>\$ 389,774</u>	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			<u>(28,311)</u>	
Expenditures for payables, prepaid expenditures and other accruals			<u>161,083</u>	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>			<u>\$ 522,546</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
JUVENILE RECREATION SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grants - taxes	12,000	12,000	12,350	350
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	775	775
Total Revenues	<u>12,000</u>	<u>12,000</u>	<u>13,125</u>	<u>1,125</u>
EXPENDITURES				
General government	-	-	-	-
Culture and recreation	12,000	32,461	20,395	12,066
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>12,000</u>	<u>32,461</u>	<u>20,395</u>	<u>12,066</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(20,461)</u>	<u>(7,270)</u>	<u>13,191</u>
OTHER FINANCING SOURCES (USES)				
Designated cash	-	20,461	-	(20,461)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>20,461</u>	<u>-</u>	<u>(20,461)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(7,270)</u>	<u>\$ (7,270)</u>
Fund Balance, Beginning of Year			<u>80,774</u>	
Fund Balance, End of Year			<u>\$ 73,504</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (7,270)	
ADJUSTMENTS TO:				
Revenues for tax accruals, interest, and other deferrals and accruals			(446)	
Expenditures for payables, prepaid expenditures and other accruals			<u>(4,791)</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ (12,507)</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
INTERGOVERNMENTAL GRANTS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 558,829	\$ 313,369	\$ (245,460)
Taxes	-	-	-	-
Operating grants - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	-	-
Total Revenues	-	558,829	313,369	(245,460)
<b>EXPENDITURES</b>				
General government	-	111,674	52,428	59,246
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	442,000	68,930	373,070
Total Expenditures	-	553,674	121,358	432,316
Excess (Deficiency) of Revenues over Expenditures	-	5,155	192,011	186,856
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	916	-	(916)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(6,071)	(6,071)	-
Total Other Financing Sources (Uses)	-	(5,155)	(6,071)	(916)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	185,940	\$ 185,940
Fund Balance, Beginning of Year			918	
Fund Balance, End of Year			\$ 186,858	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 185,940	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			16,579	
Expenditures for payables, prepaid expenditures and other accruals			(25,932)	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			\$ 176,587	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
SENIOR CITIZENS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ 384,500	\$ 302,210	\$ 230,202	\$ (72,008)
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	41,429	48,352	6,923
Miscellaneous income	-	-	-	-
Interest income	-	800	40	(760)
Total Revenues	384,500	344,439	278,594	(65,845)
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	305,950	303,821	302,243	1,578
Public works	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	35,000	-	35,000
Total Expenditures	305,950	338,821	302,243	36,578
Excess (Deficiency) of Revenues over Expenditures	78,550	5,618	(23,649)	(29,267)
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	20,000	91,000	71,000
Transfers to other funds	-	(10,000)	(65,502)	55,502
Total Other Financing Sources (Uses)	-	10,000	25,498	126,502
NET CHANGE IN FUND BALANCE	\$ 78,550	\$ 15,618	1,849	\$ 97,235
Fund Balance, Beginning of Year			2,905	
Fund Balance, End of Year			\$ 4,754	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 1,849	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			15,798	
Expenditures for payables, prepaid expenditures and other accruals			30,443	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			\$ 48,090	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NA' NIZHOOZI CENTER SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	189	189
Total Revenues	<u>-</u>	<u>-</u>	<u>189</u>	<u>189</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	29,670	29,664	6
Public works	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>29,670</u>	<u>29,664</u>	<u>6</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(29,670)</u>	<u>(29,475)</u>	<u>195</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	29,670	-	(29,670)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>29,670</u>	<u>-</u>	<u>(29,670)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(29,475)</u>	<u>\$ (29,475)</u>
Fund Balance, Beginning of Year			<u>43,834</u>	
Fund Balance, End of Year			<u>\$ 14,359</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (29,475)	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>29,664</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ 189</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 45,000	\$ -	\$ (45,000)
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	(1,546)	(1,546)
Total Revenues	<u>-</u>	<u>45,000</u>	<u>(1,546)</u>	<u>(46,546)</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	45,000	-	45,000
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>45,000</u>	<u>-</u>	<u>45,000</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(1,546)</u>	<u>(1,546)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(1,546)</u>	<u>\$ (1,546)</u>
Fund Balance, Beginning of Year			<u>196,810</u>	
Fund Balance, End of Year			<u>\$ 195,264</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (1,546)	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>(27,068)</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ (28,614)</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
LAW ENFORCEMENT BLOCK GRANT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	10	10
Total Revenues	-	-	10	10
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	-	10	10
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	10	\$ 10
Fund Balance, Beginning of Year			1,127	
Fund Balance, End of Year			\$ 1,137	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 10	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			-	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			\$ 10	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
02/04 SALES TAX REVENUE BONDS DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	14,311	14,311
Total Revenues	-	-	14,311	14,311
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Principal retirement	750,000	750,000	750,000	-
Interest and other charges	646,610	646,610	646,608	2
Capital outlay	-	-	-	-
Total Expenditures	1,396,610	1,396,610	1,396,608	2
Excess (Deficiency) of Revenues over Expenditures	(1,396,610)	(1,396,610)	(1,382,297)	14,313
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	1,396,610	1,396,610	1,396,610	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	1,396,610	1,396,610	1,396,610	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	14,313	\$ 14,313
Fund Balance, Beginning of Year			57,593	
Fund Balance, End of Year			\$ 71,906	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 14,313	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			-	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			\$ 14,313	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NEW MEXICO FINANCE AUTHORITY DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	625,000	625,000	863,791	238,791
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	5,000	5,000	60,177	55,177
Total Revenues	<u>630,000</u>	<u>630,000</u>	<u>923,968</u>	<u>293,968</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Principal retirement	685,470	857,470	685,465	172,005
Interest and other charges	228,230	228,230	228,224	6
Capital outlay	-	-	-	-
Total Expenditures	<u>913,700</u>	<u>1,085,700</u>	<u>913,689</u>	<u>172,011</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(283,700)</u>	<u>(455,700)</u>	<u>10,279</u>	<u>465,979</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	1,320,150	-	(1,320,150)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	284,650	535,550	534,712	(838)
Transfers to other funds	-	(1,400,000)	(1,089,840)	(310,160)
Total Other Financing Sources (Uses)	<u>284,650</u>	<u>455,700</u>	<u>(555,128)</u>	<u>(1,631,148)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 950</u>	<u>\$ -</u>	<u>(544,849)</u>	<u>\$ (1,165,169)</u>
Fund Balance, Beginning of Year			<u>2,038,162</u>	
Fund Balance, End of Year			<u>\$ 1,493,313</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (544,849)	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			(1,137)	
Expenditures for payables, prepaid expenditures and other accruals			<u>-</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ (545,986)</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
11/00 SALES TAX BONDS DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	2,826	2,826
Total Revenues	<u>-</u>	<u>-</u>	<u>2,826</u>	<u>2,826</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Principal retirement	460,000	460,000	460,000	-
Interest and other charges	255,700	255,700	255,694	6
Capital outlay	-	-	-	-
Total Expenditures	<u>715,700</u>	<u>715,700</u>	<u>715,694</u>	<u>6</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(715,700)</u>	<u>(715,700)</u>	<u>(712,868)</u>	<u>2,832</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	715,700	715,700	715,700	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>715,700</u>	<u>715,700</u>	<u>715,700</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>2,832</u>	<u>\$ 2,832</u>
Fund Balance, Beginning of Year			<u>81,948</u>	
Fund Balance, End of Year			<u>\$ 84,780</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 2,832	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>-</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ 2,832</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
AIRPORT CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 3,230,956	\$ 2,545,047	\$ (685,909)
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	689	689
Total Revenues	-	3,230,956	2,545,736	(685,220)
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	1,016,400	640,621	375,779
Principal retirement	-	-	2,232,099	2,232,099
Interest and other charges	-	-	-	-
Capital outlay	-	2,506,367	-	2,506,367
Total Expenditures	-	3,522,767	2,872,720	5,114,245
Excess (Deficiency) of Revenues over Expenditures	-	(291,811)	(326,984)	4,429,025
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	580,000	80,000	500,000
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	-	580,000	80,000	500,000
NET CHANGE IN FUND BALANCE	\$ -	\$ 288,189	(246,984)	\$ 4,929,025
Fund Balance, Beginning of Year			260,964	
Fund Balance, End of Year			\$ 13,980	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (246,984)	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			149,753	
Expenditures for payables, prepaid expenditures and other accruals			(1,850)	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			\$ (99,081)	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
INFRASTRUCTURE GRT CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	6,891	6,891
Total Revenues	<u>-</u>	<u>-</u>	<u>6,891</u>	<u>6,891</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	526,642	142,888	383,754
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>526,642</u>	<u>142,888</u>	<u>383,754</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(526,642)</u>	<u>(135,997)</u>	<u>390,645</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	495,662	-	(495,662)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	1,900,350	1,900,350	1,900,350	-
Transfers to other funds	<u>(1,869,370)</u>	<u>(1,869,370)</u>	<u>(1,869,370)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>30,980</u>	<u>526,642</u>	<u>30,980</u>	<u>(495,662)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 30,980</u>	<u>\$ -</u>	<u>(105,017)</u>	<u>\$ (105,017)</u>
Fund Balance, Beginning of Year			<u>991,655</u>	
Fund Balance, End of Year			<u>\$ 886,638</u>	
<b>NET CHANGE IN FUND BALANCE (BUDGET BASIS)</b>			<u>\$ (105,017)</u>	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>24,317</u>	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>			<u>\$ (80,700)</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
11/00 SALES TAX BOND CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	6,877	6,877
Total Revenues	<u>-</u>	<u>-</u>	<u>6,877</u>	<u>6,877</u>
EXPENDITURES				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	50,806	7,001	43,805
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	346,621	141,146	205,475
Total Expenditures	<u>-</u>	<u>397,427</u>	<u>148,147</u>	<u>249,280</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(397,427)</u>	<u>(141,270)</u>	<u>256,157</u>
OTHER FINANCING SOURCES (USES)				
Designated cash	-	397,427	-	(397,427)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>397,427</u>	<u>-</u>	<u>(397,427)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(141,270)</u>	<u>\$ (141,270)</u>
Fund Balance, Beginning of Year			<u>414,310</u>	
Fund Balance, End of Year			<u>\$ 273,040</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (141,270)	
ADJUSTMENTS TO:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>(1,960)</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ (143,230)</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
LEGISLATIVE APPROPRIATIONS CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 2,784,177	\$ 492,275	\$ (2,291,902)
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	897	897
Total Revenues	-	2,784,177	493,172	(2,291,005)
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	1,613,468	70,563	1,542,905
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	1,076,193	431,210	644,983
Total Expenditures	-	2,689,661	501,773	2,187,888
Excess (Deficiency) of Revenues over Expenditures	-	94,516	(8,601)	(103,117)
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	140,284	-	(140,284)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(234,800)	(234,800)	-
Total Other Financing Sources (Uses)	-	(94,516)	(234,800)	(140,284)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(243,401)	\$ (243,401)
Fund Balance, Beginning of Year			245,616	
Fund Balance, End of Year			\$ 2,215	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (243,401)	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			(7,590)	
Expenditures for payables, prepaid expenditures and other accruals			241,345	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			\$ (9,646)	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
GENERAL OBLIGATION BOND CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	3,808	3,808	-
Interest income	-	12,000	12,087	87
Total Revenues	<u>-</u>	<u>15,808</u>	<u>15,895</u>	<u>87</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	110,122	20,303	89,819
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	266,043	46,513	219,530
Total Expenditures	<u>-</u>	<u>376,165</u>	<u>66,816</u>	<u>309,349</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(360,357)</u>	<u>(50,921)</u>	<u>309,436</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	360,357	-	(360,357)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>360,357</u>	<u>-</u>	<u>(360,357)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(50,921)</u>	<u>\$ (50,921)</u>
Fund Balance, Beginning of Year			<u>360,364</u>	
Fund Balance, End of Year			<u>\$ 309,443</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (50,921)	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>11,551</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ (39,370)</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
02/04 SALES NON TAX BONDS CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	900	952	52
Total Revenues	-	900	952	52
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	12,230	(48)	(12,278)
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	110,008	26,250	83,758
Total Expenditures	-	122,238	26,202	71,480
Excess (Deficiency) of Revenues over Expenditures	-	(121,338)	(25,250)	96,088
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	121,338	-	(121,338)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	-	121,338	-	(121,338)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(25,250)	\$ (25,250)
Fund Balance, Beginning of Year			121,341	
Fund Balance, End of Year			\$ 96,091	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (25,250)	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			(6,923)	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			\$ (32,173)	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF GALLUP  
02/04 SALES TAX BONDS CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	4,593	4,593
Total Revenues	<u>-</u>	<u>-</u>	<u>4,593</u>	<u>4,593</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	94,801	35,713	59,088
Total Expenditures	<u>-</u>	<u>94,801</u>	<u>35,713</u>	<u>59,088</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(94,801)</u>	<u>(31,120)</u>	<u>63,681</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	94,801	-	(94,801)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>94,801</u>	<u>-</u>	<u>(94,801)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(31,120)</u>	<u>\$ (31,120)</u>
Fund Balance, Beginning of Year			<u>96,112</u>	
Fund Balance, End of Year			<u>\$ 64,992</u>	
<b>NET CHANGE IN FUND BALANCE (BUDGET BASIS)</b>			<u>\$ (31,120)</u>	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>-</u>	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>			<u>\$ (31,120)</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
PUBLIC WORKS CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 290,000	\$ -	\$ (290,000)
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	30,680	30,680	-
Total Revenues	<u>-</u>	<u>320,680</u>	<u>30,680</u>	<u>(290,000)</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	38,449	(105,968)	144,417
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	1,700,149	254,610	1,445,539
Total Expenditures	<u>-</u>	<u>1,738,598</u>	<u>148,642</u>	<u>1,589,956</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(1,417,918)</u>	<u>(117,962)</u>	<u>1,299,956</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	622,418	-	(622,418)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	845,500	845,500	-
Transfers to other funds	-	(50,000)	(50,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,417,918</u>	<u>795,500</u>	<u>(622,418)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>677,538</u>	<u>\$ 677,538</u>
Fund Balance, Beginning of Year			<u>636,746</u>	
Fund Balance, End of Year			<u>\$ 1,314,284</u>	
<b>NET CHANGE IN FUND BALANCE (BUDGET BASIS)</b>			<u>\$ 677,538</u>	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>(308,809)</u>	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>			<u>\$ 368,729</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
SOLID WASTE ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 16,300	\$ 14,289	\$ (2,011)
Taxes	-	-	-	-
Operating grant - taxes	411,000	411,000	450,170	39,170
Charges for services	1,943,900	1,943,900	2,758,658	814,758
Miscellaneous income	520	520	-	(520)
Interest income	11,340	11,340	66,912	55,572
Total Revenues	<u>2,366,760</u>	<u>2,383,060</u>	<u>3,290,029</u>	<u>906,969</u>
<b>EXPENSES</b>				
Personnel services	526,120	526,120	512,944	13,176
Depreciation expense	-	-	-	-
Amortization expense	-	-	-	-
Operating expenses	1,351,130	1,691,457	1,698,895	(7,438)
Capital outlay	411,000	572,966	572,965	1
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenses	<u>2,288,250</u>	<u>2,790,543</u>	<u>2,784,804</u>	<u>5,739</u>
Excess (Deficiency) of Revenues over Expenses	<u>78,510</u>	<u>(407,483)</u>	<u>505,225</u>	<u>912,708</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	110,830	596,823	-	(596,823)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	(189,340)	(189,340)	(189,340)	-
Total Other Financing Sources (Uses)	<u>(78,510)</u>	<u>407,483</u>	<u>(189,340)</u>	<u>(596,823)</u>
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	315,885	<u>\$ 315,885</u>
Net Assets, Beginning of Year			<u>1,465,890</u>	
Net Assets, End of Year			<u>\$ 1,781,775</u>	
CHANGE IN NET ASSETS (BUDGET BASIS)			\$ 315,885	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			(31,073)	
Expenses for payables, prepaid expenses and other accruals			<u>179,412</u>	
CHANGE IN NET ASSETS (GAAP BASIS)			<u>\$ 464,224</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
JOINT UTILITIES ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 3,714,011	\$ 5,178,829	\$ 1,464,818
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	25,456,720	25,463,040	27,907,347	2,444,307
Miscellaneous income	-	-	-	-
Interest income	1,000	41,000	814,823	773,823
Total Revenues	<u>25,457,720</u>	<u>29,218,051</u>	<u>33,900,999</u>	<u>4,682,948</u>
<b>EXPENDITURES</b>				
Personnel services	3,410,520	3,410,520	3,020,623	389,897
Depreciation expense	-	-	-	-
Amortization expense	-	-	-	-
Operating expenses	15,722,790	22,185,201	18,108,455	4,076,746
Capital outlay	1,380,020	11,246,945	8,271,741	2,975,204
Principal retirement	1,528,890	1,528,890	1,528,890	-
Interest and other charges	1,192,230	1,192,230	1,192,230	-
Total Expenses	<u>23,234,450</u>	<u>39,563,786</u>	<u>32,121,939</u>	<u>7,441,847</u>
Excess (Deficiency) of Revenues over Expenses	<u>2,223,270</u>	<u>(10,345,735)</u>	<u>1,779,060</u>	<u>12,124,795</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	213,270	12,782,275	-	(12,782,275)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	2,721,110	5,371,110	5,371,110	-
Transfers to other funds	(5,157,650)	(7,807,650)	(7,847,650)	(40,000)
Total Other Financing Sources (Uses)	<u>(2,223,270)</u>	<u>10,345,735</u>	<u>(2,476,540)</u>	<u>(12,822,275)</u>
Net Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	(697,480)	<u>\$ (697,480)</u>
Net Assets, Beginning of Year			<u>22,895,702</u>	
Net Assets, End of Year			<u>\$ 22,198,222</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
THE FITNESS CENTER ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	180,000	180,000	190,227	10,227
Miscellaneous income	-	-	277	277
Interest income	-	-	6,666	6,666
Total Revenues	180,000	180,000	197,170	17,170
<b>EXPENSES</b>				
Personnel services	147,540	142,040	112,135	29,905
Depreciation expense	-	-	-	-
Amortization expense	-	-	-	-
Operating expenses	124,610	132,106	119,326	12,780
Capital outlay	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenses	272,150	274,146	231,461	42,685
Excess (Deficiency) of Revenues over Expenses	(92,150)	(94,146)	(34,291)	59,855
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	1,996	-	(1,996)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	92,150	92,150	92,150	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	92,150	94,146	92,150	(1,996)
Change in Net Assets	\$ -	\$ -	57,859	\$ 57,859
Net Assets, Beginning of Year			141,645	
Net Assets, End of Year			\$ 199,504	
CHANGE IN NET ASSETS (BUDGET BASIS)			\$ 57,859	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			(359)	
Expenses for payables, prepaid expenses and other accruals			(14,146)	
CHANGE IN NET ASSETS (GAAP BASIS)			\$ 43,354	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
NM JUNIOR HIGH SCHOOL RODEO ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	320,000	437,047	117,047
Miscellaneous income	-	-	112,005	112,005
Interest income	-	500	147	(353)
Total Revenues	100,000	420,500	649,199	228,699
<b>EXPENSES</b>				
Personnel services	-	-	-	-
Depreciation expense	-	-	-	-
Amortization expense	-	-	-	-
Operating expenses	100,000	579,572	351,761	227,811
Capital outlay	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenses	100,000	579,572	351,761	227,811
Excess (Deficiency) of Revenues over Expenses	-	(159,072)	297,438	456,510
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	159,072	-	(159,072)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	-	159,072	-	(159,072)
Change in Net Assets	\$ -	\$ -	297,438	\$ 297,438
Net Assets, Beginning of Year			176,297	
Net Assets, End of Year			\$ 473,735	
CHANGE IN NET ASSETS (BUDGET BASIS)			\$ 297,438	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenses for payables, prepaid expenses and other accruals			(7,144)	
CHANGE IN NET ASSETS (GAAP BASIS)			\$ 290,294	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
GALLUP MCKINLEY ADULT DETENTION CENTER ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	93,800	93,800	26,313	(67,487)
Interest income	-	-	66	66
Total Revenues	93,800	93,800	26,379	(67,421)
<b>EXPENSES</b>				
Personnel services	93,800	93,800	20,197	73,603
Depreciation expense	-	-	-	-
Amortization expense	-	-	-	-
Operating expenses	5,205	5,205	5,205	-
Capital outlay	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenses	99,005	99,005	25,402	73,603
Excess (Deficiency) of Revenues over Expenses	(5,205)	(5,205)	977	6,182
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	5,205	5,205	-	(5,205)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	(13,803)	(13,803)
Total Other Financing Sources (Uses)	5,205	5,205	(13,803)	(19,008)
Change in Net Assets	\$ -	\$ -	(12,826)	\$ (12,826)
Net Assets, Beginning of Year			12,826	
Net Assets, End of Year			\$ -	
CHANGE IN NET ASSETS (BUDGET BASIS)			\$ (12,826)	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			59,000	
Expenses for payables, prepaid expenses and other accruals			4,824	
CHANGE IN NET ASSETS (GAAP BASIS)			\$ 50,998	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
GAMERCO BILLING ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	BUDGETED AMOUNTS		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	360,000	360,000	376,463	16,463
Miscellaneous income	-	-	-	-
Interest income	-	-	4,857	4,857
Total Revenues	360,000	360,000	381,320	21,320
<b>EXPENSES</b>				
Personnel services	-	-	-	-
Depreciation expense	-	-	-	-
Amortization expense	-	-	-	-
Operating expenses	300,000	300,000	97,684	202,316
Capital outlay	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenses	300,000	300,000	97,684	202,316
Excess (Deficiency) of Revenues over Expenses	60,000	60,000	283,636	223,636
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Change in Net Assets	\$ 60,000	\$ 60,000	283,636	\$ 223,636
Net Assets, Beginning of Year			167,579	
Net Assets, End of Year			\$ 451,215	
CHANGE IN NET ASSETS (BUDGET BASIS)			\$ 283,636	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			9,099	
Expenses for payables, prepaid expenses and other accruals			-	
CHANGE IN NET ASSETS (GAAP BASIS)			\$ 292,735	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF GALLUP  
RISK MANAGEMENT INTERNAL SERVICE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Assessments	\$ 1,828,780	\$ 1,828,780	\$ 1,829,340	\$ 560
Intergovernmental income	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	60,000	60,000	29,548	(30,452)
Interest income	90,000	90,000	79,292	(10,708)
Total Revenues	<u>1,978,780</u>	<u>1,978,780</u>	<u>1,938,180</u>	<u>(40,600)</u>
<b>EXPENSES</b>				
Personnel services	292,840	292,840	266,997	25,843
Depreciation expense	-	-	-	-
Amortization expense	-	-	-	-
Operating expenses	1,536,500	1,832,828	1,721,318	111,510
Capital outlay	-	-	-	-
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenditures	<u>1,829,340</u>	<u>2,125,668</u>	<u>1,988,315</u>	<u>137,353</u>
Excess (Deficiency) of Revenues over Expenditures	<u>149,440</u>	<u>(146,888)</u>	<u>(50,135)</u>	<u>96,753</u>
<b>OTHER FINANCING SOURCES</b>				
Designated cash	-	686,888	-	(686,888)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(540,000)	(40,000)	(500,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>146,888</u>	<u>(40,000)</u>	<u>(1,186,888)</u>
Change in Net Assets	<u>\$ 149,440</u>	<u>\$ -</u>	<u>(90,135)</u>	<u>\$ (1,090,135)</u>
Net Assets, Beginning of Year			<u>3,081,517</u>	
Net Assets, End of Year			<u>\$ 2,991,382</u>	
<b>CHANGE IN NET ASSETS (BUDGET BASIS)</b>			<b>\$ (90,135)</b>	
<b>ADJUSTMENTS TO:</b>				
Revenues for tax accruals, interest, and other deferrals and accruals			(2,846)	
Expenses for payables, prepaid expenses and other accruals			<u>(71,113)</u>	
<b>CHANGE IN NET ASSETS (GAAP BASIS)</b>			<b>\$ (164,094)</b>	

The accompanying notes are an integral part of these financial statements.

## **NEW MEXICO STATE AUDITOR DISCLOSURES**

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**STATE OF NEW MEXICO  
CITY OF GALLUP  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS AND PLEDGED COLLATERAL  
JUNE 30, 2008**

	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Reconciled</u>
<b>WELLS FARGO, NEW MEXICO</b>			
Operations	Checking	\$ 3,497,529	\$ 3,497,529
NMJHS Rodeo	Checking	326,912	326,912
City of Gallup	CD	4,000,000	4,000,000
Gallup Municipal Court	Money Market	14,907	14,907
Municipality of Gallup		<u>\$ 7,839,348</u>	<u>\$ 7,839,348</u>
Less FDIC coverage		<u>100,000</u>	
Uninsured Public Funds		6,887,949	
Less Pledged Collateral held by the pledging financial institution		<u>(8,468,350)</u>	
Over insured and over collateralized		<u>\$ (1,580,401)</u>	
Collateral requirement - 50% of uninsured funds		\$ 3,443,975	
Pledged Security		<u>8,468,350</u>	
Over Collateral Requirement		<u>\$ 5,024,376</u>	
<b>WELLS FARGO BROKERAGE</b>			
City of Gallup	Treasury Notes	13,477,167	13,477,167
City of Gallup	Money Market	146,816	146,816
Municipality of Gallup		<u>\$ 13,623,983</u>	<u>\$ 13,623,983</u>
<b>BANK OF ALBUQUERQUE - NEW MEXICO FINANCE AUTHORITY</b>			
Equipment Loan	Cash Deposit	\$ 343,034	\$ 343,034
Fire Station Loan	Cash Deposit	137,876	137,876
Water Trust Board Grants	Cash Deposit	6,407,211	6,407,211
Municipality of Gallup		<u>\$ 6,888,121</u>	<u>\$ 6,888,121</u>
<b>FIRST COMMUNITY BANK</b>			
City of Gallup	CD	\$ 15,000,000	\$ 15,000,000
Municipality of Gallup		<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>
Less FDIC coverage		<u>100,000</u>	
Uninsured Public Funds		14,900,000	
Less Pledged Collateral held by the pledging financial institution		<u>(7,650,613)</u>	
Under insured and undercollateralized		<u>\$ 7,249,387</u>	
Collateral requirement - 50% of uninsured funds		\$ 7,450,000	
Pledged Security		<u>7,650,613</u>	
Over Collateral Requirement		<u>\$ 200,613</u>	
<b>PINNACLE BANK</b>			
City of Gallup	CD	\$ 4,000,000	\$ 4,000,000
Municipality of Gallup		<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Less FDIC coverage		<u>100,000</u>	
Uninsured Public Funds		3,900,000	
Less Pledged Collateral held by the pledging financial institution		<u>(4,000,000)</u>	
Over insured and over collateralized		<u>\$ (100,000)</u>	
Collateral requirement - 50% of uninsured funds		\$ 1,950,000	
Pledged Security		<u>4,000,000</u>	
Over Collateral Requirement		<u>\$ 2,050,000</u>	

The accompanying notes are an integral part of these financial statements.

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**STATE OF NEW MEXICO  
CITY OF GALLUP  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS AND PLEDGED COLLATERAL  
JUNE 30, 2008**

	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Reconciled</u>
<b>NEW MEXICO STATE TREASURER</b>			
VALUE OF ACCOUNTS PER BANK			
Municipality of Gallup                      Investment Pool	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
 <b>TOTAL FINANCIAL INSTITUTIONS</b>			
VALUE OF ACCOUNTS PER BANK			
City of Gallup                                      Checking	3,824,441	2,972,390	3,824,441
City of Gallup                                      Money Market	161,723	162,375	161,723
City of Gallup                                      CD	23,000,000	23,000,000	23,000,000
City of Gallup                                      Cash Deposit	6,888,121	6,888,121	6,888,121
City of Gallup                                      Treasury Notes	13,477,167	13,477,167	13,477,167
City of Gallup                                      Investment Pool	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Municipality of Gallup	48,351,452	\$ 47,500,053	48,351,452
Less NMFA Cash Deposit Accounts	6,888,121	6,888,121	6,888,121
Less Wells Fargo Brokerage	13,623,983	13,623,983	13,623,983
Less N.M. State Treasurer	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 26,839,348</u>	<u>\$ 25,987,949</u>	<u>\$ 26,839,348</u>
Less FDIC coverage		<u>300,000</u>	
Uninsured Public Funds		25,687,949	
Less Pledged Collateral held by the pledging financial institution		<u>(20,118,963)</u>	
Over insured and over collateralized		<u>\$ 5,568,986</u>	
 Collateral requirement - 50% of uninsured funds		\$ 12,843,975	
Pledged Security		<u>20,118,963</u>	
Over Collateral Requirement		<u>\$ 7,274,988</u>	

The accompanying notes are an integral part of these financial statements.

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## **SINGLE AUDIT SECTION**

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# Griego Professional Services, LLC

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***

City of Gallup  
Gallup, New Mexico  
To the Honorable Mayor and City Council  
Hector Balderas  
New Mexico State Auditor  
The Office of Management and Budget

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, the budgetary comparison for the general fund of the City of Gallup (the "City"), New Mexico, as of and for the year ended June 30, 2008, and have issued our report thereon dated May 12, 2009. We also have audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise and internal service funds, including budgetary comparisons and the major enterprise fund budgetary comparison, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents, and have issued our report thereon dated May 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Gallup, New Mexico's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Gallup's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatements of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS 08-03, FS 08-04 FS 08-05, FS 08-06, FS 08-07 and FS 08-08 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

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Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. There were deficiencies over internal control considered to be material weaknesses described in the accompanying schedule of findings and questioned costs as items FS 08-07 and FS 08-08.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Gallup, New Mexico's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance 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 item FS 08-01, FS 08-02, FS 08-05 and FS 08-06.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding FS 07-01.

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

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



Albuquerque, New Mexico  
May 12, 2009

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# Griego Professional Services, LLC

Certified Public Accountants

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City of Gallup  
Gallup, New Mexico  
To the Honorable Mayor and City Council  
Hector Balderas  
New Mexico State Auditor  
The Office of Management and Budget

### Compliance

We have audited the compliance of the City of Gallup (the "City"), New Mexico, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Gallup, New Mexico's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Gallup, New Mexico's management. Our responsibility is to express an opinion on the City of Gallup, New Mexico's compliance based on our audit.

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

As described in item FA 08-01 in the accompanying schedule of findings and questioned costs the City of Gallup Housing Authority, a component unit of the City of Gallup, did not comply with requirements regarding reporting as it related to project reporting under the requirements of the U.S. Department of Housing and Urban Development that are applicable to its major federal programs. Compliance with such requirements is necessary, in our opinion, for the City of Gallup Housing Authority, as component unit of the City of Gallup, to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Gallup, New Mexico complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. The results of our auditing procedures also disclosed other instances of non-compliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item FA 08-02.

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## Internal Control Over Compliance

The management of the City of Gallup, New Mexico, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Gallup, New Mexico's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more the inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

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

*Grigo Professional Services, LLC*

Albuquerque, New Mexico  
May 12, 2009

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**STATE OF NEW MEXICO  
CITY OF GALLUP  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2008**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Passed through N.M. Area Agency on Aging			
Special Programs for the Aging Title III, Part B	2007-08 60013	93.044	\$ 29,294
Special Programs for the Aging Title III, Part C-1	2007-08 60013	93.045	28,132
Special Programs for the Aging Title III, Part C-2	2007-08 60013	93.045	6,983
Nutrition Program for the Elderly	2007-08 60013	10.570	<u>32,446</u>
Total U.S. Department of Agriculture			<u>96,855</u>
U.S. Department of Housing and Urban Development			
Direct Programs:			
Low - Rent Housing Program Operating Subsidy	N/A	14.850	1,324,867
Section 8 Housing Choice Vouchers	N/A	14.871	<u>87,152</u>
Total U.S. Department of Housing and Urban Development			<u>1,412,019</u>
Environmental Protection Agency			
Direct Programs:			
Wastewater Treatment Plant	XP-97606801	66.606	<u>344,897</u>
U.S. Department of Transportation			
Direct Programs:			
Airway and Airport Improvement Program	12N8100001.2006	20.106	624,691
Airway and Airport Improvement Program	3-35-0019-020-2007	20.106	<u>2,155,545</u>
			<u>2,780,236</u>
Total Expenditures of Federal Awards			<u>\$ 4,634,007</u>

**NOTE 1: BASIS OF PRESENTATION**

This schedule was prepared in accordance with the modified accrual basis of accounting.

**STATE OF NEW MEXICO**  
**CITY OF GALLUP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**Section I – Summary of Audit Results***Financial Statements:*

- |  |           |
|--|-----------|
| 1. Type of auditors' report issued   | Qualified |
| 2. Internal control over financial reporting:                                    |           |
| a. Material weakness identified?   | Yes       |
| b. Significant deficiency identified not considered to be a material weaknesses? | Yes       |
| c. Control deficiency identified not considered to be a significant deficiency?  | No        |
| d. Compliance and other matters identified?                                      | Yes       |

*Federal Awards:*

- | 1. Internal control over major programs:   |                                  |                 |        |                           |        |                                  |  |
|--|----------------------------------|-----------------|--------|---------------------------|--------|----------------------------------|--|
| a. Material weaknesses identified?   | Yes                              |                 |        |                           |        |                                  |  |
| b. Significant deficiency identified not considered to be material weaknesses?   | Yes                              |                 |        |                           |        |                                  |  |
| c. Control deficiency identified not considered to be significant deficiency?  | No                               |                 |        |                           |        |                                  |  |
| 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:   |                                  |                 |        |                           |        |                                  |  |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">CFDA<br/>Number</th> <th style="text-align: center; border-bottom: 1px solid black;">Federal Program</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">20.106</td> <td style="text-align: center;">Airport Improvement Grant</td> </tr> <tr> <td style="text-align: center;">14.850</td> <td style="text-align: center;">Low Rent Housing Subsidy Program</td> </tr> </tbody> </table> | CFDA<br>Number                   | Federal Program | 20.106 | Airport Improvement Grant | 14.850 | Low Rent Housing Subsidy Program |  |
| CFDA<br>Number   | Federal Program                  |                 |        |                           |        |                                  |  |
| 20.106   | Airport Improvement Grant        |                 |        |                           |        |                                  |  |
| 14.850   | Low Rent Housing Subsidy Program |                 |        |                           |        |                                  |  |
| 5. Dollar threshold used to distinguish between type A and type B programs:  | \$300,000                        |                 |        |                           |        |                                  |  |
| 6. Auditee qualified as low-risk auditee?  | No                               |                 |        |                           |        |                                  |  |

**STATE OF NEW MEXICO**  
**CITY OF GALLUP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**Section II – Financial Statement Findings**

**FS 07-01 — Payroll Documentation**

*Condition:* During our test work of personnel files, the auditor noted the following:

- Two out of twenty employees did not have an I-9 on file
- Four out of twenty employees did not have a W-4 on file
- Three out of twenty employees' personnel files did not contain the proper documentation to support the employees' hourly pay.
- One employee out of twenty did not have the proper medical insurance deductions applied to their pay.

*Criteria:* Immigration Reform & Control Act of 1986 requires all employees hired after November 6, 1986 to complete a form I-9 within 3 days of hire. This form is to be retained for either three years after the date of hire or one year after the date of termination, whichever is later. Also, to ensure employees are paid the correct hourly or salary amount; contracts or documents supporting compensation must be included in the employee personnel files. Documents required include items indicating starting pay as well as increases or decreases in hourly or salary rate.

*Effect:* The City is not in compliance with the Immigration Reform and Control Act of 1986. The City may be subject to penalties ranging from \$110 - \$1,100. Missing supporting documentation represents a possible failure of internal control procedures and may result in possible litigation, penalties or liabilities to the City.

*Cause:* The City has not properly consistently maintained personnel files with the required employee documentation (I-9s, W-4s and personnel action forms). In addition, the City did not properly calculate payroll deductions and rates in some cases.

*Auditors' Recommendations:* We recommend the City obtain all required information and retain the necessary documents in the employees' personnel files. In the future, the City should make periodic checks to ensure all required information is being maintained.

*Management's Response:* The City is currently developing an employee checklist to insure that all documentation is obtained and kept in the personnel file.

**FS 08-01 Audit Report**

*Condition:* The City's audit report for the year ended June 30, 2008 was not submitted to the State Auditor by the required due date, December 1, 2008.

*Criteria:* Audit reports not received on or before the due date, December 1, are considered to be in non-compliance with requirements of Section 2.2.2.9.A of the State Audit Rule.

*Effect:* The result was the late submission of the City's audit report for the year ended June 30, 2008. Late submission of the audit may affect state, federal and other funding, as well as affect the City's bond capacity or ratings.

*Cause:* The City elected to submit the audit report late due to the Housing Authority, a component unit of the City, experiencing turnover during the fiscal year and not being prepared to have audit procedures performed timely.

**STATE OF NEW MEXICO**  
**CITY OF GALLUP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*Auditors' Recommendations:* The City must require the Housing Authority to meet necessary deadline to ensure audit procedures can be performed timely. There should be a monitoring process to track the component unit's progress through times of turnover and possible delays.

*Management's Response:* The City is developing a financial timeline for the Housing Authority to follow.

**FS 08-02 — Audit Report Not Submitted Timely (Housing Authority)**

*Condition:* The Authority's audit report for the year ended June 30, 2008 was not submitted to the State Auditor by the required due date, December 1, 2008.

*Criteria:* Audit reports not received on or before the due date, December 1, are considered to be in non-compliance with requirements of Section 2.2.2.9.A of the State Audit Rule.

*Effect:* The result was the late submission of the Authority's audit report for the year ended June 30, 2008.

*Cause:* Accounting records were not completed in time to ensure the submission of a timely audit report.

*Auditors' Recommendations:* The Authority should ensure that their books of record are closed so that future reports can be submitted timely.

*Management's Response:* In early July 2008 this Agency had a major, verifiable network "crash" which caused this Agency to close its doors for one (1) week to become functional, and three (3) weeks to rebuild and secure data. As of June 30, 2008, the Executive Director and the bookkeeper had been on the job 3 months and 2 months respectively with very little training on our software. Also during this period we were trying to force our 14 year old software to a project based system, which in turn caused many more problems than solutions.

During the course of FY 09 we have made sufficient progress in working around our software short falls, and as of May 2009, have already begun our troubleshooting procedures for year-end close. Gallup Housing Authority has put in place quality control procedure to ensure timely submission of all future submissions. This will not be a repeat finding.

**FS 08-03 – Bank Reconciliations (Housing Authority)**

*Condition:* City of Gallup Housing Authority's June 2008 bank reconciliation does not tie to the trial balance provided. There is a difference of \$998 in total that does not reconcile.

*Criteria:* According to Statement on Auditing Standard (SAS) 112 Section 402.61 states that "A cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors."

*Effect:* Without proper reconciliations, cash may be misstated on the financial statements.

*Cause:* The bank statement was not properly reconciled to the general ledger. There is an un-reconciled difference of \$998.

*Auditors' Recommendations:* The Authority must reconcile bank accounts monthly and this should be done in a timely manner. Most banks only allow 60 days to dispute errors. Therefore banking errors not caught in that 60 day time frame may not be corrected. Further, the Authority should establish a review procedure so that bank statements and reconciliations are reviewed monthly and signed by a member of management or the board.

**STATE OF NEW MEXICO**  
**CITY OF GALLUP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*Management Response:* Our bank accounts have been balanced and monitored as of July 2008. During this period the Executive Director did not review nor perform quality control in a timely or detailed matter. The initial priority was to strengthen this Authority's occupancy and to re-establish communication and trust with locals and HUD authorities, which were so badly damaged by past administration. Movement was quick and unidirectional, and some aspects did in fact get pushed aside.

The authority now understands the importance of accountability and transparency and has adopted a practice of reviewing all financial material on a monthly basis not to exceed 45 Days. This will not be a repeat finding.

**FS 08-04 – Tenant Deposits (Housing Authority)**

*Condition:* Good accounting practices state that an entity should hold sufficient cash balances at any time to cover deposit liabilities. The Authority holds a tenant liability of \$30,870 but a cash balance of \$11,705 in the Low Income Housing Program leaving a balance of \$19,165 not covered by cash on hand.

*Criteria:* The Authority did not maintain cash balances at a level above their tenant deposits at June 30, 2008 in the Low Income Housing Program.

*Effect:* In the event of a large loss of tenants, the authority would not have sufficient cash to pay back the tenant deposit liability. The Authority would have to use funds from another program, which would be against program guidelines, to pay back the tenant liability.

*Cause:* The Authority does not have controls in place to ensure that a sufficient cash balance is kept to ensure having more cash than tenant deposits.

*Auditors' Recommendations:* Management must ensure that sufficient cash balances in the Low Income Housing Program exist at all times to cover the Authority's tenant deposit liability.

*Management Response:* By the end of my first month as Executive Director, due to the sudden and unexpected resignation of past Executive Director as well as the Deputy Director, there was a 45-day period where no HUD subsidy was coming in due to changing of secure forms and establishment of new users etc., on HUD online systems.

By the end of March 2008 this agency had approximately \$3,500 in cash with approximately \$28,000, of secure resident deposits on the books. We immediately recognized this shortfall and worked to remedy it. By May 2009 this Agency had a reserve large enough to cover all deposits. This Agency now has a separate Non-Interest Bank account for the holding of all secure resident funds, is funded to the penny, and monitored on a monthly basis not to exceed 45 days. This will not be a repeat finding.

**FS 08-05 Lack of Supporting Documentation-Payroll (Housing Authority)**

*Condition:* During our test of Payroll we requested information to verify insurance authorization for check numbers 55500,55585,55848,55829, and 55851. The client was unable to furnish supporting documentation for our inspection. In addition, during our test work of payroll, we noted one instance (55792) where Form I-9 where supporting documentation could not be located.

*Criteria:* NMAC 6.20 2.14: Protection of records requires that the administrator and every other custodian of public records shall carefully protect and preserve such records from deterioration, mutilation, loss or destruction and, whenever advisable, shall cause them to be properly repaired and renovated. All paper, ink and other materials used in public offices for the purposes of permanent records shall be of durable quality.

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*Effect:* The Authority is in violation of NMAC 6 20 2.14 and Federal Statutes regarding Form I-9.

*Cause:* Records were not properly completed and maintained. Proper internal controls were not implemented at the time to prevent the loss of supporting documentation for these invoices.

*Auditor's Recommendation:* We recommend that personnel in charge of documents review the proper procedures for maintaining documents, and seek to establish better controls over the handling of documents.

*Management's Response:* The missing I-9 was that of a person no longer employed by this Agency as of February 2008.

Our current bookkeeper was hired in late April 2008 with little training on software as well as policy/procedure. During the course of FY 2009 we have discussed procedure, all required documentation, checks, check registers and all supporting documents are kept in a secured office and reviewed for consistency on a monthly basis not to exceed 45 Days. This will not be a repeat finding.

**FS 08-06 Lack of Supporting Documentation (Housing Authority)**

*Condition:* During our test of Travel & Per Diem we requested ten expenditures for travel. The client was unable to furnish any documents relating to 8 of the 10 expenditures and was not able to come up with supporting documentation for the other 2 expenditures to allow for proper testing of controls in this area. The items to be tested had a total value of \$2,944.76.

*Criteria:* NMAC 6.20 2.14: Protection of records requires that the administrator and every other custodian of public records shall carefully protect and preserve such records from deterioration, mutilation, loss or destruction and, whenever advisable, shall cause them to be properly repaired and renovated. All paper, ink and other materials used in public offices for the purposes of permanent records shall be of durable quality.

*Effect:* The Authority is in violation of NMAC 6 20 2.14. The Authority's auditors were also not able to test compliance in the area of travel expenditures.

*Cause:* Records were not properly completed and maintained. Proper internal controls were not implemented at the time to prevent the loss of supporting documentation for these invoices.

*Auditor's Recommendation:* We recommend that personnel in charge of documents review the proper procedures for maintaining documents, and seek to establish better controls over the handling of these documents.

*Management's Response:* All Per Diem requests are kept and reviewed. Information in question was one (1) Check w/multiple employee names for one (1) Lodging expense, with only one (1) receipt to account for expense. This practice is no longer used all multiple lodging expenses are entered as an Agency expense and accounted as such. During the course of FY 2009 we have discussed procedure, all required documentation, checks, check registers and all supporting documents are kept in a secured office and reviewed for consistency on a monthly basis not to exceed 45 Days.

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**FS 08-07 – Internal Control Deficiencies (Housing Authority)**

*Condition:* The policies and procedures in place did not address policies such as fraud, risk assessment and informational technology. In addition, the Housing Authority did not establish a disaster recovery plan.

*Criteria:* SAS No. 112, Communicating Internal Control Related Matters Identified in an Audit, requires the auditor to evaluate control deficiencies to determine whether, individually or in combination, they are significant deficiencies or material weaknesses.

*Effect:* This inadequacy is a deficiency in internal control over financial reporting. Not maintaining up to date policies and procedures could cause errors, inconsistencies and omissions in the preparation of the financial statements.

*Cause:* The policies and procedures in place were adopted from the NM Department of Finance, Local Government Division manual, which do not include a fraud, risk assessment and informational technology policy.

*Auditors' Recommendation:* Management should assess the adequacy of the design of its policies and procedures related to preparation financial statements. When developing control policies and procedures for a process, management should consider where errors or fraud could occur that would cause a material misstatement in the financial statements and which policies or procedures, if operating properly would prevent or detect the error or fraud on a timely basis.

*Management's Response:* Gallup Housing Authority does have procedure in place to prevent fraud and unrelated/unreasonable expenditures, all PO's are inserted by bookkeeper, as well as printing of all checks, then, they are review by Executive Director, all checks are two (2) signature checks all check registers are reviewed by the Chairman and/or Vice-Chairman and signed by one (1) board member as well as by one (1) staff member except for bookkeeper, all deposits also go through three (3) employees before deposit.

Gallup Housing Authority does not have a policy governing informational technology. We have put procedures in place only to prevent catastrophic electrical data loss, and are currently developing a policy for Board approval. This will not be a repeat finding.

**FS 08-08 — Internal Control over Financial Reporting (Housing Authority)**

*Condition:* The Authority's Executive Director terminated his employment during the 2008 fiscal year. The Authority has since replaced the Executive Director. Although the Authority is making progress, through continuing educations classes, it is currently without an individual at the management level capable of taking responsibility for the preparation of the financial statements as required by accounting standards.

*Criteria:* SAS 112 requires that the management of a governmental agency maintain sufficient knowledge within the organization to take responsibility for the preparation of the financial statements.

*Effect:* The Authority does not have an individual in a management position capable of meeting the qualification of SAS 112 and to take responsibility for the preparation of the financial statements.

*Cause:* The Authority's Executive Director is not currently capable of preparing the financial statements in the absence of preparation by the independent public accountant.

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*Auditor's Recommendation:* We recommend that the Authority provide necessary training to the Executive Director as soon as possible to ensure he has proper training which allows the Authority to implement procedures to meet the SAS 112 qualifications.

*Management's Response:* This Administration has taken the steps needed to insure high level understanding of principals governing the administration of public funds.

There has always been an emphasis on control in regards to the safeguarding of assets against unauthorized acquisition, use, or disposition. There is no risk of misstatement due to fraud; however there was a risk of error.

Because of this risk of error this Agency has updated computer systems, has trained to fully understand our current operating software, and has made great effort to educate key staff in all principals governing said assets.

The Executive Director and finance director have approximately 40 CPE credits in the implementation of Project Based accounting, as well as, GAAP principals in accord to GASB, high level control and reporting.

This Agency will continue to use a fee for service CPA for all preparation of financial statements, and this should not be seen as an inherent material weakness, as our first priority is to provide safe, sanitary, and affordable housing to our community.

**Section II – Federal Award Findings**

**FA 08-01 — Project Based Reporting Requirements (Housing Authority)**

Federal program information:

Funding agency:	U.S. Department of Housing and Urban Development
Title:	Low-Rent Public Housing Program
CFDA number:	14.850

*Condition:* The Authority's Financial Statements for FY 2008 were not reported using project based reporting.

*Criteria:* Title 24 CFR 990 Subpart H Section 990.285 Records and Reports states that:

- (a) Each PHA shall maintain project-based budgets and fiscal year-end financial statements prepared in accordance with GAAP and shall make these budgets and financial statements available for review upon request by interested members of the public
- (b) Each PHA shall distribute the project-based budgets and fiscal year-end financial statements to the Chairman and to each member of the PHA Board of Commissioners and to such other state and local public officials as HUD may specify.
- (c) Some or all of the project-based budgets and financial statements and information shall be required to be submitted to HUD in a manner and time prescribed by HUD.

*Effect:* The Financial Statements for the Housing Authority are unable to be reported by project.

*Cause:* The Authority has not separated their Low Income Housing Fund expenses by project on the Trial Balance received by the Authority's auditors.

*Auditors' Recommendations:* The Authority should ensure that their books of record are maintained with separate funds for each project in order to make reporting by project possible on the Authority's Financial Statements.

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*Management's Response:* Gallup Housing Authority has worked diligently to evolve a true project based accounting system. Past administration had begun trying to build this and found it to problematic to do so with our current 14 year old software and doing so caused many problems and system failures, most likely causing a few of the findings in this report.

Due to budgetary shortfalls of the past and unavailability of Capital Fund monies, (3 years of un-accessible funds), Gallup Housing Authority could not upgrade during the course of FY 2008. I have secured CFP monies and have taken steps to stabilize our current system, both hardware and software. We are currently replacing all hardware, as well as beginning to replace our Public Housing software, which will begin in July 2009 and will be running "live" the first week of August.

**FA 08-02 — Audit Report Submission of Data Collection Form and Reporting Package (Housing Authority)**

Federal program information:

Funding agency:	All
Title:	All
CFDA number:	All

*Criteria:* OMB Circular A-133 requires that the audit shall be completed and the data collection form and reporting package shall be submitted to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

*Condition:* The June 30, 2008 data collection form and reporting package were not submitted to the Federal Audit Clearinghouse by the required date.

*Questioned Costs:* None.

*Effect:* The result was the late submission of the Authority's audit report for the year ended June 30, 2008, and the Authority is not in compliance with Federal and State requirements.

*Cause:* The Authority did not provide a trial balance and required audit documentation timely so that the audit could be completed by December 1, 2008. The Authority had suffered a network crash and had some members of management leave that caused a delay in the audit and financial statement process.

*Auditor's Recommendation:* The Authority must ensure maintenance of appropriate maintenance of records and information systems to ensure that the audit process can be completed successfully. We recommend an upgrade of the Authority's financial software to avoid future problems causing a delay of the audit process.

*Management's Response:* In early July 2008 this Agency had a major, verifiable network "crash" which caused this Agency to close its doors for one (1) week to become functional, and three (3) weeks to rebuild and secure data. As of June 30, 2008, the Executive Director and the bookkeeper had been on the job 3 months and 2 months respectively with very little training on our software. Also during this period we were trying to force our 14 year old software to a project based system, which in turn caused many more problems than solutions.

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**Section III – Summary Schedule of Prior Audit Findings**

**FS 07-01-** Payroll Documentation – Revised and repeated  
**FS 07-02-** Pledged Collateral (Housing Authority) – Resolved

**Section IV – Other Disclosures**

Prepared Financials

The financial statements presented in this report were prepared by the City of Gallup.

Exit Conference – City of Gallup

The contents of this report were discussed on May 12, 2009. The following individuals were in attendance.

City of Gallup

Harry Mendoza, Mayor  
Allan Landavazo, Councilperson  
Gerald Herrera, City Manager  
Judi Starkovich, Executive Director of Administrative Services

Griego Professional Services, LLC

JJ Griego, CPA

Exit Conference – City of Gallup Housing Authority

The contents of this report were discussed on May 14, 2009. The following individuals were in attendance.

City of Gallup Housing Authority

Gumi Garcia, Chairperson  
Danny Garcia, Executive Director

Griego Professional Services, LLC

JJ Griego, CPA