Accounting & Consulting Group, LLP

Certified Public Accountants

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

STATE OF NEW MEXICO

CITY OF GALLUP

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

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INTRODUCTORY SECTION

STATE OF NEW MEXICO
City of Gallup
Table of Contents
June 30, 2012

	Exhibit	Page
INTRODUCTORY SECTION		
Table of Contents		4-5
Official Roster		6
FINANCIAL SECTION		
Independent Auditors' Report		8-9
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements		
Statement of Net Assets	A-1	12-13
Statement of Activities	A-2	14-15
Fund Financial Statements		
Balance Sheet – Governmental Funds	B-1	16
Reconciliation of the Balance Sheet to the Statement of Net Assets		17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	B-2	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities		19
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual		
General Fund	C-1	20
Environmental Surcharge Special Revenue Fund	C-2	21
Statement of Net Assets-Proprietary Funds	D-1	22
Statement of Revenues, Expenses, and Changes in Net Assets-Proprietary Funds	D-2	23
Statement of Cash Flows –Proprietary Funds	D-3	24
Statement of Fiduciary Assets and Liabilities – Agency Funds	E-1	25
NOTES TO THE FINANCIAL STATEMENTS		26-55
SUPPLEMENTARY INFORMATION		
	Statement	
Nonmajor Governmental Fund Descriptions		58-59
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	60-65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	66-71
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual		
Governmental Funds:		
Corrections Fees Special Revenue Fund	B-1	72
EMS Special Revenue Fund	B-2	73
Fire Protection Special Revenue Fund	B-3	74
Law Enforcement Protection Special Revenue Fund	B-4	75
Special Library Special Revenue Fund	B-5	76
Lodger's Tax Special Revenue Fund	B-6	77
Municipal Gas Tax Special Revenue Fund	B-7	78
Juvenile Recreation Special Revenue Fund	B-8	79
Intergovernmental Grants Special Revenue Fund	B-9	80
Senior Citizens Special Revenue Fund	B-10	81

STATE OF NEW MEXICO
City of Gallup
Table of Contents
June 30, 2012

SUPPLEMENTARY INFORMATION (CONTINUED)

	Statement/Schedule	Page
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual (continued)		
CDBG Special Revenue Fund	B-11	82
Business Improvement District Special Revenue Fund	B-12	83
Airport Capital Projects Fund	B-13	84
Infrastructure GRT Capital Projects Fund	B-14	85
¼% Infrastructure GRT Capital Projects Fund	B-15	86
02/11 Sales Tax Revenue Bond Capital Projects Fund (Major)	B-16	87
11/00 Sales Tax Revenue Bonds Capital Projects Fund	B-17	88
Legislative Appropriations Capital Projects Fund	B-18	89
08/03 General Obligation Bonds Capital Projects Fund	B-19	90
02/04 Sales Non Tax Revenue Bonds Capital Projects Fund	B-20	91
02/04 Sales Tax Revenue Bonds Capital Projects Fund	B-21	92
Public Works Capital Projects Fund	B-22	93
02/04 Sales Tax Revenue Bonds Debt Service Fund	B-23	94
NM Finance Authority Loans Debt Service Fund	B-24	95
06/10 Sales Tax Revenue Bonds Debt Service Fund	B-25	96
02/11 General Obligation Bonds Debt Service Fund	B-26	97
Combining Statement of Net Assets- Nonmajor Proprietary Funds	C-1	98
Combining Statement of Revenues, Expenses and Changes in Net Assets- Nonmajor Proprietary Funds	C-2	99
Combining Statement of Cash Flows - Nonmajor Proprietary Funds	C-3	100
Statement of Revenues, Expenses, and Changes in Net Assets – Budget (GAAP Basis) and Actual –Proprietary/ Internal Service Funds		
Joint Utilities Proprietary Fund	D-1	101
Solid Waste Proprietary Fund	D-2	102
Fitness Center Proprietary Fund	D-3	103
Rodeo Proprietary Fund	D-4	104
Gamerico Proprietary Fund	D-5	105
Internal Service Fund	D-6	106
SUPPORTING SCHEDULES		
Schedule of Deposit and Investment Accounts	I	108
Schedule of Collateral Pledged by Depository for Public Funds	II	109
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds	III	111
Schedule of Joint Powers Agreements	IV	112-113
Financial Data Schedule – A Component Unit of the City of Gallup	V	114-123
COMPLIANCE SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*		126-127
FEDERAL FINANCIAL ASSISTANCE		
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal in Control Over Compliance in Accordance with OMB Circular A-133		130-131
Schedule of Expenditures of Federal Awards	VI	132-133
Schedule of Findings and Questioned Costs	VII	134-174
OTHER DISCLOSURES		175

STATE OF NEW MEXICO
City of Gallup
Official Roster
June 30, 2012

Name	Title
City Council	
Jackie McKinney	Mayor
Mike Enfield	Councilor
Allan Landavazo	Councilor
E. Bryan Wall	Councilor
Cecil Garcia	Councilor
Administrative Officials	
Daniel R. Dible	City Manager
Alfred Abeita	City Clerk
George W. Kozeliski	City Attorney
Patty Holland	Chief Financial Officer
Karla Newberry	Finance Director
Judi Starkovich	Fiscal Year 2012 Executive Director of Administrative Services

FINANCIAL SECTION

Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the budgetary comparison for the General Fund and major special revenue fund and the aggregate remaining fund information of the City of Gallup, New Mexico ("the City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of each of the City's nonmajor governmental funds and the budgetary comparison for the major capital projects fund, each of the City's nonmajor proprietary funds and internal service funds, the respective budgetary comparisons for all nonmajor governmental funds, the proprietary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

The City has not maintained adequate accounting records and has several material weaknesses in internal control including insufficient internal controls over management override and segregation of duties. The City has insufficient or non-existent internal controls over financial tracking and reporting related to the closing process for financial data, and from this the general ledger postings cannot be relied upon. In addition, we were not able to verify the amounts in the respective changes in financial position of both governmental and business-type activities and the statement of cash flows in the business-type activities due to the inability to obtain sufficient audit evidence to rely on the City's beginning balances. We were unable to determine these amounts through the use of alternative procedures and, as such, are unable to express an opinion on the above mentioned statements as of June 30, 2012.

Furthermore, we were not able to verify capital assets and the related accumulated depreciation for the City's Proprietary Funds and Internal Service Fund at June 30, 2012. We were unable to determine these amounts through the use of alternative procedures and, as such, are unable to express an opinion on the Proprietary Funds and Internal Service Fund capital assets and the related accumulated depreciation as of June 30, 2012. Also, we were unable to determine the amounts through alternative procedures for inventory, internal loans, or the landfill closure and post closure care cost liability and, as such, are unable to express an opinion on the above mentioned accounts as of June 30, 2012.

As a result of the numerous material weaknesses over the internal control structure of the City, the City's accounting records are inadequate to substantiate the account balances for the City's beginning financial statement balances, revenues, expenditures, capital assets, internal loans, the landfill closure and post closure care cost liability, and inventory presented in the financial statements. In addition, there is insufficient evidence available to determine that the account distributions for revenue and expenditures amounts are accurate and management assertions cannot be adequately examined to afford a basis for an opinion. The City's records do not permit the application of other auditing procedures to its statements and accounts noted above.

Because we were unable to obtain adequate supporting documentation and evidence for the City's statements and accounts noted above, the scope of our work was not sufficient to enable us to express, and we do not express opinions on the governmental activities, business-type activities, discretely presented component unit, each major fund, the budgetary comparison of the General Fund and major special revenue fund and the aggregate remaining fund information of the City. Also, because we were unable to obtain adequate supporting documentation and evidence for the City's statements and accounts noted above, the scope of our work was not sufficient to enable us to express, and we do not express opinions on the City's nonmajor governmental funds, the budgetary comparison for the major capital projects fund, each of the City's nonmajor proprietary funds and internal service fund, and the respective budgetary comparisons for all nonmajor governmental funds, and the proprietary funds presented for presented as supplementary information.

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In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

We were engaged for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying financial information listed as Supporting Schedules I through IV in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City. The accompanying Schedule V Financial Data Schedule is presented for purposes of additional analysis as required by U.S Department of Housing and Urban Development and is not a required part of the financial statements. Because of the significance of the matters discussed in the preceding paragraphs, it is inappropriate to, and we do not express, an opinion on the supplemental information referred to above. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on that information.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
June 14, 2013

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BASIC
FINANCIAL STATEMENTS

STATE OF NEW MEXICO
City of Gallup
Statement of Net Assets
June 30, 2012

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Current assets				
Cash and cash equivalents	$ 4,059,319	$ 6,396,333	$ 10,455,652	$ 127,046
Investments	32,830,320	35,770,554	68,600,874	-
Receivables:				
Property taxes	347,874	-	347,874	-
Other taxes	409,662	37,161	446,823	-
Other receivables, net	509,610	110,138	619,748	53,859
Customer receivables, net	-	4,694,147	4,694,147	23,623
Inventory	386,340	2,119,793	2,506,133	65,001
Prepaid expenses	-	-	-	25,770
Internal balances	(236,500)	236,500	-	-
Total current assets	38,306,625	49,364,626	87,671,251	295,299
Noncurrent assets				
Restricted cash and cash equivalents	27,345	2,164,766	2,192,111	206,879
Bond issuance costs, net of accumulated amortization of $207,032 and $ 201,952	482,326	326,441	808,767	-
Bond discount, net of accumulated amortization of $17,597 and $4,716	6,221	6,240	12,461	-
Capital assets	146,838,046	102,853,557	249,691,603	15,052,644
Less: accumulated depreciation	(61,877,072)	(51,416,544)	(113,293,616)	(6,904,610)
Total noncurrent assets	85,476,866	53,934,460	139,411,326	8,354,913
Total assets	$ 123,783,491	$ 103,299,086	$ 227,082,577	$ 8,650,212

The accompanying notes are an integral part of these financial statements

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Liabilities				
Current liabilities				
Accounts payable	$ 560,311	$ 395,335	$ 955,646	$ 26,734
Accrued payroll	453,120	84,230	537,350	11,605
Accrued tax liability	3,876	170,733	174,609	-
Accrued utilities	-	-	-	21,812
Prepaid rent	-	-	-	5,029
Deposits held in trust for others	-	920,427	920,427	45,705
Accrued interest payable	140,164	111,342	251,506	-
Accrued compensated absences	76,267	19,409	95,676	742
Current portion of bonds payable	2,410,000	1,290,000	3,700,000	-
Current portion of notes payable	93,329	363,885	457,214	-
Total current liabilities	3,737,067	3,355,361	7,092,428	111,627
Noncurrent liabilities				
Accrued compensated absences	877,074	223,204	1,100,278	12,109
Bond premiums, net of accumulated amortization of $292,171 and $71,120	1,094,036	573,132	1,667,168	-
Accrued landfill closure costs	-	300,000	300,000	-
Bonds payable	25,365,000	17,755,000	43,120,000	-
Notes payable	1,160,216	1,989,870	3,150,086	-
Total noncurrent liabilities	28,496,326	20,841,206	49,337,532	12,109
Total liabilities	32,233,393	24,196,567	56,429,960	123,736
Net Assets				
Invested in capital assets, net of related debt	55,932,429	30,038,258	85,970,687	8,148,034
Restricted for:				
Debt service	712,831	2,164,766	2,877,597	-
Capital projects	11,641,587	-	11,641,587	-
Special revenue	13,569,923	-	13,569,923	-
Tenant and escrow deposits	-	-	-	3,465
Section 8 housing	-	-	-	157,709
Unrestricted	9,693,328	46,899,495	56,592,823	217,268
Total net assets	91,550,098	79,102,519	170,652,617	8,526,476
Total liabilities and net assets	$ 123,783,491	$ 103,299,086	$ 227,082,577	$ 8,650,212

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

Functions/Programs		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	$ 14,943,344	$ 1,381,963	$ 1,152,558	$ -
Public safety	10,497,391	95,389	477,133	-
Public works	5,396,613	1,324,606	118,039	1,621,123
Culture and recreation	3,914,964	7,342	125,622	-
Health and welfare	1,979,937	92,211	391,563	-
Interest on long-term debt	1,206,299	-	-	-
Total governmental activities	37,938,548	2,901,511	2,264,915	1,621,123
Business-type Activities:				
Joint utilities	27,530,657	32,202,275	-	276,706
Solid waste	2,714,309	2,994,683	-	-
Culture and recreation	1,335,948	1,286,094	-	-
Total business-type activities	31,580,914	36,483,052	-	276,706
Total primary government	$ 69,519,462	$ 39,384,563	$ 2,264,915	$ 1,897,829
Component Unit:				
Housing Authority	$ 2,000,858	$ 574,029	$ 1,221,723	$ 378,829

General Revenues:
Taxes:
Property taxes, levied for general purposes
Gross receipts taxes
Gasoline and motor vehicle taxes
Franchise taxes
Lodger's taxes
Other taxes
Interest income
Miscellaneous income
Transfers

Total general revenues

Change in net assets

Net assets, beginning
Net assets restatement (Note 22)

Net assets, as restated

Net assets, ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
$ (12,408,823)	$ -	$ (12,408,823)	$ -
(9,924,869)	-	(9,924,869)	-
(2,332,845)	-	(2,332,845)	-
(3,782,000)	-	(3,782,000)	-
(1,496,163)	-	(1,496,163)	-
(1,206,299)	-	(1,206,299)	-
(31,150,999)	-	(31,150,999)	-
-	4,948,324	4,948,324	-
-	280,374	280,374	-
-	(49,854)	(49,854)	-
-	5,178,844	5,178,844	-
(31,150,999)	5,178,844	(25,972,155)	-
-	-	-	173,723
4,141,634	-	4,141,634	-
16,247,995	495,402	16,743,397	-
1,124,816	-	1,124,816	-
1,702,021	-	1,702,021	-
1,221,547	25,084	1,246,631	-
27	-	27	-
592,671	293,929	886,600	39
593,554	251	593,805	34,934
2,047,929	(2,047,929)	-	-
27,672,194	(1,233,263)	26,438,931	34,973
(3,478,805)	3,945,581	466,776	208,696
94,462,884	72,893,617	167,356,501	8,317,780
566,019	2,263,321	2,829,340	-
95,028,903	75,156,938	170,185,841	8,317,780
$ 91,550,098	$ 79,102,519	$ 170,652,617	$ 8,526,476

STATE OF NEW MEXICO
City of Gallup
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	Environmental Surcharge Special Revenue Fund	02/11 Sales Tax Revenue Bonds Capital Projects Fund	Other Governmental Funds	Total
Assets					
Cash and cash equivalents	$ 656,017	$ 361,183	$ (551,314)	$ 2,937,101	$ 3,402,987
Restricted cash and cash equivalents	-	-	-	27,345	27,345
Investments	6,106,375	10,928,500	7,732,315	4,563,116	29,330,306
Receivables:					
Property taxes	273,689	-	-	74,185	347,874
Other taxes	76,795	-	-	332,867	409,662
Other receivables	107,977	1,624	-	391,404	501,005
Inventory	386,340	-	-	-	386,340
Total assets	$ 7,607,193	$ 11,291,307	$ 7,181,001	$ 8,326,018	$ 34,405,519
Liabilities					
Accounts payable	$ 189,157	$ 1,582	$ 114,612	$ 202,313	$ 507,664
Accrued payroll	434,813	-	-	13,336	448,149
Tax liability	3,876	-	-	-	3,876
Deferred revenue	203,762	-	-	49,254	253,016
Due to other funds	-	-	-	236,500	236,500
Total liabilities	831,608	1,582	114,612	501,403	1,449,205
Fund balances					
Nonspendable					
Inventory	386,340	-	-	-	386,340
Spendable					
Restricted for:					
General government	-	-	-	19,391	19,391
Public safety	-	-	-	303,008	303,008
Culture and recreation	-	-	-	1,264,756	1,264,756
Public works	-	11,289,725	-	348,328	11,638,053
Fire protection	-	-	-	319,122	319,122
Health and welfare	-	-	-	25,593	25,593
Debt service expenditures	-	-	-	969,219	969,219
Capital projects	-	-	7,066,389	4,575,198	11,641,587
Committed to:					
Minimum fund balance	2,370,434	-	-	-	2,370,434
Unassigned	4,018,811	-	-	-	4,018,811
Total fund balances	6,775,585	11,289,725	7,066,389	7,824,615	32,956,314
Total liabilities and fund balances	$ 7,607,193	$ 11,291,307	$ 7,181,001	$ 8,326,018	$ 34,405,519

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Gallup
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2012

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

Fund balances - total governmental funds	$	32,956,314
Bond issuance costs net of accumulated amortization are not a current financial resource and, therefore, are not reported in the funds.		482,326
Residual balances of the internal service funds are included within the governmental activities and are not reported within the governmental funds		4,093,124
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		84,960,247
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities.		253,016
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable:		
Accrued interest		(140,164)
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued compensated absences		(938,405)
Bond discount		6,221
Bond premiums		(1,094,036)
Bonds payable		(27,775,000)
Notes payable		(1,253,545)
Total net assets of governmental activities	$	91,550,098

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Gallup
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General Fund	Environmental Surcharge Special Revenue Fund	02/11 Sales Tax Revenue Bonds Capital Projects Fund	Other Governmental Funds	Total
Revenues					
Taxes:					
Property	$ 3,375,478	$ -	$ -	$ 513,140	$ 3,888,618
Gross receipts	16,247,995	-	-	-	16,247,995
Gasoline and motor vehicle	-	-	-	1,124,816	1,124,816
Franchise	1,702,021	-	-	-	1,702,021
Lodger's	-	-	-	1,221,556	1,221,556
Other	18	-	-	-	18
Intergovernmental income:					
Federal operating grants	11,559	1,164	-	433,225	445,948
Federal capital grants	-	-	-	1,318,752	1,318,752
State operating grants	671,005	1,250	-	1,146,712	1,818,967
State capital grants	-	-	-	302,371	302,371
Charges for services	709,282	1,324,606	-	215,940	2,249,828
Licenses and fees	450,539	-	-	-	450,539
Interest income	462,440	86,711	12,637	30,883	592,671
Miscellaneous	344,644	-	-	248,910	593,554
Total revenues	23,974,981	1,413,731	12,637	6,556,305	31,957,654
Expenditures					
Current:					
General government	6,927,927	-	3,192,934	223,518	10,344,379
Public safety	10,349,393	-	-	147,998	10,497,391
Public works	1,078,412	33,276	-	4,284,925	5,396,613
Culture and recreation	3,067,357	-	-	847,607	3,914,964
Health and welfare	966,446	-	-	1,013,491	1,979,937
Capital outlay	710,301	-	727,562	1,697,324	3,135,187
Debt service:					
Principal	-	-	-	2,419,913	2,419,913
Interest	-	-	-	1,270,432	1,270,432
Total expenditures	23,099,836	33,276	3,920,496	11,905,208	38,958,816
Excess (deficiency) of revenues over expenditures	875,145	1,380,455	(3,907,859)	(5,348,903)	(7,001,162)
Other financing sources (uses)					
Transfers in	3,010,376	-	-	6,585,794	9,596,170
Transfers out	(5,332,741)	-	-	(2,215,500)	(7,548,241)
Total other financing sources (uses)	(2,322,365)	-	-	4,370,294	2,047,929
Net change in fund balances	(1,447,220)	1,380,455	(3,907,859)	(978,609)	(4,953,233)
Fund balance - beginning of year	8,222,805	9,909,270	10,974,248	8,803,224	37,909,547
Fund balance - end of year	$ 6,775,585	$ 11,289,725	$ 7,066,389	$ 7,824,615	$ 32,956,314

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Gallup
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	$ (4,953,233)
Change in net assets of internal service funds	201,141
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital expenditures recorded in capital outlay	3,135,187
Depreciation expense	(4,435,342)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:	
Increase in deferred revenue related to property taxes receivable	253,016
The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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:	
Amortization of bond issuance costs	(49,730)
Increase in accrued interest	(3,520)
Increase in accrued compensated absences	(163,620)
Amortization of bond discount	(2,133)
Amortization of bond premiums	119,516
Principal payments on bonds payable	2,330,000
Principal payments on loans payable	89,913
Change in net assets of governmental activities	$ (3,478,805)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Exhibit C-1

City of Gallup

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes:				
Property taxes	$ 1,900,000	$ 2,272,785	$ 2,143,331	$ (129,454)
Gross receipts	20,460,000	20,457,980	20,915,149	457,169
Gas and motor vehicle	-	-	-	-
Other	1,660,000	1,660,000	1,650,361	(9,639)
Intergovernmental income:				
Federal operating grants	-	1,497	1,497	-
Federal capital grants	-	-	-	-
State operating grants	481,000	925,918	701,598	(224,320)
State capital grants	-	-	-	-
Charges for services	1,064,000	1,616,410	781,590	(834,820)
Licenses and fees	390,000	462,500	425,422	(37,078)
Interest income	501,000	501,000	462,440	(38,560)
Miscellaneous	235,000	247,175	407,720	160,545
Total revenues	26,691,000	28,145,265	27,489,108	(656,157)
Expenditures				
Current:				
General government	8,133,690	8,069,839	7,839,715	230,124
Public safety	11,630,790	11,350,209	10,451,298	898,911
Public works	1,053,030	1,075,175	1,031,630	43,545
Culture and recreation	3,228,650	3,258,686	3,050,659	208,027
Health and welfare	1,274,610	1,235,890	959,282	276,608
Capital outlay	390,080	788,098	705,255	82,843
Total expenditures	25,710,850	25,777,897	24,037,839	1,740,058
Excess (deficiency) of revenues over expenditures	980,150	2,367,368	3,451,269	1,083,901
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	2,265,240	(14,978)	-	14,978
Transfers in	1,846,690	3,019,690	3,010,376	(9,314)
Transfers out	(5,092,080)	(5,372,080)	(5,332,741)	39,339
Total other financing sources (uses)	(980,150)	(2,367,368)	(2,322,365)	45,003
Net change in fund balance	-	-	1,128,904	1,128,904
Fund balance - beginning of year	-	-	5,633,488	5,633,488
Fund balance - end of year	$ -	$ -	$ 6,762,392	$ 6,762,392
Net change in fund balance (Non-GAAP basis)				$ 1,128,904
Adjustment to revenues for taxes, grants, charges for service, miscellaneous, and investment income				(3,514,127)
Adjustments to expenditures for payroll, accounts payable, accounts receivable accruals				938,003
Net change in fund balance (GAAP basis)				$ (1,447,220)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Exhibit C-2

City of Gallup

Environmental Surcharge Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes:				
Property taxes	$ -	$ -	$ -	$ -
Gross receipts	-	-	-	-
Gas and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	1,164	1,164	-
Federal capital grants	-	-	-	-
State operating grants	-	3,000	1,250	(1,750)
State capital grants	-	-	-	-
Charges for services	-	1,341,000	3,041,175	1,700,175
Licenses and fees	-	-	-	-
Interest income	-	15,000	86,531	71,531
Miscellaneous	-	-	-	-
Total revenues	-	1,360,164	3,130,120	1,769,956
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	79,661	42,413	37,248
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	79,661	42,413	37,248
Excess (deficiency) of revenues over expenditures	-	1,280,503	3,087,707	1,807,204
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	(1,280,503)	-	1,280,503
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	(1,280,503)	-	1,280,503
Net change in fund balance	-	-	3,087,707	3,087,707
Fund balance - beginning of year	-	-	8,201,976	8,201,976
Fund balance - end of year	$ -	$ -	$ 11,289,683	$ 11,289,683
Net change in fund balance (Non-GAAP basis)				$ 3,087,707
Adjustment to revenues for charges for service income				(1,716,389)
Adjustments to expenditures for payroll, accounts payable, accounts receivable accruals				9,137
Net change in fund balance (GAAP basis)				$ 1,380,455

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Exhibit D-1

City of Gallup
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Funds			Governmental Activities
	Joint Utilities	Non Major Funds	Total	Internal Service Fund
Assets				
Current assets				
Cash and cash equivalents	$ 5,069,035	$ 1,327,298	$ 6,396,333	$ 656,332
Investments	32,070,551	3,700,003	35,770,554	3,500,014
Other taxes	-	37,161	37,161	-
Other receivables, net	110,138	-	110,138	8,605
Customer receivables, net	4,280,223	413,924	4,694,147	-
Inventory	2,119,793	-	2,119,793	-
Interfund receivable	236,500	-	236,500	-
Total current assets	43,886,240	5,478,386	49,364,626	4,164,951
Noncurrent assets				
Restricted cash and cash equivalents	2,164,766	-	2,164,766	-
Bond issuance costs, net of accumulated amortization of $201,952	326,441	-	326,441	-
Bond discount, net of accumulated amortization of $4,716	6,240	-	6,240	-
Capital assets	98,207,024	4,646,533	102,853,557	36,492
Less: accumulated depreciation	(47,584,271)	(3,832,273)	(51,416,544)	(35,765)
Total noncurrent assets	53,120,200	814,260	53,934,460	727
Total assets	$ 97,006,440	$ 6,292,646	$ 103,299,086	$ 4,165,678
Liabilities and net assets				
Liabilities				
Current liabilities				
Accounts payable	$ 121,951	$ 273,384	$ 395,335	$ 52,647
Accrued payroll	36,705	47,525	84,230	4,971
Accrued tax liability	169,637	1,096	170,733	-
Meter deposits payable	920,427	-	920,427	-
Accrued interest payable	111,342	-	111,342	-
Accrued compensated absences	16,011	3,398	19,409	1,195
Current portion of bonds payable	1,290,000	-	1,290,000	-
Current portion of notes payable	363,885	-	363,885	-
Total current liabilities	3,029,958	325,403	3,355,361	58,813
Noncurrent liabilities				
Accrued compensated absences	184,125	39,079	223,204	13,741
Bond premiums, net of accumulated amortization of $71,120	573,132	-	573,132	-
Accrued landfill closure costs	-	300,000	300,000	-
Bonds payable	17,755,000	-	17,755,000	-
Loans payable	1,989,870	-	1,989,870	-
Total noncurrent liabilities	20,502,127	339,079	20,841,206	13,741
Total liabilities	23,532,085	664,482	24,196,567	72,554
Net assets				
Invested in capital assets, net of related debt	29,223,998	814,260	30,038,258	727
Restricted for:				
Debt service	2,164,766	-	2,164,766	-
Unrestricted	42,085,591	4,813,904	46,899,495	4,092,397
Total net assets	73,474,355	5,628,164	79,102,519	4,093,124
Total liabilities and net assets	$ 97,006,440	$ 6,292,646	$ 103,299,086	$ 4,165,678

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Exhibit D-2

City of Gallup

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

For the Year Ended June 30, 2012

	Enterprise Funds			Governmental Activities
	Joint Utilities	Non Major Funds	Total	Internal Service Fund
Operating revenues				
Charges for services	$ 32,202,275	$ 4,280,777	$ 36,483,052	$ 2,505,675
Total operating revenues	32,202,275	4,280,777	36,483,052	2,505,675
Operating expenses				
Personnel services	2,765,928	767,227	3,533,155	306,300
Contractual services	21,014,890	3,146,154	24,161,044	2,194,538
Depreciation	2,754,261	121,907	2,876,168	145
Other costs	4,401	-	4,401	-
Total operating expenses	26,539,480	4,035,288	30,574,768	2,500,983
Operating income (loss)	5,662,795	245,489	5,908,284	4,692
Non-operating revenues (expenses)				
Gross receipts taxes	-	495,402	495,402	-
Lodger's taxes	-	25,084	25,084	-
Interest expense	(991,177)	(66)	(991,243)	-
Interest income	241,620	52,309	293,929	16,993
Bad debt expense	-	(14,903)	(14,903)	-
Miscellaneous income	-	251	251	169,456
Total non-operating revenues (expenses)	(749,557)	558,077	(191,480)	186,449
Income (loss) before transfers and contributions	4,913,238	803,566	5,716,804	191,141
State and federal capital grants	276,706	-	276,706	10,000
Transfers in	7,583,559	80,000	7,663,559	-
Transfers out	(9,483,563)	(227,925)	(9,711,488)	-
Change in net assets	3,289,940	655,641	3,945,581	201,141
Net assets, beginning of year	68,105,010	4,788,607	72,893,617	2,885,953
Net assets restatement (Note 22)	2,079,405	183,916	2,263,321	1,006,030
Net assets, as restated	70,184,415	4,972,523	75,156,938	3,891,983
Net assets, end of year	$ 73,474,355	$ 5,628,164	$ 79,102,519	$ 4,093,124

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Exhibit D-3

City of Gallup
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Funds			Governmental Activities
	Joint Utilities	Non Major Funds	Total	Internal Service Fund
Cash flows from operating activities				
Cash received from user charges	$ 29,897,382	$ 4,136,788	$ 34,034,170	$ 2,519,533
Cash payments to employees for services	(2,990,807)	(753,478)	(3,744,285)	(325,130)
Cash payments to suppliers for goods and services	(19,232,582)	(3,031,107)	(22,263,689)	(2,165,266)
Net cash provided by operating activities	7,673,993	352,203	8,026,196	29,137
Cash flows from noncapital financing activities				
Gross receipts taxes	-	495,402	495,402	-
Other taxes	-	25,084	25,084	-
Miscellaneous income	-	251	251	169,456
Payments for noncurrent accrued compensated absences	184,125	39,079	223,204	13,740
Interfund advances (payments) and transfers	(2,136,504)	80,000	(2,056,504)	-
Net cash provided (used) by noncapital financing activities	(1,952,379)	639,816	(1,312,563)	183,196
Cash flows from capital and related financing activities				
State and federal capital grants	276,706	-	276,706	10,000
Interest paid	(1,004,128)	-	(1,004,128)	-
Principal payments on long-term debt	(1,603,286)	-	(1,603,286)	-
Acquisition of capital assets	(852,640)	(464,488)	(1,317,128)	-
Net cash (used) by capital and related financing activities	(3,183,348)	(464,488)	(3,647,836)	10,000
Cash flows from investing activities				
Proceeds from sales and maturities	-	200,066	200,066	-
Purchases of investments	(15,131,391)	(13,089)	(15,144,480)	(584,063)
Interest on investments	241,620	52,243	293,863	16,993
Net cash provided (used) by investing activities	(14,889,771)	239,220	(14,650,551)	(567,070)
Net (decrease) increase in cash and cash equivalents	(12,351,505)	766,751	(11,584,754)	(344,737)
Cash and cash equivalents - beginning of year	36,524,466	4,447,527	40,971,993	3,917,020
Cash and cash equivalents - reclassification	(16,939,160)	(3,886,980)	(20,826,140)	(2,915,951)
Cash and cash equivalents - as reclassified (Note 23)	19,585,306	560,547	20,145,853	1,001,069
Cash and cash equivalents - end of year	$ 7,233,801	$ 1,327,298	$ 29,387,239	$ 656,332
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 5,662,795	$ 245,489	$ 5,908,284	$ 4,692
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	2,754,261	121,907	2,876,168	145
Changes in assets and liabilities				
Receivables	(261,707)	(108,573)	(370,280)	13,858
Inventory	(41,886)	-	(41,886)	-
Accounts payable	(197,785)	123,775	(74,010)	29,272
Accrued payroll expenses	(70,540)	16,686	(53,854)	(7,401)
Current accrued compensated absences	(154,339)	(32,178)	(186,517)	(11,429)
Bad debt expense	-	(14,903)	(14,903)	-
Meter deposits	(16,806)	-	(16,806)	-
Net cash provided by operating activities	$ 7,673,993	$ 352,203	$ 8,026,196	$ 29,137

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit E-1

City of Gallup

Statement of Fiduciary Assets and Liabilities - Agency Funds

June 30, 2012

Assets	
Cash	$ 408,840
Total assets	$ 408,840
Liabilities	
Due to other entities	$ 408,840
Total liabilities	$ 408,840

The accompanying notes are an integral part of these financial statements

NOTE 1. Summary of Significant Accounting Policies

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

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

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

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

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

A. Financial Reporting Entity

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

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No.'s 14 and 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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

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

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the City has one component unit required to be reported under GASB Statements No. 14 and No. 39.

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

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

B. Government-wide and fund financial statements

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

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

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

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The City reports the following major governmental funds:

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

The *Environmental Surcharge Special Revenue Fund* is used to account for the accumulation of and payments made for environmental surcharge payments.

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

The City reports its proprietary funds as major funds. Proprietary funds include:

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

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

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

Additionally, the City reports the following fund type:

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities. The Joint Utilities fund is combined with funds that have identical activities for financial statement reporting.

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

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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

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

D. Assets, Liabilities and Net Assets or Equity

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

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

Investments for the City are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Restricted investments have been reclassified from prior year classification of restricted cash and cash equivalents, due to the maturity date, and therefore are more accurately considered restricted investments.

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

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

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

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical costs of infrastructure assets (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included in machinery and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Assets	Years
Buildings	40
Infrastructure	40
Distribution System	40
Equipment	6

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Long-term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Fund Balance Classification Policies and Procedures: For committed fund balance, the City's highest level of decision-making authority is the City Council. The formal action that is required to be taken to establish a fund balance commitment is the City Council.

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

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

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Nonspendable Fund Balance: At June 30, 2012, the City had $386,340 of fund balances in nonspendable form related to inventory.

Restricted and Committed Fund Balance: At June 30, 2012, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of $19,391 for various general government operations as restricted by enabling legislation, $303,008 for public safety, $1,264,756 for culture and recreation, $11,638,053 for public works, $319,122 for fire protection, $25,593 for health and welfare, $969,219 for debt service expenditures, and $11,641,587 for capital projects. The details of these fund balance items are located on the governmental funds balance sheet as detailed on page 16.

Minimum Fund Balance Policy: The City's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the City holds cash reserves of 1/12th the General Fund expenditures for the upcoming budget year. The City has committed $2,370,434 for the minimum fund balance at June 30, 2012.

Net Assets: Equity is classified as net assets and displayed in three components:

a. Invested in capital assets, net of related debt: Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net assets: Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net assets restricted for "special revenues", "capital projects", and "debt service" is described on pages 29, 58-59.

c. Unrestricted net assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

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

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the City's financial statements include the allowance for uncollectible accounts in the joint utility fund and depreciation on capital assets.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

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

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	$ 980,150	$ 2,367,368
Environmental Surcharge Special Revenue Fund	$ -	$ 1,280,503
02/11 Sales Tax Revenue Bonds Special Revenue Fund	$ -	$ (10,954,996)
Nonmajor Governmental Funds	$ (4,514,920)	$ (7,596,968)
	Change in net assets	
Budgeted Funds:		
Joint Utilities Proprietary Fund	$ 369,880	$ (9,845,387)
Nonmajor Enterprise Funds	$ (10,030)	$ (815,659)

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

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

NOTE 3. Deposits and Investments

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The City is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2012.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute.

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

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

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to $250,000 in aggregate and separate from the $250,000 coverage for public unit demand deposits at the same institution.

The TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts in all FDIC-insured depository institutions. The separate coverage on noninterest-bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to December 31, 2012 accounts held by an official custodian for a government unit are insured as follows:

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

Custodial Credit Risk – Deposits Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2012, $21,750,225 of the City's cash & CD account deposits of $25,882,914 were exposed to custodial credit risk. $21,750,225 of the City's cash & CD account deposits were uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name, and $0 was uninsured and uncollateralized.

NOTE 3. Deposits and Investments (continued)

	Wells Fargo Bank, N.A.	US Bank	Total
Amount of deposits	$ 3,882,689	$ 22,000,225	$ 25,882,914
Deposit Accounts covered by the "Dodd-Frank Deposit Insurance Provision"	(3,882,689)	-	(3,882,689)
FDIC Coverage	-	(250,000)	(250,000)
Total uninsured public funds	-	21,750,225	21,750,225
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	-	21,750,225	21,750,225
Uninsured and uncollateralized	$ -	$ -	$ -
Collateral requirement (50% of uninsured funds)	$ -	$ 10,875,113	$ 10,875,113
Pledged Collateral		22,160,970	22,160,970
Over (Under) collateralized	$ -	$ 11,285,858	$ 11,285,858

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

Investments

Repurchase Agreement

	Wells Fargo Bank, N.A.	Total
Amount of deposits	$ 7,845,000	$ 7,845,000
FDIC Coverage	(250,000)	(250,000)
Total uninsured public funds	7,595,000	7,595,000
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	7,595,000	7,595,000
Uninsured and uncollateralized	$ -	$ -
Collateral requirement (102% of uninsured funds)	$ 7,746,900	$ 7,746,900
Pledged Collateral	7,972,844	7,972,844
Over (Under) collateralized	$ 225,944	$ 225,944

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Investments For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged to be delivered for securities underlying an overnight repurchase agreement, or a joint safekeeping receipt be issued to the City for at least one hundred two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution. At June 30, 2012, $7,595,000 of the City's investment balance was exposed to custodial credit risk but was collateralized by collateral held by the counterparty, not in the City's name. The securities are not subject to custodial credit risk as they are registered and held in the name of City of Gallup.

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

As of June 30, 2012, the City's investment in the State Treasurer Local Government Investment Pool- Reserve Contingency Fund was unrated.

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

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

Investments	Rating***	Weighted Average Maturity	Fair Value
Reserve Contingency Fund*	Unrated	Does not earn interest	$ 489
U.S. Treasury Money Market Mutual Funds	AA+	1-15 years	32,149,891
Money Market Mutual Funds**	AA+	>365 Days	10,944,421
New Mexico State Treasurer Debt Service	AA+	>365 Days	3,505,848
New Mexico State Treasurer Debt Service *	AA+	>365 Days	2,192,111
			$48,792,760

*Restricted cash and cash equivalents per Exhibit A-1
**Wells Fargo Money Market Mutual Fund Account is guaranteed by US Securities
*** Based off Standard & Poor's rating

The investments are listed on Schedule I of this report.

In addition to the investments above are $22,000,225 of certificates of deposit that are greater than 90 days and therefore are considered investments in the Statement of Net Assets. There is also $2,192,111 of restricted cash included in the disclosure due to the type of account.

NOTE 3. Deposits and Investments (continued)

Interest Rate Risk – Investments. The City has investments in which the maturity date is greater than one year. Schedule I in this report specifically identifies the investment type and amount of investment for these securities. The fair value of the securities exposed to interest rate risk is $43,094,312. These securities do not have call options. The City's policy related to interest rate risk with investments is to comply with the statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Concentration of Credit Risk – Investments. For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the City. The investments in U.S Treasury Money Market Mutual Funds, Money Market Mutual Funds, and New Mexico State Treasurer Debt Service represent 66%, 22%, and 12%, respectively, of the investment portfolio. Since the City only purchases investments with the highest credit rating, the additional concentration is not viewed to be an additional risk by the City. The City's policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Reconciliation to the Statement of Net Assets:

Cash and cash equivalents per Exhibit A-1	$ 10,455,652
Investments per Exhibit A-1	68,600,874
Restricted cash and cash equivalents per Exhibit A-1	2,192,111
Agency funds cash per Exhibit E-1	408,840
Total cash, cash equivalents and investments	81,657,477
Plus outstanding checks	1,059,734
Less deposits in transit	(191,765)
Less State Treasurer Debt Service	(5,697,959)
Less U.S. Treasury Money Market Mutual Fund	(43,094,312)
Less Reserve Contingencies Fubd	(489)
Less petty cash	(4,772)
Bank balance of deposits	$ 33,727,914

02/11 Sales Tax Revenue Bonds Capital Projects Fund reported negative cash in the amount of ($551,314), however the City has not determined to which fund this money is owed at June 30, 2012.

NOTE 4. Receivables

Receivables as of June 30, 2012, are as follows:

Governmental Activities:	General	Environmental Surcharge	Other Governmental Funds	Internal Service Fund	Total
Property taxes receivable	$ 273,689	$ -	$ 74,185	$ -	$ 347,874
Other taxes receivable:					
Gasoline and motor vehicle	25,117	-	185,339	-	210,456
Franchise taxes	51,678	-	-	-	51,678
Lodger's taxes	-	-	147,528	-	147,528
Other receivables:					
Intergovernmental:					
Federal grants	10,062	-	178,766	-	188,828
State grants	63,731	-	58,430	-	122,161
Local	-	-	150,000	-	150,000
Charges for services	32,988	66	-	22,503	55,557
Licenses and fees	1,196	-	-	-	1,196
Interest	-	1,558	4,208	-	5,766
Total gross receivables	458,461	1,624	798,456	22,503	1,281,044
Less: allowance for charges for services	-	-	-	(13,898)	(13,898)
Total receivables	$ 458,461	$ 1,624	$ 798,456	$ 8,605	$ 1,267,146

Receivables for governmental activities are considered to be 100% collectible with the exception of the internal service fund which had $13,898 for allowance for charges of service at June 30, 2012.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Deferred revenue related to property taxes receivable for the City for the year ended June 30, 2012 was $203,762. In addition, the City also deferred revenue related to the 02/11 General Obligation Bonds Debt Service Fund that has not been received within the period of availability in the amount of $49,254.

Business-type Activities:	Joint Utilities	Other Proprietary Funds	Total
Customer receivables	$4,954,820	$ 477,575	$ 5,432,395
Other taxes receivable:			
Gross receipts	-	37,161	37,161
Other receivables:			
Intergovernmental:			
Federal grants	110,138	-	110,138
Total gross receivables	5,064,958	514,736	5,579,694
Less: allowance for customer receivables	(674,597)	(63,651)	(738,248)
Total net receivables	$4,390,361	$ 451,085	$ 4,841,446

NOTE 5. Transfers and Interfund Receivables

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

Transfers In	Transfers Out		Amount
Senior Citizens	General Fund		$ 530,000
Infrustructure GRT	General Fund		1,744,977
1/4% Infrustructure GRT	General Fund		163,890
02/04 Sales Tax Revenue Bonds	General Fund		1,395,080
06/10 Sales Tax Revenue Bonds	General Fund		1,369,783
Joint Utilities	General Fund		49,011
Fitness Center	General Fund		80,000
General Fund	CDBG		172,436
NM Finance Authority Loans	Fire Protection		142,720
Municipal Gas Tax	Infrustructure GRT		859,344
06/10 Sales Tax Revenue Bonds	Lodger's Tax		180,000
General Fund	Joint Utilities		1,285,011
General Fund	Joint Utilities		197,694
General Fund	Joint Utilities		316,310
Municipal Gas Tax	Joint Utilities		150,000
Joint Utilities	Joint Utilities	*	2,463,499
Joint Utilities	Joint Utilities	*	985,400
Joint Utilities	Joint Utilities	*	1,478,099
Joint Utilities	Joint Utilities	*	434,510
Joint Utilities	Joint Utilities	*	251,600
Joint Utilities	Joint Utilities	*	1,921,440
General Fund	Solid Waste		177,925
Municipal Gas Tax	Solid Waste		50,000
General Fund	Public Works		861,000
			$ 17,259,729

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

Internal balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2012 is as follows:

Due from Other Funds	Due to Other Funds	Amount
Joint Utilities	Intergovernmental Grants	$ 170,000
Joint Utilities	Legislative Appropriations	16,500
Joint Utilities	Public Works	50,000
		$ 236,500

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

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2012 follows. Land is not subject to depreciation.

Governmental activities:	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, not depreciated:				
Land	$ 7,422,426	$ 256,318	$ -	$ 7,678,744
Total capital assets, not depreciated	7,422,426	256,318	-	7,678,744
Capital assets, depreciated:				
Buildings	76,899,852	1,176,585	-	78,076,437
Infrastructure	43,434,748	621,715	-	44,056,463
Equipment	17,427,540	1,080,569	1,481,707	17,026,402
Total capital assets, depreciated	137,762,140	2,878,869	1,481,707	139,159,302
Less accumulated depreciation:				
Buildings	(24,762,783)	(1,968,398)	-	(26,731,181)
Infrastructure	(19,013,981)	(1,539,019)	-	(20,553,000)
Equipment	(15,146,528)	(928,071)	(1,481,707)	(14,592,892)
Total accumulated depreciation	(58,923,292)	(4,435,487)	(1,481,707)	(61,877,072)
Net book value	$ 86,261,274	$ (1,300,300)	$ -	$ 84,960,974

For the year ended June 30, 2012, depreciation expense in the amount of $4,435,487 was allocated to the functions of the general government.

NOTE 6. Capital Assets (continued)

Business-type activities:	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, not depreciated:				
Land	$ 483,907	$ -	$ -	$ 483,907
Total capital assets, not depreciated	483,907	-	-	483,907
Capital assets, depreciated:				
Distribution systems	54,678,841	398,649	-	55,077,490
Buildings	34,560,220	201,929	-	34,762,149
Equipment	11,920,532	609,479	-	12,530,011
Total capital assets, depreciated	101,159,593	1,210,057	-	102,369,650
Less accumulated depreciation:				
Distribution systems	(24,874,601)	(1,302,757)	-	(26,177,358)
Buildings	(14,139,477)	(867,992)	-	(15,007,469)
Equipment	(9,526,298)	(705,419)	-	(10,231,717)
Total accumulated depreciation	(48,540,376)	(2,876,168)	-	(51,416,544)
Net book value	$ 53,103,124	$ (1,666,111)	$ -	$ 51,437,013

For the year ended June 30, 2012, depreciation expense in the amount of $2,876,168 was charged to the Business-type activities as follows:

Solid Waste	$ 114,470
Joint Utilities	2,754,261
Fitness Center	7,437
	$ 2,876,168

NOTE 7. Long-term Debt

Governmental Activities:

During the year ended June 30, 2012, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
GO Bonds	$ 3,630,000	$ -	$ 525,000	$ 3,105,000	$ 540,000
Revenue Bonds	26,475,000	-	1,805,000	24,670,000	1,870,000
NMFA Loans	1,343,458	-	89,913	1,253,545	93,329
Compensated Absences	787,410	764,860	598,929	953,341	76,267
Total Long-Term Debt	$ 32,235,868	$ 764,860	$ 3,018,842	$ 29,981,886	$ 2,579,596

NOTE 7. Long-term Debt (continued)

General Obligation Bonds

The City issued general obligation bonds to refund $3,520,000 of series 2004 general obligation bonds. General obligation bonds have been issued for governmental activities. The original amount of general obligation bonds issued in February 2011 was $3,630,000 with interest rates ranging from 2.0% to 4.0%. The general obligation bonds are as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2012
GO Bonds Series 2011	02/24/11	06/30/21	2.00-4.00%	$ 3,630,000	$ 3,105,000

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The bonds are twenty (20) year serial bonds with equal amounts of principal maturing each year. Principal is paid annually each August and interest is paid semi-annually each February and August. The annual requirements to amortize the general obligation bonds as of June 30, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	$ 540,000	$ 75,800	$ 615,800
2014	565,000	64,750	629,750
2015	590,000	53,200	643,200
2016	615,000	38,075	653,075
2017	145,000	26,675	171,675
2018-2021	650,000	52,650	702,650
	$ 3,105,000	$ 311,150	$ 3,416,150

NOTE 7. Long-term Debt (continued)

Sales Tax Revenue Bonds

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

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2012
Capital Projects Sales Tax Revenue Bonds 2004A	02/19/04	06/01/24	2.00-5.00%	$ 13,560,000	$ 9,020,000
Capital Projects Sales Tax Revenue Bonds 2004B	02/19/04	06/01/15	2.00-4.75%	4,095,000	2,155,000
Infrastructure Sales Tax Revenue Bonds 2010A	06/30/10	06/01/30	3.00-5.125%	11,910,000	11,095,000
Infrastructure Sales Tax Revenue Bonds 2010B	06/30/10	06/01/16	2.00-4.00%	3,520,000	2,400,000
					$ 24,670,000

The annual requirements to amortize the sales tax revenue bonds as of June 30, 2012, including interest payments, are as follows:

Capital Projects Sales Tax Revenue Bonds Series 2004A

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	$ 170,000	$ 404,676	$ 574,676
2014	-	398,300	398,300
2015	90,000	398,300	488,300
2016	820,000	394,700	1,214,700
2017	855,000	361,900	1,216,900
2018-2022	4,825,000	1,255,900	6,080,900
2023-2024	2,260,000	171,000	2,431,000
	$ 9,020,000	$ 3,384,776	$ 12,404,776

Capital Projects Sales Tax Revenue Bonds Series 2004B

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	$ 715,000	$ 103,802	$ 818,802
2014	745,000	69,840	814,840
2015	695,000	33,708	728,708
	$ 2,155,000	$ 207,350	$ 2,362,350

NOTE 7. Long-term Debt (continued)

Sales Tax Revenue Bonds (continued)

Infrastructure Sales Tax Revenue Bonds Series 2010A

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	$ 415,000	$ 473,532	$ 888,532
2014	440,000	452,782	892,782
2015	460,000	430,782	890,782
2016	480,000	407,782	887,782
2017	505,000	383,782	888,782
2018-2022	2,865,000	1,580,270	4,445,270
2023-2027	3,475,000	978,422	4,453,422
2028-2030	2,455,000	217,874	2,672,874
	$ 11,095,000	$ 4,925,226	$ 16,020,226

Infrastructure Sales Tax Revenue Bonds Series 2010B

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	$ 570,000	$ 90,300	$ 660,300
2014	590,000	73,200	663,200
2015	610,000	49,600	659,600
2016	630,000	25,200	655,200
	$ 2,400,000	$ 238,300	$ 2,638,300

Total Revenue Bonds

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	$ 1,870,000	$ 1,072,310	$ 2,942,310
2014	1,775,000	994,122	2,769,122
2015	1,855,000	912,390	2,767,390
2016	1,930,000	827,682	2,757,682
2017	1,360,000	745,682	2,105,682
2018-2022	7,690,000	2,836,170	10,526,170
2023-2027	5,735,000	1,149,422	6,884,422
2028-2030	2,455,000	217,874	2,672,874
	$ 24,670,000	$ 8,755,652	$ 33,425,652

NOTE 7. Long-term Debt (continued)

Capital Loans

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

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2012
NMFA 2015-PP - Westside Fire Station	06/29/07	05/01/23	3.42-3.86%	$ 1,452,605	$ 1,253,545
					$ 1,253,545

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

NMFA 2015-PP - Westside Fire Station

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	$ 93,329	$ 46,796	$ 140,125
2014	96,894	43,474	140,368
2015	100,624	39,996	140,620
2016	104,528	36,352	140,880
2017	108,615	32,538	141,153
2018-2022	611,844	98,386	710,230
2023	137,711	5,316	143,027
	$ 1,253,545	$ 302,858	$ 1,556,403

Compensated Absences- Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2012, compensated absences increased $165,931 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

NOTE 7. Long-term Debt (continued)

Business-type Activities:

The proprietary funds have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2012:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
Revenue Bonds	$ 20,295,000	$ -	$ 1,250,000	$ 19,045,000	$ 1,290,000
Notes Payable	2,707,041	-	353,286	2,353,755	363,885
Landfill Closure Liability	300,000	-	-	300,000	-
Compensated Absences	205,925	454,830	418,142	242,613	19,409
Total Long-Term Debt	$ 23,507,966	$ 454,830	$ 2,021,428	$ 21,941,368	$ 1,673,294

Revenue Bonds

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

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2012
Capital Projects Revenue Bonds Series 2004	06/16/04	06/01/23	3.00-4.45%	$ 5,980,000	$ 2,150,000
Capital Projects Revenue Bonds Series 2005	01/25/05	06/01/25	2.25-5.00%	22,740,000	16,895,000
					$ 19,045,000

NOTE 7. Long-term Debt (continued)

Revenue Bonds (continued)

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

Capital Projects Revenue Revenue Bonds Series 2004

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	$ 160,000	$ 86,556	$ 246,556
2014	165,000	81,276	246,276
2015	175,000	75,418	250,418
2016	175,000	68,944	243,944
2017	185,000	62,294	247,294
2018-2022	1,055,000	190,802	1,245,802
2023	235,000	10,458	245,458
	$ 2,150,000	$ 575,748	$ 2,725,748

Capital Projects Revenue Revenue Bonds Series 2005

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	$ 1,130,000	$ 790,562	$ 1,920,562
2014	1,180,000	745,362	1,925,362
2015	1,225,000	698,162	1,923,162
2016	1,275,000	649,162	1,924,162
2017	1,335,000	585,412	1,920,412
2018-2022	6,770,000	1,910,962	8,680,962
2023-2025	3,980,000	401,088	4,381,088
	$ 16,895,000	$ 5,780,710	$ 22,675,710

Total Revenue Bonds

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	$ 1,290,000	$ 877,118	$ 2,167,118
2014	1,345,000	826,638	2,171,638
2015	1,400,000	773,580	2,173,580
2016	1,450,000	718,106	2,168,106
2017	1,520,000	647,706	2,167,706
2018-2022	7,825,000	2,101,764	9,926,764
2023-2025	4,215,000	411,546	4,626,546
	$ 19,045,000	$ 6,356,458	$ 25,401,458

NOTE 7. Long-term Debt (continued)

Capital Loans

The City has issued low interest rate loans provided by intergovernmental agencies for the acquisition of minor equipment needs and construction of major capital facilities. The Joint Utilities Fund received a loan of $5,187,000 from the New Mexico Environment Department in September 1999. These funds secured the construction of a new lift station and substantial wastewater plant. The loan closed on January 31, 2003, with the City's first payment due December 13, 2003. Pledged wastewater 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%. The capital loans are as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2012
New Mexico Environmental Department	09/01/99	12/13/17	3.00%	$ 5,187,000	$ 2,353,755
					$ 2,353,755

The annual requirement to amortize the loans as of June 30, 2012, including interest payments, is as follows:

New Mexico Environmental Department

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	$ 363,885	$ 70,613	$ 434,498
2014	374,801	59,696	434,497
2015	386,045	48,452	434,497
2016	397,627	36,871	434,498
2017	409,555	24,942	434,497
2018	421,842	12,655	434,497
	$ 2,353,755	$ 253,229	$ 2,606,984

Compensated Absences- Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2012, compensated absences increased $36,688 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

Operating Leases-The City has several operating leases for golf carts as of year end June 30, 2012. The required lease payments related to these golf carts are as followed:

Fiscal Year Ending June 30,	Principal
2013	$ 48,017
2014	48,017
2015	12,004
	$ 108,038

NOTE 8. Risk Management

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

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

At June 30, 2012, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. The City is not aware of any major lawsuits that have been filed.

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

NOTE 9. Other Required Individual Fund Disclosures

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

A. Deficit fund balance of individual funds. There were no funds with a deficit fund balance as of June 30, 2012.

B. Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary legal level of control is at the fund level. There were no funds that exceeded approved budgetary authority for the year ended June 30, 2012:

C. Designated cash appropriations in excess of available balances. There were no funds which had designated cash appropriations in excess of available balances for the year ended June 30, 2012.

NOTE 10. Pension Plan- Public Employees Retirement Association

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

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

Funding Policy. Plan members are required to contribute the following percentages of their gross salary: 16.30 % for law enforcement, 16.20% for fire protection, and 13.15% for municipal employees. The City is required to contribute the following percentages of the gross covered salary: 18.50% for law enforcement employees, 21.25% for fire protection employees, 22.30% of an adult detention officer's salary, and 9.15% for municipal employees. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. However, the City has elected to adopt the 75% pick-up provision allowed state statute thereby reducing all employee contributions as follows:

	City Pickup	Employee	Total
Firefighters	*12.30*	*4.00*	*16.30*
Police officers	*12.20*	*4.00*	*16.20*
Regular	*9.86*	*3.29*	*13.15*

The requirements may be amended by acts of the legislature. The City's contributions to PERA for the years ending June 30, 2012, 2011 and 2010 were $3,072,686, $3,238,059, and $3,104,992, respectively, which equal the amount of the required contributions for each fiscal year.

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

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

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

(1)
For employees who are not members of an enhanced retirement plan the contribution rates will be:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY 13	2.000%	1.000%

(2)
For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4, and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), during the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 2.292% of each participating employee's annual salary; and each participating employee was required to contribute 1.146% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for both employees and employers will rise as follows:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY 13	2.500%	1.250%

Also, employers joining the program after January 1, 1998, are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. The City's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were $273,932, $172,350 and $159,289, respectively, which equal the required contributions for each year.

NOTE 12. Retirement Plan

The City provides two optional deferred compensation 457 plans. These plans were created in accordance with IRC Section 457. The plans are available to any City employee. Nationwide Retirement Solutions, Inc. and International City/County Managers Association (ICMA) Retirement Corporation administers the individual plans. Employee contributions totaled $228,425 for Nationwide and $8,100 for (ICMA) for the year ended June 30, 2012.

NOTE 13. Labor Unions

The City has three labor unions: United Mine Workers of America (UMWA), Gallup Police Officers Association, and Gallup Firefighters Union. The UMWA agreement went into effect on January 8, 2013. Employees covered under this plan are non-probationary labors, as specified in the contract. The Police agreement when into effect on November 14, 2011. Employees covered under this plan include non-probationary uniformed police officers up to the rank of sergeant. The Firefighters collective bargaining agreement terminates October 13, 2012. Employees covered under this plan include non-probationary firefighters up to the rank of battalion commanders.

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

NOTE 14. Contingent Liabilities

The City is party to various claims and lawsuits arising in the normal course of business. The City is insured through the New Mexico Self Insurers Fund. The maximum exposure of the City is not estimable as of June 30, 2012.

NOTE 15. Federal and State Grants

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

NOTE 16. Landfill Closure and Post Closure Care Costs

State and Federal laws and regulations require that the City place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill site, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. As of June 30, 2012, the landfill is closed and post-closure monitoring activities were taking place. The Solid Waste Enterprise Fund accounts for the landfill post-closure care costs and had accrued $300,000 as of prior year, however, due to the City not providing sufficient evidence to support the years transactions or the estimated postclosure care costs, the City's prior year postclosure care cost liability was kept at $300,000 for fiscal year 2012. The primary source of repayment is from Gross Receipts Tax.

NOTE 17. Construction and Other Significant Commitments

The City does not have any construction at June 30, 2012. However, the City does have a significant commitment related to a Joint Powers agreement reported at Schedule IV in the amount of $85,000,000. The intent of this agreement is to establish a commitment and mechanism by which the City and County can provide a portion of the non-federal matching funding to pay for the Navajo-Gallup Water Supply Project which will provide water to the City of Gallup and surrounding areas, including private and Navajo land. However this commitment is contingent upon certain criteria and may not take place if these criteria are not met.

NOTE 18. Subsequent Events

The date to which events occurring after June 30, 2012, the date of the most recent statement of net assets, have been evaluated for possible adjustment to the financial statements or disclosures is June 14, 2013, which is the date on which the financial statements were issued.

NOTE 19. Restricted Net Assets

The government-wide statement of net assets reports $28,089,107 of restricted net assets, all of which is restricted by enabling legislation. See pages 58 to 59 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

NOTE 20. Utility Revenues Pledged

The City of Gallup has pledged future revenues from the water and sewer system, net of operation and maintenance expenses, to repay $635,600 in Series 1993A Water & Sewer Revenue Bonds, issued in 1993. The bonds are payable solely from utility customer net revenues and are payable through March 2033. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the bond agreement, including an amount sufficient to cure any deficiencies in the debt service account or the bond agreement reserve account, to the USDA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the bond agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the bonds is $493,600 and $360,146, respectively. Principal and interest paid for the current year and total customer net revenues were $40,440 and $2,891,725, respectively.

The City of Gallup has pledged future revenues from the water and sewer system, net of operation and maintenance expenses, to repay $123,000 in Series 1993B Water & Sewer Revenue Bonds, issued in 1993. The bonds are payable solely from utility customer net revenues and are payable through March 2033. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the bond agreement, including an amount sufficient to cure any deficiencies in the debt service account or the bond agreement reserve account, to the USDA or the Trustee, as its assignee, to be deposited in the debt service reserve account or the bond agreement reserve account held by the trustee, payable from and constituting a lien upon the pledged revenues. The total principal and interest remaining to be paid on the bonds is $97,000 and $73,094, respectively. Principal and interest paid for the current year and total customer net revenues were $7,445 and $2,891,725, respectively.

NOTE 21. Subsequent Pronouncements

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

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

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

In June 2011, GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* effective date: the provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The City will implement in fiscal year 2013.

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

In March 2012, Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62,* Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

NOTE 21. Subsequent Pronouncements (continued)

In June 2012, Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statements No. 25*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the City in upcoming years.

In June 2012, Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The City is still evaluating the possible effects of this standard.

In January 2013, Statement No. 69 Government Combinations and Disposals of Government Operations, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. Earlier application is encouraged. The City is still evaluating the possible effects of this standard.

NOTE 22. Fund Balance and Net Assets Restatements

Governmental Funds: The City made a fund balance restatement in the Internal Service Fund to correct liabilities associated to the City's workers compensation claims in the amount of $1,006,030.

Government Wide: The City also restated the government activities net assets in the amount of ($440,011) related to long term debt in addition to the $1,006,030 in the governmental fund financial statements for a total restatement of $566,019. The restatement of ($440,011) was necessary due to prior year's errors in the NMFA debt service fund. Also, the City restated net assets related to the business-type activities in the amount of $2,263,321 related to customer accounts receivable. Total Governmental Fund and Government Wide restatements totaled $2,829,340 as noted at Exhibit A-2.

NOTE 23. Statement of Cash Flows Reclassification

Proprietary Funds: The City reclassified prior year investments out of beginning balances of cash and cash equivalents in the Proprietary Fund Statements of Cash Flows due to the City incorrectly including investments in these balances.

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SUPPLEMENTARY INFORMATION

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

Community Development Block Grant (CDBG) accounts for the accumulation of resources received from the U.S. Department of Housing and Urban Development (Federal CFDA 14.859). These funds are a part of the comprehensive housing program of rehabilitation and ne5w4 construction (Resolution R2002-10).

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

Capital Projects Funds

Airport accounts for the costs associated with Airport improvements

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

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

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

Capital Projects Funds (continued)

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

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

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

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

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

Debt Service Funds

02/04 Sales Tax Revenue Bond 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.

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

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

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

Proprietary Funds

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

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

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

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

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

	Special Revenue			
	Corrections Fees	EMS	Fire Protection	Law Enforcement Protection
Assets				
Cash and cash equivalents	$ 107,099	$ 9,945	$ 67,953	$ 35,668
Restricted cash and cash equivalents	-	-	-	-
Investments	150,000	-	250,000	-
Receivables:				
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Other receivables	701	-	1,169	-
Total assets	$ 257,800	$ 9,945	$ 319,122	$ 35,668
Liabilities				
Accounts payable	$ -	$ 261	$ -	$ 144
Accrued payroll	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	261	-	144
Fund balances				
Spendable:				
Restricted for:				
General government	-	-	-	-
Public safety	257,800	9,684	-	35,524
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Fire protection	-	-	319,122	-
Health and welfare	-	-	-	-
Debt service expenditures	-	-	-	-
Capital projects	-	-	-	-
Total fund balances	257,800	9,684	319,122	35,524
Total liabilities and fund balances	$ 257,800	$ 9,945	$ 319,122	$ 35,668

The accompanying notes are an integral part of these financial statements

Special Revenue					
Special Library	Lodger's Tax	Municipal Gas Tax	Juvenile Recreation	Intergovernmental Grants	Senior Citizens
$ 67,270	$ 86,249	$ 178,286	$ 38,752	$ 15,153	$ 7,367
-	-	-	-	-	-
-	1,000,000	-	-	-	-
-	-	-	-	-	-
-	147,528	185,339	-	-	-
-	-	-	-	179,991	14,507
$ 67,270	$ 1,233,777	$ 363,625	$ 38,752	$ 195,144	$ 21,874
$ 164	$ 74,879	$ 26,336	$ -	$ 5,753	$ 8,129
-	-	13,336	-	-	-
-	-	-	-	-	-
-	-	-	-	170,000	-
164	74,879	39,672	-	175,753	8,129
-	-	-	-	19,391	-
-	-	-	-	-	-
67,106	1,158,898	-	38,752	-	-
-	-	323,953	-	-	-
-	-	-	-	-	-
-	-	-	-	-	13,745
-	-	-	-	-	-
-	-	-	-	-	-
67,106	1,158,898	323,953	38,752	19,391	13,745
$ 67,270	$ 1,233,777	$ 363,625	$ 38,752	$ 195,144	$ 21,874

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

	Special Revenue		Capital Projects	
	CDBG	Business Improvement District	Airport	Infrastructure GRT
Assets				
Cash and cash equivalents	$ 24,375	$ 42,830	$ 137,619	$ 1,184,408
Restricted cash and cash equivalents	-	-	-	-
Investments	-	-	-	1,250,000
Receivables:				
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Other receivables	-	-	22,014	-
Total assets	$ 24,375	$ 42,830	$ 159,633	$ 2,434,408
Liabilities				
Accounts payable	$ -	$ 30,982	$ -	$ 24,682
Accrued payroll	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	30,982	-	24,682
Fund balances				
Spendable:				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Public works	24,375	-	-	-
Fire protection	-	-	-	-
Health and welfare	-	11,848	-	-
Debt service expenditures	-	-	-	-
Capital projects	-	-	159,633	2,409,726
Total fund balances	24,375	11,848	159,633	2,409,726
Total liabilities and fund balances	$ 24,375	$ 42,830	$ 159,633	$ 2,434,408

The accompanying notes are an integral part of these financial statements

Capital Projects					
1/4% Infrastructure GRT	11/00 Sales Tax Revenue Bonds	Legislative Appropriations	08/03 General Obligation Bonds	02/04 Sales NonTax Revenue Bonds	02/04 Sales Tax Revenue Bonds
$ 69,975	$ 118,112	$ 519	$ 41,547	$ 13,131	$ 83,537
-	-	-	-	-	-
1,500,000	100,000	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	18,880	2,338	-	-
$ 1,569,975	$ 218,112	$ 19,399	$ 43,885	$ 13,131	$ 83,537
$ 25,707	$ -	$ -	$ 5,276	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	16,500	-	-	-
25,707	-	16,500	5,276	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,544,268	218,112	2,899	38,609	13,131	83,537
1,544,268	218,112	2,899	38,609	13,131	83,537
$ 1,569,975	$ 218,112	$ 19,399	$ 43,885	$ 13,131	$ 83,537

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

	Capital Projects	Debt Service		
	Public Works	02/04 Sales Tax Revenue Bonds	NM Finance Authority Loans	06/10 Sales Tax Revenue Bonds
Assets				
Cash and cash equivalents	$ 3,479	$ 76,922	$ -	$ 87,624
Restricted cash and cash equivalents	-	-	27,345	-
Investments	-	-	106,991	6,122
Receivables:				
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Other receivables	151,804	-	-	-
Total assets	$ 155,283	$ 76,922	$ 134,336	$ 93,746
Liabilities				
Accounts payable	$ -	$ -	$ -	$ -
Accrued payroll	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	50,000	-	-	-
Total liabilities	50,000	-	-	-
Fund balances				
Spendable:				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Fire protection	-	-	-	-
Health and welfare	-	-	-	-
Debt service expenditures	-	76,922	134,336	93,746
Capital projects	105,283	-	-	-
Total fund balances	105,283	76,922	134,336	93,746
Total liabilities and fund balances	$ 155,283	$ 76,922	$ 134,336	$ 93,746

The accompanying notes are an integral part of these financial statements

Debt Service

02/11 General Obligation Bonds	Total Nonmajor Governmental Funds
$ 439,281	$ 2,937,101
-	27,345
200,003	4,563,116
74,185	74,185
-	332,867
-	391,404
$ 713,469	$ 8,326,018
$ -	$ 202,313
-	13,336
49,254	49,254
-	236,500
49,254	501,403
-	19,391
-	303,008
-	1,264,756
-	348,328
-	319,122
-	25,593
664,215	969,219
-	4,575,198
664,215	7,824,615
$ 713,469	8,326,018

STATE OF NEW MEXICO
City of Gallup
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2012

	Special Revenue			
	Corrections Fees	EMS	Fire Protection	Law Enforcement Protection
Revenues				
Taxes:				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Lodger's	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	14,133	396,400	66,600
State capital grants	-	-	-	-
Charges for services	95,389	-	-	-
Interest income	2,715	-	4,526	-
Miscellaneous	-	-	-	-
Total revenues	98,104	14,133	400,926	66,600
Expenditures				
Current:				
General government	-	-	-	-
Public safety	61,847	5,522	49,413	31,216
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	136,535	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	61,847	5,522	185,948	31,216
Excess (deficiency) of revenues over expenditures	36,257	8,611	214,978	35,384
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(142,720)	-
Total other financing sources (uses)	-	-	(142,720)	-
Net change in fund balances	36,257	8,611	72,258	35,384
Fund balances - beginning of year	221,543	1,073	246,864	140
Fund balances - end of year	$ 257,800	$ 9,684	$ 319,122	$ 35,524

The accompanying notes are an integral part of these financial statements

Special Revenue					
Special Library	Lodger's Tax	Municipal Gas Tax	Juvenile Recreation	Intergovernmental Grants	Senior Citizens
$ -	$ -	$ -	$ -	$ -	$ -
-	-	1,124,816	-	-	-
-	1,221,547	-	9	-	-
-	-	-	-	217,804	140,346
-	-	-	-	-	-
8,966	-	116,656	-	252,190	132,781
-	-	-	-	-	-
7,342	-	998	-	20,000	-
-	6,642	-	-	-	-
-	-	-	-	-	54,008
16,308	1,228,189	1,242,470	9	489,994	327,135
-	-	-	-	216,565	-
-	-	-	-	-	-
-	-	2,086,750	-	-	-
36,920	802,924	-	7,763	-	-
-	-	-	-	20,987	805,438
-	115,353	185,682	-	236,000	-
-	-	-	-	-	-
-	-	-	-	-	-
36,920	918,277	2,272,432	7,763	473,552	805,438
(20,612)	309,912	(1,029,962)	(7,754)	16,442	(478,303)
-	-	1,059,344	-	-	530,000
-	(180,000)	-	-	-	-
-	(180,000)	1,059,344	-	-	530,000
(20,612)	129,912	29,382	(7,754)	16,442	51,697
87,718	1,028,986	294,571	46,506	2,949	(37,952)
$ 67,106	$ 1,158,898	$ 323,953	$ 38,752	$ 19,391	$ 13,745

STATE OF NEW MEXICO
City of Gallup
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2012

	Special Revenue		Capital Projects	
	CDBG	Business Improvement District	Airport	Infrastructure GRT
Revenues				
Taxes:				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Lodger's	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	75,075	-
Federal capital grants	350,149	-	-	-
State operating grants	-	118,436	8,050	-
State capital grants	-	-	-	-
Charges for services	-	92,211	-	-
Interest income	-	-	-	609
Miscellaneous	-	-	-	194,902
Total revenues	350,149	210,647	83,125	195,511
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	7,979	54,937
Culture and recreation	-	-	-	-
Health and welfare	-	187,066	-	-
Capital outlay	327,594	-	79,025	585,409
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	327,594	187,066	87,004	640,346
Excess (deficiency) of revenues over expenditures	22,555	23,581	(3,879)	(444,835)
Other financing sources (uses)				
Transfers in	-	-	-	1,744,977
Transfers out	(172,436)	-	-	(859,344)
Total other financing sources (uses)	(172,436)	-	-	885,633
Net change in fund balances	(149,881)	23,581	(3,879)	440,798
Fund balances - beginning of year	174,256	(11,733)	163,512	1,968,928
Fund balances - end of year	$ 24,375	$ 11,848	$ 159,633	$ 2,409,726

The accompanying notes are an integral part of these financial statements

Capital Projects					
1/4% Infrastructure GRT	11/00 Sales Tax Revenue Bonds	Legislative Appropriations	08/03 General Obligation Bonds	02/04 Sales NonTax Revenue Bonds	02/04 Sales Tax Revenue Bonds
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	32,500
-	-	31,801	-	-	-
-	-	-	-	-	-
5,872	3,218	-	2,806	-	-
-	-	-	-	-	-
5,872	3,218	31,801	2,806	-	32,500
-	-	-	-	-	642
-	-	-	-	-	-
765,473	-	44,763	25,617	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	20,755	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
765,473	20,755	44,763	25,617	-	642
(759,601)	(17,537)	(12,962)	(22,811)	-	31,858
163,890	-	-	-	-	-
-	-	-	-	-	-
163,890	-	-	-	-	-
(595,711)	(17,537)	(12,962)	(22,811)	-	31,858
2,139,979	235,649	15,861	61,420	13,131	51,679
$ 1,544,268	$ 218,112	$ 2,899	$ 38,609	$ 13,131	$ 83,537

STATE OF NEW MEXICO
City of Gallup
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2012

	Capital Projects	Debt Service		
	Public Works	02/04 Sales Tax Revenue Bonds	NM Finance Authority Loans	06/10 Sales Tax Revenue Bonds
Revenues				
Taxes:				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Lodger's	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	968,603	-	-	-
State operating grants	-	-	-	-
State capital grants	270,570	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	592	1,781
Miscellaneous	-	-	-	-
Total revenues	1,239,173	-	592	1,781
Expenditures				
Current:				
General government	-	-	3,358	401
Public safety	-	-	-	-
Public works	1,299,406	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	10,971	-	-	-
Debt service:				
Principal	-	850,000	89,913	955,000
Interest	-	545,078	49,980	594,783
Total expenditures	1,310,377	1,395,078	143,251	1,550,184
Excess (deficiency) of revenues over expenditures	(71,204)	(1,395,078)	(142,659)	(1,548,403)
Other financing sources (uses)				
Transfers in	-	1,395,080	142,720	1,549,783
Transfers out	(861,000)	-	-	-
Total other financing sources (uses)	(861,000)	1,395,080	142,720	1,549,783
Net change in fund balances	(932,204)	2	61	1,380
Fund balances - beginning of year	1,037,487	76,920	134,275	92,366
Fund balances - end of year	$ 105,283	$ 76,922	$ 134,336	$ 93,746

The accompanying notes are an integral part of these financial statements

Debt Service	
02/11 General Obligation Bonds	Total Nonmajor Governmental Funds
$ 513,140	$ 513,140
-	1,124,816
-	1,221,556
-	433,225
-	1,318,752
-	1,146,712
-	302,371
-	215,940
2,122	30,883
-	248,910
515,262	6,556,305
2,552	223,518
-	147,998
-	4,284,925
-	847,607
-	1,013,491
-	1,697,324
525,000	2,419,913
80,591	1,270,432
608,143	11,905,208
(92,881)	(5,348,903)
-	6,585,794
-	(2,215,500)
-	4,370,294
(92,881)	(978,609)
757,096	8,803,224
$ 664,215	$ 7,824,615

STATE OF NEW MEXICO Statement B-1

City of Gallup

Corrections Fees Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	152,000	95,389	(56,611)
Interest income	-	4,500	2,014	(2,486)
Miscellaneous	-	-	-	-
Total revenues	-	156,500	97,403	(59,097)
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	106,000	61,847	44,153
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	106,000	61,847	44,153
Excess (deficiency) of revenues over expenditures	-	50,500	35,556	(14,944)
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	(50,500)	-	50,500
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	(50,500)	-	50,500
Net change in fund balance	-	-	35,556	35,556
Fund balance - beginning of year	-	-	221,543	221,543
Fund balance - end of year	$ -	$ -	$ 257,099	$ 257,099
Net change in fund balance (Non-GAAP basis)				$ 35,556
Adjustment to revenues for investment income				701
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				$ 36,257

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-2

City of Gallup

EMS Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				-
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	14,133	14,133	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	14,133	14,133	-
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	15,206	5,261	9,945
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	15,206	5,261	9,945
Excess (deficiency) of revenues over expenditures	-	(1,073)	8,872	9,945
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	1,073	-	(1,073)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	1,073	-	(1,073)
Net change in fund balance	-	-	8,872	8,872
Fund balance - beginning of year	-	-	1,073	1,073
Fund balance - end of year	$ -	$ -	$ 9,945	$ 9,945
Net change in fund balance (Non-GAAP basis)				$ 8,872
No adjustments to revenues				-
Adjustments to expenditures for public safety accruals				(261)
Net change in fund balance (GAAP basis)				$ 8,611

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-3

City of Gallup

Fire Protection Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				-
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	300,000	396,940	396,400	(540)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	3,357	3,357
Miscellaneous	-	-	-	-
Total revenues	300,000	396,940	399,757	2,817
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	391,870	77,279	314,591
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	136,540	136,535	5
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	528,410	213,814	314,596
Excess (deficiency) of revenues over expenditures	300,000	(131,470)	185,943	317,413
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	(156,740)	274,730	-	(274,730)
Transfers in	-	-	-	-
Transfers out	(143,260)	(143,260)	(142,720)	540
Total other financing sources (uses)	(300,000)	131,470	(142,720)	(274,190)
Net change in fund balance	-	-	43,223	43,223
Fund balance - beginning of year	-	-	274,730	274,730
Fund balance - end of year	$ -	$ -	$ 317,953	$ 317,953
Net change in fund balance (Non-GAAP basis)				$ 43,223
Adjustment to revenues for investment income				1,169
Adjustment to expenditures for public safety and capital outlay accruals				27,866
Net change in fund balance (GAAP basis)				$ 72,258

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-4

City of Gallup

Law Enforcement Protection Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				-
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	66,600	66,600	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	66,600	66,600	-
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	66,740	31,072	35,668
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	66,740	31,072	35,668
Excess (deficiency) of revenues over expenditures	-	(140)	35,528	35,668
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	140	-	(140)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	140	-	(140)
Net change in fund balance	-	-	35,528	35,528
Fund balance - beginning of year	-	-	140	140
Fund balance - end of year	$ -	$ -	$ 35,668	$ 35,668
Net change in fund balance (Non-GAAP basis)				$ 35,528
No adjustments to revenues				-
Adjustment to expenditures for public safety accruals				(144)
Net change in fund balance (GAAP basis)				$ 35,384

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-5

City of Gallup

Special Library Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	121,074	55,231	(65,843)
State capital grants	-	-	-	-
Charges for services	-	5,000	7,342	2,342
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	126,074	62,573	(63,501)
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	81,385	40,429	40,956
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	81,385	40,429	40,956
Excess (deficiency) of revenues over expenditures	-	44,689	22,144	(22,545)
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	(44,689)	-	44,689
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	(44,689)	-	44,689
Net change in fund balance	-	-	22,144	22,144
Fund balance - beginning of year	-	-	45,126	45,126
Fund balance - end of year	$ -	$ -	$ 67,270	$ 67,270
Net change in fund balance (Non-GAAP basis)				$ 22,144
Adjustments to revenues for state operating grants accruals				(46,265)
Adjustment to expenditures for culture and recreation accruals				3,509
Net change in fund balance (GAAP basis)				$ (20,612)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-6

City of Gallup

Lodger's Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	1,030,000	1,030,000	1,384,599	3,444,599
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	6,642	6,642
Miscellaneous	-	-	-	-
Total revenues	1,030,000	1,030,000	1,391,241	3,451,241
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	850,000	1,239,000	730,865	508,135
Health and welfare	-	-	-	-
Capital outlay	-	136,130	119,353	16,777
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	850,000	1,375,130	850,218	524,912
Excess (deficiency) of revenues over expenditures	180,000	(345,130)	541,023	3,976,153
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	525,130	-	(525,130)
Transfers in	-	-	-	-
Transfers out	(180,000)	(180,000)	(180,000)	-
Total other financing sources (uses)	(180,000)	345,130	(180,000)	(525,130)
Net change in fund balance	-	-	361,023	3,451,023
Fund balance - beginning of year	-	-	725,226	725,226
Fund balance - end of year	$ -	$ -	$ 1,086,249	$ 4,176,249
Net change in fund balance (Non-GAAP basis)				$ 361,023
Adjustment to revenues for lodger's taxes				(163,052)
Adjustment to expenditures for culture and recreation accruals				(68,059)
Net change in fund balance (GAAP basis)				$ 129,912

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-7

City of Gallup

Municipal Gas Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(NonGAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	950,000	1,060,988	1,122,327	3,133,315
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	236,656	117,654	(119,002)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	950,000	1,297,644	1,239,981	3,014,313
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	2,175,610	2,508,934	2,091,282	417,652
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	204,000	204,000	185,682	18,318
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	2,379,610	2,712,934	2,276,964	435,970
Excess (deficiency) of revenues over expenditures	(1,429,610)	(1,415,290)	(1,036,983)	3,450,283
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	1,429,610	1,415,290	1,059,344	(355,946)
Transfers out	-	-	-	-
Total other financing sources (uses)	1,429,610	1,415,290	1,059,344	(355,946)
Net change in fund balance	-	-	22,361	3,094,337
Fund balance - beginning of year	-	-	155,925	155,925
Fund balance - end of year	$ -	$ -	$ 178,286	$ 3,250,262
Net change in fund balance (Non-GAAP basis)				$ 22,361
Adjustment to revenues for taxes				2,489
Adjustment to expenditures for public works and capital outlay accruals				4,532
Net change in fund balance (GAAP basis)				$ 29,382

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-8

City of Gallup

Juvenile Recreation Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	9	9
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	-	9	9
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	51,580	46,506	7,763	38,743
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	51,580	46,506	7,763	38,743
Excess (deficiency) of revenues over expenditures	(51,580)	(46,506)	(7,754)	38,752
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	51,580	46,506	-	(46,506)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	51,580	46,506	-	(46,506)
Net change in fund balance	-	-	(7,754)	(7,754)
Fund balance - beginning of year	-	-	46,506	46,506
Fund balance - end of year	$ -	$ -	$ 38,752	$ 38,752
Net change in fund balance (Non-GAAP basis)				$ (7,754)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				$ (7,754)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-9

City of Gallup

Intergovernmental Grants Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	317,408	204,003	(113,405)
Federal capital grants	-	-	-	-
State operating grants	-	384,167	86,000	(298,167)
State capital grants	-	-	-	-
Charges for services	-	20,000	20,000	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	721,575	310,003	(411,572)
Expenditures				
Current				
General government	-	472,933	220,889	252,044
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	16,191	16,190	1
Capital outlay	-	236,000	236,000	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	725,124	473,079	252,045
Excess (deficiency) of revenues over expenditures	-	(3,549)	(163,076)	(159,527)
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	3,549	-	(3,549)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	3,549	-	(3,549)
Net change in fund balance	-	-	(163,076)	(163,076)
Fund balance - beginning of year	-	-	8,229	8,229
Fund balance - end of year	$ -	$ -	$ (154,847)	$ (154,847)
Net change in fund balance (Non-GAAP basis)				$ (163,076)
Adjustment to revenues for grant revenue accruals				179,991
Adjustment to expenditures for health and welfare and capital outlay accruals				(473)
Net change in fund balance (GAAP basis)				$ 16,442

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-10

City of Gallup

Senior Citizens Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				-
Federal operating grants	-	204,405	137,462	(66,943)
Federal capital grants	-	-	-	-
State operating grants	300,000	184,251	164,453	(19,798)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	53,000	54,008	1,008
Total revenues	300,000	441,656	355,923	(85,733)
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	730,000	931,321	886,383	44,938
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	730,000	931,321	886,383	44,938
Excess (deficiency) of revenues over expenditures	(430,000)	(489,665)	(530,460)	(40,795)
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	(40,335)	-	40,335
Transfers in	430,000	530,000	530,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	430,000	489,665	530,000	40,335
Net change in fund balance	-	-	(460)	(460)
Fund balance - beginning of year	-	-	7,827	7,827
Fund balance - end of year	$ -	$ -	$ 7,367	$ 7,367
Net change in fund balance (Non-GAAP basis)				$ (460)
Adjustment to revenues for grant revenue accruals				(28,788)
Adjustment to expenditures for health and welfare accruals				80,945
Net change in fund balance (GAAP basis)				$ 51,697

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-11

City of Gallup

CDBG Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				-
Federal operating grants	-	-	-	-
Federal capital grants	-	352,436	352,436	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	352,436	352,436	-
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	350,149	350,149	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	350,149	350,149	-
Excess (deficiency) of revenues over expenditures	-	2,287	2,287	-
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	172,713	-	(172,713)
Transfers in	-	-	-	-
Transfers out	-	(175,000)	(172,436)	2,564
Total other financing sources (uses)	-	(2,287)	(172,436)	(170,149)
Net change in fund balance	-	-	(170,149)	(170,149)
Fund balance - beginning of year	-	-	194,524	194,524
Fund balance - end of year	$ -	$ -	$ 24,375	$ 24,375
Net change in fund balance (Non-GAAP basis)				$ (170,149)
Adjustment to revenues for federal grant revenue accruals				(2,287)
Adjustment to expenditures for capital outlay accruals				22,555
Net change in fund balance (GAAP basis)				$ (149,881)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-12

City of Gallup

Business Improvement District Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	117,000	118,436	1,436
State capital grants	-	-	-	-
Charges for services	-	120,000	124,360	4,360
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	237,000	242,796	5,796
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	237,000	200,135	36,865
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	237,000	200,135	36,865
Excess (deficiency) of revenues over expenditures	-	-	42,661	42,661
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	42,661	42,661
Fund balance - beginning of year	-	-	169	169
Fund balance - end of year	$ -	$ -	$ 42,830	$ 42,830
Net change in fund balance (Non-GAAP basis)				$ 42,661
Adjustment to revenues for charges for services				(32,149)
Adjustment to expenditures for health and welfare accruals				13,069
Net change in fund balance (GAAP basis)				$ 23,581

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-13

City of Gallup

Airport Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	75,075	53,625	(21,450)
Federal capital grants	-	-	-	-
State operating grants	-	8,955	7,486	(1,469)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	84,030	61,111	(22,919)
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	7,979	7,979	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	79,486	79,025	461
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	87,465	87,004	461
Excess (deficiency) of revenues over expenditures	-	(3,435)	(25,893)	(22,458)
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	(3,435)	(25,893)	(22,458)
Fund balance - beginning of year	-	-	163,512	163,512
Fund balance - end of year	$ -	$ (3,435)	$ 137,619	$ 141,054
Net change in fund balance (Non-GAAP basis)				$ (25,893)
Adjustment to revenues for grant revenue accruals				22,014
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				$ (3,879)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-14

City of Gallup

Infrastructure GRT Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				-
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	609	609
Miscellaneous	-	194,902	194,902	-
Total revenues	-	194,902	195,511	609
Expenditures				
Current				
General government	-	55,000	54,937	63
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	1,695,275	275,727	1,419,548
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	1,750,275	330,664	1,419,611
Excess (deficiency) of revenues over expenditures	-	(1,555,373)	(135,153)	1,420,220
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	(470,390)	1,070,663	-	(1,070,663)
Transfers in	1,700,000	1,700,000	1,744,977	44,977
Transfers out	(1,229,610)	(1,215,290)	(859,344)	355,946
Total other financing sources (uses)	-	1,555,373	885,633	(669,740)
Net change in fund balance	-	-	750,480	750,480
Fund balance - beginning of year	-	-	1,683,928	1,683,928
Fund balance - end of year	$ -	$ -	$ 2,434,408	$ 2,434,408
Net change in fund balance (Non-GAAP basis)				$ 750,480
No adjustments to revenues				-
Adjustment to expenditures for general government and capital outlay accruals				(309,682)
Net change in fund balance (GAAP basis)				$ 440,798

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-15

City of Gallup

1/4% Infrastructure GRT Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	5,872	5,872
Miscellaneous	-	-	-	-
Total revenues	-	-	5,872	5,872
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	1,211,126	739,766	471,360
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	1,211,126	739,766	471,360
Excess (deficiency) of revenues over expenditures	-	(1,211,126)	(733,894)	477,232
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	(1,667,000)	1,093,916	-	(1,093,916)
Transfers in	1,667,000	117,210	163,890	46,680
Transfers out	-	-	-	-
Total other financing sources (uses)	-	1,211,126	163,890	(1,047,236)
Net change in fund balance	-	-	(570,004)	(570,004)
Fund balance - beginning of year	-	-	2,139,979	2,139,979
Fund balance - end of year	$ -	$ -	$ 1,569,975	$ 1,569,975
Net change in fund balance (Non-GAAP basis)				$ (570,004)
No adjustments to revenues				-
Adjustment to expenditures for public works accruals				(25,707)
Net change in fund balance (GAAP basis)				$ (595,711)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-16

City of Gallup

02/11 Sales Tax Revenue Bond Capital Projects Fund (Major)

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	12,637	12,637
Miscellaneous	-	-	-	-
Total revenues	-	-	12,637	12,637
Expenditures				
Current				
General government	-	5,925,936	3,415,762	2,510,174
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	5,029,060	560,000	4,469,060
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	10,954,996	3,975,762	6,979,234
Excess (deficiency) of revenues over expenditures	-	(10,954,996)	(3,963,125)	6,991,871
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	10,954,996	-	(10,954,996)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	10,954,996	-	(10,954,996)
Net change in fund balance	-	-	(3,963,125)	(3,963,125)
Fund balance - beginning of year	-	-	11,144,126	11,144,126
Fund balance - end of year	$ -	$ -	$ 7,181,001	$ 7,181,001
Net change in fund balance (Non-GAAP basis)				$ (3,963,125)
No adjustments to revenues				-
Adjustment to expenditures for general government and capital outlay accruals				55,266
Net change in fund balance (GAAP basis)				$ (3,907,859)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-17

City of Gallup

11/00 Sales Tax Revenue Bonds Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	3,218	3,218
Miscellaneous	-	-	-	-
Total revenues	-	-	3,218	3,218
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	222,283	20,755	201,528
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	222,283	20,755	201,528
Excess (deficiency) of revenues over expenditures	-	(222,283)	(17,537)	204,746
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	222,283	-	(222,283)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	222,283	-	(222,283)
Net change in fund balance	-	-	(17,537)	(17,537)
Fund balance - beginning of year	-	-	235,649	235,649
Fund balance - end of year	$ -	$ -	$ 218,112	$ 218,112
Net change in fund balance (Non-GAAP basis)				$ (17,537)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				$ (17,537)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-18

City of Gallup

Legislative Appropriations Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	330,588	66,873	(263,715)
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	330,588	66,873	(263,715)
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	324,600	94,763	229,837
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	324,600	94,763	229,837
Excess (deficiency) of revenues over expenditures	-	5,988	(27,890)	(33,878)
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	(5,988)	-	5,988
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	(5,988)	-	5,988
Net change in fund balance	-	-	(27,890)	(27,890)
Fund balance - beginning of year	-	-	11,909	11,909
Fund balance - end of year	$ -	$ -	$ (15,981)	$ (15,981)
Net change in fund balance (Non-GAAP basis)				$ (27,890)
Adjustment to revenues for grant revenues				(35,072)
Adjustment to expenditures for public works accruals				50,000
Net change in fund balance (GAAP basis)				$ (12,962)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-19

City of Gallup

08/03 General Obligation Bonds Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	468	468
Miscellaneous	-	-	-	-
Total revenues	-	-	468	468
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	40,867	20,341	20,526
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	40,867	20,341	20,526
Excess (deficiency) of revenues over expenditures	-	(40,867)	(19,873)	20,994
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	40,867	-	(40,867)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	40,867	-	(40,867)
Net change in fund balance	-	-	(19,873)	(19,873)
Fund balance - beginning of year	-	-	61,420	61,420
Fund balance - end of year	$ -	$ -	$ 41,547	$ 41,547
Net change in fund balance (Non-GAAP basis)				$ (19,873)
Adjustment to revenues for investment income				2,338
Adjustment to expenditures for public works accruals				(5,276)
Net change in fund balance (GAAP basis)				$ (22,811)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-20

City of Gallup

02/04 Sales NonTax Revenue Bonds Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

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

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-21

City of Gallup

02/04 Sales Tax Revenue Bonds Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	32,500	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	-	32,500	-
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	5,000	642	4,358
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	5,000	642	4,358
Excess (deficiency) of revenues over expenditures	-	(5,000)	31,858	4,358
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	5,000	-	(5,000)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	5,000	-	(5,000)
Net change in fund balance	-	-	31,858	(642)
Fund balance - beginning of year	-	-	51,679	51,679
Fund balance - end of year	$ -	$ -	$ 83,537	$ 51,037
Net change in fund balance (Non-GAAP basis)				$ 31,858
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				$ 31,858

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-22

City of Gallup

Public Works Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	2,337,595	1,255,914	(1,081,681)
State operating grants	-	-	-	-
State capital grants	-	1,757,463	837,340	(920,123)
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	4,095,058	2,093,254	(2,001,804)
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	1,299,406	1,299,406	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	1,881,174	10,971	1,870,203
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	3,180,580	1,310,377	1,870,203
Excess (deficiency) of revenues over expenditures	-	914,478	782,877	(131,601)
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	(53,478)	-	53,478
Transfers in	-	-	-	-
Transfers out	-	(861,000)	(861,000)	-
Total other financing sources (uses)	-	(914,478)	(861,000)	53,478
Net change in fund balance	-	-	(78,123)	(78,123)
Fund balance - beginning of year	-	-	31,602	31,602
Fund balance - end of year	$ -	$ -	$ (46,521)	$ (46,521)
Net change in fund balance (Non-GAAP basis)				$ (78,123)
Adjustment to revenues for grant revenue accruals				(854,081)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				$ (932,204)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-23

City of Gallup

02/04 Sales Tax Revenue Bonds Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	850,000	850,000	850,000	-
Interest	545,080	545,080	545,078	2
Total expenditures	1,395,080	1,395,080	1,395,078	2
Excess (deficiency) of revenues over expenditures	(1,395,080)	(1,395,080)	(1,395,078)	2
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	1,395,080	1,395,080	1,395,080	-
Transfers out	-	-	-	-
Total other financing sources (uses)	1,395,080	1,395,080	1,395,080	-
Net change in fund balance	-	-	2	2
Fund balance - beginning of year	-	-	76,920	76,920
Fund balance - end of year	$ -	$ -	$ 76,922	$ 76,922
Net change in fund balance (Non-GAAP basis)				$ 2
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				$ 2

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-24

City of Gallup

NM Finance Authority Loans Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	592	592
Miscellaneous	-	-	-	-
Total revenues	-	-	592	592
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	89,920	89,920	89,913	7
Interest	49,980	49,980	49,980	-
Bond issuance costs	3,360	3,360	3,358	2
Total expenditures	143,260	143,260	143,251	9
Excess (deficiency) of revenues over expenditures	(143,260)	(143,260)	(142,659)	601
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	143,260	143,260	142,720	(540)
Transfers out	-	-	-	-
Total other financing sources (uses)	143,260	143,260	142,720	(540)
Net change in fund balance	-	-	61	61
Fund balance - beginning of year	-	-	134,275	134,275
Fund balance - end of year	$ -	$ -	$ 134,336	$ 134,336
Net change in fund balance (Non-GAAP basis)				$ 61
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				$ 61

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-25

City of Gallup

06/10 Sales Tax Revenue Bonds Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ -	$ -	$ -	$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	500	1,781	1,281
Miscellaneous	-	-	-	-
Total revenues	-	500	1,781	1,281
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				-
Principal	955,000	955,000	955,000	-
Interest	594,790	594,888	594,783	105
Bond issuance costs	-	402	401	1
Total expenditures	1,549,790	1,550,290	1,550,184	106
Excess (deficiency) of revenues over expenditures	(1,549,790)	(1,549,790)	(1,548,403)	1,387
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	1,549,790	1,549,790	1,549,783	(7)
Transfers out	-	-	-	-
Total other financing sources (uses)	1,549,790	1,549,790	1,549,783	(7)
Net change in fund balance	-	-	1,380	1,380
Fund balance - beginning of year	-	-	92,366	92,366
Fund balance - end of year	$ -	$ -	$ 93,746	$ 93,746
Net change in fund balance (Non-GAAP basis)				$ 1,380
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				$ 1,380

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement B-26

City of Gallup

02/11 General Obligation Bonds Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
Revenues				
Taxes				
Property taxes	$ 610,000	$ 610,000	$ 522,417	$ (87,583)
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	2,122	2,122
Miscellaneous	-	-	-	-
Total revenues	610,000	610,000	524,539	(85,461)
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				-
Principal	525,000	525,000	525,000	-
Interest	80,600	80,600	80,591	9
Bond issuance costs	-	3,500	2,552	948
Total expenditures	605,600	609,100	608,143	957
Excess (deficiency) of revenues over expenditures	4,400	900	(83,604)	(84,504)
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	(4,400)	(900)	-	900
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	(4,400)	(900)	-	900
Net change in fund balance	-	-	(83,604)	(83,604)
Fund balance - beginning of year	-	-	722,888	722,888
Fund balance - end of year	$ -	$ -	$ 639,284	$ 639,284
Net change in fund balance (Non-GAAP basis)				$ (83,604)
Adjustment to revenues for property taxes accruals				(9,277)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				$ (92,881)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement C-1

City of Gallup

Combinng Statement of Net Assets

Nonmajor Proprietary Funds

June 30, 2012

	Enterprise Funds				
	Solid Waste	Fitness Center	Rodeo	Gamerico	Total
Assets					
Current assets					
Cash and cash equivalents	545,001	299,686	360,692	121,919	$ 1,327,298
Investments	3,500,000	-	-	200,003	3,700,003
Other taxes	37,161	-	-	-	37,161
Customer receivables, net	309,885	510	9,299	94,230	413,924
Total current assets	4,392,047	300,196	369,991	416,152	5,478,386
Noncurrent assets					
Capital assets	4,320,283	326,250	-	-	4,646,533
Less: accumulated depreciation	(3,757,459)	(74,814)	-	-	(3,832,273)
Total noncurrent assets	562,824	251,436	-	-	814,260
Total assets	$ 4,954,871	$ 551,632	$ 369,991	$ 416,152	$ 6,292,646
Liabilities and net assets					
Liabilities					
Current liabilities					
Accounts payable	$ 91,188	$ 4,107	$ 171,151	$ 6,938	$ 273,384
Accrued payroll	45,703	1,822	-	-	47,525
Accrued tax liability	-	1,096	-	-	1,096
Accrued compensated absences	2,737	661	-	-	3,398
Total current liabilities	139,628	7,686	171,151	6,938	325,403
Noncurrent liabilities					
Accrued compensated absences	31,477	7,602	-	-	39,079
Accrued landfill closure costs	300,000	-	-	-	300,000
Total noncurrent liabilities	331,477	7,602	-	-	339,079
Total liabilities	471,105	15,288	171,151	6,938	664,482
Net assets					
Invested in capital assets, net of related deb	562,824	251,436	-	-	814,260
Unrestricted	3,920,942	284,908	198,840	409,214	4,813,904
Total net assets	4,483,766	536,344	198,840	409,214	5,628,164
Total liabilities and net assets	$ 4,954,871	$ 551,632	$ 369,991	$ 416,152	$ 6,292,646

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Gallup
Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Funds				
	Solid Waste	Fitness Center	Rodeo	Gamerico	Total
Operating revenues					
Charges for services	$ 2,994,683	$ 230,960	$ 566,207	$ 488,927	$4,280,777
Total operating revenues	2,994,683	230,960	566,207	488,927	4,280,777
Operating expenses					
Personnel services	612,189	155,038	-	-	767,227
Contractual services	1,987,584	62,899	731,599	364,072	3,146,154
Depreciation	114,470	7,437	-	-	121,907
Total operating expenses	2,714,243	225,374	731,599	364,072	4,035,288
Operating income (loss)	280,440	5,586	(165,392)	124,855	245,489
Non-operating revenues (expenses)					
Gross receipts taxes	495,402	-	-	-	495,402
Lodger's taxes			25,084		25,084
Interest expense	-	(66)	-	-	(66)
Interest income	50,301	-	6	2,002	52,309
Bad debt expense	-	-	-	(14,903)	(14,903)
Miscellaneous income	-	251	-	-	251
Total non-operating revenues (expenses)	545,703	185	25,090	(12,901)	558,077
Income (loss) before transfers and contributions	826,143	5,771	(140,302)	111,954	803,566
Transfers in	-	80,000	-	-	80,000
Transfers out	(227,925)	-	-	-	(227,925)
Change in net assets	598,218	85,771	(140,302)	111,954	655,641
Net assets, beginning of year	3,742,690	450,573	339,142	256,202	4,788,607
Net assets restatement (Note 22)	142,858	-	-	41,058	183,916
Net assets, as restated	3,885,548	450,573	339,142	297,260	4,972,523
Net assets, end of year	4,483,766	536,344	198,840	409,214	5,628,164

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Gallup
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Funds				
	Solid Waste	Fitness Center	Rodeo	Gamerico	Total
Cash flows from operating activities					
Cash received from user charges	$2,951,459	$ 233,466	$ 557,633	$ 394,230	$4,136,788
Cash payments to employees for services	(617,860)	(72,719)	(62,899)	-	(753,478)
Cash payments to suppliers for goods and services	(1,994,441)	(154,846)	(509,360)	(372,460)	(3,031,107)
Net cash provided by operating activities	339,158	5,901	(14,626)	21,770	352,203
Cash flows from noncapital financing activities					
Gross receipts taxes	495,402	-	-	-	495,402
Other taxes	-	-	25,084	-	25,084
Miscellaneous income	-	251	-	-	251
Payments for noncurrent accrued compensated absences	31,477	7,602	-	-	39,079
Interfund advances (payments) and transfers	-	80,000	-	-	80,000
Net cash provided (used) by noncapital financing activities	526,879	87,853	25,084	-	639,816
Cash flows from capital and related financing activities					
Acquisition of capital assets	(464,488)	-	-	-	(464,488)
Net cash (used) by capital and related financing activities	(464,488)	-	-	-	(464,488)
Cash flows from investing activities					
Proceeds from sales and maturities	-	200,066	-	-	200,066
Purchases of investments	(13,086)	-	-	(3)	(13,089)
Interest on investments	50,301	(66)	6	2,002	52,243
Net cash provided by investing activities	37,215	200,000	6	1,999	239,220
Net (decrease) increase in cash and cash equivalents	438,764	293,754	10,464	23,769	766,751
Cash and cash equivalents - beginning of year	3,593,151	205,998	350,228	298,150	4,447,527
Cash and cash equivalents - reclassification (Note 23)	(3,486,914)	(200,066)	-	(200,000)	(3,886,980)
Cash and cash equivalents - as reclassified	106,237	5,932	350,228	98,150	560,547
Cash and cash equivalents - end of year	$ 545,001	$ 299,686	$ 360,692	$ 121,919	$1,327,298
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ 280,440	$ 5,586	$ (165,392)	$ 124,855	$ 245,489
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	114,470	7,437	-	-	121,907
Changes in assets and liabilities					
Receivables	(43,224)	2,506	(8,574)	(59,281)	(108,573)
Accounts payable	(6,857)	193	159,340	(28,901)	123,775
Accrued payroll expenses	20,111	(3,425)	-	-	16,686
Current accrued compensated absences	(25,782)	(6,396)	-	-	(32,178)
Bad debt expense	-	-	-	(14,903)	(14,903)
Net cash provided by operating activities	$ 339,158	$ 5,901	$ (14,626)	$ 21,770	$ 352,203

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement D-1

City of Gallup

Joint Utilities Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budget Amounts			Variances Favorable
	Original	Final	Actual	(Unfavorable)
Operating revenues				
Charges for services	$ 30,265,400	$ 30,277,485	$ 32,202,275	$ 1,924,790
Total operating revenues	30,265,400	30,277,485	32,202,275	1,924,790
Operating expenses				
Personnel services	3,246,350	3,246,050	2,765,928	480,122
Contractual services	22,073,630	33,597,235	21,014,890	12,582,345
Supplies	-	-	-	-
Maintenance and materials	120,000	105,000	-	105,000
Utilities	2,500	2,500	-	2,500
Equipment	15,000	15,000	-	15,000
Depreciation	-	-	2,754,261	(2,754,261)
Miscellaneous	1,603,290	1,603,290	4,401	1,598,889
Total operating expenses	27,060,770	38,569,075	26,539,480	12,029,595
Operating income (loss)	3,204,630	(8,291,590)	5,662,795	13,954,385
Non-operating revenues (expenses)				
Gross receipts taxes	-	-	-	-
Interest expense	(1,004,260)	(1,006,760)	(991,177)	15,583
Interest income	-	(606,547)	241,620	848,167
Gain on disposal of capital assets	-	-	-	-
Miscellaneous income	-	-	-	-
Total non-operating revenues (expenses)	(1,004,260)	(1,613,307)	(749,557)	863,750
Income (loss) before transfers and contributions	2,200,370	(9,904,897)	4,913,238	14,818,135
State and federal capital grants	-	1,800,000	276,706	(1,523,294)
Transfers	(1,830,490)	(1,740,490)	(1,900,004)	(159,514)
Change in net assets	$ 369,880	$ (9,845,387)	3,289,940	$ 13,135,327
Total net assets, beginning of year			68,105,010	
Net assets restatement (Note 22)			2,079,405	
Net assets, as restated			70,184,415	
Total net assets, end of year			$ 73,474,355	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-2

City of Gallup
Solid Waste Proprietary Fund
Statement of Revenues, Expenses and Changes in Net Assets
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2012

	Budget Amounts			Variances Favorable
	Original	Final	Actual	(Unfavorable)
Operating revenues				
Charges for services	$ 3,024,560	$ 3,024,560	$ 2,994,683	$ (29,877)
Total operating revenues	3,024,560	3,024,560	2,994,683	(29,877)
Operating expenses				
Personnel services	630,990	630,990	612,189	18,801
Contractual services	2,473,530	2,851,530	1,987,584	863,946
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Utilities	-	-	-	-
Equipment	-	-	-	-
Depreciation	-	-	114,470	(114,470)
Miscellaneous	-	-	-	-
Total operating expenses	3,104,520	3,482,520	2,714,243	768,277
Operating income (loss)	(79,960)	(457,960)	280,440	738,400
Non-operating revenues (expenses)				
Gross receipts taxes	260,000	260,000	495,402	235,402
Interest expense	-	-	-	-
Interest income	26,130	26,130	50,301	24,171
Government contributions				
Gain on disposal of capital assets	-	-	-	-
Miscellaneous income	-	-	-	-
Total non-operating revenues (expenses)	286,130	286,130	545,703	259,573
Income (loss) before transfers and contributions	206,170	(171,830)	826,143	997,973
State and federal capital grants	-	-	-	-
Transfers	(216,200)	(228,200)	(227,925)	275
Change in net assets	$ (10,030)	$ (400,030)	598,218	$ 998,248
Total net assets, beginning of year			3,742,690	
Net assets restatement (Note 22)			142,858	
Net assets, as restated			3,885,548	
Total net assets, end of year			$ 4,483,766	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement D-3

City of Gallup

Fitness Center Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budget Amounts			Variances Favorable
	Original	Final	Actual	(Unfavorable)
Operating revenues				
Charges for services	$ 201,000	$ 201,000	$ 230,960	$ 29,960
Total operating revenues	201,000	201,000	230,960	29,960
Operating expenses				
Personnel services	197,400	198,700	155,038	43,662
Contractual services	83,100	81,800	62,899	18,901
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Utilities	500	500	-	500
Equipment	-	-	-	-
Depreciation	-	-	7,437	(7,437)
Miscellaneous	-	-	-	-
Total operating expenses	281,000	281,000	225,374	55,626
Operating income (loss)	(80,000)	(80,000)	5,586	85,586
Non-operating revenues (expenses)				
Gross receipts taxes	-	-	-	-
Interest expense	-	-	(66)	(66)
Interest income	-	-	-	-
Gain on disposal of capital assets	-	-	-	-
Miscellaneous income	-	-	251	251
Total non-operating revenues (expenses)	-	-	185	185
Income (loss) before transfers and contributions	(80,000)	(80,000)	5,771	85,771
State and federal capital grants	-	-	-	-
Transfers	80,000	80,000	80,000	-
Change in net assets	$ -	$ -	85,771	$ 85,771
Total net assets, beginning of year			450,573	
Total net assets, end of year			$ 536,344	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-4

City of Gallup
Rodeo Proprietary Fund
Statement of Revenues, Expenses and Changes in Net Assets
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2012

	Budget Amounts			Variances Favorable
	Original	Final	Actual	(Unfavorable)
Operating revenues				
Charges for services	$ -	$ 623,997	$ 566,207	$ (57,790)
Total operating revenues	-	623,997	566,207	(57,790)
Operating expenses				
Personnel services	-	-	-	-
Contractual services	-	1,034,647	731,599	303,048
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Utilities	-	-	-	-
Equipment	-	-	-	-
Depreciation	-	-	-	-
Miscellaneous	-	-	-	-
Total operating expenses	-	1,034,647	731,599	303,048
Operating income (loss)	-	(410,650)	(165,392)	245,258
Non-operating revenues (expenses)				
Gross receipts taxes	-	-	-	-
Other taxes	-	65,000	25,084	(39,916)
Interest expense	-	-	-	-
Interest income	-	21	6	(15)
Government contributions				
Gain on disposal of capital assets	-	-	-	-
Miscellaneous income	-	-	-	-
Total non-operating revenues (expenses)	-	65,021	25,090	(39,931)
Income (loss) before transfers and contributions	-	(345,629)	(140,302)	205,327
State and federal capital grants	-	-	-	-
Transfers	-	-	-	-
Change in net assets	$ -	$ (345,629)	(140,302)	$ 205,327
Total net assets, beginning of year			339,142	
Total net assets, end of year			$ 198,840	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement D-5

City of Gallup

Gamerico Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budget Amounts			Variances Favorable
	Original	Final	Actual	(Unfavorable)
Operating revenues				
Charges for services	$ -	$ 355,000	$ 488,927	$ 133,927
Total operating revenues	-	355,000	488,927	133,927
Operating expenses				
Personnel services	-	-	-	-
Contractual services	-	428,400	364,072	64,328
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Utilities	-	-	-	-
Equipment	-	-	-	-
Depreciation	-	-	-	-
Miscellaneous	-	-	-	-
Total operating expenses	-	428,400	364,072	64,328
Operating income (loss)	-	(73,400)	124,855	198,255
Non-operating revenues (expenses)				
Gross receipts taxes	-	-	-	-
Interest expense	-	-	-	-
Interest income	-	3,400	2,002	(1,398)
Bad debt expense	-	-	(14,903)	(14,903)
Miscellaneous income	-	-	-	-
Total non-operating revenues (expenses)	-	3,400	(12,901)	(16,301)
Income (loss) before transfers and contributions	-	(70,000)	111,954	181,954
State and federal capital grants	-	-	-	-
Transfers	-	-	-	-
Change in net assets	$ -	$ (70,000)	111,954	$ 181,954
Total net assets, beginning of year			256,202	
Net assets restatement (Note 22)			41,058	
Net assets, as restated			297,260	
Total net assets, end of year			$ 409,214	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO Statement D-6

City of Gallup

Internal Service Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2012

	Budget Amounts			Variances Favorable
	Original	Final	Actual	(Unfavorable)
Operating revenues				
Charges for services	$ 2,352,020	$ 2,347,920	$ 2,505,675	$ 157,755
Total operating revenues	2,352,020	2,347,920	2,505,675	157,755
Operating expenses				
Personnel services	315,180	313,347	306,300	7,047
Contractual services	2,036,840	2,432,932	2,194,538	238,394
Depreciation	-	-	145	(145)
Total operating expenses	2,352,020	2,746,279	2,500,983	245,296
Operating income (loss)	-	(398,359)	4,692	403,051
Non-operating revenues (expenses)				
Interest income	-	-	16,993	16,993
Miscellaneous income	-	116,500	169,456	52,956
Total non-operating revenues (expenses)	-	116,500	186,449	69,949
Income (loss) before transfers and contributions	-	(281,859)	191,141	473,000
State and federal capital grants	-	10,000	10,000	-
Change in net assets	$ -	$ (271,859)	201,141	$ 473,000
Total net assets, beginning of year			2,885,953	
Net assets restatement (Note 22)			1,006,030	
Net assets, as restated			3,891,983	
Total net assets, end of year			$ 4,093,124	

The accompanying notes are an integral part of these financial statements

SUPPORTING SCHEDULES

STATE OF NEW MEXICO

Schedule I

City of Gallup

Schedule of Deposit and Investment Accounts

Ended June 30, 2012

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Wells Fargo Bank, N.A.					
Operational	Checking	$ 3,877,467	$ 191,765	$1,058,811	$ 3,010,421
Operational	Repurchase Agreement	7,845,000	-	-	7,845,000
Gallup Municipal Court	Checking	5,222	-	923	4,299
Total Wells Fargo Bank, N.A.		11,727,689	191,765	1,059,734	10,859,720
Wells Fargo Brokerage					
City of Gallup	Money Market	35,358,352	-	-	35,358,352
City of Gallup Quarter Percent GRT	Money Market	7,735,960	-	-	7,735,960
Total Wells Fargo Brokerage		43,094,312	-	-	43,094,312
US Bank					
City of Gallup	Certificates of Deposit	22,000,225	-	-	22,000,225
Total US Bank		22,000,225	-	-	22,000,225
New Mexico Finance Authority - Investments					
Fire Station Loan	State Treasurer Debt Service	134,336	-	-	134,336
Water trust Board Grants	State Treasurer Debt Service	5,563,623	-	-	5,563,623
Total New Mexico Finance Authority		5,697,959	-	-	5,697,959
Total		$82,520,185	$ 191,765	$1,059,734	81,652,216
New Mexico State Treasurer Local Government Investment Pool Reserve Contingencies Fund					489
Add: petty cash					4,772
Total deposits and investments					$81,657,477

Deposits and investments per financial statements:	
Cash and cash equivalents - Exhibit A-1	$10,455,652
Investments - Exhibit A-1	68,600,874
Restricted cash and cash equivalents - Exhibit A-1	2,192,111
Fiduciary funds cash and cash equivalents and investments - Exhibit E-1	408,840
Total deposits and investments	$81,657,477

See independent auditors' report

STATE OF NEW MEXICO

Schedule II

City of Gallup

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2012

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2012	Location of Safekeeper
Wells Fargo Bank, N.A.					
	GN-II 5.00%	4/1/2039	36202E4H9	$ 7,972,844	Wells Fargo Bank Northwest, NA
				7,972,844	
US Bank					
	GNMA REMIC 2010-165 HD	12/20/2025	38377RX91	22,160,970	Federal Home Loan Bank- Dallas, TX
				22,160,970	
Total Pledged Collateral				$ 30,133,814	

See independent auditors' report

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STATE OF NEW MEXICO Schedule III

City of Gallup

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds

For the Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Assets				
Cash	$ 175,156	$ 641,998	$ 408,314	$ 408,840
Investments	300,387	-	300,387	-
Accounts receivable	7,337	-	7,337	-
Total assets	$ 182,493	$ 641,998	$ 415,651	$ 408,840
Liabilities				
Deposits payable	$ 180,991	$ 641,998	$ 414,149	$ 408,840
Accounts payable	1,502	-	1,502	-
Total liabilities	$ 182,493	$ 641,998	$ 415,651	$ 408,840

See independent auditors' report

STATE OF NEW MEXICO
City of Gallup
Schedule of Joint Powers Agreements and Memo of Understanding
June 30, 2012

Agreement	The City Participates with	Party Responsible for Operation	Description
Navajo-Gallup Water Supply Project	McKinley County	City of Gallup	The intent of this agreement is to establish a commitment and mechanism by which the county can provide a portion of the non-federal matching funds to pay for the NGWSP which will provide water to the City of Gallup and surrounding areas, including private and Navajo lands
Wildland Fire Protection and Suppression	Energy, Minerals, and Natural Resources Department and the Forestry Division	Both Parties	Joint Powers Agreement between the Energy, Minerals and Natural Resources Department, Forestry Division and the City of Gallup for Wildland Fire Protection and Suppression
Operation of a Jail Facility	McKinley County	McKinley County	A Joint Powers Agreement between The City of Gallup and County of McKinley for Operation of a Jail Facility
Liquor Excise Tax	McKinley County	McKinley County	Liquor Excise Tax Joint Powers Agreement
Metro-Dispatch Center	McKinley County	McKinley County	Joint Powers agreement between the City of Gallup and County of McKinley for Operation of a Metro-Dispatch Center
Aquatics Center Swimming Facility	Gallup-McKinley County School District No. 1	City of Gallup	A Joint Powers Agreement between the City of Gallup and Gallup-McKinley County School District No. 1 for operation of an aquatics center swimming facility
Athletics and Recreational Facilities	Gallup-McKinley County School District No. 1	City of Gallup	MOU for use of Athletic and Recreational Facilities

See independent auditors' report

Period	Cost to City	City Contributions	Audit Responsibility
35 year term beginning 9/2011	City Commitment is approximately $85,000,000	None to date	Bureau of Reclamation
Effective 3/2008 until terminated	Indeterminate	Indeterminate	Both Parties
Effective 9/2003 amended 6/2005 until terminated	City will pay 30% of cost of operating facility calculated after tax receipts and housing revenues are applied	Indeterminate	McKinley County
Effective 10/2006 until terminated	No financial obligation	No financial obligation	McKinley County
Effective 12/2003 until terminated	If emergency tax revenue is insufficient to fund the operation City and County will each contribute 50% of needed funds	None to date	McKinley County
Effective 4/2004	Indeterminate	Indeterminate	City of Gallup
Effective 6/2012 until terminated	Indeterminate	Indeterminate	City of Gallup

STATE OF NEW MEXICO
Gallup Housing Authority
A Component Unit of the City of Gallup
Financial Data Schedule
June 30, 2012

		Low Rent Public Housing Program			
Line Item Number	Description	Project 1 NM006000001 14.850	Project 2 NM006000002 14.850	Project 3 NM006000003 14.850	Other Project 14.850
111	Cash - Unrestricted	$ 63,723	$ -	$ 30,409	$ 9,129
113	Cash - Other Restricted	-	-	-	-
114	Cash - Tenant Security Deposits	40,750	3,025	5,395	-
100	Total Cash	104,473	3,025	35,804	9,129
122	Accounts Receivable - HUD Other Projects	48,081	-	5,778	-
126	Accounts Receivable - Tenants - Dwelling Rents	29,704	-	5,576	-
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(10,041)	-	(1,616)	-
120	Total Receivables, Net of Allowance for Doubtful Accounts	67,744	-	9,738	-
142	Prepaid Expenses and Other Assets	18,169	3,260	4,264	-
143	Inventories	49,264	7,526	11,632	-
143.1	Allowance for Obsolete Inventories	(2,463)	(376)	(582)	-
144	Inter Program Due From	-	-	-	-
150	Total Current Assets	237,187	13,435	60,856	9,129
161	Land	1,486,872	75,593	116,825	6,872
162	Buildings	7,289,886	1,166,515	2,283,777	1,548,459
163	Furniture, Equipment & Machinery - Dwellings	210,992	35,661	50,519	-
164	Furniture, Equipment & Machinery - Administration	161,204	16,270	23,505	188,563
166	Accumulated Depreciation	(3,534,407)	(523,137)	(1,146,962)	(1,685,302)
167	Construction in progress	346,810	-	29,519	-
160	Total Capital Assets, Net of Accumulated Depreciation	5,961,357	770,902	1,357,183	58,592
180	Total Non-Current Assets	5,961,357	770,902	1,357,183	58,592
190	Total Assets	$ 6,198,544	$ 784,337	$ 1,418,039	$ 67,721

See independent auditors' report

Housing Choice Vouchers Program 14.871	Homeless Prevention & Rapid Rehousing 14.257	Total
$ 23,661	$ 124	$ 127,046
157,709	-	157,709
-	-	49,170
181,370	124	333,925
-	-	53,859
-	-	35,280
-	-	(11,657)
-	-	77,482
77	-	25,770
-	-	68,422
-	-	(3,421)
362	-	362
181,809	124	502,540
-	-	1,686,162
-	-	12,288,637
-	-	297,172
14,802	-	404,344
(14,802)	-	(6,904,610)
-	-	376,329
-	-	8,148,034
-	-	8,148,034
$ 181,809	$ 124	$ 8,650,574

See independent auditors' report

STATE OF NEW MEXICO
Gallup Housing Authority
A Component Unit of the City of Gallup
Financial Data Schedule
June 30, 2012

Line Item Number	Description	Low Rent Public Housing Program Project NM006000001 14.850	Project NM006000002 14.850	Project NM006000003 14.850	Other Project 14.850
312	Accounts Payable <= 90 Days	$ 17,524	$ 1,003	$ 7,946	$ 261
321	Accrued Wage/Payroll Taxes Payable	5,000	814	1,205	4,473
322	Accrued Compensated Absences - Current Portion	354	54	84	233
341	Tenant Security Deposits	37,285	3,025	5,395	-
342	Deferred Revenues	3,408	844	777	-
346	Accrued Liabilities - Other	19,800	1,476	536	-
347	Inter Program Due To	-	-	-	362
310	Total Current Liabilities	83,371	7,216	15,943	5,329
354	Accrued Compensated Absences - Non-Current	5,782	883	1,365	3,800
350	Total Non-Current Liabilities	5,782	883	1,365	3,800
300	Total Liabilities	89,153	8,099	17,308	9,129
508.1	Invested in Capital Assets, Net of Related Debt	5,961,357	770,902	1,357,183	58,592
511	Restricted Net Assets	3,465	-	-	-
512.1	Unrestricted Net Assets	144,569	5,336	43,548	-
513	Total Equity/Net Assets	6,109,391	776,238	1,400,731	58,592
600	Total Liabilities and Equity/Net Assets	$ 6,198,544	$ 784,337	$ 1,418,039	$ 67,721

See independent auditors' report

Housing Choice Vouchers Program 14.871	Homeless Prevention & Rapid Rehousing 14.257	Total
$ -	$ -	$ 26,734
113	-	11,605
17	-	742
-	-	45,705
-	-	5,029
-	-	21,812
-	-	362
130	-	111,989
279	-	12,109
279	-	12,109
409	-	124,098
-	-	8,148,034
157,709	-	161,174
23,691	124	217,268
181,400	124	8,526,476
$ 181,809	$ 124	$ 8,650,574

See independent auditors' report

STATE OF NEW MEXICO
Gallup Housing Authority
A Component Unit of the City of Gallup
Financial Data Schedule
June 30, 2012

Line Item Number	Description	Low Rent Public Housing Program			
		Project 1 NM006000001 14.850	Project 2 NM006000002 14.850	Project 3 NM006000003 14.850	Other Project 14.850
70300	Net Tenant Rental Revenue	$ 429,922	$ 80,643	$ 42,682	$ -
70400	Tenant Revenue - Other	19,139	-	1,643	-
70500	Total Tenant Revenue	449,061	80,643	44,325	-
70600	HUD PHA Operating Grants	750,804	48,528	241,360	-
70610	Capital Grants	-	-	-	-
70800	Other Governmental Grants	-	-	-	-
71100	Investment Income - Unrestricted	14	2	3	-
71400	Fraud Recovery	4,132	-	2,232	-
71500	Other Revenue	17,270	1,820	4,200	-
72000	Investment Income - Restricted	-	-	-	-
70000	Total Revenue	1,221,281	130,993	292,120	-
91100	Administrative Salaries	58,022	11,018	14,086	-
91200	Auditing Fees	6,420	1,177	1,498	-
91500	Employee Benefit Contributions - Administrative	66,508	10,580	15,743	-
91600	Office Expenses	28,016	4,023	5,967	-
91800	Travel	832	153	194	-
91810	Allocated Overhead	147,588	23,193	35,843	-
91900	Other Operating - Administrative	47,713	8,508	10,330	-
91000	Total Operating - Administrative	355,099	58,652	83,661	-
92400	Tenant Services - Other	-	-	-	-
92500	Total Tenant Services	-	-	-	-
93100	Water	74,921	5,205	1,391	-
93200	Electricity	78,244	11,694	1,295	-
93300	Gas	73,214	7,005	4,367	-
93600	Sewer	41,799	2,489	791	-
93800	Other Utilities Expense	15,888	1,021	356	-
93000	Total Utilities	284,066	27,414	8,200	-

See independent auditors' report

Public Housing Capital Projects Fund					
Project 1 NM006000001 14.872	Project 2 NM006000002 14.872	Project 3 NM006000003 14.872	Housing Choice Vouchers Program 14.871	Homeless Prevention & Rapid Rehousing 14.257	Total
$ -	$ -	$ -	$ -	$ -	$ 553,247
-	-	-	-	-	20,782
-	-	-	-	-	574,029
-	-	-	132,742	-	1,173,434
349,310	-	29,519	-	-	378,829
-	-	-	-	48,289	48,289
-	-	-	13	-	32
-	-	-	-	-	6,364
-	-	-	5,280	-	28,570
-	-	-	7	-	7
349,310	-	29,519	138,042	48,289	2,209,554
-	-	-	7,295	9,001	99,422
-	-	-	-	-	9,095
-	-	-	1,778	1,372	95,981
-	-	-	248	-	38,254
-	-	-	-	174	1,353
-	-	-	4,217	-	210,841
-	-	-	-	-	66,551
-	-	-	13,538	10,547	521,497
-	-	-	-	37,742	37,742
-	-	-	-	37,742	37,742
-	-	-	-	-	81,517
-	-	-	-	-	91,233
-	-	-	-	-	84,586
-	-	-	-	-	45,079
-	-	-	-	-	17,265
-	-	-	-	-	319,680

STATE OF NEW MEXICO
Gallup Housing Authority
A Component Unit of the City of Gallup
Financial Data Schedule
June 30, 2012

		Low Rent Public Housing Program			
Line Item Number	Description	Project 1 NM006000001 14.850	Project 2 NM006000002 14.850	Project 3 NM006000003 14.850	Other Project 14.850
94100	Ordinary Maintenance & Operation - Labor	227,469	34,380	53,478	-
94200	Ordinary Maintenance & Operation - Materials & Other	169,573	20,140	54,326	-
94300	Ordinary Maintenance & Operation Contracts	79,188	7,774	6,950	-
94000	Total Maintenance	476,230	62,294	114,754	-
96110	Property Insurance	25,838	4,737	6,029	-
96120	Liability Insurance	4,685	858	1,094	-
96130	Workmen's Compensation	6,263	1,148	1,461	-
96140	All Other Insurance	1,634	299	381	-
96100	Total Insurance Premiums	38,420	7,042	8,965	-
96400	Bad Debt - Tenant Rents	21,072	-	4,723	-
96000	Total Other General	21,072	-	4,723	-
96900	Total Operating Expenses	$ 1,174,887	$ 155,402	$ 220,303	$ -
97000	Excess Operating Revenue Over Operating Expenses	46,394	(24,409)	71,817	-
97300	Housing Assistance Payments	-	-	-	-
97350	HAP Portability-In	-	-	-	-
97400	Depreciation Expense	172,948	30,105	58,504	4,653
90000	Total Expenses	$ 1,347,835	$ 185,507	$ 278,807	$ 4,653
10010	Operating Transfers In	-	-	-	-
10020	Operating Transfers Out	(124)	-	-	-
10091	Inter Project excess Cash Transfer In	28,000	19,687	-	-
10092	Inter Project excess Cash Transfer Out	-	-	(47,687)	-
10100	Total Other Financing Sources (Uses)	27,876	19,687	(47,687)	-
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(98,678)	(34,827)	(34,374)	(4,653)

See independent auditors' report

Public Housing Capital Projects Fund					
Project 1 NM006000001 14.872	Project 2 NM006000002 14.872	Project 3 NM006000003 14.872	Housing Choice Vouchers Program 14.871	Homeless Prevention & Rapid Rehousing 14.257	Total
-	-	-	641	-	315,968
-	-	-	-	-	244,039
-	-	-	-	-	93,912
-	-	-	641	-	653,919
-	-	-	-	-	36,604
-	-	-	-	-	6,637
-	-	-	-	-	8,872
-	-	-	-	-	2,314
-	-	-	-	-	54,427
-	-	-	-	-	25,795
-	-	-	-	-	25,795
$ -	$ -	$ -	$ 14,179	$ 48,289	$ 1,613,060
349,310	-	29,519	123,863	-	596,494
-	-	-	116,865	-	116,865
-	-	-	4,584	-	4,584
-	-	-	-	-	266,210
$ -	$ -	$ -	$ 135,628	$ 48,289	$ 2,000,719
-	-	-	-	124	124
-	-	-	-	-	(124)
-	-	-	-	-	47,687
-	-	-	-	-	(47,687)
-	-	-	-	124	-
349,310	-	29,519	2,414	124	208,835

STATE OF NEW MEXICO
Gallup Housing Authority
A Component Unit of the City of Gallup
Financial Data Schedule
June 30, 2012

		Low Rent Public Housing Program			
Line Item Number	Description	Project 1 NM006000001 14.850	Project 2 NM006000002 14.850	Project 3 NM006000003 14.850	Other Project 14.850
11030	Beginning Equity	4,684,833	551,738	930,499	63,245
11040-010	Prior Period Adjustments and Correction of Errors	(278)	1	(1)	-
11040	Prior period Adjustments, Equity Transfers and Correction of Errors	(278)	1	(1)	-
	Ending Equity (deficit)	$ 4,585,877	$ 516,912	$ 896,124	$ 58,592
11190	Unit Months Available	2,235	348	514	-
11210	Number of Unit Months Leased	1,882	329	422	-
11620	Building Purchases	$ -	$ -	$ -	$ -

See independent auditors' report

Public Housing Capital Projects Fund					
Project 1 NM006000001 14.872	Project 2 NM006000002 14.872	Project 3 NM006000003 14.872	Housing Choice Vouchers Program 14.871	Homeless Prevention & Rapid Rehousing 14.257	Total
1,174,204	259,326	475,088	178,987	-	8,317,920
-	-	-	(1)	-	(279)
-	-	-	(1)	-	(279)
$ 1,523,514	$ 259,326	$ 504,607	$ 181,400	$ 124	$ 8,526,476
-	-	-	-	-	3,097
-	-	-	-	-	2,633
$ 349,310	$ -	$ 29,519	$ -	$ -	$ 378,829

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COMPLIANCE SECTION

Accounting & Consulting Group, LLP
Certified Public Accountants

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

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

We were engaged to audit the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the budgetary comparisons for the General Fund and major special revenue fund, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the City of Gallup, New Mexico (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 14, 2013. We rendered a disclaimer of opinion due to a scope limitation not allowing us to obtain sufficient evidence to support account balances and related disclosures presented within the City's financial statements. Except as discussed in the preceding sentence, we conducted our 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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and a deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS 12-02, FS 12-03, FS 12-04, FS 12-05, FS 12-06, FS 12-08, FS 12-11, FS 12-12, FS 12-13, FSHA 08-07, FSHA 12-01, FSHA 12-02, FSHA 12-03, FSHA 12-04, FSHA 12-06, FSHA 12-07, FSHA 12-11 and FSHA 12-12 to be material weaknesses.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item FS 12-01 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items FS 12-07, FS 12-12, FSHA 12-01, FSHA 12-04, FSHA 12-08, FSHA 12-10, FSHA 12-13 and FSHA 12-14.

We also noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings FS 12-09, FS 12-10 FSHA 12-05, FSHA 12-09 and FSHA 12-15.

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

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
June 14, 2013

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FEDERAL FINANCIAL ASSISTANCE

Accounting & Consulting Group, LLP
Certified Public Accountants

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

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

Compliance

We have audited the City of Gallup, New Mexico's ("the City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

We were not able to obtain sufficient evidence to substantiate the account balances of cash, revenues and expenditures of each major program, nor were we able to satisfy ourselves as to the City or Component Unit's compliance with other auditing procedures.

As described in item FA 12-01 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding reporting requirements that are applicable to the Highway Planning and Construction Cluster and the Community Development Block Grant. Compliance with such requirements is necessary, in our opinion, for the City, to comply with the requirements applicable to those programs.

As described in items FAHA 12-04, FAHA 12-05 and FAHA 12-06 in the accompanying schedule of findings and questioned costs, the Housing Authority did not comply with requirements regarding reporting requirements and allowable costs/activities that are applicable to the Public and Indian Housing Program and the Public Housing Capital Fund Program. Also, as described in item FAHA 12-07 in the accompanying schedule of findings and questioned costs, the Housing Authority did not comply with the inter-project cash transfer requirements as outlined in the Financial Data Schedule Line Definition Guide for the Public and Indian Housing Program. Compliance with such requirements is necessary, in our opinion, for the Housing Authority to comply with the requirements applicable to those programs.

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In our opinion, because of the effects of the noncompliance described in the preceding paragraphs, the City and its component unit did not comply in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FA 12-02, FAHA 12-02, FAHA 12-03 and FAHA 12-05 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirements of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FAHA 12-01 to be a significant deficiency.

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

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
June 14, 2013

STATE OF NEW MEXICO
City of Gallup
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Funding Source/Grantor or Contact Name	CFDA Number		Federal Grant Number	Federal Expenditures
U.S. Department of Health and Human Services				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044		2010-12 60013	$ 26,577
Special Programs for the Aging Title III, Part C-1 Nutrition Services	93.045		2011-12 60013	34,583
Special Programs for the Aging Title III, Part C-2 Nutrition Services	93.045		2011-12 60013	11,574
Nutrition Service Incentive Program (NSIP)	93.053		2011-12 60013	39,955
Medical Reserve Corps (pre-paid)	93.008		MRC 12 552	4,620
Total U.S. Department of Health and Human Services				117,309
U.S. Department of the Interior				
Water Conservation Field Services Program	15.530		R10AP40025	19,725
Total U.S. Department of the Interior				19,725
U.S. Department of Transportation				
Pedestrian Safety - 2nd Street (1)	20.205	*	6100(120)	1,147,969
Scenic Byways Program - Route 66 Phase I (1)	20.205	*	SB602	1,739
Scenic Byways Program - Route 66 Phase II (1)	20.205	*	SB702	14,042
Recreational Trails Program (1)	20.219	*	11-521-0551-0173	20,547
Airport Improvement Program	20.106		3-35-0019-022-2010	56,447
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		12-AL-64-037	1,497
Total U.S. Department of Transportation				1,242,241
National Endowment for the Humanities				
Promotion of Humanities Public Program	45.164		LA5003511	1,190
U.S. Department of Energy				
Energy Efficiency and Conservation Block Grant Program - ARRA	81.128		EMNRD11-521-R1DOE 00002-0196	150,000
U.S. Department of Agriculture				
Conservation Reserve Program - Salt Cedar	10.069		Farm #2357	1,164
U.S. Department of Housing and Urban Development				
Community Development Block Grants/State's Program Sky City II (1)	14.228		10-C-NT-I-01-G-21	352,436
Public and Indian Housing (1)	14.850		Component Unit	1,040,692
Section 8 Housing Choice Vouchers	14.871		Component Unit	135,593
Public Housing Capital Fund (1)	14.872		Component Unit	378,830
Homeless Prevention and Rapid Housing Program	14.257		Component Unit	48,289
Total U.S. Department of Housing and Urban Development				1,955,840
Total Federal Financial Assistance				$ 3,487,469

(1) Denotes Major Federal Financial Assistance Program
(*) Denotes cluster programs

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

STATE OF NEW MEXICO
City of Gallup
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Gallup and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the governmental fund financial statements, except for the proprietary funds. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* . Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. Subrecipients

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

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	$ 3,487,469
Total expenditures funded by other sources	35,471,347
Total expenditures	$ 38,958,816

STATE OF NEW MEXICO
City of Gallup
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

1. Type of auditors' report issued — Disclaimer
2. Internal control over financial reporting:
   a. Material weaknesses identified? — Yes
   b. Significant deficiencies identified not considered to be material weaknesses? — Yes
   c. Noncompliance material to the financial statements noted? — Yes

Federal Awards:

1. Internal control over major programs:
   a. Material weaknesses identified? — Yes
   b. Significant deficiencies identified not considered to be material weaknesses? — Yes
2. Type of auditors' report issued on compliance for major programs — Adverse
3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? — Yes
4. Identification of major programs:

CFDA Number	Federal Program
20.205 And 20.219	Highway Planning and Construction Cluster
14.228	Community Development Block Grant
14.850	Public and Indian Housing
14.872	Public Housing Capital Fund

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

SECTION II – PRIOR YEAR AUDIT FINDINGS

Primary Government

None

Component Unit

FS 08-07 – Internal Control over Financial Reporting – Material Weakness – Repeated and Modified

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Primary Government

FS 12-01 Inventory – Significant Deficiency

Condition: Due to the timing of the audit, the City's inventory count procedures could not be performed. Consequently, the City was not able to provide evidence to support the balances of inventory at June 30, 2012.

Criteria: NMAC 6.20.2.16 states that "City shall establish adequate internal accounting control procedures over inventory in accordance with GAAP."

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

Cause: Due to the timing of audit procedures being performed at a date several months after the end of the fiscal year and the City's inability to provide a complete inventory listing, the City was not able to perform an inventory count.

Auditors' Recommendation: We recommend that the City ensure compliance with NMAC 6.20.2.16 by implementing internal control processes that will safeguard inventory and increase monitoring and control related to inventory, particularly in the areas of shipping and packing, inventory counts and clerical accuracy. Also, we would recommend the City produce an inventory listing.

Management's Response: We will conduct a full inventory count at the end of each fiscal year. The inventory system in the computer will be updated to reflect the actual quantities on hand as of year-end. A detail listing will be generated at that time to support the value of the inventory. Once the warehouse staff has completed their process a team selected by Finance will go to the warehouse and perform testing procedures on the counts of various items. We will also test the values on some items held in inventory.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

FS 12-02 Preparation of Financial Statements – Material Weakness

Condition: Financial statements and related footnote disclosures were not prepared by the City.

Criteria: According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 115, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems should be implemented and should include controls over financial statement preparation, footnote disclosure preparation, and should give the entity the ability to catch material errors that may affect the financial statements.

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

Cause: City personnel do not have the time to prepare the City's financial statements, or adequate training to understand the elements of external financial reporting including the preparation of financial statements, the preparation of the related footnote disclosures, or the ability to recognize material errors.

Auditors' Recommendation: We recommend the City's management and personnel receive training on understanding the requirements of external financial reporting. The training should include, but not be limited to:

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

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

Management's Response: We Concur. The City CFO will attend proper training in order to prepare the financial statements for the City

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

Condition: During our walkthrough of the payroll, receipts, and disbursements transaction cycles we observed that the management had total control over these cycles and could potentially override internal controls that are in place.

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

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

Cause: The City relied on the expertise of one individual to perform many duties. Limited resources in the process noted above appear to result in a lack of segregation of duties.

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

Management's Response: We concur. The duties have been properly separated with the appropriate individual and department processing tasks. The City has replaced the individual that was processing most of the items discussed and we have implemented more controls and segregation of duties. We are focusing on thorough documentation of transactions as items are being processed as well as proper management authorization for the transactions. We will be further reviewing the processes and improving controls as weaknesses are identified.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

FS 12-04 Capital Assets – Material Weakness

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

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

- The City does not have processes or internal controls in place over their business-type activity capital asset listing. This includes:
  - The City does not have a complete detail asset report for the business-type activities.
  - The City did not perform the required annual inventory.
  - The City is not properly tracking construction in process and does not have a process in place to ensure construction is being monitored
  - The City does not have processes in place to track or monitor business-type assets.

Criteria: Section 2.20.1 of NMAC requires agencies to properly account for capital assets. The required capital asset accounting system is described in Section 2.20.1.8 of NMAC. Proper controls over the capital assets are described in Section 2.20.1.15 of NMAC. The statutory annual inventory requirement is described in Section 2.20.1.16 of NMAC. Section 12-6-10 NMSA1978 requires that the city's capital asset inventory list any item costing more than $5,000, effective June 17, 2005. Per guidance from the State Auditor dated September 8, 2006, the older capital asset items that did not meet the new capitalization threshold were supposed to remain on the list until they are disposed of in accordance with applicable statutes. Per NMAC 6.20.2.22, capital assets shall be acquired and accounted for through the development and implementation of a complete property control system to include capital asset depreciation by function.

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

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

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

Management's Response: The City has conducted a city wide inventory of all fixed assets listed and is currently reviewing the information and will reconcile the items to the General Ledger for the FYE 2013. This will be done annually in June to help ensure accuracy in the financial statements. The detailed listings will be addressed for the funds lacking such information. The construction in process activity will be reviewed and accounted for.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

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

- During our audit procedures, we noted that the City has insufficient internal controls to properly identity and assess fraud risks.
- During our audit procedures, we noted that the City has insufficient internal controls to properly identity and assess risks related to employee turnover and employee retirements.
- During our review of the overall entity wide controls, we noted that management has the ability to perform all duties of the finance department with no other oversight by any other individual.
- The City does not have a proper structure in place for the finance department to ensure that duties, control, and monitoring functions are delegated to individuals at the appropriate level of the entity and that proper oversight is in place over these functions.
- During our receipts, disbursements and payroll test work, we noted that the City does not review master files for inaccurate or unauthorized changes.
- During our review of the bank reconciliations, we noted that the City does not have proper internal controls and segregation of duties over bank reconciliations.
- During our review of cash, we noted that the DFA report submitted to the New Mexico Department of Finance and Administration was incorrect due to overstatement of interest earned on investments in the amount of $19,310.
- The City did not properly provide accurate accrual account listings at year end.
- During audit review and testing procedures performed, we noted several instances of incorrect account coding to expenditure accounts.
- The City did not meet certain debt covenants as required by their notes and bonds.
- The City does not have a proper IT structure in place to achieve proper safeguarding of assets and financial reporting objectives.
- The City does not have proper internal controls over transfers to ensure all are authorized, correct, and in compliance with appropriate statutes.
- The City did not properly track due to/from's properly to ensure the internal funds in prior years were paid back.
- The City does not have a process in place to properly complete a Schedule of Federal Awards.
- The City was not able to provide information regarding the liability for landfill closure and post-closure care costs.

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

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

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

Cause: Due to the turnover in management several times throughout the prior years, the City's internal controls that were implemented in prior years were not implemented or monitored fully during the fiscal year 2012.

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

Management's Response: The City will implement the COSO framework as recommended to improve internal controls to properly protect and maximize efficient use of City assets.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

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

Criteria: NMAC 6.20.2.11 states:

A. Every City shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.

B. Each City shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

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

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

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

Management's Response: We concur a monthly journal log is in place beginning July 1, 2013. The log will list all manual journal entries created each month. The log will be maintained in a monthly file with all the documentation for each journal entry. All journal entries will be reviewed and signed by a supervising finance employee. The monthly log will be reviewed and signed at the close of each month.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

Condition: The City did not issue its 2012 audit report by December 1, 2012 as required by the Office of the State Auditor. The report was issued on July 3, 2013.

Criteria: The City is required to submit their audit reports for the year ended June 30, on or before December 1, subsequent to the entities' fiscal year end in accordance with State Statute (Chapter 12, Section 6: NMSA 1978) and Section 2.2.2.9.A (1) of NMAC.

Effect: The City could be affected by a late submission by not catching problems in a timely fashion to correct findings. The financial statements are not available for use by the City in a timely fashion for purposes such as debt applications. The City is not in compliance with State regulations.

Cause: The City was unable to submit the June 30, 2012 audit report on a timely basis due to management turnover shortly after year end. From this, the books and related data were not ready to be audited.

Auditors' Recommendation: The City must ensure that all future audit reports are filed in a timely manner. The City should ensure this process is timely in the future through communication with the auditor and timely close out of accounting records at year end.

Management's Response: Arrangements have been made to complete the 2013 audit timely. The fieldwork is scheduled and all staff are in place to provide supporting documentation as needed.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

FS 12-08 Incomplete Trial Balance and Inadequate Closing Cycle – Material Weakness

Condition: During our fieldwork, we noted that the City's initial trial balance was neither complete nor accurate. There were several accounts that contained balances that were missing account totals or accounts that were not rolled from prior year correctly. These accounts included:

- Accounts receivable
- Accounts payable
- Accrued payroll
- Other accrued liabilities
- Deferred revenue
- Fund balance and net assets

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

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

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

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

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

Management's Response: With the change in Finance staffing the processes of the department are under the responsibility of multiple staff to ensure proper processing and presentation of financial data.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

FS 12-09 Procurement Code – Contracts- Other Matter

Condition: During our procurement test work, we noted the City used one plumbing contract and one HVAC contract from McKinley County to procure services for the City in order to by pass the bid or request for proposal process. In total, there were 11 invoices for $76,792 related to the McKinley County plumbing contract and 41 invoices for $46,695 related to the McKinley County HVAC contract for services paid by the City. During a 2012 "Agreed Upon Procedure" of McKinley County over procurement, the plumbing contract was found to be in violation of Section NMAC 1.4.38(B) of the New Mexico State Procurement code for not properly applying the administrative and evaluation process for plumbing services. Also, the HVAC contract was found to be in violation of Section 13-1-102 NMSA 1978 for purchasing items not specified on the contract and which were in excess of statutory amounts allowed as "small purchases".

Criteria: Section 13-1-102 NMSA 1978 states that "All procurement shall be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978, except procurement achieved pursuant to the following sections of the Procurement Code:..Section 13-1-125 NMSA 1978, small purchases…" Section 13-1-125(A), NMSA 1978 states that "A central purchasing office shall procure services, construction or items of tangible personal property having a value not exceeding twenty thousand dollars ($20,000) in accordance with the applicable small purchase regulation".

Effect: The City was using contracts from the County to procure services. Also, as noted above, during an "Agreed Upon Procedure" performed in 2012, the County committed violations of the procurement code, the Governmental Conduct Act, and the County's purchasing policy related to the County's contracts for HVAC, plumbing, and other goods and services with Dallago Corporation. Due to the violations of the procurement code that were found to be committed by the County, the City committed violations of the procurement code in relation to these contracts.

Cause: The City did not utilize their own procurement process and used contracts from another entity.

Auditors' Recommendation: We recommend that the City utilize its own procurement process when purchasing goods and services. .

Management's Response: The City will be using its' own purchasing department for procurement. The department will follow procurement code to ensure compliance.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

Condition: The City did not have proper segregation of duties in relation to a related party transaction. The City allowed management to have full control over the finances of the rodeo fund and from review, there was a related party transaction that was not properly billed.

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

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

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

Auditors' Recommendation: We recommend the City incorporate internal controls to monitor the policy that is already in place to ensure that all procurement, including related party transactions, follows procurement codes.

Management's Response: The City will process related party transactions in compliance with code. We will be maintaining a listing of all personnel that have any potential for related party transactions with the City. The list will be updated no less than annually.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

Condition: The City does not have proper processes in place to ensure that federal funds are properly tracked and recorded to achieve an accurate SEFA. During fieldwork, the City had to gather all information and research each grant in order to complete the SEFA.

Criteria: The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management have procedures in place for identifying federal, state, and other awards.

Effect: Without proper grant awards reported on the SEFA, it is impossible to know if grant records are correct and whether awards are being spent in accordance with grant agreements, which may lead to the City over-expending grant funds and incurring expenditures that may not be reimbursed by grantor agencies.

Cause: An accurate SEFA was not produced due to repeated turnover in key management at the City during the fiscal year. The turnover of management caused a lack of communication and structure in regards to the amount of funds awarded and expended for the current year.

Auditors' Recommendation: The City should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process, which includes the periodic review of financial reports, which includes establishing procedures to identify federal, state, and other awards.

Management's Response: We concur. The City will be working to ensure that all federal funds are properly tracked and reported. This will include additional staff training to provide proper knowledge of management of the funds. Assessment of the controls for management of federal, state, and other awarded funds will be conducted and appropriate controls will be implemented.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

Condition: The City of Gallup has not maintained adequate internal controls in order to properly maintain the Long Term Debt for the year ended June 30, 2012. During our testwork we noted the following items:

- We noted that the City did not comply with Revenue Bond Covenants as the City has not completed a timely audit, nor has the City properly recorded their revenues for the year ended June 30, 2012, as required.
- The City was unable to produce debt agreements for the New Mexico Environmental Department with an outstanding debt balance of $2,353,755 at June 30, 2012.
- The City was unable to produce any information related to the Landfill, closure and post-closure expenses, environmental studies, or monitoring expenses for the year ended June 30, 2012.
- We noted that the City did not comply with requirements of their lease agreement with Governmental Capital Corporation as the City did not provide audited financial statements to the lessor within 6 months of the fiscal year end.

Criteria: NMSA 6-10-2 discusses the duty of public officials to balance public money at the close of each business day. Generally Accepted Accounting Principles also require that activities be recorded in full when the transaction occurs.

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

Cause: The City had a late audit causing the City to violate Revenue Bond Covenants. The City did not have an agreement for the new loan. Also, due to management turnover, the City did not properly track the debt covenant.

Auditors' Recommendations: The City should ensure that all revenue is recorded and ensure all statements are received in a timely fashion. We recommend that the County gain a proper understanding of the business-type funds and the related transactions and the County should ensure that all proprietary fund transactions are properly budgeted, recorded, reviewed, and monitored for inclusion in the financial statements.

Management's Response: The City will record the revenue as required in a timely fashion. The proprietary fund transactions will be reviewed and recorded properly in the financial statements.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

Condition: During our testwork over cash we noted the City does not keep voided check on file. From this we could not determine if the City has internal controls over voided checks to ensure all voided checks are properly tracked and voided properly, both physically and in the accounting system.

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

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

Good internal control policy dictates that the City shall establish and maintain a cash management program to safeguard voided checks. Systems of internal control with the most favorable designs include procedures designed to prevent or detect errors due to misclassification of transactions in the accounting records. (AU 325.21 appdx) Section 12-6-5, NMSA 1978 requires the audit report to set out in detail any violation of good accounting practices found by the audit.

Effect: This results in an increased risk of theft of voided checks and potential for misappropriation of the City's funds if they are not properly voiding checks.

Cause: Management is not implementing internal controls to ensure checks that are voided are stored for safekeeping and review if necessary.

Auditors' Recommendation: The City should review cash management procedures with the responsible individuals monthly to ensure that all areas of cash have sufficient internal controls, including accounting for all voided checks residing at the entity as well as a documented policy that states who is responsible for voided checks in the system. The City should also keep these voided checks in a secure area for review if deemed necessary.

Management's Response: Effective July 1, 2013 a void check file and log will be maintained on a fiscal year basis. All void checks and supporting documentation will be maintained in a file for each respective function. Supervisors will be required to review and sign for approval of a void check prior to processing.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

Component Unit

FSHA 08-07 – Internal Control Over Financial Reporting – Material Weakness – Repeated and Modified

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

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

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

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

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

The training should include, but not be limited to:

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

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

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

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

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

- During testwork, we noted instances of fraud and illegal acts allegedly perpetrated by previous management of the Authority, however at June 30, 2012 the results of investigations by law enforcement agencies are still ongoing and no results have been released. The actual amount of fraud and illegal acts is undeterminable at the date of the issuance of this report, but testwork revealed 187 purchases totaling $84,608.50 that are believed to be fraudulent in nature.
- During testwork, we noted that the Authority recorded $378,829 in Capital Fund Revenues including $53,998 of grants receivable. However, the Authority was unable to provide us with adequate supporting documentation for expenditures equal to the amount of revenues drawn down from the Department of Housing and Urban Development.
- There is not a fraud risk assessment done at the Authority
- There are inadequate internal controls over bank reconciliations
- There are inadequate internal controls to mitigate risks of management override to perpetrate fraud
- There are inadequate internal controls to mitigate risks of management override to manipulate bid awards
- There are inadequate internal controls to monitor projects as follows:
    - Ensure proper licensing by contractors
    - Ensure proper monitoring of project completeness per specifications before payment
    - Ensure proper filing of supporting documentation
- There are inadequate internal controls to ensure proper quotes for purchases
- There is a lack of proper monitoring and safeguarding of debit card purchases
- There is no proper conflict of interest policy maintained by the Authority
- There is a lack of proper monitoring over vendor master files
- There is a lack of internal controls over capital assets
- There is a lack of internal controls over voided checks
- There is a lack of internal controls over journal entries
- The Board of the Housing Authority did not exercise appropriate oversight over operations of the Housing Authority.
- "Risk appetite," or the amount of risk the entity is willing to accept, associated with each new activity is not discussed and influenced by the Authority's culture and operating practices. Management's philosophy and operating style are not consistent with a sound control environment and have a negative pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolve improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that ensure safeguard of assets.
- Process procedures are not sufficiently formal such that management can determine whether the control objective is met, documentation supporting the procedures is in place, and personnel routinely know the procedures that need to be performed. Information relevant to financial reporting is not identified, captured, processed, and distributed within the parameters established by the Authority's control processes to support the achievement of financial reporting objectives.
- Data underlying the financial statements are not captured completely, accurately, and timely, in accordance with the Authority's policies and procedures and in compliance with laws and regulations. Information relevant to financial reporting is not identified, captured, processed, and distributed within the parameters established by the Authority's control processes to support the achievement of financial reporting objectives.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

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

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

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

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

Cause: For the fiscal year 2012 management, the body charged with governance and staff did not have expertise and/or training to implement an adequate internal control structure. As a result, management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of the requirements under SAS No. 115 to provide effective oversight of internal control and the financial reporting process.

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

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

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

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

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

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

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

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

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

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

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

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

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

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

- In 5 out of 5 disbursements tested totaling $2,437, purchases orders were not created and authorized prior to the purchase being made.
- In 1 disbursement for $1,049 out of 5 disbursements tested totaling $2,437, there was no apparent authorization for the purchase due to management override.

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

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

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

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

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

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

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

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

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

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

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

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

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

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

Condition: The amount reported in the general ledger for employer's contribution to RHC of $4,881 does not tie to the reported expense of $8,751 resulting in a difference of $3,870.

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

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

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

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

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

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

FSHA 12-06 Incomplete Trial Balance – Material Weakness

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

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

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

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

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

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

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

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

- Management does not review payroll reports for accuracy or irregularities.
- In 1 instance of $3,140 out of the 5 payroll disbursements totaling $7,805 tested, the time sheet did not contain the employee's signature signaling the time sheet was accurate for the pay period.

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

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

Cause: For the fiscal year 2012 management did not follow its own policies to ensure internal controls were in place and working properly.

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

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

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

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

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

FSHA 12-08 Noncompliance with Procurement Code – Noncompliance

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

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

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

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

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

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

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

Condition: During testwork performed over cash receipts 3 receipts totaling $435 of 5 receipts tested totaling $852 were not deposited in a timely manner.

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

Effect: The department is not maintaining adequate controls over cash and increases the risk of misappropriation of assets.

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

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

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

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

FSHA 12-10 Stale Dated Transactions Not Cancelled – Noncompliance

Condition: The Authority is in violation of state statutes regarding stale-dated checks. The Authority maintained four checks totaling $847.31 and one deposit totaling $51.00 on its bank reconciliations that were dated over one year old at June 30, 2012.

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

Effect: Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

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

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

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

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

FSHA 12-11 Inventories – Material Weakness

Condition: Authority inventories were not available for all departments for the fiscal year ending June 30, 2012.

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

Effect: Without proper inventory controls, Authority departments cannot be sure about what inventory they have on hand in case of an emergency.

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

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

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

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

Condition: During the 2012 fiscal year, the Authority did not have procedures in place for authorization and review of manual journal entries. Multiple journal entries were posted to reconcile revenues and expenditures of the Authority without proper supporting documentation and management review.

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

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

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

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

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

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

FSHA 12-13 Late Filing of Audit Report – Noncompliance

Condition: The Authority did not issue its 2012 audit report by December 1, 2012 as required by the Office of the State Auditor. The report was issued on July 3, 2013.

Criteria: The Authority is required to submit their audit reports for the year ended June 30, on or before December 1 subsequent to the entities' fiscal year end in accordance with State Statute (Chapter 12, Section 6: NMSA 1978) and Section 2.2.2.9.A (1) of NMAC.

Effect: The Authority could be affected by a late submission by not catching problems in a timely fashion to correct findings. The financial statements are not available for use by the Authority in a timely fashion for purposes such as HUD reporting.

Cause: The Authority was unable to submit the June 30, 2012 audit report on a timely basis due to the turnover in management subsequent to year end due to termination on accusations of fraud and misappropriation occurring at the Housing Authority during the fiscal year.

Auditors' Recommendation: The Authority must ensure that all future audit reports are filed in a timely manner. The Authority should ensure this process is timely in the future through communication with the auditor and timely close out of accounting records at year end.

Management's Response: Due to the termination of the previous administration and the pending criminal investigations, the audit had to be moved from its usual time. The new Administration should be able to finish the audit in a timely manner and in accordance with state requirements.

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

FSHA 12-14 Violations of Open Meetings Act – Noncompliance

Condition: The Authority is not properly recording how the Commissioners vote on action items during open meetings and is not properly recording the minutes of the Board of Commissioners meetings.

Criteria: Section 10-15-1G, NMSA 1978, states that "…The minutes shall include at a minimum the date, time and place of the meeting, the names of the members in attendance and those absent, the substance of the proposals considered and a record of any decisions and votes taken that show how each member voted…"

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

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

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

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

SECTION III – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (continued)

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

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

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

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

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

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

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

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Primary Government

FA 12-01 Late Data Collection Form Submission – Noncompliance

Federal Program Information:

Funding Agency: U.S. Department of Transportation
Title: Highway Planning and Construction Cluster
CFDA Number: 20.205 and 20.219

Funding Agency: U.S. Department of Housing and Urban Development
Title: Community Development Block Grant
CFDA Number: 14.228

Condition: The Data Collection Form cannot be submitted to the Federal Audit Clearinghouse until the annual financial audit has been completed; therefore, the A-133 compliance audit for June 30, 2012 was not submitted by the required final due date of March 31, 2013.

Criteria: OMB Circular A-133 Section .320(a) states that the Data Collection Form and Audit report shall be submitted within the earlier of 30 days after receipt of the auditor(s) report, or nine months after the end of the audit period. Based on this regulation, the latest the Authority could have filed the Data Collection Form was March 31, 2013.

Questioned Costs: Undeterminable

Effect: The City is in violation of OMB Circular A-133 Section .320(a). This violation could potentially jeopardize the City's eligibility to receive federal funding. Late audit report submission also prevents the timely release of financial data.

Cause: The audit of the City was not completed timely.

Auditors' Recommendation: We recommend that future audits be completely in a timely manner to ensure that the Data Collection Form can also be filed timely.

Management's Response: The 2013 audit is under contract and scheduled to be completed and filed timely.

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)

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

Federal Program Information:

Funding Agency: U.S. Department of Transportation
Title: Highway Planning and Construction Cluster
CFDA Number: 20.205 and 20.219

Funding Agency: U.S. Department of Housing and Urban Development
Title: Community Development Block Grant
CFDA Number: 14.228

Condition: The City does not have proper processes in place to ensure that federal funds are properly tracked and recorded to achieve an accurate SEFA. During fieldwork, the City had to gather all information and research each grant in order to complete the SEFA.

Criteria: The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Good internal controls require that management have procedures in place for identifying federal, state, and other awards.

Effect: Without proper grant awards reported on the SEFA, it is impossible to know if grant records are correct and whether awards are being spent in accordance with grant agreements, which may lead to the City over-expending grant funds and incurring expenditures that may not be reimbursed by grantor agencies.

Questioned Costs: Undeterminable

Cause: An accurate SEFA was not produced due to repeated turnover in key management at the City during the fiscal year. The turnover of management caused a lack of communication and structure in regards to the amount of funds awarded and expended for the current year.

Auditors' Recommendation: The City should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process, which includes the periodic review of financial reports, which includes establishing procedures to identify federal, state, and other awards.

Management's Response: Management has worked closely with HUD over the last two years regarding the problems at the Gallup Housing Authority (GHA). In November 2012 the City was notified by HUD that GHA's performance was being impeded by substantial management and government issues. The City immediately replaced the Board of Directors. Management arranged for a member of our management team to serve as interim Executive Director of GHA and directed our human resources department to assist in the recruitment of a new director.

The City has also hired a new Chief Financial Officer and efforts are underway to ensure proper reporting of grant awards.

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)

Component Unit

FAHA 12-01 Excluded Parties List – Significant Deficiency

Federal Program Information:

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

Funding Agency:	U.S. Department of Housing and Urban Development
Title:	Public Housing Capital Fund
CFDA Number:	14.872

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

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

Questioned Costs: Undeterminable

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

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

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

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

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)

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

Federal Program Information:

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

Funding Agency:	U.S. Department of Housing and Urban Development
Title:	Public Housing Capital Fund
CFDA Number:	14.872

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

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

Questioned Costs: Undeterminable

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

Cause: For the fiscal year 2012 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

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

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

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)

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

Federal Program Information:

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

Funding Agency:	U.S. Department of Housing and Urban Development
Title:	Public Housing Capital Fund
CFDA Number:	14.872

Condition: During FY 2012, management did not track any capital assets, including property and equipment purchased with federal awards.

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

Questioned Costs: None

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

Cause: For the fiscal year 2012 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal Awards.

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

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

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)

FAHA 12-04 Reporting – Noncompliance

Federal Program Information:

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

Funding Agency:	U.S. Department of Housing and Urban Development
Title:	Public Housing Capital Fund
CFDA Number:	14.872

Condition: The required report Form HUD 60002 was not submitted within the required time frame for the year ended June 30, 2012.

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

Questioned Costs: None

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

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

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

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

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)

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

Federal Program Information:

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

Funding Agency: U.S. Department of Housing and Urban Development
Title: Public Housing Capital Fund
CFDA Number: 14.872

Condition: During our review of the procurement process, it was noted the Authority does not reference the Cost Principles contained in Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, applicable to costs charged to federal programs and that Authority staff were unaware of this document. Also, during testwork performed on internal controls over compliance with compliance requirements that could have a direct and material effect on major programs, we noted that six expenditures (totaling $57,837.66), out of sixteen tested (totaling $372,883.99) for the Capital Fund Program were missing evidence of review by an individual familiar with allowable costs and activities, the supplement not supplant requirement, and did not contain proper management approval or adequate supporting documentation.

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

Questioned Costs: Undeterminable

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

Cause: The Authority has not implemented a review of Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, into its procurement processes for federal awards. Also, for the fiscal year 2012 management did not have a documented policy to ensure internal controls were in place and working properly. Lastly, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards

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

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

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)

FAHA 12-06 Late Data Collection Form Submission – Noncompliance

Federal Program Information:

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

Funding Agency: U.S. Department of Housing and Urban Development
Title: Public Housing Capital Fund
CFDA Number: 14.872

Condition: The Data Collection Form cannot be submitted to the Federal Audit Clearinghouse until the annual financial audit has been completed; therefore, the A-133 compliance audit for June 30, 2012 was not submitted by the required final due date of March 31, 2013.

Criteria: OMB Circular A-133 Section .320(a) states that the Data Collection Form and Audit report shall be submitted within the earlier of 30 days after receipt of the auditor(s) report, or nine months after the end of the audit period. Based on this regulation, the latest the Authority could have filed the Data Collection Form was March 31, 2013.

Questioned Costs: Undeterminable

Effect: The Authority is in violation of OMB Circular A-133 Section .320(a). This violation could potentially jeopardize the Authority's eligibility to receive federal funding. Late audit report submission also prevents the timely release of financial data.

Cause: The audit of the Authority was not completed timely.

Auditors' Recommendation: We recommend that future audits be completely in a timely manner to ensure that the Data Collection Form can also be filed timely.

Management's Response: The authority is already making the necessary plans to complete the audit in a timely manner, including the submittal of the Data Collection Form.

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (continued)

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

Federal Program Information:

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

Condition: The Authority recorded an inter-project cash transfer out of Project 3 in the amount of $47,687, but the prior year excess cash calculation was $431, making the transfer greater than the allowable amount by $47,256.

Criteria: The Financial Data Schedule Line Definition Guide as issued by the Department of Housing and Urban Development states that under line 10092 the amount of transfer is limited to a project's prior year excess cash calculation. Transfers greater than the project's prior year excess cash calculation is considered noncompliance.

Questioned Costs: None

Effect: The Authority is in violation of requirements in the Financial Data Schedule Line Definition Guide as issued by the Department of Housing and Urban Development.

Cause: The management of the Authority was not aware of the requirement to limit inter-project cash transfers out to the amount of prior year excess cash.

Auditors' Recommendation: We recommend that Authority perform a thorough review and training on the requirements set forth in the Financial Data Schedule Line Definition Guide as issued by the Department of Housing and Urban Development.

Management's Response: As a result of this finding, there have been no cash transfers since fiscal year 2012. The Authority will ensure there is adequate prior year excess cash before recording any cash transfer transactions.

OTHER DISCLOSURES

Exit Conference

An exit conference was held on June 28, 2013. In attendance were the following:

Representing the City of Gallup:

Jackie McKinney	Mayor
Daniel R. Dible	City Manager
Patty Holland	Chief Financial Officer
George Kozeliski	City Attorney

Representing Accounting & Consulting Group, LLP:

Robert Cordova, CPA	Manager
Robert Gonzales	In-Charge

Auditor Prepared Financial Statements

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