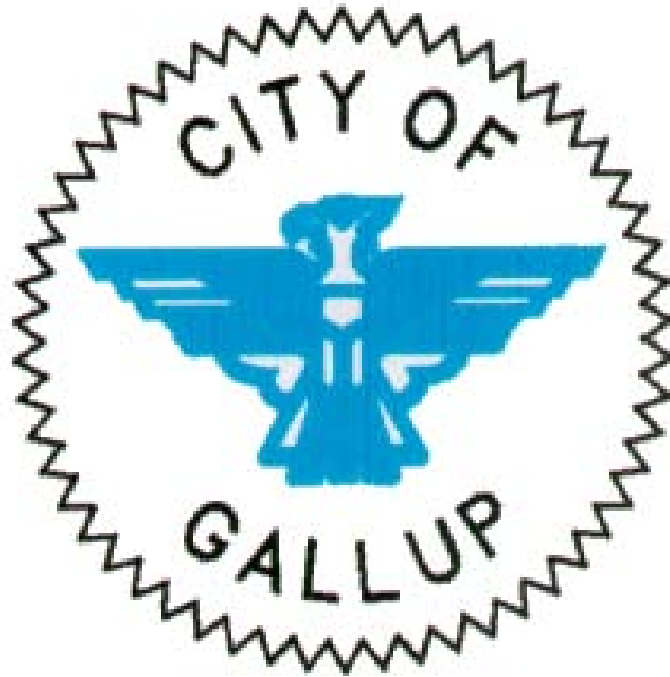


# STATE OF NEW MEXICO



## FINANCIAL STATEMENTS WITH REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010

**STATE OF NEW MEXICO  
CITY OF GALLUP**

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

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

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

# TABLE OF CONTENTS

	<u>PAGE</u>
<b>INTRODUCTORY SECTION</b> .....	1
LIST OF ELECTED AND APPOINTED OFFICIALS.....	2
ORGANIZATIONAL CHART .....	3
<b>FINANCIAL SECTION</b> .....	4
INDEPENDENT AUDITORS' REPORT .....	5-6
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	7-15
<b>BASIC FINANCIAL STATEMENTS</b> .....	16
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS .....	17
STATEMENT OF ACTIVITIES .....	18
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS .....	19
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS .....	20
COMBINING BALANCE SHEET – MAJOR GOVERNMENTAL FUNDS.....	21
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – MAJOR GOVERNMENTAL FUNDS .....	22
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND .....	23
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – ENVIRONMENTAL SURCHARGE SPECIAL REVENUE FUND .....	24
STATEMENTS OF NET ASSETS – PROPRIETARY FUNDS .....	25
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS .....	26
STATEMENTS OF CASH FLOWS – PROPRIETARY FUNDS .....	27
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES .....	28
<b>NOTES TO THE FINANCIAL STATEMENTS</b> .....	29
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
A. REPORTING ENTITY.....	30
B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS .....	30
C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION.....	31-32
D. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS .....	32-33
E. ASSETS, LIABILITIES, AND NET ASSETS OR FUND EQUITY .....	33-35
NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS	
A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS.....	35
B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES .....	35-36
NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
A. BUDGETARY INFORMATION .....	36
B. EXCESS OF EXPENDITURES/EXPENSES OVER APPROPRIATIONS .....	37-38
C. GAAP TO BUDGETARY BASIS RECONCILIATION .....	38
D. DEFICIT FUND EQUITY .....	38

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)</b>	
NOTE 4: DETAILED NOTES ON ALL FUNDS	
A. POOLED CASH AND INVESTMENTS .....	39-40
B. ACCOUNTS RECEIVABLE .....	40-41
C. CAPITAL ASSETS .....	41-42
D. INTERNAL BALANCES .....	42-43
E. LEASES .....	43
F. LONG-TERM LIABILITIES .....	43-47
G. RESTRICTED ASSETS .....	47
NOTE 5: OTHER INFORMATION	
A. RISK MANAGEMENT .....	47
B. CONTINGENT LIABILITIES .....	47-48
C. SEGMENT INFORMATION .....	48-49
D. PERA PENSION PLAN .....	49-50
E. POST EMPLOYMENT BENEFITS .....	50
F. RETIREMENT PLAN .....	51
G. LABOR UNIONS .....	51
NOTE 6: SUBSEQUENT EVENTS	
A. BOND ISSUE .....	51
<b>COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES .....</b>	<b>52</b>
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUND DESCRIPTIONS .....	53-54
NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUND DESCRIPTIONS .....	54
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUND DESCRIPTIONS .....	54-55
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS .....	56-60
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS .....	61-65
NON-MAJOR PROPRIETARY FUNDS - ENTERPRISE FUND DESCRIPTIONS .....	66
COMBINING STATEMENTS OF NET ASSETS – NON-MAJOR PROPRIETARY FUNDS .....	67
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – NON-MAJOR PROPRIETARY FUNDS .....	68
COMBINING STATEMENTS OF CASH FLOWS – NON-MAJOR PROPRIETARY FUNDS .....	69
FIDUCIARY (AGENCY) FUND DESCRIPTIONS .....	70
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES .....	71
<b>SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL .....</b>	
CORRECTION FEES SPECIAL REVENUE FUND .....	72
EMERGENCY MEDICAL SERVICES SPECIAL REVENUE FUND .....	73
FIRE SPECIAL REVENUE FUND .....	74
LAW ENFORCEMENT PROTECTION SPECIAL REVENUE FUND .....	75
SPECIAL LIBRARY SPECIAL REVENUE FUND .....	76
LODGERS' TAX SPECIAL REVENUE FUND .....	77
MUNICIPAL GAS TAX SPECIAL REVENUE FUND .....	78
JUVENILE RECREATION SPECIAL REVENUE FUND .....	79
INTERGOVERNMENTAL GRANTS SPECIAL REVENUE FUND .....	80
SENIOR CITIZENS SPECIAL REVENUE FUND .....	81
NA' NIZHOOSHI CENTER SPECIAL REVENUE FUND .....	82
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND .....	83
LAW ENFORCEMENT BLOCK GRANT SPECIAL REVENUE FUND .....	84
LAW ENFORCEMENT BLOCK GRANT SPECIAL REVENUE FUND .....	85

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (CONTINUED)</b>	
BUSINESS IMPROVEMENT DISTRICT SPECIAL REVENUE FUND.....	86
02/04 SALES TAX REVENUE BONDS DEBT SERVICE FUND .....	87
NEW MEXICO FINANCE AUTHORITY DEBT SERVICE FUND .....	88
11/00 SALES TAX BONDS DEBT SERVICE FUND .....	89
06/10 SALES TAX BONDS DEBT SERVICE FUND .....	90
AIRPORT CAPITAL PROJECTS FUND.....	91
INFRASTRUCTURE GRT CAPITAL PROJECTS FUND.....	92
¼% INFRASTRUCTURE GRT CAPITAL PROJECTS FUND .....	93
11/00 SALES TAX BONDS CAPITAL PROJECTS FUND.....	94
LEGISLATIVE APPROPRIATIONS CAPITAL PROJECTS FUND .....	95
GENERAL OBLIGATION BONDS CAPITAL PROJECTS FUND.....	96
02/04 SALES NON-TAX BONDS CAPITAL PROJECTS FUND .....	97
02/04 SALES TAX BONDS CAPITAL PROJECTS FUND.....	98
PUBLIC WORKS CAPITAL PROJECTS FUND .....	99
 <b>SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – BUDGET AND ACTUAL</b>	
SOLID WASTE ENTERPRISE FUND.....	101
JOINT UTILITIES ENTERPRISE FUND.....	102
THE FITNESS CENTER ENTERPRISE FUND.....	103
NATIONAL JUNIOR HIGH SCHOOL FINALS RODEO ENTERPRISE FUND.....	104
GAMERCO BILLINGS ENTERPRISE FUND .....	105
RISK MANAGEMENT INTERNAL SERVICE FUND .....	106
 <b>NEW MEXICO STATE AUDITOR DISCLOSURES</b>	
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS AND PLEDGED COLLATERAL .....	108-109
 <b>SINGLE AUDIT SECTION</b>	110
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	111-112
INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	113-114
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	115-116
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	117-122

## INTRODUCTORY SECTION

**STATE OF NEW MEXICO  
CITY OF GALLUP  
LIST OF ELECTED AND APPOINTED OFFICIALS  
JUNE 30, 2010**

**ELECTED OFFICIALS**

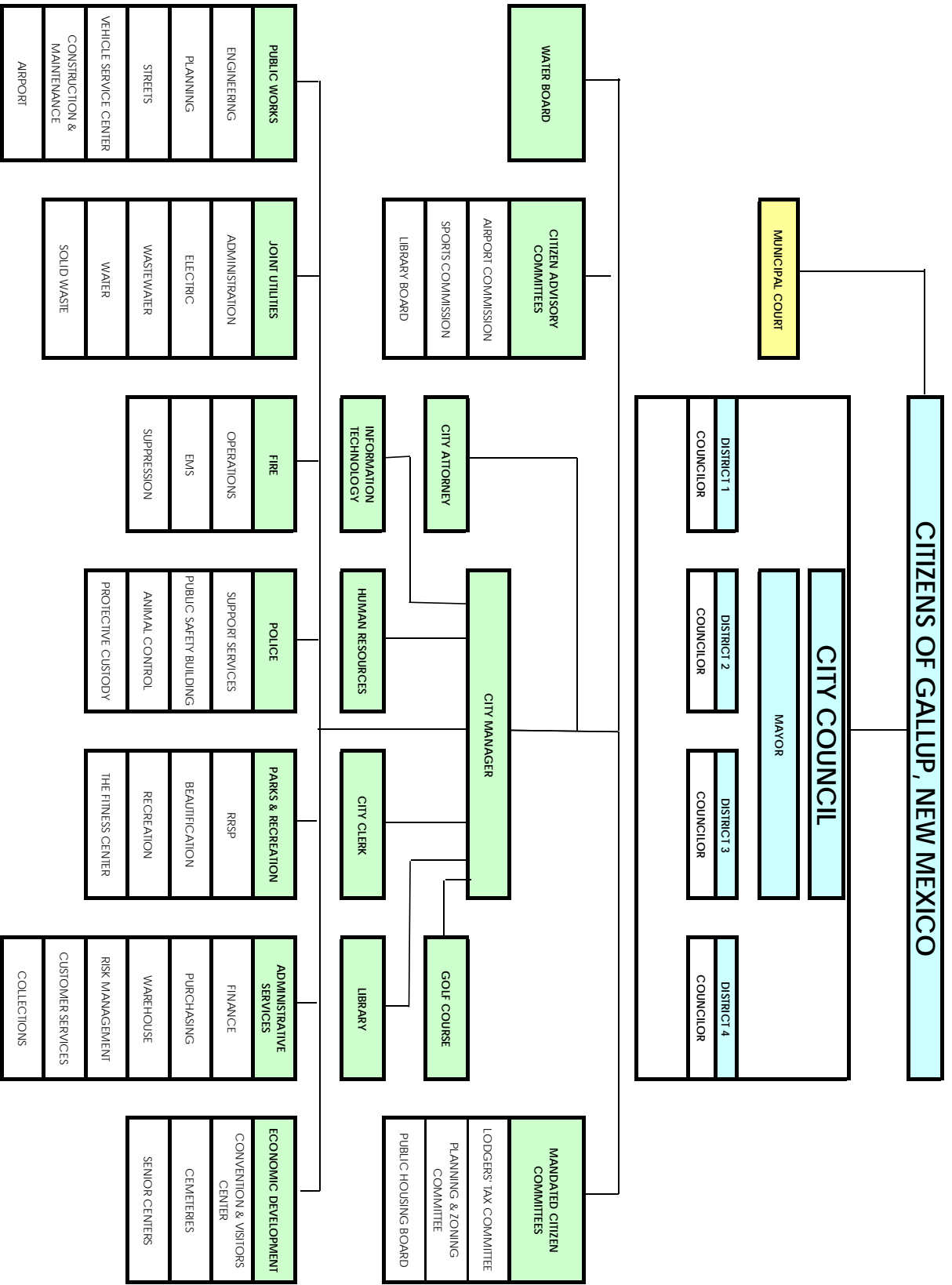
<b>MAYOR</b>	<b>HARRY MENDOZA</b>
<b>COUNCILOR – DISTRICT 1</b>	<b>MIKE ENFIELD</b>
<b>COUNCILOR – DISTRICT 2</b>	<b>ALLAN LANDAVAZO</b>
<b>COUNCILOR – DISTRICT 3</b>	<b>E. BRYAN WALL</b>
<b>COUNCILOR – DISTRICT 4</b>	<b>JAY AZUA</b>

**APPOINTED OFFICIALS**

<b>CITY MANAGER</b>	<b>R. DAVID PEDERSON</b>
---------------------	--------------------------

**OTHER OFFICIALS**

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





## FINANCIAL SECTION



# Griego Professional Services, LLC

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, budgetary comparisons for the general fund and major special revenue fund and the aggregate remaining fund information of City of Gallup (the "City"), New Mexico, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's non-major governmental, non-major enterprise and internal service funds, including budgetary comparisons, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of the City of Gallup, New Mexico's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gallup, New Mexico, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental, non-major enterprise and internal service fund of the City of Gallup, New Mexico, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for major debt service funds and the major enterprise funds and all non-major funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

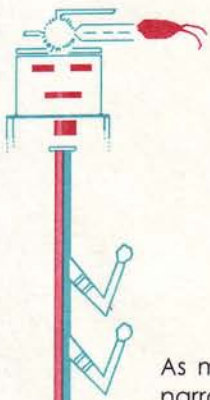
In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2010 on our consideration of the City of Gallup, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Grigo Professional Services, LLC*

Albuquerque, New Mexico  
December 14, 2010



# CITY OF GALLUP

MAYOR: HARRY H. MENDOZA

COUNCILORS: JOHN J. AZUA  
MIKE ENFIELD  
ALLAN LANDAVAZO  
E. BRYAN WALL

CITY MANAGER/  
CITY ATTORNEY: R. DAVID PEDERSON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gallup (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information furnished in the audit report.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$160,235,811 (*net assets*). Of this amount, \$77,403,710 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$19,380,043. This was an increase as compared to prior year, which was caused by a substantial increase in intergovernmental grants.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$39,971,766, an increase of \$13,725,955 in comparison with prior year. Approximately 54.23% of this total amount, \$7,444,526, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$7,444,526 or 30.02% of total general fund expenditures. Cash basis fund balance of \$4,665,092 can be found on page 21.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

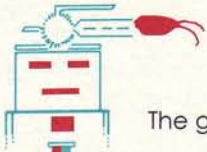
The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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





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

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

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

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

The City maintains twenty-nine (29) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and major governmental funds. The major governmental funds include the Environmental Surcharge Special Revenue Fund, the 11/00 Sales Tax Revenue Bonds Debt Service Fund, and the 06/10 Sales Tax Revenue Bonds Debt Service Fund. Data from the other twenty-five (25) governmental funds are also combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 19 through 24 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 25 through 27 of the report.

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

The basic fiduciary fund statements can be found on page 28 and pages 70 through 71 of this report.





**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 51 of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental and nonmajor proprietary funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 52 through 69 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$160,235,811 at the close of the most recent fiscal year.

The largest portion, 48.31%, of the City's net assets reflects the balances of its *unrestricted net assets* (\$77,403,710) which may be used to meet the City's ongoing obligations to citizens and creditors. An additional portion of the City's net assets, 48.06%, represents its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and machinery and equipment) less any related debt used to acquire those assets that is still outstanding (\$77,021,838). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. The remaining balance (\$5,810,263) reflects resources that are subject to external restrictions on how they may be used.

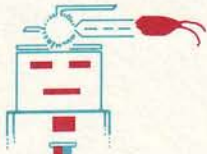
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

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

	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
<b>ASSETS</b>						
Current and other assets	\$ 47,097	\$ 32,648	\$ 43,712	\$30,707	\$90,809	\$63,355
Capital assets	84,409	83,119	52,450	53,168	136,859	136,287
Total assets	<u>\$131,506</u>	<u>\$115,767</u>	<u>\$ 96,162</u>	<u>\$ 83,875</u>	<u>\$227,668</u>	<u>\$199,642</u>
<b>LIABILITIES</b>						
Long-term liabilities outstanding	\$ 36,710	\$ 26,653	\$ 25,304	\$ 27,038	\$ 62,014	\$ 53,691
Other liabilities	3,440	3,280	1,978	1,815	5,418	5,095
Total liabilities	<u>\$ 40,150</u>	<u>\$ 29,933</u>	<u>\$ 27,282</u>	<u>\$ 28,853</u>	<u>\$ 67,432</u>	<u>\$ 58,786</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	\$ 49,556	\$ 58,333	\$27,466	\$26,326	\$ 77,022	\$ 84,659
Restricted net assets	5,810	3,779	0	0	5,810	3,779
Unrestricted net assets	35,990	23,722	41,414	28,696	77,404	52,418
Total net assets	<u>\$ 91,356</u>	<u>\$ 85,834</u>	<u>\$ 68,880</u>	<u>\$ 55,022</u>	<u>\$160,236</u>	<u>\$140,856</u>

Overall net assets increased by \$19,380,043. This was a 105.89% increase from prior year. Although charges for services and taxes are increasing, they are not growing at the same rate as operating expenses. The main increase in expenses is caused by the increasing cost of personnel and services, mainly fuel. The City pledged a ¼% Gross Receipts Tax that was dedicated to Infrastructure and issued \$11,910,000 in Sales Tax Bonds that will hopefully create a construction spurt in a declining sales sector. In addition, The City was also the recipient of a number of many intergovernmental grants, as compared to prior years. Also, our taxes have remained quite stable as compared to national trends.





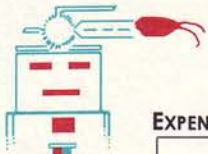
**CITY OF GALLUP'S CHANGES IN NET ASSETS  
(AMOUNTS IN THOUSANDS)**

	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 3,549	\$ 3,490	\$ 34,833	\$ 32,855	\$ 38,382	\$ 36,345
Operating and capital grants	5,676	2,683	7,593	202	13,269	2,885
General Revenues						
Property taxes	2,867	2,851	0	0	2,867	2,851
Other taxes	14,273	14,088	422	419	14,695	14,507
Grants and other contributions	9,748	9,482	0	0	9,748	9,482
Other	996	1,049	428	787	1,424	1,836
Total Revenues	<u>37,109</u>	<u>33,643</u>	<u>43,276</u>	<u>34,263</u>	<u>80,385</u>	<u>67,906</u>
<b>EXPENSES</b>						
General government	7,078	6,214	0	0	7,078	6,214
Culture and recreation	6,183	6,391	916	779	7,099	7,170
Public safety	12,821	11,208	0	0	12,821	11,208
Health and welfare	1,446	1,179	0	0	1,446	1,179
Public works	4,823	5,118	0	0	4,823	5,118
Electric	0	0	16,299	16,130	16,299	16,130
Wastewater	0	0	3,179	3,010	3,179	3,010
Water	0	0	4,301	4,529	4,301	4,529
Sanitation	0	0	2,869	2,782	2,869	2,782
Interest on long-term debt	1,090	1,153	0	0	1,090	1,153
Total Expenses	<u>33,441</u>	<u>31,263</u>	<u>27,564</u>	<u>27,230</u>	<u>61,005</u>	<u>58,493</u>
Increase in Net Assets Before Net Transfers	3,668	2,380	15,712	7,033	19,380	9,413
Net Transfers	<u>1,854</u>	<u>2,357</u>	<u>(1,854)</u>	<u>(2,357)</u>	<u>0</u>	<u>0</u>
Increase in Net Assets	5,522	4,737	13,858	4,676	19,380	9,413
Net Assets, 06/30/09	85,834	81,097	55,022	50,346	140,856	131,443
Net Assets, 06/30/10	<u>\$91,356</u>	<u>\$85,834</u>	<u>\$ 68,880</u>	<u>\$ 55,022</u>	<u>\$ 160,236</u>	<u>\$ 140,856</u>

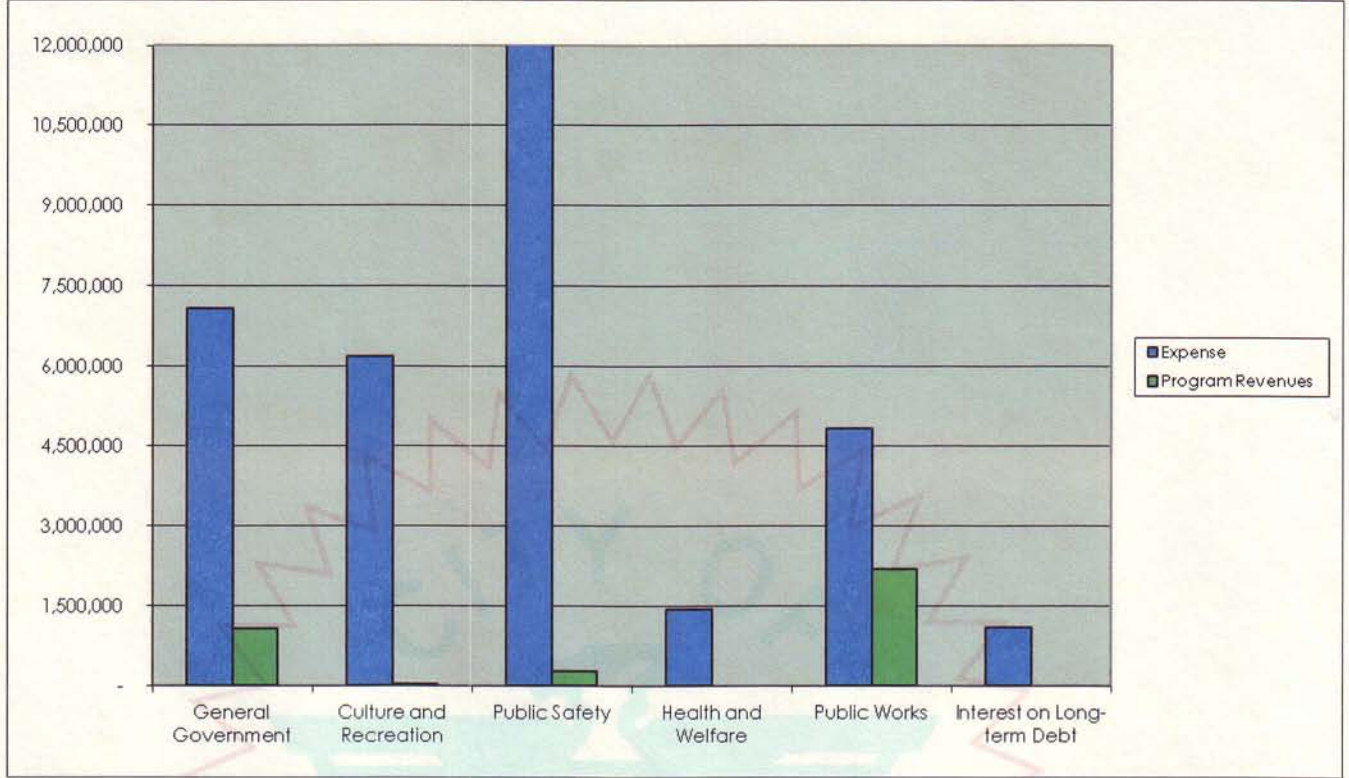
**Governmental Activities.** Governmental activities increased the City's net assets by \$5,521,870, thereby accounting for 28.49% of the total increase in the net assets of the City. The \$784,521 increase was up 16.56% as compared to prior year. Key elements of this increase are as follows:

- Operating and capital grants increased by \$2,992,921, primarily due to the receipt of Federal Economic Stimulus grants for the reconstruction of roadways.
- Charges for services increased by \$58,824 due to growth in our recreational areas and great weather.
- Overall, taxes increased by \$466,656 because of a steady growth in our tax base. The City is a central hub for retail shopping for surrounding reservations. By population counts, the City is about 20,000 residents, but on any given weekend we can see an influx of 100,000 consumers. Therefore, our user tax base (gross receipts tax) stays relatively stable throughout the year.
- Expenses increased by \$2,178,179 caused by increasing fuel and construction costs.

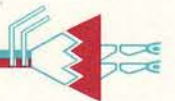
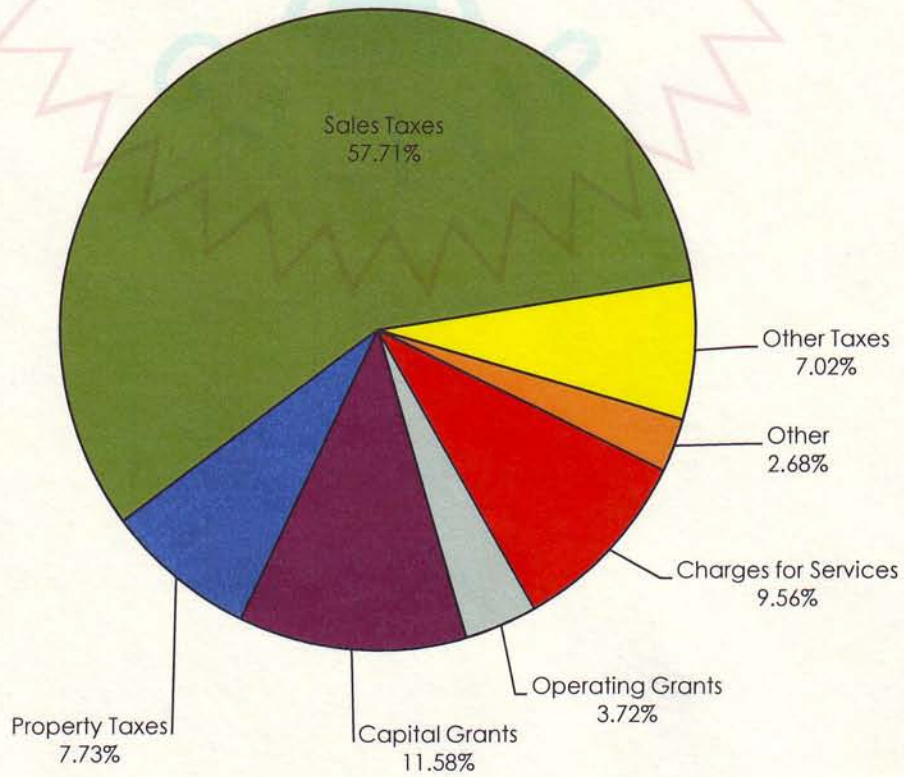




### EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES



### REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



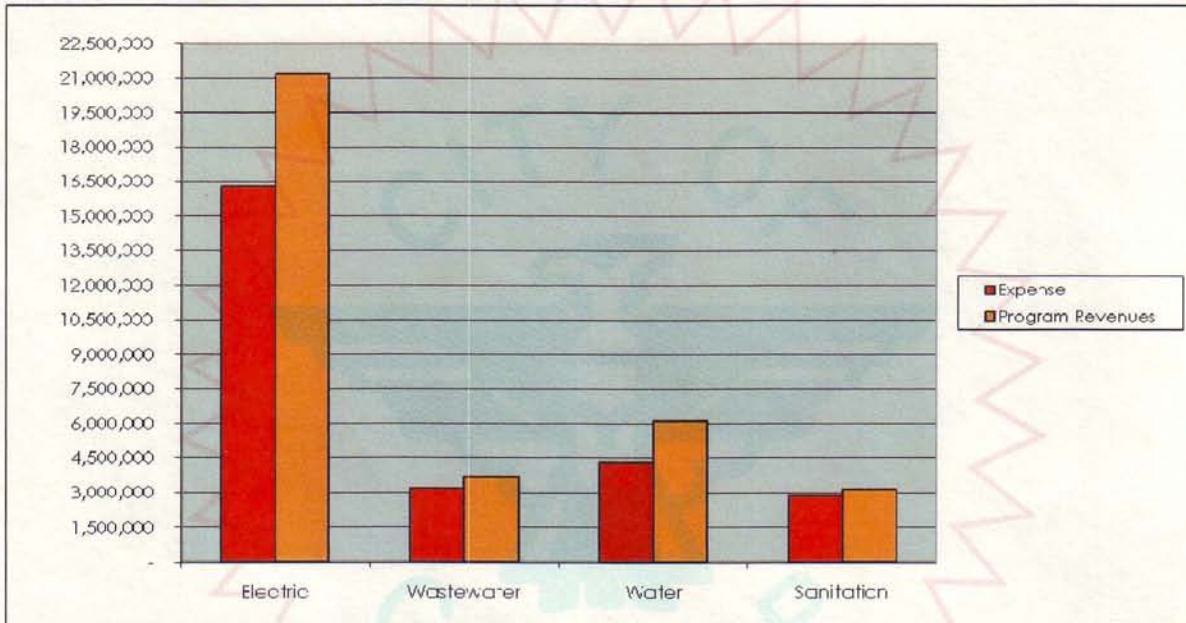




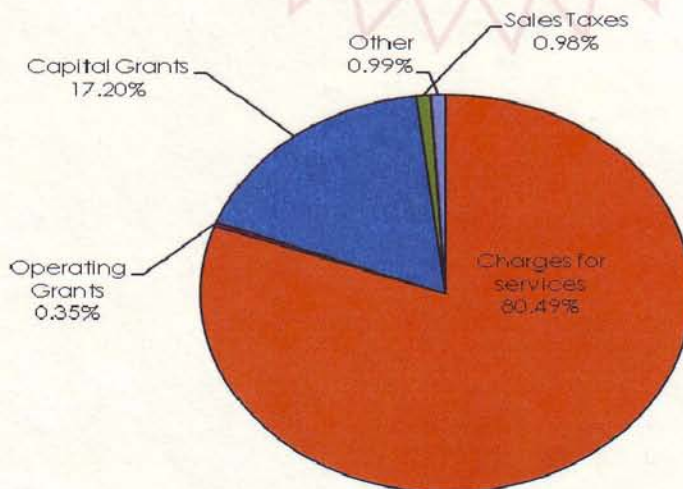
**Business-type Activities.** Business-type activities increased the City's net assets by \$13,858,173 accounting for 71.51% of the total growth of the government's net assets. This increase of \$9,182,863 was 196.41% as compared to last year. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by 6.02%. Gallup Joint Utilities accounts for a significant portion of this increase, which resulted from the approval of a tiered rate increase passed in 2005. Revenues also increased because of aggressive collection efforts on past due accounts. Together, these factors, account for the \$1,978,260 increase in charges for services.
- Operating and capital grants increase \$7,391,115. The City received Water Trust Board grants that are in connection with our Navajo Gallup Pipeline project. Not all grant awards have been expended.
- Expenses for business-type activities increased \$334,387, which was caused by the increase in personnel and operations.

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



**REVENUES BY SOURCE BUSINESS-TYPE ACTIVITIES**





## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$39,971,766, an increase of \$13,725,955 in comparison with the prior year. The General Fund individually had a decrease of \$2,255,235 in unreserved fund balance, which is available for spending at the City's discretion.

The General Fund is the chief operating fund for the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$7,444,526 while total fund balance was \$8,277,035. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 30.02% of total General Fund expenditures, and total fund balance represents 33.38% of that same amount. The expenditure calculation does not consider \$3,533,733 in net transfers out of the General Fund.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$2,255,235. This reflects a decrease of 268.07%. Key factors in this increase are as follows:

- Taxes increased by \$351,018, which was caused by influx of retail shoppers in our area. Because of rising gas prices, many of our constituents were shopping in the Gallup area.
- Miscellaneous income decreased by \$101,338 due to fact that in the prior year the City received funds from insurance for vehicles and sold some assets.
- Interest income decreased \$48,428 due to fact that investments that reflected favorable interest rates have come to term and now current rates are extremely low.
- Expenditures increased by \$2,120,885, mainly due to salary increased connected with the City's three (3) labor union contracts and the increasing cost of providing services to constituents.

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

Total unrestricted net assets at the end of the year amounted to \$41,413,803. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget totaled \$3,148,810 and can be briefly summarized as follows:

- \$351,847 in increases allocated to general government departments
- \$127,380 in increases allocated to recreation departments
- \$311,757 in increases allocated to the police and fire departments
- \$16,462 in increases allocated to the health and welfare departments
- \$13,191 in decreases allocated to the public works departments
- \$836,855 in increases allocated to capital outlay (mainly the result of the carryover of purchase orders from the prior year and intergovernmental grants)
- \$1,517,700 increase in net operating transfers out (mainly the transfer of dedicated Infrastructure Gross Receipts Tax)

Of the increase, \$229,368 was funded out of charges for services and \$613,741 was funded out of intergovernmental income. The remaining \$2,305,701 was budgeted from available fund balance.





## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to \$136,858,614 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, and distribution systems. The total increase in the City's investment in capital assets for the current fiscal year was 0.42% (1.55% increase for governmental activities and 1.35% decrease for business-type activities).

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

- Various building and system additions and improvements were completed by GJU at a cost of \$1,724,523
- The City was the recipient of grants for the reconstruction of roadways at a cost of \$2,864,228
- Various equipment and machinery additions were capitalized by the City at a cost of \$1,261,669
- A variety of building and infrastructure projects were completed by the City at a cost of \$1,570,765

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

	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
Land	\$ 7,384	\$ 7,384	\$ 484	\$ 484	\$ 7,868	\$ 7,868
Distribution & collection Systems	0	0	51,888	50,256	51,888	50,256
Buildings & improvements	74,724	74,112	34,506	34,414	109,230	108,526
Infrastructure	39,946	36,123	0	0	39,946	36,123
Equipment	16,758	15,606	11,348	11,033	28,106	26,639
	<u>\$138,812</u>	<u>\$133,225</u>	<u>\$98,226</u>	<u>\$96,187</u>	<u>\$ 237,038</u>	<u>\$ 229,412</u>

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

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$54,420,000. Of this amount, \$4,645,000 comprises debt back by property taxes, \$28,270,000 comprises debt backed by gross receipts tax revenues, and \$21,505,000 is backed by revenue generated by Gallup Joint Utilities. The remaining balance of \$4,480,125 is made up of loans backed by specific operational revenue sources.

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

	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 4,645	\$ 5,130	\$ 0	\$ 0	\$ 4,645	\$ 5,130
Sales tax revenue bonds	28,270	17,735	0	0	28,270	17,735
Revenue bonds	0	0	21,505	22,660	21,505	22,660
	32,915	22,865	21,505	22,660	54,420	45,525
Loans payable	1,430	1,720	3,050	3,383	4,480	5,103
	<u>\$34,345</u>	<u>\$24,585</u>	<u>\$24,555</u>	<u>\$26,043</u>	<u>\$58,900</u>	<u>\$50,628</u>

During the current fiscal year the City's total debt outstanding increased by \$8,271,946 (16.33%). The key factor in this increase was a \$11,910,000 sales tax bond issuance. In addition, the City refinanced \$3,520,000 of its existing sales tax revenue bond debt to take advantage of favorable interest rates. The result expected is to be a decrease in future debt service payments of \$318,954.

Currently the City maintains an "A2" rating on its sales tax bonds from Moody's and on its latest issue Standard & Poor's rated the bonds "AA-". Gallup Joint Utilities maintains an "A1" on its revenue bonds from Moody's and an "AA-" rating from Fitch.





State statutes limit the amount of general obligation debt a governmental entity may issue to four percent (4%) of its total assessed valuation. The current debt limitation for the City is approximately \$13.9 million, with \$9.7 million as remaining capacity.

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

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

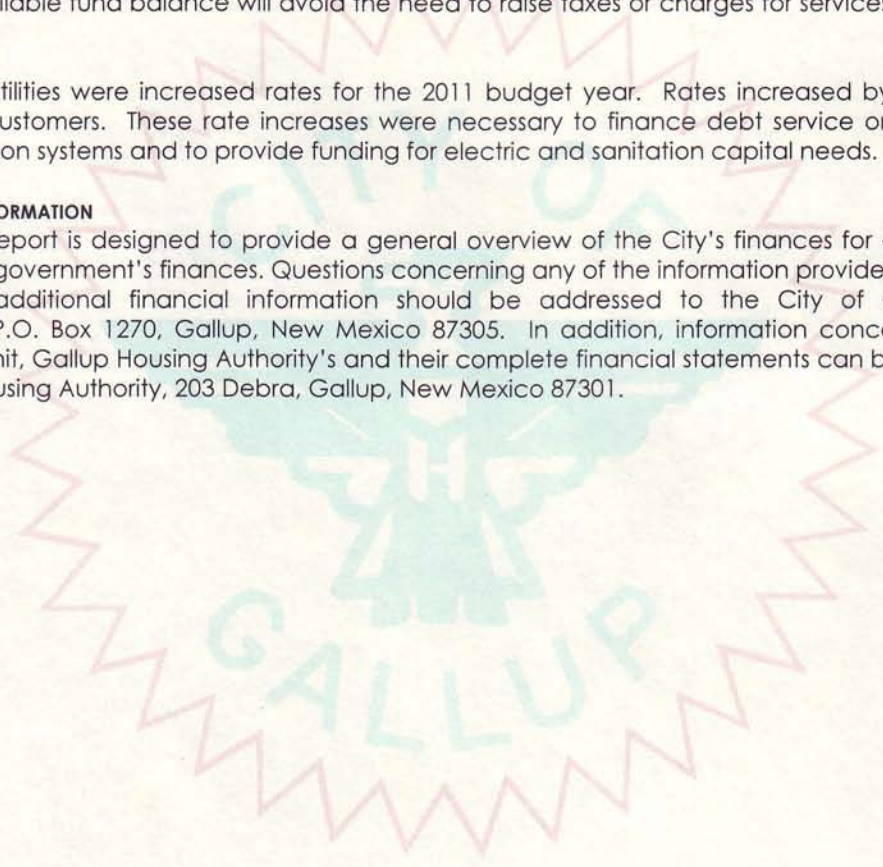
- Budget revenues were projected flat. Although, the City has seen about a three percent (3%) growth rate in charges for services and taxes over the past few years.
- The City budgeted for increased costs in personnel due to labor union contracts.
- Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, unreserved fund balance in the general fund decreased \$2,255,235. The City has appropriated \$2,406,240 of fund balance for spending in the 2011 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges for services during the 2011 fiscal year.

Gallup Joint Utilities were increased rates for the 2011 budget year. Rates increased by an average of 3.00% for all customers. These rate increases were necessary to finance debt service on the water and sewer distribution systems and to provide funding for electric and sanitation capital needs.

#### **REQUESTS FOR INFORMATION**

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



## **BASIC FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
CITY OF GALLUP  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	PRIMARY GOVERNMENT			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,626,330	\$ 412,152	\$ 16,038,482	\$ 216,121
Investments	22,155,890	13,902,558	36,058,448	-
Accounts receivable, net	8,616,337	2,676,678	11,293,015	60,295
Internal balances	-	-	-	227,773
Inventories	385,048	2,272,057	2,657,105	13,762
Prepaid expenses	-	-	-	-
Deferred charges	313,739	150,824	464,563	-
Restricted cash and cash equivalents	-	24,298,085	24,298,085	42,116
Capital assets:				
Construction in progress	-	-	-	747,802
Land	7,383,732	483,907	7,867,639	1,686,162
Distribution and collections systems	-	51,887,607	51,887,607	-
Buildings and improvements	74,724,106	34,506,153	109,230,259	10,416,440
Infrastructure	39,945,914	-	39,945,914	-
Equipment	16,758,461	11,347,749	28,106,210	605,977
Less accumulated depreciation	(54,403,442)	(45,775,573)	(100,179,015)	(6,394,323)
Other assets held for sale	-	-	-	-
Total Assets	<u>131,506,115</u>	<u>96,162,197</u>	<u>227,668,312</u>	<u>7,622,125</u>
<b>LIABILITIES</b>				
Accounts payable	1,371,113	356,466	1,727,579	193,296
Accrued wages and taxes	694,361	333,319	1,027,680	30,713
Deferred revenue	1,191,704	39,478	1,231,182	82,081
Payable from restricted assets	-	914,703	914,703	42,116
Accrued interest	183,464	130,683	314,147	-
Other current liabilities	-	-	-	-
Long-term obligations:				
Compensated absences	781,423	203,902	985,325	60,204
Claims and judgements payable	1,075,109	-	1,075,109	-
Due within one year	2,391,630	1,552,996	3,944,626	-
Due in more than one year	<u>32,461,479</u>	<u>23,750,671</u>	<u>56,212,150</u>	-
Total Liabilities	<u>40,150,283</u>	<u>27,282,218</u>	<u>67,432,501</u>	<u>408,410</u>
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	49,555,662	27,466,176	77,021,838	7,062,058
Restricted for:				
Inventories	385,048	-	385,048	-
Deposits	-	-	-	42,116
Encumbrances	5,425,215	-	5,425,215	-
Unrestricted	<u>35,989,907</u>	<u>41,413,803</u>	<u>77,403,710</u>	<u>109,541</u>
Total Net Assets	<u>\$ 91,355,832</u>	<u>\$ 68,879,979</u>	<u>\$ 160,235,811</u>	<u>\$ 7,213,715</u>

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	Expenses	Charges for Services	Operating		Governmental Activities	PRIMARY GOVERNMENT		Component Unit
			Grants and Contributions	Capital Grants and Contributions		Business-type Activities	Total	
Primary Government:								
General government	\$ 7,077,991	\$ 1,066,521	\$ 42,781	\$ -	\$ (5,968,689)	\$ -	\$ (5,968,689)	\$ -
Culture and recreation	6,183,154	8,313	349,119	-	(5,825,722)	-	(5,825,722)	-
Public safety	12,821,348	286,149	717,667	-	(11,817,532)	-	(11,817,532)	-
Health and welfare	1,446,101	-	158,813	171,205	(1,116,083)	-	(1,116,083)	-
Public works	4,822,828	2,188,344	111,597	4,124,401	1,601,514	-	1,601,514	-
Interest on long-term debt	1,089,415	-	-	-	(1,089,415)	-	(1,089,415)	-
Total Governmental Activities	33,440,837	3,549,327	1,379,977	4,295,606	(24,215,927)	-	(24,215,927)	-
Business-type activities:								
Culture and recreation	916,379	714,965	150,000	-	-	(51,414)	(51,414)	-
Electric	16,298,588	21,199,477	-	-	-	4,900,889	4,900,889	-
Wastewater	3,179,406	3,679,510	-	-	-	500,104	500,104	-
Water	4,301,003	6,095,365	-	7,443,271	-	9,237,633	9,237,633	-
Sanitation	2,869,093	3,143,671	-	-	-	274,578	274,578	-
Total Business-type Activities	27,564,469	34,832,988	150,000	7,443,271	-	14,861,790	14,861,790	-
Total Primary Government	\$ 61,005,306	\$ 38,382,315	\$ 1,529,977	\$ 11,738,877	(24,215,927)	14,861,790	(9,354,137)	-
COMPONENT UNIT:								
Housing authority	\$ 1,723,059	\$ 482,688	\$ 943,963	\$ 992,867	-	-	-	696,459
GENERAL REVENUES:								
Property taxes, levied for general purposes					1,978,223	-	1,978,223	-
Property taxes, levied for debt service					888,812	-	888,812	-
Franchise taxes					1,477,297	-	1,477,297	-
Gross receipts taxes					11,667,475	422,337	12,089,812	-
Public service taxes					1,127,782	-	1,127,782	-
Grants and contributions not restricted to specific program					9,747,926	-	9,747,926	-
Miscellaneous income					159,525	(98)	159,427	42,212
Interest income					836,817	428,084	1,264,901	531
Transfers					1,853,940	(1,853,940)	-	-
Total General Revenues and Transfers					29,737,797	(1,003,617)	28,734,180	42,743
CHANGE IN NET ASSETS					5,521,870	13,858,173	19,380,043	739,202
Net Assets, Beginning of Year					85,833,962	55,021,806	140,855,768	6,474,513
Net Assets, End of Year					\$ 91,355,832	\$ 68,879,979	\$ 160,235,811	\$ 7,213,715

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2010

	<u>General</u>	<u>Major Funds</u>	<u>Non Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,435,833	\$ 12,057,332	\$ 1,118,472	\$ 15,611,637
Investments	2,229,259	8,819,542	7,520,387	18,569,188
Accounts receivable, net	5,212,201	96,539	3,307,597	8,616,337
Due from other funds	120,000	-	-	120,000
Inventories	<u>385,048</u>	<u>-</u>	<u>-</u>	<u>385,048</u>
Total Assets	<u>\$ 10,382,341</u>	<u>\$ 20,973,413</u>	<u>\$ 11,946,456</u>	<u>\$ 43,302,210</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 361,254	\$ -	\$ 973,637	\$ 1,334,891
Accrued wages and taxes	639,120	-	44,729	683,849
Due to other funds	-	-	120,000	120,000
Deferred revenue	1,104,932	-	86,772	1,191,704
Payable from restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>2,105,306</u>	<u>-</u>	<u>1,225,138</u>	<u>3,330,444</u>
<b>FUND BALANCES</b>				
Reserved for:				
Inventories	385,048	-	-	385,048
Encumbrances	447,461	86,094	4,891,660	5,425,215
Special revenue funds	-	8,797,299	2,513,992	11,311,291
Debt service funds	-	12,090,020	1,329,450	13,419,470
Capital projects funds	-	-	1,986,216	1,986,216
Unreserved, reported in:				
General fund	<u>7,444,526</u>	<u>-</u>	<u>-</u>	<u>7,444,526</u>
Total Fund Balances	<u>8,277,035</u>	<u>20,973,413</u>	<u>10,721,318</u>	<u>39,971,766</u>
Total Liabilities and Fund Balances	<u>\$ 10,382,341</u>	<u>\$ 20,973,413</u>	<u>\$ 11,946,456</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	84,407,754
The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	2,470,933
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(35,494,621)</u>
Net Assets of Governmental Activities	<u>\$ 91,355,832</u>

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



STATE OF NEW MEXICO  
CITY OF GALLUP  
GOVERNMENTAL FUNDS  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2010

	General	Major Funds	Non Major Funds	Total Governmental Funds
<b>REVENUES</b>				
Intergovernmental income	\$ 553,443	\$ 1,188	\$ 5,120,952	\$ 5,675,583
Taxes	15,122,995	-	2,016,594	17,139,589
Operating grant - taxes	8,764,295	-	983,631	9,747,926
Charges for services	1,066,521	1,336,254	294,462	2,697,237
Miscellaneous income	68,663	-	70,523	139,186
Interest income	498,287	159,775	125,061	783,123
Total Revenues	<u>26,074,204</u>	<u>1,497,217</u>	<u>8,611,223</u>	<u>36,182,644</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,944,835	-	123,053	7,067,888
Culture and recreation	4,483,473	-	690,293	5,173,766
Public safety	10,225,422	-	247,324	10,472,746
Health and welfare	717,067	-	572,999	1,290,066
Public works	1,618,059	(3,079)	2,171,894	3,786,874
Debt service:				
Principal retirement	-	4,110,000	1,560,048	5,670,048
Interest and other charges	-	29,498	841,954	871,452
Capital outlay	806,850	-	4,600,939	5,407,789
Total Expenditures	<u>24,795,706</u>	<u>4,136,419</u>	<u>10,808,504</u>	<u>39,740,629</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,278,498</u>	<u>(2,639,202)</u>	<u>(2,197,281)</u>	<u>(3,557,985)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond and loan proceeds	-	15,430,000	-	15,430,000
Operating transfers in	1,462,239	4,418,061	5,981,933	11,862,233
Operating transfers out	(4,995,972)	(3,703,491)	(1,308,830)	(10,008,293)
Total Other Financing Sources (Uses)	<u>(3,533,733)</u>	<u>16,144,570</u>	<u>4,673,103</u>	<u>17,283,940</u>
Net Change in Fund Balances	(2,255,235)	13,505,368	2,475,822	13,725,955
Fund Balance, Beginning of Year	<u>10,532,270</u>	<u>7,468,045</u>	<u>8,245,496</u>	
Fund Balance, End of Year	<u>\$ 8,277,035</u>	<u>\$ 20,973,413</u>	<u>\$ 10,721,318</u>	

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

1,290,684

The internal service fund is used by management to charge the costs of insurance to individual funds. The net revenue is reported with governmental activities.

564,866

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

This amount is the net effect of these differences in the treatment of long-term debt and related items.

(9,759,952)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(299,683)

Change in Net Assets of Governmental Activities

\$ 5,521,870

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010

	SPECIAL REVENUE		DEBT SERVICE		Total Major Governmental Funds
	FUND		FUND		
	Environmental Surcharge	11/00 Sales Tax Revenue Bonds	06/10 Sales Tax Revenue Bonds		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 42,546	\$ -	\$ 12,014,786	\$	12,057,332
Investments	8,744,308	-	75,234		8,819,542
Accounts receivable, net	96,539	-	-		96,539
Due from other funds	-	-	-		-
Inventories	-	-	-		-
Total Assets	<u>\$ 8,883,393</u>	<u>\$ -</u>	<u>\$ 12,090,020</u>	<u>\$</u>	<u>20,973,413</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$	-
Accrued wages and taxes	-	-	-		-
Due to other funds	-	-	-		-
Deferred revenue	-	-	-		-
Payable from restricted	-	-	-		-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Reserved for:					
Inventories	-	-	-		-
Encumbrances	86,094	-	-		86,094
Special revenue funds	8,797,299	-	-		8,797,299
Debt service funds	-	-	12,090,020		12,090,020
Capital projects funds	-	-	-		-
Unreserved, reported in:					
General fund	-	-	-		-
Total Fund Balances	<u>8,883,393</u>	<u>-</u>	<u>12,090,020</u>	<u></u>	<u>20,973,413</u>
Total Liabilities and Fund Balances	<u>\$ 8,883,393</u>	<u>\$ -</u>	<u>\$ 12,090,020</u>	<u>\$</u>	<u>20,973,413</u>

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2010

	SPECIAL REVENUE		DEBT SERVICE		Total Major Governmental Funds
	FUND		FUND		
	Environmental Surcharge	11/00 Sales Tax Revenue Bonds	06/10 Sales Tax Revenue Bonds		
REVENUES					
Intergovernmental income	\$ 1,188	\$ -	\$ -	\$ 1,188	
Taxes	-	-	-	-	
Operating grant - taxes	-	-	-	-	
Charges for services	1,336,254	-	-	1,336,254	
Miscellaneous income	-	-	-	-	
Interest income	157,424	2,062	289	159,775	
Total Revenues	<u>1,494,866</u>	<u>2,062</u>	<u>289</u>	<u>1,497,217</u>	
EXPENDITURES					
Current:					
General government	-	-	-	-	
Culture and recreation	-	-	-	-	
Public safety	-	-	-	-	
Health and welfare	-	-	-	-	
Public works	(3,079)	-	-	(3,079)	
Debt service:					
Principal retirement	-	4,110,000	-	4,110,000	
Interest and other charges	-	225,390	(195,892)	29,498	
Capital outlay	-	-	-	-	
Total Expenditures	<u>(3,079)</u>	<u>4,335,390</u>	<u>(195,892)</u>	<u>4,136,419</u>	
Excess (Deficiency) of Revenues over Expenditures	<u>1,497,945</u>	<u>(4,333,328)</u>	<u>196,181</u>	<u>(2,639,202)</u>	
OTHER FINANCING SOURCES (USES)					
Bond and loan proceeds	-	-	15,430,000	15,430,000	
Operating transfers in	-	4,334,396	83,665	4,418,061	
Operating transfers out	-	(83,665)	(3,619,826)	(3,703,491)	
Total Other Financing Sources (Uses)	-	<u>4,250,731</u>	<u>11,893,839</u>	<u>16,144,570</u>	
Net Change in Fund Balances	1,497,945	(82,597)	12,090,020	13,505,368	
Fund Balance, Beginning of Year	<u>7,385,448</u>	<u>82,597</u>	<u>-</u>	<u>7,468,045</u>	
Fund Balance, End of Year	<u>\$ 8,883,393</u>	<u>\$ -</u>	<u>\$ 12,090,020</u>	<u>\$ 20,973,413</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ 1,058,960	\$ 1,672,701	\$ 553,443	\$ (1,119,258)
Taxes	15,337,700	15,337,700	15,122,995	(214,705)
Operating grant - taxes	9,344,540	9,344,540	8,764,295	(580,245)
Charges for services	1,631,580	1,860,948	686,761	(1,174,187)
Miscellaneous income	91,110	91,110	68,663	(22,447)
Interest income	505,570	505,570	498,287	(7,283)
Total Revenues	<u>27,969,460</u>	<u>28,812,569</u>	<u>25,694,444</u>	<u>(3,118,125)</u>
<b>EXPENDITURES</b>				
Current:				
General government	7,648,010	7,999,857	7,282,164	717,693
Culture and recreation	5,567,100	5,694,480	4,575,958	1,118,522
Public safety	9,804,980	10,116,737	10,106,145	10,592
Health and welfare	912,410	928,872	717,067	211,805
Public works	1,939,910	1,926,719	1,618,059	308,660
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>364,840</u>	<u>1,201,695</u>	<u>806,850</u>	<u>394,845</u>
Total Expenditures	<u>26,237,250</u>	<u>27,868,360</u>	<u>25,106,243</u>	<u>2,762,117</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>1,732,210</u>	<u>944,209</u>	<u>588,201</u>	<u>(356,008)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	1,601,770	3,907,471	-	(3,907,471)
Transfers from other funds	1,679,030	1,928,190	1,462,239	(465,951)
Transfers to other funds	<u>(5,013,010)</u>	<u>(6,779,870)</u>	<u>(5,015,972)</u>	<u>1,763,898</u>
Total Other Financing Sources (Uses)	<u>(1,732,210)</u>	<u>(944,209)</u>	<u>(3,553,733)</u>	<u>(2,609,524)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(2,965,532)</u>	<u>\$ (2,965,532)</u>
Fund Balance, Beginning of Year			<u>7,630,624</u>	
Fund Balance, End of Year			<u>\$ 4,665,092</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
ENVIRONMENTAL SURCHARGE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 1,188	\$ 1,188	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	1,000,000	1,280,000	1,355,058	75,058
Miscellaneous income	-	-	-	-
Interest income	<u>150,000</u>	<u>150,000</u>	<u>157,424</u>	<u>7,424</u>
Total Revenues	<u>1,150,000</u>	<u>1,431,188</u>	<u>1,513,670</u>	<u>82,482</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	96,515	7,311	89,204
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>-</u>	<u>630,944</u>	<u>-</u>	<u>630,944</u>
Total Expenditures	<u>-</u>	<u>727,459</u>	<u>7,311</u>	<u>720,148</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>1,150,000</u>	<u>703,729</u>	<u>1,506,359</u>	<u>802,630</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	(1,150,000)	(703,729)	-	703,729
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,150,000)</u>	<u>(703,729)</u>	<u>-</u>	<u>703,729</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>1,506,359</u>	<u>\$ 1,506,359</u>
Fund Balance, Beginning of Year			<u>7,280,495</u>	
Fund Balance, End of Year			<u>\$ 8,786,854</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 1,506,359	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			(18,804)	
Expenditures for payables, prepaid expenditures and other accruals			<u>10,390</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ 1,497,945</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
PROPRIETARY FUNDS  
STATEMENTS OF NET ASSETS  
JUNE 30, 2010

ASSETS	BUSINESS TYPE ACTIVITIES			GOVERNMENTAL
	Joint Utilities	Non Major Funds	Total	ACTIVITIES
				Internal Service
CURRENT ASSETS				
Cash and cash equivalents	\$ 65,405	\$ 346,747	\$ 412,152	\$ 14,693
Investments	9,940,166	3,962,392	13,902,558	3,586,702
Accounts receivable, net	2,312,278	364,400	2,676,678	-
Due from other funds	-	-	-	-
Inventories	<u>2,272,057</u>	<u>-</u>	<u>2,272,057</u>	<u>-</u>
Total Current Assets	<u>14,589,906</u>	<u>4,673,539</u>	<u>19,263,445</u>	<u>3,601,395</u>
NONCURRENT ASSETS				
Restricted cash and cash equivalents	24,290,952	7,133	24,298,085	-
Capital assets:				
Land	416,528	67,379	483,907	-
Distribution and collections systems	51,218,317	669,290	51,887,607	-
Buildings and improvements	34,166,415	339,738	34,506,153	2,180
Equipment	8,422,675	2,925,074	11,347,749	55,331
Less accumulated depreciation	(42,127,532)	(3,648,041)	(45,775,573)	(56,494)
Deferred charges	<u>150,824</u>	<u>-</u>	<u>150,824</u>	<u>-</u>
Total Noncurrent Assets	<u>76,538,179</u>	<u>360,573</u>	<u>76,898,752</u>	<u>1,017</u>
Total Assets	<u>91,128,085</u>	<u>5,034,112</u>	<u>96,162,197</u>	<u>3,602,412</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	228,727	127,739	356,466	36,222
Accrued wages and taxes	305,944	27,375	333,319	10,512
Due to other funds	-	-	-	-
Deferred revenue	18,841	20,637	39,478	-
Compensated absences	169,761	34,141	203,902	9,636
Claims and judgements	-	-	-	1,075,109
Loans - current	342,996	-	342,996	-
Revenue bonds - current	1,210,000	-	1,210,000	-
Payable from restricted assets	907,570	7,133	914,703	-
Accrued interest	<u>130,683</u>	<u>-</u>	<u>130,683</u>	<u>-</u>
Total Current Liabilities	<u>3,314,522</u>	<u>217,025</u>	<u>3,531,547</u>	<u>1,131,479</u>
NONCURRENT LIABILITIES				
Landfill closure	-	320,000	320,000	-
Loans payable	2,707,041	-	2,707,041	-
Revenue bonds payable (net of unamortized premiums and discounts)	<u>20,723,630</u>	<u>-</u>	<u>20,723,630</u>	<u>-</u>
Total Noncurrent Liabilities	<u>23,430,671</u>	<u>320,000</u>	<u>23,750,671</u>	<u>-</u>
Total Liabilities	<u>26,745,193</u>	<u>537,025</u>	<u>27,282,218</u>	<u>1,131,479</u>
NET ASSETS				
Investment in capital assets, net of related debt	27,112,736	353,440	27,466,176	1,017
Unrestricted	<u>37,270,156</u>	<u>4,143,647</u>	<u>41,413,803</u>	<u>2,469,916</u>
Total Net Assets	<u>\$ 64,382,892</u>	<u>\$ 4,497,087</u>	<u>\$ 68,879,979</u>	<u>\$ 2,470,933</u>

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
PROPRIETARY FUNDS  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010

	BUSINESS TYPE ACTIVITIES			GOVERNMENTAL
	Joint Utilities	Non Major Funds	Total	ACTIVITIES Internal Service
<b>OPERATING REVENUES</b>				
Intergovernmental income	\$ 7,443,271	\$ 150,000	\$ 7,593,271	\$ -
Taxes	-	422,337	422,337	-
Operating grant - taxes	-	-	-	-
Charges for services	30,979,354	4,143,064	35,122,418	-
Miscellaneous income	-	(98)	(98)	20,339
Assessments	-	-	-	2,434,560
Total Operating Revenues	<u>38,422,625</u>	<u>4,715,303</u>	<u>43,137,928</u>	<u>2,454,899</u>
<b>OPERATING EXPENSES</b>				
Personnel services	3,004,371	711,987	3,716,358	284,227
Depreciation expense	2,770,525	309,653	3,080,178	550
Operating expenses	<u>16,665,549</u>	<u>3,319,838</u>	<u>19,985,387</u>	<u>1,658,950</u>
Total Operating Expenses	<u>22,440,445</u>	<u>4,341,478</u>	<u>26,781,923</u>	<u>1,943,727</u>
Operating Income (Loss)	<u>15,982,180</u>	<u>373,825</u>	<u>16,356,005</u>	<u>511,172</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Loss on sale of capital assets	-	-	-	-
Interest income	368,354	59,730	428,084	53,694
Bond issue costs	19,285	-	19,285	-
Interest and other charges	<u>(1,091,261)</u>	<u>-</u>	<u>(1,091,261)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(703,622)</u>	<u>59,730</u>	<u>(643,892)</u>	<u>53,694</u>
Income (Loss) Before Operating Transfers	<u>15,278,558</u>	<u>433,555</u>	<u>15,712,113</u>	<u>564,866</u>
<b>NET OPERATING TRANSFERS IN (OUT)</b>				
Operating transfers from other funds	28,790	75,090	103,880	-
Operating transfers to other funds	<u>(1,851,870)</u>	<u>(105,950)</u>	<u>(1,957,820)</u>	<u>-</u>
Net Operating Transfers In (Out)	<u>(1,823,080)</u>	<u>(30,860)</u>	<u>(1,853,940)</u>	<u>-</u>
Change in Net Assets	13,455,478	402,695	13,858,173	564,866
Total Net Assets, Beginning of Year	<u>50,927,414</u>	<u>4,094,392</u>	<u>55,021,806</u>	<u>1,906,067</u>
Total Net Assets, End of Year	<u>\$ 64,382,892</u>	<u>\$ 4,497,087</u>	<u>\$ 68,879,979</u>	<u>\$ 2,470,933</u>

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
PROPRIETARY FUNDS  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010

	BUSINESS TYPE ACTIVITIES			GOVERNMENTAL
	Joint Utilities	Non Major Funds	Total	ACTIVITIES Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 38,596,634	\$ 4,713,021	\$ 43,309,655	\$ 2,454,899
Cash paid to suppliers for goods and services	(16,686,376)	(3,480,848)	(20,167,224)	(1,743,410)
Cash paid to employees for services	(2,940,400)	(707,649)	(3,648,049)	(286,885)
Cash received from other funds for services	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	<u>18,969,858</u>	<u>524,524</u>	<u>19,494,382</u>	<u>424,604</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating subsidies from (to) other funds	<u>(1,823,080)</u>	<u>(30,860)</u>	<u>(1,853,940)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earned	<u>368,354</u>	<u>59,730</u>	<u>428,084</u>	<u>53,694</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(2,280,650)	(80,900)	(2,361,550)	-
Proceeds from the issuance of debt	-	-	-	-
Principal paid on capital debt	(1,488,006)	-	(1,488,006)	-
Interest paid on capital debt	<u>(1,103,263)</u>	<u>-</u>	<u>(1,103,263)</u>	<u>-</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(4,871,919)</u>	<u>(80,900)</u>	<u>(4,952,819)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	12,643,213	472,494	13,115,707	478,298
Cash and Cash Equivalents, Beginning of Year	<u>21,653,310</u>	<u>3,843,778</u>	<u>25,497,088</u>	<u>3,123,097</u>
Cash and Cash Equivalents, End of Year	<u>\$ 34,296,523</u>	<u>\$ 4,316,272</u>	<u>\$ 38,612,795</u>	<u>\$ 3,601,395</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ 15,982,180	\$ 373,825	\$ 16,356,005	\$ 511,172
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation	2,770,525	309,653	3,080,178	550
(Increase) decrease in accounts receivable	252,882	5,661	258,543	-
Increase (decrease) in provision for doubtful accounts	(180,178)	(8,551)	(188,729)	-
(Increase) decrease in inventories	29,363	-	29,363	-
Increase (decrease) in accounts payable	(50,190)	(141,010)	(191,200)	3,898
Increase (decrease) in accrued wages and taxes	58,177	2,490	60,667	1,017
Increase (decrease) in due to other funds	-	-	-	-
Increase (decrease) in compensated absences	5,794	1,848	7,642	(3,675)
Increase (decrease) in claims and adjustments	-	-	-	(88,358)
Increase (decrease) in deferred revenue	(67,252)	(766)	(68,018)	-
Decrease in payable from restricted assets	168,557	1,374	169,931	-
Decrease in landfill postclosure	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 18,969,858</u>	<u>\$ 524,524</u>	<u>\$ 19,494,382</u>	<u>\$ 424,604</u>

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



STATE OF NEW MEXICO  
CITY OF GALLUP  
AGENCY FUNDS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 42,121
Investments	357,546
Accounts receivable, net	<u>28,376</u>
Total Assets	<u>\$ 428,043</u>
LIABILITIES	
Accounts payable	\$ 760
Special projects payable	<u>427,283</u>
Total Liabilities	<u>\$ 428,043</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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**NOTE 1. SIGNIFICANT ACCOUNTING PRINCIPLES**

**A. Reporting Entity**

The City of Gallup, New Mexico (the "City") is a home rule municipality operating under the powers granted by the constitution and laws of the State of New Mexico. An elected mayor and four-member council govern the City. The accompanying financial statements present the government and its component unit, an entity for which the government is considered financially accountable. The City's discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

**Discrete Component Unit**

The Gallup Housing Authority (the Authority) is responsible for providing low-income public housing services within the 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 an enterprise fund.

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.

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

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, which is effective for financial statements for periods beginning after January 1, 2003. The City elected to implement the general provision of the statement in 2003 and retroactively reported infrastructure acquired after December 31, 1979 and prior to January 1, 2003 in the fiscal year ended June 30, 2007.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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**NOTE 1. SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting and Basis of 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 are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

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

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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**NOTE 1. SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

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

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

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

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

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

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

**D. Subsequent Accounting and Standards Pronouncements**

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statement periods beginning after June 15, 2010. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

In March 2009, the GASB issued Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which is effective upon issuance. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

In March 2009, the GASB issued Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standard, which is effective upon issuance. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles—related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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**NOTE 1. SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**D. Subsequent Accounting and Standards Pronouncements (Continued)**

In December 2009, the GASB issued Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plan, which is effective for financial statement periods beginning after June 15, 2011. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers).

In December 2009, the GASB issued Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies, which is effective for financial statement periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan.

In June 2010, the GASB issued Statement No. 59, Financial Instruments Omnibus, which is effective for financial statement periods beginning after June 15, 2010. The Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.

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

*Cash and Investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of two years or less from the date of acquisition. Under New Mexico State statutes, the City can invest in obligations of the U.S. Treasury and the State Treasurer's Investment Pool (LGIP). Investments of the City are reported at fair value. The LGIP operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

*Receivables and Payables*

Activities between funds that are representative of lending/borrowing arrangement outstanding at the end of the fiscal year are referred to as either "due to/from other funds". Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". All trade receivables are shown net of an allowance for doubtful accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for doubtful accounts.

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

The City is permitted to levy taxes for general operating purposes based on taxable value for residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bond principal and interest in an amount approved by the City. The City's total tax rate to finance general government services for the year ended June 30, 2010 was \$7.650 per \$1,000 for nonresidential property and \$5.135 per \$1,000 for residential property. The City's tax rate for debt service was \$2.220 for both residential and non-residential property.

*Inventories*

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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**NOTE 1. SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

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

*Restricted Assets*

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

*Capital Assets*

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

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

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

	<u>Years</u>
Buildings	40
Building improvements	40
Public domain infrastructure	40
System infrastructure	40
Vehicles	06
Miscellaneous equipment	06

*Compensated Absences*

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

*Long-term Obligations*

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

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

*Fund Equity*

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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**NOTE 1. SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

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

*Net Assets*

Net assets invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of debt issued to finance the acquisition, improvement, or construction of those assets. Restricted net assets include net assets that are subject to constraints on their use by creditors, grantors, enabling legislation, and bond indentures. These are the replacement reserves and the bond escrow accounts. Unrestricted net assets are available for general use by the City for any obligation or expense.

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of the \$35,494,621 difference are as follows:

Bonds payable	\$33,423,021
Loans payable	1,430,088
Less: deferred charge for issuance costs (to be amortized over life of debt)	(313,739)
Accrued interest (to be amortized as interest expense)	183,464
Compensated absences	<u>771,787</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$35,494,621</u>

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

The governmental statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net assets – governmental activities as reported in the government – wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$973,603 difference are as follows:

Capital outlay	\$ 5,407,789
Depreciation expense	(4,117,105)
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,290,684</u>

Another element of that reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$9,759,952 difference are as follows:



STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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

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

Bond Proceeds	\$(15,430,000)
Principal Repayments	
Revenue bond debt	4,895,000
General obligation debt	485,000
Loans payable	<u>290,048</u>
Net adjustment to increase net changes in fund – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (9,759,952)</u>

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$299,683 difference are as follows:

Compensated absences	\$ (81,720)
Accrued interest	(31,645)
Amortization of bond issuance costs	121,015
Amortization of bond premiums	<u>(307,333)</u>
Net adjustment to increase net changes in fund – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$(299,683)</u>

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

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the capital projects funds, which adopt project-length budgets, and agency funds, which are not budgeted. All annual appropriations lapse at fiscal year end. The City follows the following procedures in establishing the budgetary data reflected in the financial statements.

During the month of March, all directors submit requests for appropriations to the Treasurer and Finance Director so that a budget may be prepared. Before May 31, the proposed budget is presented to the City Council for review. The council holds public hearings and a final budget must be prepared and adopted no later than June 1. The Local Government Division of the Department of Finance and Administration (DFA) of the State of New Mexico must approve the City’s budget.

The finance department prepares the budget by fund, department, and functional category (personnel, operations, and capital outlay). This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. The City’s department directors may make transfers of appropriations within a department’s functional category. The City’s council can transfer budgeted amounts within departments within any fund. However, any revision that alters the total expenditures of any fund must be approved by council and by DFA. The City had four (4) revisions to the budget for the year ending, June 30, 2010.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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

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

The General Fund's budgeted expenditures exceeded its revenues and transfers by \$3,907,471. Available cash balance funded the actual decrease in net fund balance of \$2,965,532.

The Special Library Special Revenue Fund budgeted that expenditures would exceed revenues and transfers by \$7,043. Available cash balance funded the actual decrease in net fund balance of \$59,569.

The Juvenile Recreation Special Revenue Fund budgeted that expenditures would exceed revenues and transfers by \$856. Available cash balance funded the actual decrease in net fund balance of \$1,926.

The Intergovernmental Grants Special Revenue Fund budgeted that expenditures would exceed revenues and transfers by \$61,583. Available cash balance funded the actual decrease in net fund balance of \$62,165.

The Na' Nihoozhi Special Revenue Fund budgeted that expenditures would exceed revenues and transfers by \$14,377. Available cash balance funded the actual decrease in net fund balance of \$14,377.

The Law Enforcement Block Grant Special Revenue Fund budgeted that expenditures would exceed revenues and transfers by \$1,138. Available cash balance funded the actual decrease in net fund balance of \$1,138.

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

Fire	\$147,226
Law Enforcement Protection	4,106
Lodgers' Tax	812,438

The New Mexico Finance Authority Service Fund budgeted that expenditures would exceed revenues and transfers by \$342,299. Available cash balance funded the actual decrease in net fund balance of \$109,371.

The 11/00 Sales Tax Bond Debt Service Fund budgeted that expenditures would exceed revenues and transfers by \$82,597. Available cash balance funded the actual decrease in net fund balance of \$82,597.

The Airport Capital Projects Fund budgeted that expenditures would exceed revenues and transfers by \$82,610. Available cash balance funded the actual decrease in net fund balance of \$6,293.

The Infrastructure GRT Capital Projects Fund budgeted that expenditures would exceed revenues and transfers by \$1,133,802. Available cash balance funded the actual decrease in net fund balance of \$487,905.

The General Obligation Bond Capital Projects Fund budgeted that expenditures would exceed revenues and transfers by \$126,750. Available cash balance funded the actual decrease in net fund balance of \$18,524.

The 02/04 Sales Non Tax Bond Capital Projects Fund budgeted that expenditures would exceed revenues and transfers by \$25,188. Available cash balance funded the actual decrease in net fund balance of \$8,380.

The 02/04 Sales Tax Bond Capital Projects Fund budgeted that expenditures would exceed revenues and transfers by \$48,953. Available cash balance funded the actual decrease in net fund balance of \$3,264.

The Public Works Capital Projects Fund budgeted that expenditures would exceed revenues and transfers by \$1,619,443. Available cash balance funded the actual decrease in net fund balance of \$1,656,478.

The following Capital Project Fund budgeted expenditures exceeding revenues and transfers. In no case did actual expenditures exceed actual revenues.

11/00 Sales Tax	\$221,308
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STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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

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

The Gamarco Billing Enterprise Fund budgeted that expenses would exceed revenues and transfers by \$413,500. Available cash balance funded the actual decrease in net fund balance of \$369,378.

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

Joint Utilities	\$3,362,599
The Fitness Center	25,451
National Junior High Rodeo	270,552

**C. GAAP to Budgetary Basis Reconciliation**

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

Governmental Activities	General Fund	Major Governmental Funds	Non Major Governmental Funds	Internal Service
Net change in fund Balance (GAAP basis)	\$(2,255,235)	\$13,505,368	\$2,475,822	\$564,866
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals	(379,760)	18,804	(2,540,508)	0
Expenditures for payables, prepaid expenses and other accruals	<u>(330,537)</u>	<u>(10,390)</u>	<u>421,559</u>	<u>(86,568)</u>
Net change in fund balance (budget basis)	<u>\$(2,965,532)</u>	<u>\$13,513,782</u>	<u>\$ 356,873</u>	<u>\$478,298</u>

Business-type Activities	Major Proprietary Fund	Non Major Proprietary Funds
Net change in fund Balance (GAAP basis)	\$13,455,479	\$402,695
Adjustments to:		
Revenues for tax accruals, interest, and other deferrals and accruals	285,760	(22,546)
Expenditures for payables, prepaid expenses and other accruals	<u>(1,098,026)</u>	<u>92,345</u>
Net change in fund balance (budget basis)	<u>\$12,643,213</u>	<u>\$472,494</u>

**D. Deficit Fund Equity**

The Legislative Appropriations Capital Projects Fund reported a deficit fund balance of \$40,395 as of June 30, 2010. The deficit is the result of a timing issue between the City completing a capital project and the receipt of the grant funding.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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

**A. Pooled Cash and Investments**

Below is a summary of the City's cash, cash equivalents, and investments at June 30, 2010.

	FM Value	Bank Balance	Maturities
<b>DEPOSITORY ACCOUNTS</b>			
Checking	\$ 1,965,570	\$ 2,778,251	
Money market	14,398,698	14,400,204	
Cash with fiscal agent	9,737,890	9,737,890	
State Investment Pool	23,877	23,877	Two (2) Years or Less
Certificates of deposit	<u>22,000,000</u>	<u>22,000,000</u>	
	48,126,035	48,940,222	
<b>INVESTMENTS</b>			
Treasury notes	<u>28,654,581</u>	<u>28,654,581</u>	Six Years or Less
	76,780,616	77,594,803	
<b>CASH ON HAND</b>			
	<u>14,072</u>	<u>0</u>	
	76,794,688	77,594,803	
Component Unit	<u>258,237</u>	<u>258,237</u>	
<b>TOTAL CASH, CASH EQUIVALENTS, AND INVESTMENTS</b>			
	<u>\$77,052,925</u>	<u>\$77,853,040</u>	

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

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

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

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2010, none of the City's bank balance exposed to custodial credit risk.

*Interest Rate Risk*

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. At June 30, 2010, the City's investment of New MexiGROW LGIP had a value of \$23,877 and a 50 day WAM.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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

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

*Credit Risk*

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of June 30, 2010, the City's investment in the state investment pool was AAAM by Moody's Investor's Service.

**B. Accounts Receivable**

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

	Unavailable	Unearned
Property taxes	\$ 145,105	\$ 0
Gross receipts taxes	<u>1,046,599</u>	<u>0</u>
	<u>\$1,191,704</u>	<u>\$ 0</u>

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

Governmental Activities	General Fund	Major Governmental Funds	Non Major Governmental Funds	Total
<b>RECEIVABLES</b>				
Intergovernmental	\$ 98,762	\$ 0	\$2,791,356	\$2,890,118
Taxes	5,084,890	0	433,764	5,518,654
Charges for services	105,542	127,592	104,860	337,994
Other	<u>15,469</u>	<u>0</u>	<u>0</u>	<u>15,469</u>
Total Gross Receivables	5,304,663	127,592	3,329,980	8,762,235
Allowance for doubtful accounts	<u>(92,462)</u>	<u>(31,053)</u>	<u>(22,383)</u>	<u>(145,898)</u>
Net Receivables	<u>\$5,212,201</u>	<u>\$96,539</u>	<u>\$3,307,597</u>	<u>\$8,616,337</u>

Business-type Activities	Major Proprietary Fund	Non Major Proprietary Funds	Total
<b>RECEIVABLES</b>			
Intergovernmental	\$ 3,850	\$ 0	\$ 3,850
Taxes	0	100,484	100,484
Charges for services	3,089,748	372,392	3,462,140
Other	<u>17,720</u>	<u>8,568</u>	<u>26,288</u>
Total Gross Receivables	3,111,318	481,444	3,592,762
Allowance for doubtful accounts	<u>(799,040)</u>	<u>(117,044)</u>	<u>(916,084)</u>
Net Receivables	<u>\$2,312,278</u>	<u>\$364,400</u>	<u>\$2,676,678</u>

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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

**B. Accounts Receivable (Continued)**

Discrete Component Unit	
RECEIVABLES	
Tenants	\$ 38,392
HUD	227,773
Other	<u>27,950</u>
Total Gross Receivables	294,115
Allowance for doubtful accounts	<u>(6,047)</u>
Net Receivables	<u>\$288,068</u>

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	\$ 7,383,732	\$ 0	\$ 0	\$ 0	\$ 7,383,732
Capital assets, being depreciated					
Buildings	74,111,540	612,566	0	0	74,724,106
Infrastructure	36,123,487	3,822,427	0	0	39,945,914
Equipment	<u>15,606,303</u>	<u>972,796</u>	<u>0</u>	<u>179,362</u>	<u>16,758,461</u>
Total capital assets, being depreciated	<u>125,841,330</u>	<u>5,407,789</u>	<u>0</u>	<u>179,362</u>	<u>131,428,481</u>
Less: accumulated depreciation for:					
Buildings	(21,130,690)	(1,898,353)	0	0	(23,029,043)
Infrastructure	(16,081,203)	(1,409,302)	0	0	(17,490,505)
Equipment	<u>(12,894,532)</u>	<u>(810,000)</u>	<u>0</u>	<u>(179,362)</u>	<u>(13,883,894)</u>
Total accumulated depreciation	<u>(50,106,425)</u>	<u>(4,117,655)</u>	<u>0</u>	<u>(179,362)</u>	<u>(54,403,442)</u>
Total capital assets, net of depreciation	<u>75,734,905</u>	<u>1,290,134</u>	<u>0</u>	<u>0</u>	<u>77,025,039</u>
Net capital assets	<u>\$83,118,637</u>	<u>\$1,290,134</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$84,408,771</u>

Business-type Activities	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	\$ 483,907	\$ 0	\$ 0	\$ 0	\$ 483,907
Capital assets, being depreciated					
Distribution systems	50,255,604	1,632,003	0	0	51,887,607
Buildings	34,413,633	92,520	0	0	34,506,153
Equipment	<u>11,033,009</u>	<u>637,027</u>	<u>(142,925)</u>	<u>(179,362)</u>	<u>11,347,749</u>
Total capital assets, being depreciated	<u>95,702,246</u>	<u>2,361,550</u>	<u>(142,925)</u>	<u>(179,362)</u>	<u>97,741,509</u>
Less: accumulated depreciation for:					
Distribution systems	(22,207,867)	(1,299,348)	0	0	(23,507,215)
Buildings	(12,418,893)	(857,787)	0	0	(13,276,680)
Equipment	<u>(8,390,922)</u>	<u>(923,043)</u>	<u>142,925</u>	<u>179,362</u>	<u>(8,991,678)</u>
Total accumulated depreciation	<u>(43,017,682)</u>	<u>(3,080,178)</u>	<u>142,925</u>	<u>179,362</u>	<u>(45,775,573)</u>
Total capital assets, net of depreciation	<u>52,684,564</u>	<u>(718,628)</u>	<u>0</u>	<u>0</u>	<u>51,965,936</u>
Net capital assets	<u>\$53,168,471</u>	<u>\$ (718,628)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$52,449,843</u>

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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

**C. Capital Asset (Continued)**

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

<b>Governmental Activities</b>	
General government	\$1,156,238
Culture and recreation	772,472
Public safety	1,797,356
Health and welfare	119,412
Public works	<u>272,177</u>
Total Depreciation Expense	<u>\$4,117,655</u>
<b>Business-type Activities</b>	
Electric	\$ 678,433
Wastewater	1,005,403
Water	1,084,574
Administration	2,115
Sanitation	303,423
Culture and recreation	<u>6,230</u>
Total Depreciation	<u>\$3,080,178</u>

Discrete Component Unit	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
<b>Capital assets, not being depreciated</b>					
Land	\$ 1,686,162	\$ 0	\$ 0	\$ 0	\$ 1,686,162
Construction in progress	<u>23,450</u>	<u>724,352</u>	<u>0</u>	<u>0</u>	<u>747,802</u>
Total capital assets, not being depreciated	<u>1,709,612</u>	<u>724,352</u>	<u>0</u>	<u>0</u>	<u>2,433,964</u>
<b>Capital assets, being depreciated</b>					
Buildings	10,147,921	268,519	0	0	10,416,440
Dwelling equipment	297,172	0	0	0	297,172
Administrative equipment	<u>276,454</u>	<u>32,351</u>	<u>0</u>	<u>0</u>	<u>308,805</u>
Total capital assets, being depreciated	<u>10,721,547</u>	<u>300,870</u>	<u>0</u>	<u>0</u>	<u>11,022,417</u>
Less: accumulated depreciation for:					
Buildings	(5,640,552)	(173,690)	0	0	(5,814,242)
Dwelling equipment	(297,172)	(0)	0	0	(297,172)
Administrative equipment	<u>(260,546)</u>	<u>(22,363)</u>	<u>0</u>	<u>0</u>	<u>(282,909)</u>
Total accumulated depreciation	<u>(6,198,270)</u>	<u>(196,053)</u>	<u>0</u>	<u>0</u>	<u>(6,394,323)</u>
Total capital assets, net of depreciation	<u>4,523,277</u>	<u>(104,817)</u>	<u>0</u>	<u>0</u>	<u>4,628,094</u>
Net capital assets	<u>\$ 6,232,889</u>	<u>\$ (829,169)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,062,058</u>

The Authority has continued to maintain the cost of its buildings and equipment and update its depreciation schedule as information becomes available. Depreciation expense for the year ended June 30, 2010, totaled \$196,053.

**D. Internal Balances**

During the course of operations, numerous transactions occur between individual funds for loans. These loans are reported as "due from other funds" or "due to other funds" on the balance sheet. Receivables and payables from inter-fund transactions are usually the result of cash overdrafts. Below are inter-fund balances as of June 30, 2010.

<b>Governmental Activities</b>	
Due to General Fund from Non Major Capital Project Funds	\$120,000

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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

**D. Internal Balances (Continued)**

As of June 30, 2010, the Authority's Section 8 Enterprise Fund had a "due to other funds" balance of \$22,953 and the Homelessness Prevention Enterprise Fund had a "due to other funds" balance of \$9,873. Both balances were reported as "due from other funds" in the Public Housing Enterprise Fund.

Net operating transfers are as follows:

	Transfer In	Transfer Out	Transfer Purpose
<b>MAJOR FUNDS</b>			
Governmental Activities			
General Fund	\$ 1,462,239	\$ 4,995,972	Operating subsidies, debt service, and capital project transfers
11/00 Sales Tax Revenue Bonds	4,334,396	83,665	Debt service
06/10 Sales Tax Revenue Bonds	<u>83,665</u>	<u>3,619,826</u>	Debt service
	5,880,300	8,699,463	
Business-type Activities			
Joint Utilities	<u>28,790</u>	<u>1,851,870</u>	Operating subsidy and debt service
<b>TOTAL MAJOR FUNDS</b>	<u><b>5,909,090</b></u>	<u><b>10,551,333</b></u>	
<b>NON-MAJOR FUNDS</b>			
Governmental Activities			
	5,981,933	1,308,830	Operating subsidies, debt service, and capital project transfers
Business-type Activities			
	<u>75,090</u>	<u>105,950</u>	Operating subsidies
<b>TOTAL NON-MAJOR FUNDS</b>	<u><b>6,057,023</b></u>	<u><b>1,414,780</b></u>	
<b>TOTAL FUNDS</b>	<u><b>\$11,966,113</b></u>	<u><b>\$11,966,113</b></u>	

**E. Leases**

*Operating Leases*

The City leases office equipment, machinery, golf carts, and a fire truck under short-term cancelable operating leases. Rental expenses for the year ended June 30, 2010 was \$657,758.

**F. Long-term Liabilities**

*Landfill Closure Costs*

State and Federal laws and regulations required that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty (30) years after closure. In addition to operating expenditures related to current activities of the landfill, an expenditure provision and related liability are being recognized based on the future post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. As of June 30, 2010, 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 \$320,000 as of year-end, which is 100% of the capacity consumed at that date. The City does not foresee changes in technology, inflation or environmental standards that would result in significant modification to our estimate. The primary source of repayment is from Gross Receipts Tax.

*General Obligation Bonds*

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



STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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

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

*General Obligation Bonds (Continued)*

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

Year	Principal	Interest
2011	\$ 510,000	\$ 154,481
2012	540,000	138,794
2013	570,000	121,245
2014	600,000	101,959
2015	635,000	80,799
2016-2020	1,545,000	172,309
2021	<u>245,000</u>	<u>5,170</u>
	<u>\$ 4,645,000</u>	<u>\$ 774,757</u>

*Sales Tax Revenue Bonds*

The City also issues bonds where the City pledges income from the receipt of sales tax revenue (Gross Receipts Tax). Sales tax bonds have been issued for governmental activities. The original amount of sales tax bonds issued in prior years was \$24,915,000. These bonds provided funds for the construction of many City capital improvements. The City pledges an intercept of gross receipts tax (GRT) revenues for these bonds, which have varying interest rates that range from 3.0% to 5.2%.

Sales tax revenue bonds outstanding at year-end are as follows:

	Amount	Maturity Date
February 2004		
Capital Projects	\$ 9,345,000	June 1, 2024
Capital Projects	<u>3,495,000</u>	June 1, 2025
	<u>12,840,000</u>	
June 2010		
Infrastructure	3,520,000	June 1, 2016
Infrastructure	<u>11,910,000</u>	June 1, 2030
	<u>15,430,000</u>	
	<u>\$28,270,000</u>	

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

Year	Principal	Interest
2011	\$ 815,000	\$ 578,115
2012	850,000	545,077
2013	885,000	508,477
2014	745,000	468,140
2015	785,000	432,008
2016-2020	4,450,000	1,631,500
2021-2024	<u>4,310,000</u>	<u>552,000</u>
	<u>\$12,840,000</u>	<u>\$4,715,317</u>

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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

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

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

Year	Principal	Interest
2011	\$ 980,000	\$ 574,545
2012	955,000	594,783
2013	985,000	563,833
2014	1,030,000	525,983
2015	1,070,000	480,383
2016-2020	3,270,000	1,830,481
2021-2025	3,215,000	1,235,019
2026-2030	<u>3,925,000</u>	<u>527,833</u>
	<u>\$15,430,000</u>	<u>\$6,332,860</u>

*Revenue Bonds*

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

Revenue bonds outstanding at year-end are as follows:

	Amount	Maturity Date
March 2004		
Capital Projects	\$ 2,465,000	June 1, 2023
January 2005		
Capital Projects	<u>19,040,000</u>	June 1, 2025
	<u>\$21,505,000</u>	

Revenue bond debt service requirements to maturity are as follows:

Year	Principal	Interest
2011	\$ 1,210,000	\$ 964,609
2012	1,250,000	923,034
2013	1,290,000	877,119
2014	1,345,000	826,639
2015	1,400,000	773,581
2016-2020	8,000,000	2,856,862
2021-2025	<u>7,010,000</u>	<u>1,022,257</u>
	<u>\$21,505,000</u>	<u>\$8,244,101</u>

*Capital Loans*

The City has also issued low interest rate loans provided by intergovernmental agencies for the acquisition of minor equipment needs and construction of major capital facilities. Capital loans were issued for both governmental and business-type activities. The original amount of capital loans issued in prior years was \$6,639,605.

The City obtained a loan from the New Mexico Finance Authority in June 2007 to construct a west side fire station. The original loan amount was \$1,452,605 with interest rates ranging from 3.40% to 3.86%. The term of the loan is fifteen (15) years with payments commencing November 2008. Principal is paid annually each May and interest is paid semiannually each November and May. Payments range from \$2,829 to \$140,541.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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

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

Debt service requirements to maturity of this loan are as follows:

Year	Principal	Interest
2011	\$ 86,630	\$ 56,613
2012	89,913	53,338
2013	93,329	49,930
2014	96,894	46,375
2015	100,624	42,654
2016-2020	565,599	150,946
2021-2023	<u>397,099</u>	<u>32,974</u>
	<u>\$1,430,088</u>	<u>\$432,830</u>

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%. Annual payments total \$434,497. Debt service requirements to maturity of this loan are as follows:

Year	Principal	Interest
2011	\$ 342,996	\$ 91,501
2012	353,286	81,211
2013	363,885	70,613
2014	374,801	59,696
2015	386,045	48,452
2016-2018	<u>1,229,024</u>	<u>74,468</u>
	<u>\$3,050,037</u>	<u>\$ 425,941</u>

*Changes in Long-Term Liabilities*

In prior years, unamortized bond premiums were classified as other assets. The City has reclassified these amounts as a part of long-term liabilities (debt). Long-term liability activity for the year ended June 30, 2010 follows:

	Outstanding 07/01/09	Additions	Reductions	Outstanding 06/30/10	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation bonds	\$ 5,130,000	\$ 0	\$ 485,000	\$ 4,645,000	\$ 510,000
Sales tax revenue bonds	17,735,000	15,430,000	4,895,000	28,270,000	1,795,000
Capital loans	1,720,136	0	290,048	1,430,088	86,630
Bond premiums	200,688	355,893	48,560	508,021	0
Compensated absences	703,378	78,045	0	781,423	0
Claims and judgments	<u>1,163,467</u>	<u>33,084</u>	<u>121,442</u>	<u>1,075,109</u>	<u>0</u>
Total Governmental Activities	<u>26,652,669</u>	<u>15,897,022</u>	<u>5,840,050</u>	<u>36,709,641</u>	<u>2,391,630</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Landfill closure	340,000	0	20,000	320,000	0
Revenue bonds	22,660,000	0	1,155,000	21,505,000	1,210,000
Capital loans	3,383,043	0	333,006	3,050,037	342,996
Bond premiums	459,149	0	30,519	428,630	0
Compensated absences	<u>196,260</u>	<u>7,642</u>	<u>0</u>	<u>203,902</u>	<u>0</u>
Total Business-type Activities	<u>27,038,452</u>	<u>7,642</u>	<u>1,538,525</u>	<u>25,507,569</u>	<u>1,552,996</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 53,691,121</u>	<u>\$15,904,664</u>	<u>\$ 7,378,575</u>	<u>\$ 62,217,210</u>	<u>\$3,944,626</u>

In prior years, the General Fund typically liquidated long-term liabilities other than debt.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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

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

The Authority's policy allows employees to accumulate limited amounts of vacation and sick pay, which are payable to the employee upon termination or retirement. The liability related to compensated absences included increases (additions) of \$40,591 and decreases (deletions) of \$39,620 resulting in a net increase of \$971 (\$59,233 at June 30, 2009 to \$60,204 at June 30, 2010) during the year ended June 30, 2010. The amount of this liability due within one year is \$3,473.

**G. Restricted Assets**

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

<b>Business-type Activities</b>	
Restricted for meter deposits	\$ 914,703
Restricted for debt service	4,648,770
Restricted for construction	<u>18,734,612</u>
Total Primary Government	<u>\$24,298,085</u>

**NOTE 5. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City established a limited risk management program for workers' compensation in Fiscal Year 1988. A New Mexico Self Insurers' Fund is the third party administrator of this program. Premiums are paid into the Risk Management Internal Service fund by all other funds and are available to pay claims, claims reserves and administrative costs of the program. Net assets are designated to cover claims that have been incurred but not reported. In fiscal year 2010 net assets increased by \$564,866.

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

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

Beginning of year balance	\$ 1,163,467
Claims and estimates incurred	(121,442)
Payments on claims	<u>33,084</u>
End of year balance	<u>\$1,075,109</u>

**B. Contingent Liabilities**

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

The City was a defendant in various claims and lawsuits at June 30, 2010. Although the outcome of these suits and claims is not presently determinable, it is the opinion of legal counsel that all claims were within insurance policy limits or risk management provisions.

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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

**B. Contingent Liabilities (Continued)**

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

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

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

**C. Segment Information – Enterprise Funds**

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

	WASTEWATER	WATER
<b>CONDENSED STATEMENT OF NET ASSETS</b>		
<b>ASSETS</b>		
Current assets	\$ 6,609,004	\$ 16,658,238
Capital assets	10,981,965	34,572,849
Non-current assets	<u>66,974</u>	<u>83,850</u>
Total Assets	<u>\$ 17,657,943</u>	<u>\$ 51,314,937</u>
<b>LIABILITIES</b>		
Current liabilities	200,298	180,104
Payable from restricted	106,204	174,276
Non-current liabilities	<u>14,757,233</u>	<u>10,270,627</u>
Total Liabilities	<u>15,063,735</u>	<u>10,625,007</u>
<b>NET ASSETS</b>		
Investment in capital assets, net of related debt	(3,578,072)	24,577,849
Unrestricted	<u>6,172,280</u>	<u>16,112,081</u>
Total Net Assets	<u>2,594,208</u>	<u>40,689,930</u>
Total Liabilities and Net Assets	<u>\$ 17,657,943</u>	<u>\$ 51,314,937</u>

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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

**C. Segment Information – Enterprise Funds**

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	WASTEWATER	WATER
Operating revenues	\$ 11,114,766	\$ 5,948,809
Personnel services	444,049	626,147
Operating expenses	838,914	2,033,558
Depreciation expense	<u>1,005,403</u>	<u>1,084,574</u>
Net Operating Income (Loss)	8,826,400	2,204,530
Non Operating Revenues (Expenses)		
Interest income	122,275	98,316
Amortization expense	8,698	10,587
Interest expense	(817,556)	(273,705)
Transfers from (to) other funds	<u>(18,448,361)</u>	<u>19,271,970</u>
Change in Net Assets	(10,308,544)	21,311,698
Beginning Net Assets	<u>12,902,752</u>	<u>19,378,232</u>
Ending Net Assets	<u>\$ 2,594,208</u>	<u>\$ 40,689,930</u>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>		
Net cash provided by (used for):		
Operating activities	\$ 9,860,962	\$ 3,327,191
Non-capital financing activities	(18,448,361)	19,271,970
Investing activities	122,275	98,316
Capital financing activities	<u>8,456,523</u>	<u>(13,038,205)</u>
Net increase (decrease) in cash and cash equivalents	(8,601)	9,659,272
Beginning cash and cash equivalents	<u>6,092,755</u>	<u>6,144,152</u>
Ending cash and cash equivalents	<u>\$ 6,084,154</u>	<u>\$ 15,803,424</u>

**D. PERA Pension Plan**

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

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

	City Pickup	Employee	Total
Firefighters	12.00%	4.20%	16.20%
Police officers	12.00%	4.30%	16.30%
Regular	9.86%	3.29%	13.15%

The state legislature may amend contribution requirements specified under the statute. . All amounts expended were equal to the required contribution amounts for each year. The City's contributions to PERA for the years ending 2010, 2009, and 2008 are as follows:

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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

**D. PERA Pension Plan**

	FY 2010	FY 2009	FY 2008
Firefighters	\$ 648,946	\$ 508,287	\$ 473,034
Police officers	829,301	736,749	630,956
Adult Detention Officers	0	0	2,495
Regular	<u>1,626,745</u>	<u>1,580,769</u>	<u>1,605,174</u>
<b>TOTAL GOVERNMENT</b>	<b><u>\$3,104,992</u></b>	<b><u>\$2,825,805</u></b>	<b><u>\$2,711,659</u></b>

**E. Post Employment Benefits**

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

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

*ANNUAL COST:* During the fiscal year ended June 30, 2010, the City remitted \$172,350 in employer contributions to the Retiree Health Care Authority. The City's annual cost, for the preceding two years were \$159,289 and \$157,274, respectively.

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010

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

**F. Retirement Plan**

The City approved an optional 401 EX (A) plan on March 19, 2001, with implementation on April 18, 2001. This deferred compensation plan was created in accordance with IRC Section 401. The plan is available for any City employee who is covered under a retirement plan other than PERA and who is exempt from PERA coverage, under PERA rules. The City's contribution percentage is equal to 19.01% of the employee's gross salary. Employees have the option to make employee contributions to the plan. International City/County Managers Association (ICMA) Retirement Corporation administers the plan. One City employee participated in the plan. As of June 30, 2010, the City's contributions totaled \$3,992, which equaled the required contribution amounts for the year. The City's annual cost, for the preceding year was \$3,992.

The City provides two (2) optional deferred compensation 457 plans. These plans were created in accordance with IRC Section 457. The plans are available to any City employee. Nationwide Retirement Solutions, Inc. and International City/County Managers Association (ICMA) Retirement Corporation administer the individual plans. Employee contributions totaled \$160,912 (\$143,702 Nationwide and \$17,210 ICMA) for the year ending June 30, 2010.

**G. Labor Unions**

The City has three (3) labor unions: United Mine Workers of America (UMWA), Gallup Police Officers Association, and Gallup Firefighters Union. The UMWA agreement is in effect until January 12, 2012. Employees covered under this plan are non-probationary labors, as specified in the contract. The Police agreement is in effect until November 26, 2011. Employees covered under this plan include non-probationary uniformed police officers up to the rank of sergeant. The Firefighters collective bargaining agreement terminates on 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 6. SUBSEQUENT EVENTS**

**A. Bond Issue**

On June 30, 2010, the City issued Sales Tax Revenue Bonds for \$15,430,000. The revenue source pledged as repayment for these bonds is the ¼% of Infrastructure Gross Receipts Tax that was implemented July 1, 2008. The issue was broken into two (2) series. Funds for capital improvement projects were issued under Series A and totaled \$11,910,000. Series B was a refunding of the City's Series 2000 Sales Tax Revenue Bonds and totaled \$3,520,000.



**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

## NON MAJOR GOVERNMENTAL FUNDS

### *SPECIAL REVENUE FUNDS*

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

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

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

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

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

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

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

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

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

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

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

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

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

## NON MAJOR GOVERNMENTAL FUNDS

### *SPECIAL REVENUE FUNDS (CONTINUED)*

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

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

### *DEBT SERVICE FUNDS*

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

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

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

### *CAPITAL PROJECTS FUNDS*

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

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

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

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

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

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

## NON MAJOR GOVERNMENTAL FUNDS

### *CAPITAL PROJECTS FUNDS (CONTINUED)*

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

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

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

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010

SPECIAL REVENUE FUNDS

	Correction Fees	Emergency Medical Services	Fire	Law Enforcement Protection	Special Library	Lodgers' Tax
<b>ASSETS</b>						
Cash and cash equivalents	\$ 61,924	\$ 293	\$ 88,705	\$ 15,719	\$ 16,978	\$ 15,378
Investments	475,000	-	300,000	-	-	1,263,100
Accounts receivable, net	-	-	-	-	52,494	130,355
Due from other funds	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total Assets	<u>\$ 536,924</u>	<u>\$ 293</u>	<u>\$ 388,705</u>	<u>\$ 15,719</u>	<u>\$ 69,472</u>	<u>\$ 1,408,833</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 5,198	\$ 339	\$ 382	\$ 6,000
Accrued wages and taxes	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Payable from restricted	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>5,198</u>	<u>339</u>	<u>382</u>	<u>6,000</u>
<b>FUND BALANCES</b>						
Reserved for:						
Inventories	-	-	-	-	-	-
Encumbrances	-	8	356,164	14,860	-	19,204
Unreserved, reported in:						
General fund	-	-	-	-	-	-
Special revenue funds	536,924	285	27,343	520	69,090	1,383,629
Debt service funds	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-
Total Fund Balances	<u>536,924</u>	<u>293</u>	<u>383,507</u>	<u>15,380</u>	<u>69,090</u>	<u>1,402,833</u>
Total Liabilities and Fund Balances	<u>\$ 536,924</u>	<u>\$ 293</u>	<u>\$ 388,705</u>	<u>\$ 15,719</u>	<u>\$ 69,472</u>	<u>\$ 1,408,833</u>

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
JUNE 30, 2010

SPECIAL REVENUE FUNDS

	Municipal Gas Tax	Juvenile Recreation	Intergovern- mental Grants	Senior Citizens	Na' Nizhoozhi Center	Community Development
<b>ASSETS</b>						
Cash and cash equivalents	\$ 19,029	\$ 50,086	\$ 4,467	\$ 9,418	\$ -	\$ 196,811
Investments	200,000	-	-	-	-	-
Accounts receivable, net	246,972	2,445	32,139	90,051	-	-
Due from other funds	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total Assets	<u>\$ 466,001</u>	<u>\$ 52,531</u>	<u>\$ 36,606</u>	<u>\$ 99,469</u>	<u>\$ -</u>	<u>\$ 196,811</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 28,535	\$ 315	\$ 2,593	\$ 830	\$ -	\$ -
Accrued wages and taxes	38,593	-	-	6,136	-	-
Due to other funds	-	-	20,000	-	-	-
Deferred revenue	46,954	534	-	-	-	-
Payable from restricted	-	-	-	-	-	-
Total Liabilities	<u>114,082</u>	<u>849</u>	<u>22,593</u>	<u>6,966</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Reserved for:						
Inventories	-	-	-	-	-	-
Encumbrances	79,937	377	3,770	150,989	-	-
Unreserved, reported in:						
General fund	-	-	-	-	-	-
Special revenue funds	271,982	51,305	10,243	(58,486)	-	196,811
Debt service funds	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-
Total Fund Balances	<u>351,919</u>	<u>51,682</u>	<u>14,013</u>	<u>92,503</u>	<u>-</u>	<u>196,811</u>
Total Liabilities and Fund Balances	<u>\$ 466,001</u>	<u>\$ 52,531</u>	<u>\$ 36,606</u>	<u>\$ 99,469</u>	<u>\$ -</u>	<u>\$ 196,811</u>

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
JUNE 30, 2010

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
	Law	Business	Subtotal	02/04 Sales	NM Finance	Subtotal
	Enforcement	Improvement	Special Revenue	Tax Revenue	Authority	Debt Service
	Block Grant	District	Funds	Bonds	Loans	Funds
ASSETS						
Cash and cash equivalents	\$ -	\$ 31,732	\$ 510,540	\$ 83,205	\$ 147,191	\$ 230,396
Investments	-	-	2,238,100	-	1,076,746	1,076,746
Accounts receivable, net	-	22,383	576,839	-	61,592	61,592
Due from other funds	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 54,115</u>	<u>\$ 3,325,479</u>	<u>\$ 83,205</u>	<u>\$ 1,285,529</u>	<u>\$ 1,368,734</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ -	\$ 29,769	73,961	\$ -	\$ -	\$ -
Accrued wages and taxes	-	-	44,729	-	-	-
Due to other funds	-	-	20,000	-	-	-
Deferred revenue	-	-	47,488	-	39,284	39,284
Payable from restricted	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>29,769</u>	<u>186,178</u>	<u>-</u>	<u>39,284</u>	<u>39,284</u>
FUND BALANCES						
Reserved for:						
Inventories	-	-	-	-	-	-
Encumbrances	-	-	625,309	-	-	-
Unreserved, reported in:						
General fund	-	-	-	-	-	-
Special revenue funds	-	24,346	2,513,992	-	-	-
Debt service funds	-	-	-	83,205	1,246,245	1,329,450
Capital projects funds	-	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>24,346</u>	<u>3,139,301</u>	<u>83,205</u>	<u>1,246,245</u>	<u>1,329,450</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 54,115</u>	<u>\$ 3,325,479</u>	<u>\$ 83,205</u>	<u>\$ 1,285,529</u>	<u>\$ 1,368,734</u>

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
JUNE 30, 2010

CAPITAL PROJECT FUNDS

	Airport	Infrastruc- ture GRT	1/4% Infra- structure GRT	11/00 Sales Tax Bonds	Legislative Appropriations	General Obligation Bond Projects
<b>ASSETS</b>						
Cash and cash equivalents	\$ 176,772	\$ 4,372	\$ 15,668	\$ 5,763	\$ 46,702	\$ 9,723
Investments	-	1,025,292	2,834,797	245,452	-	100,000
Accounts receivable, net	454	-	-	-	12,903	-
Due from other funds	-	-	-	-	-	-
Inventories	-	-	-	-	-	-
Total Assets	<u>\$ 177,226</u>	<u>\$ 1,029,664</u>	<u>\$ 2,850,465</u>	<u>\$ 251,215</u>	<u>\$ 59,605</u>	<u>\$ 109,723</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued wages and taxes	-	-	-	-	-	-
Due to other funds	-	-	-	-	100,000	-
Deferred revenue	-	-	-	-	-	-
Payable from restricted	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
<b>FUND BALANCES</b>						
Reserved for:						
Inventories	-	-	-	-	-	-
Encumbrances	-	505,307	86,593	12,951	1,605	12,277
Unreserved, reported in:						
General fund	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-
Capital projects funds	<u>177,226</u>	<u>524,357</u>	<u>2,763,872</u>	<u>238,264</u>	<u>(42,000)</u>	<u>97,446</u>
Total Fund Balances	<u>177,226</u>	<u>1,029,664</u>	<u>2,850,465</u>	<u>251,215</u>	<u>(40,395)</u>	<u>109,723</u>
Total Liabilities and Fund Balances	<u>\$ 177,226</u>	<u>\$ 1,029,664</u>	<u>\$ 2,850,465</u>	<u>\$ 251,215</u>	<u>\$ 59,605</u>	<u>\$ 109,723</u>

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



STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
JUNE 30, 2010

	CAPITAL PROJECT FUNDS			Subtotal Capital Project Funds	Total Non Major Governmental Funds
	02/04 Sales NonTax Bonds	02/04 Sales Tax Bonds	Public Works		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 16,857	\$ 51,679	\$ 50,000	\$ 377,536	\$ 1,118,472
Investments	-	-	-	4,205,541	7,520,387
Accounts receivable, net	-	-	2,655,809	2,669,166	3,307,597
Due from other funds	-	-	-	-	-
Inventories	-	-	-	-	-
Total Assets	<u>\$ 16,857</u>	<u>\$ 51,679</u>	<u>\$ 2,705,809</u>	<u>\$ 7,252,243</u>	<u>\$ 11,946,456</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 899,676	\$ 899,676	973,637
Accrued wages and taxes	-	-	-	-	44,729
Due to other funds	-	-	-	100,000	120,000
Deferred revenue	-	-	-	-	86,772
Payable from restricted	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>899,676</u>	<u>999,676</u>	<u>1,225,138</u>
<b>FUND BALANCES</b>					
Reserved for:					
Inventories	-	-	-	-	-
Encumbrances	-	-	3,647,618	4,266,351	4,891,660
Unreserved, reported in:					
General fund	-	-	-	-	-
Special revenue funds	-	-	-	-	2,513,992
Debt service funds	-	-	-	-	1,329,450
Capital projects funds	<u>16,857</u>	<u>51,679</u>	<u>(1,841,485)</u>	<u>1,986,216</u>	<u>1,986,216</u>
Total Fund Balances	<u>16,857</u>	<u>51,679</u>	<u>1,806,133</u>	<u>6,252,567</u>	<u>10,721,318</u>
Total Liabilities and Fund Balances	<u>\$ 16,857</u>	<u>\$ 51,679</u>	<u>\$ 2,705,809</u>	<u>\$ 7,252,243</u>	<u>\$ 11,946,456</u>

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2010

SPECIAL REVENUE FUNDS

	Correction Fees	Emergency Medical Services	Fire	Law Enforcement Protection	Special Library	Lodgers' Tax
REVENUES						
Intergovernmental income	\$ -	\$ 14,969	\$ 414,638	\$ 63,000	\$ 63,517	\$ -
Taxes	-	-	-	-	-	1,127,782
Operating grant - taxes	-	-	-	-	-	-
Charges for services	153,358	-	-	-	8,313	-
Miscellaneous income	-	-	-	-	-	-
Interest income	7,686	2	6,125	24	31	4,320
Total Revenues	<u>161,044</u>	<u>14,971</u>	<u>420,763</u>	<u>63,024</u>	<u>71,861</u>	<u>1,132,102</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Culture and recreation	-	-	-	-	72,119	566,580
Public safety	87,321	14,678	94,272	50,436	-	-
Health and welfare	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Capital outlay	-	-	11,725	-	7,043	4,380
Total Expenditures	<u>87,321</u>	<u>14,678</u>	<u>105,997</u>	<u>50,436</u>	<u>79,162</u>	<u>570,960</u>
Excess (Deficiency) of Revenues over Expenditures	<u>73,723</u>	<u>293</u>	<u>314,766</u>	<u>12,588</u>	<u>(7,301)</u>	<u>561,142</u>
OTHER FINANCING SOURCES (USES)						
Bond and loan proceeds	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	(73,842)	-	-	(180,000)
Total Other Financing Sources (Uses)	-	-	(73,842)	-	-	(180,000)
Net Change in Fund Balances	73,723	293	240,924	12,588	(7,301)	381,142
Fund Balance, Beginning of Year	463,201	-	142,583	2,792	76,391	1,021,691
Fund Balance, End of Year	<u>\$ 536,924</u>	<u>\$ 293</u>	<u>\$ 383,507</u>	<u>\$ 15,380</u>	<u>\$ 69,090</u>	<u>\$ 1,402,833</u>

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2010

SPECIAL REVENUE FUNDS

	Municipal Gas Tax	Juvenile Recreation	Intergovern- mental Grants	Senior Citizens	Na' Nizhoozhi Center	Community Development
REVENUES						
Intergovernmental income	\$ 346,000	\$ -	\$ 104,997	\$ 330,018	\$ -	\$ 295,711
Taxes	-	-	-	-	-	-
Operating grant - taxes	972,770	10,861	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous income	-	-	-	70,523	-	-
Interest income	8,530	22	-	14	5	3,594
Total Revenues	<u>1,327,300</u>	<u>10,883</u>	<u>104,997</u>	<u>400,555</u>	<u>5</u>	<u>299,305</u>
EXPENDITURES						
Current:						
General government	-	-	123,053	-	-	-
Culture and recreation	-	12,794	38,800	-	-	-
Public safety	-	-	617	-	-	-
Health and welfare	-	-	-	354,141	-	-
Public works	1,965,931	-	12,956	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Capital outlay	517,303	-	33,025	38,254	-	278,964
Total Expenditures	<u>2,483,234</u>	<u>12,794</u>	<u>208,451</u>	<u>392,395</u>	<u>-</u>	<u>278,964</u>
Excess (Deficiency) of						
Revenues over Expenditures	<u>(1,155,934)</u>	<u>(1,911)</u>	<u>(103,454)</u>	<u>8,160</u>	<u>5</u>	<u>20,341</u>
OTHER FINANCING SOURCES (USES)						
Bond and loan proceeds	-	-	-	-	-	-
Operating transfers in	690,726	-	-	-	-	-
Operating transfers out	-	-	-	-	(14,382)	-
Total Other Financing Sources (Uses)	<u>690,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,382)</u>	<u>-</u>
Net Change in Fund Balances	(465,208)	(1,911)	(103,454)	8,160	(14,377)	20,341
Fund Balance, Beginning of Year	<u>817,127</u>	<u>53,593</u>	<u>117,467</u>	<u>84,343</u>	<u>14,377</u>	<u>176,470</u>
Fund Balance, End of Year	<u>\$ 351,919</u>	<u>\$ 51,682</u>	<u>\$ 14,013</u>	<u>\$ 92,503</u>	<u>\$ -</u>	<u>\$ 196,811</u>

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2010

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
	Law	Business	Subtotal	02/04 Sales	NM Finance	Subtotal
	Enforcement	Improvement	Special Revenue	Tax Revenue	Authority	Debt Service
	Block Grant	District	Funds	Bonds	Loans	Funds
REVENUES						
Intergovernmental income	\$ -	\$ 110,409	\$ 1,743,259	\$ -	\$ -	\$ -
Taxes	-	-	1,127,782	-	888,812	888,812
Operating grant - taxes	-	-	983,631	-	-	-
Charges for services	-	132,791	294,462	-	-	-
Miscellaneous income	-	-	70,523	-	-	-
Interest income	-	4	30,357	8,576	7,194	15,770
Total Revenues	-	243,204	4,250,014	8,576	896,006	904,582
EXPENDITURES						
Current:						
General government	-	-	123,053	-	-	-
Culture and recreation	-	-	690,293	-	-	-
Public safety	-	-	247,324	-	-	-
Health and welfare	-	218,858	572,999	-	-	-
Public works	-	-	1,978,887	-	-	-
Debt service:						
Principal retirement	-	-	-	785,000	775,048	1,560,048
Bond issue costs	-	-	-	-	-	-
Interest and other charges	-	-	-	606,265	235,689	841,954
Capital outlay	-	-	890,694	-	-	-
Total Expenditures	-	218,858	4,503,250	1,391,265	1,010,737	2,402,002
Excess (Deficiency) of						
Revenues over Expenditures	-	24,346	(253,236)	(1,382,689)	(114,731)	(1,497,420)
OTHER FINANCING SOURCES (USES)						
Bond and loan proceeds	-	-	-	-	-	-
Operating transfers in	-	-	690,726	1,384,250	239,924	1,624,174
Operating transfers out	(1,138)	-	(269,362)	-	(233,633)	(233,633)
Total Other Financing Sources (Uses)	(1,138)	-	421,364	1,384,250	6,291	1,390,541
Net Change in Fund Balances	(1,138)	24,346	168,128	1,561	(108,440)	(106,879)
Fund Balance, Beginning of Year	1,138	-	2,971,173	81,644	1,354,685	1,436,329
Fund Balance, End of Year	\$ -	\$ 24,346	\$ 3,139,301	\$ 83,205	\$ 1,246,245	\$ 1,329,450

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2010

CAPITAL PROJECT FUNDS

	Airport	Infrastruc- ture GRT	1/4% Infra- structure GRT	11/00 Sales Tax Bonds	Legislative Appropriations	General Obligation Bond Projects
REVENUES						
Intergovernmental income	\$ 230,952	\$ -	\$ -	\$ -	\$ 124,832	\$ -
Taxes	-	-	-	-	-	-
Operating grant - taxes	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Miscellaneous income	-	-	-	-	-	-
Interest income	84	18,250	17,966	6,710	16	50
Total Revenues	<u>231,036</u>	<u>18,250</u>	<u>17,966</u>	<u>6,710</u>	<u>124,848</u>	<u>50</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Public works	-	-	10,529	-	169,818	12,660
Debt service:						
Principal retirement	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Capital outlay	236,875	-	159,216	2,390	8,795	3,222
Total Expenditures	<u>236,875</u>	<u>-</u>	<u>169,745</u>	<u>2,390</u>	<u>178,613</u>	<u>15,882</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(5,839)</u>	<u>18,250</u>	<u>(151,779)</u>	<u>4,320</u>	<u>(53,765)</u>	<u>(15,832)</u>
OTHER FINANCING SOURCES (USES)						
Bond and loan proceeds	-	-	-	-	-	-
Operating transfers in	-	299,680	3,002,244	-	-	-
Operating transfers out	-	(805,835)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(506,155)</u>	<u>3,002,244</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(5,839)	(487,905)	2,850,465	4,320	(53,765)	(15,832)
Fund Balance, Beginning of Year	183,065	1,517,569	-	246,895	13,370	125,555
Fund Balance, End of Year	<u>\$ 177,226</u>	<u>\$ 1,029,664</u>	<u>\$ 2,850,465</u>	<u>\$ 251,215</u>	<u>\$ (40,395)</u>	<u>\$ 109,723</u>

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2010

	CAPITAL PROJECT FUNDS			Subtotal Capital Project Funds	Total Non Major Governmental Funds
	02/04 Sales	02/04 Sales	Public Works		
	Non Tax Bonds	Tax Bonds			
REVENUES					
Intergovernmental income	\$ -	\$ -	\$ 3,021,909	\$ 3,377,693	\$ 5,120,952
Taxes	-	-	-	-	2,016,594
Operating grant - taxes	-	-	-	-	983,631
Charges for services	-	-	-	-	294,462
Miscellaneous income	-	-	-	-	70,523
Interest income	9	23	35,826	78,934	125,061
Total Revenues	9	23	3,057,735	3,456,627	8,611,223
EXPENDITURES					
Current:					
General government	-	-	-	-	123,053
Culture and recreation	-	-	-	-	690,293
Public safety	-	-	-	-	247,324
Health and welfare	-	-	-	-	572,999
Public works	-	-	-	193,007	2,171,894
Debt service:					
Principal retirement	-	-	-	-	1,560,048
Bond issue costs	-	-	-	-	-
Interest and other charges	-	-	-	-	841,954
Capital outlay	8,389	3,287	3,288,071	3,710,245	4,600,939
Total Expenditures	8,389	3,287	3,288,071	3,903,252	10,808,504
Excess (Deficiency) of					
Revenues over Expenditures	(8,380)	(3,264)	(230,336)	(446,625)	(2,197,281)
OTHER FINANCING SOURCES (USES)					
Bond and loan proceeds	-	-	-	-	-
Operating transfers in	-	-	365,109	3,667,033	5,981,933
Operating transfers out	-	-	-	(805,835)	(1,308,830)
Total Other Financing Sources (Uses)	-	-	365,109	2,861,198	4,673,103
Net Change in Fund Balances	(8,380)	(3,264)	134,773	2,414,573	2,475,822
Fund Balance, Beginning of Year	25,237	54,943	1,671,360	3,837,994	8,245,496
Fund Balance, End of Year	\$ 16,857	\$ 51,679	\$ 1,806,133	\$ 6,252,567	\$ 10,721,318

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

## NON MAJOR PROPRIETARY FUNDS

### *ENTERPRISE FUNDS*

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

The Solid Waste Fund 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.

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

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

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENTS OF NET ASSETS  
JUNE 30, 2010

	Solid Waste	The Fitness Center	National Junior High School Finals Rodeo	Gamerco Billings	Total Non Major Proprietary Funds
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 19,299	\$ 42,154	\$ 270,526	\$ 14,768	\$ 346,747
Investments	3,204,072	201,876	201,444	355,000	3,962,392
Accounts receivable, net	327,192	26,904	860	9,444	364,400
Due from other funds	-	-	-	-	-
Inventories	-	-	-	-	-
Total Current Assets	<u>3,550,563</u>	<u>270,934</u>	<u>472,830</u>	<u>379,212</u>	<u>4,673,539</u>
NONCURRENT ASSETS					
Restricted cash and cash equivalents	-	-	-	7,133	7,133
Capital assets:					-
Land	45,500	21,879	-	-	67,379
Distribution and collections systems	669,290	-	-	-	669,290
Buildings and improvements	48,309	291,429	-	-	339,738
Equipment	2,918,153	6,921	-	-	2,925,074
Less accumulated depreciation	(3,588,100)	(59,941)	-	-	(3,648,041)
Deferred charges	-	-	-	-	-
Total Noncurrent Assets	<u>93,152</u>	<u>260,288</u>	<u>-</u>	<u>7,133</u>	<u>360,573</u>
Total Assets	<u>3,643,715</u>	<u>531,222</u>	<u>472,830</u>	<u>386,345</u>	<u>5,034,112</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	100,171	2,241	25,327	-	127,739
Accrued wages and taxes	21,623	5,752	-	-	27,375
Due to other funds	-	-	-	-	-
Deferred revenue	20,637	-	-	-	20,637
Compensated absences	28,715	5,426	-	-	34,141
Claims and judgements	-	-	-	-	-
Loans - current	-	-	-	-	-
Revenue bonds - current	-	-	-	-	-
Payable from restricted assets	-	-	-	7,133	7,133
Accrued interest	-	-	-	-	-
Total Current Liabilities	<u>171,146</u>	<u>13,419</u>	<u>25,327</u>	<u>7,133</u>	<u>217,025</u>
NONCURRENT LIABILITIES					
Landfill closure	320,000	-	-	-	320,000
Loans payable	-	-	-	-	-
Revenue bonds payable (net of unamortized premiums and discounts)	-	-	-	-	-
Total Noncurrent Liabilities	<u>320,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,000</u>
Total Liabilities	<u>491,146</u>	<u>13,419</u>	<u>25,327</u>	<u>7,133</u>	<u>537,025</u>
NET ASSETS					
Investment in capital assets, net of related debt	93,152	260,288	-	-	353,440
Unrestricted	3,059,417	257,515	447,503	379,212	4,143,647
Total Net Assets	<u>\$ 3,152,569</u>	<u>\$ 517,803</u>	<u>\$ 447,503</u>	<u>\$ 379,212</u>	<u>\$ 4,497,087</u>

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



STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010

	Solid Waste	The Fitness Center	National Junior High School Finals Rodeo	Gamercro Billings	Total Non Major Proprietary Funds
OPERATING REVENUES					
Intergovernmental income	\$ -	\$ -	\$ 150,000	\$ -	\$ 150,000
Taxes	422,337	-	-	-	422,337
Operating grants - taxes	-	-	-	-	-
Charges for services	3,028,026	207,924	507,041	400,073	4,143,064
Miscellaneous income	-	(153)	55	-	(98)
Assessments	-	-	-	-	-
Total Operating Revenues	<u>3,450,363</u>	<u>207,771</u>	<u>657,096</u>	<u>400,073</u>	<u>4,715,303</u>
OPERATING EXPENSES					
Personnel services	580,076	131,911	-	-	711,987
Depreciation expense	303,423	6,230	-	-	309,653
Operating expenses	<u>1,759,485</u>	<u>109,665</u>	<u>668,573</u>	<u>782,115</u>	<u>3,319,838</u>
Total Operating Expenses	<u>2,642,984</u>	<u>247,806</u>	<u>668,573</u>	<u>782,115</u>	<u>4,341,478</u>
Operating Income (Loss)	<u>807,379</u>	<u>(40,035)</u>	<u>(11,477)</u>	<u>(382,042)</u>	<u>373,825</u>
NONOPERATING REVENUES (EXPENSES)					
Loss on sale of fixed assets	-	-	-	-	-
Interest income	43,253	1,969	1,903	12,605	59,730
Bond issue costs	-	-	-	-	-
Interest expense	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	<u>43,253</u>	<u>1,969</u>	<u>1,903</u>	<u>12,605</u>	<u>59,730</u>
Income (Loss) Before Operating Transfers	<u>850,632</u>	<u>(38,066)</u>	<u>(9,574)</u>	<u>(369,437)</u>	<u>433,555</u>
NET OPERATING TRANSFERS IN (OUT)					
Operating transfers from other funds	-	74,590	500	-	75,090
Operating transfers to other funds	<u>(105,950)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(105,950)</u>
Net Operating Transfers In (Out)	<u>(105,950)</u>	<u>74,590</u>	<u>500</u>	<u>-</u>	<u>(30,860)</u>
Change in Net Assets	744,682	36,524	(9,074)	(369,437)	402,695
Total Net Assets, Beginning of Year	<u>2,407,887</u>	<u>481,279</u>	<u>456,577</u>	<u>748,649</u>	<u>4,094,392</u>
Total Net Assets, End of Year	<u>\$ 3,152,569</u>	<u>\$ 517,803</u>	<u>\$ 447,503</u>	<u>\$ 379,212</u>	<u>\$ 4,497,087</u>

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010

	Solid Waste	The Fitness Center	National Junior High School Finals Rodeo	Gamerco Billings	Total Non Major Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 3,453,686	\$ 200,357	\$ 658,846	\$ 400,132	\$ 4,713,021
Cash paid to suppliers for goods and services	(1,928,154)	(109,349)	(661,230)	(782,115)	(3,480,848)
Cash paid to employees for services	(575,022)	(132,627)	-	-	(707,649)
Cash received from other funds for services	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	<u>950,510</u>	<u>(41,619)</u>	<u>(2,384)</u>	<u>(381,983)</u>	<u>524,524</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating subsidies (to) from other funds	<u>(105,950)</u>	<u>74,590</u>	<u>500</u>	<u>-</u>	<u>(30,860)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earned	<u>43,253</u>	<u>1,969</u>	<u>1,903</u>	<u>12,605</u>	<u>59,730</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from the sale of capital assets	-	-	-	-	-
Acquisition of capital assets	(80,900)	-	-	-	(80,900)
Principal paid on capital debt	-	-	-	-	-
Interest paid on capital debt	-	-	-	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(80,900)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,900)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	806,913	34,940	19	(369,378)	472,494
Cash and Cash Equivalents, Beginning of Year	<u>2,416,458</u>	<u>209,090</u>	<u>471,951</u>	<u>746,279</u>	<u>3,843,778</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,223,371</u>	<u>\$ 244,030</u>	<u>\$ 471,970</u>	<u>\$ 376,901</u>	<u>\$ 4,316,272</u>

**Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities**

Operating income (loss)	\$ 807,379	\$ (40,035)	\$ (11,477)	\$ (382,042)	\$ 373,825
Adjustments to reconcile net operating income to net cash provided by operating activities:					
Depreciation	303,423	6,230	-	-	309,653
(Increase) decrease in accounts receivable	6,178	(7,414)	1,750	5,147	5,661
Increase (decrease) in provision for doubtful accounts	(2,089)	-	-	(6,462)	(8,551)
(Increase) decrease in inventories	-	-	-	-	-
Increase (decrease) in accounts payable	(148,669)	316	7,343	-	(141,010)
Increase (decrease) in accrued wages and taxes	1,972	518	-	-	2,490
Increase (decrease) in due to other funds	-	-	-	-	-
Increase (decrease) in compensated absences	3,082	(1,234)	-	-	1,848
Increase (decrease) in claims and adjustments	-	-	-	-	-
Increase (decrease) in deferred revenue	(766)	-	-	-	(766)
Increase in payable from restricted assets	-	-	-	1,374	1,374
Decrease in landfill postclosure	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 950,510</u>	<u>\$ (41,619)</u>	<u>\$ (2,384)</u>	<u>\$ (381,983)</u>	<u>\$ 524,524</u>

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

## FIDUCIARY (AGENCY) FUNDS

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

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

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

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
AGENCY FUNDS  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2010

	Appearance Bonds	Special Gifts	Total Agency Funds
<b>CASH AND CASH EQUIVALENTS</b>			
Balance as of June 30, 2009	\$ 12,625	\$ 355,035	\$ 367,660
ADDITIONS			
Contributions	59,052	149,012	208,064
DEDUCTIONS			
Refunds of contributions	<u>(63,855)</u>	<u>(112,202)</u>	<u>(176,057)</u>
Balance as of June 30, 2010	<u>\$ 7,822</u>	<u>\$ 391,845</u>	<u>\$ 399,667</u>
<b>ACCOUNTS RECEIVABLE</b>			
Balance as of June 30, 2009	\$ -	\$ -	\$ -
ADDITIONS			
Contributions	-	28,376	28,376
DEDUCTIONS			
Refunds of contributions	<u>-</u>	<u>-</u>	<u>-</u>
Balance as of June 30, 2010	<u>\$ -</u>	<u>\$ 28,376</u>	<u>\$ 28,376</u>
<b>ACCOUNTS PAYABLE</b>			
Balance as of June 30, 2009	\$ -	\$ 3,012	\$ 3,012
ADDITIONS			
Interest income	-	109,812	109,812
DEDUCTIONS			
Refunds of contributions	<u>-</u>	<u>(112,064)</u>	<u>(112,064)</u>
Balance as of June 30, 2010	<u>\$ -</u>	<u>\$ 760</u>	<u>\$ 760</u>
<b>SPECIAL PROJECTS PAYABLE</b>			
Balance as of June 30, 2009	\$ 12,625	\$ 352,023	\$ 364,648
ADDITIONS			
Contributions	59,052	185,034	244,086
DEDUCTIONS			
Refunds of contributions	<u>(63,855)</u>	<u>(117,596)</u>	<u>(181,451)</u>
Balance as of June 30, 2010	<u>\$ 7,822</u>	<u>\$ 419,461</u>	<u>\$ 427,283</u>

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

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
CORRECTION FEE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	30,000	118,000	153,358	35,358
Miscellaneous income	-	-	-	-
Interest income	-	-	7,686	7,686
Total Revenues	<u>30,000</u>	<u>118,000</u>	<u>161,044</u>	<u>43,044</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	30,000	118,000	87,321	30,679
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>30,000</u>	<u>118,000</u>	<u>87,321</u>	<u>30,679</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>73,723</u>	<u>73,723</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>73,723</u>	<u>\$ 73,723</u>
Fund Balance, Beginning of Year			<u>463,201</u>	
Fund Balance, End of Year			<u>\$ 536,924</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 73,723	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>-</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ 73,723</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
EMERGENCY MEDICAL SERVICES SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ 18,500	\$ 14,969	\$ 14,969	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	2	2
Total Revenues	<u>18,500</u>	<u>14,969</u>	<u>14,971</u>	<u>2</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	18,500	14,969	14,678	291
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>18,500</u>	<u>14,969</u>	<u>14,678</u>	<u>291</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>293</u>	<u>293</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>293</u>	<u>\$ 293</u>
Fund Balance, Beginning of Year			-	
Fund Balance, End of Year			<u>\$ 293</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 293	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>-</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ 293</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
FIRE SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ 250,000	\$ 414,638	\$ 414,638	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	6,125	6,125
Total Revenues	<u>250,000</u>	<u>414,638</u>	<u>420,763</u>	<u>6,125</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	128,728	93,717	35,011
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>50,000</u>	<u>359,294</u>	<u>11,725</u>	<u>347,569</u>
Total Expenditures	<u>50,000</u>	<u>488,022</u>	<u>105,442</u>	<u>382,580</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>200,000</u>	<u>(73,384)</u>	<u>315,321</u>	<u>388,705</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	147,226	-	(147,226)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	<u>(76,540)</u>	<u>(73,842)</u>	<u>(73,842)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(76,540)</u>	<u>73,384</u>	<u>(73,842)</u>	<u>(147,226)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 123,460</u>	<u>\$ -</u>	<u>241,479</u>	<u>\$ 241,479</u>
Fund Balance, Beginning of Year			<u>147,226</u>	
Fund Balance, End of Year			<u>\$ 388,705</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 241,479	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>(555)</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ 240,924</u>	

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



STATE OF NEW MEXICO  
CITY OF GALLUP  
LAW ENFORCEMENT PROTECTION SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ 61,800	\$ 63,000	\$ 63,000	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	24	24
Total Revenues	<u>61,800</u>	<u>63,000</u>	<u>63,024</u>	<u>24</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	60,860	67,106	51,411	15,695
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>60,860</u>	<u>67,106</u>	<u>51,411</u>	<u>15,695</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>940</u>	<u>(4,106)</u>	<u>11,613</u>	<u>15,719</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	4,106	-	(4,106)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>4,106</u>	<u>-</u>	<u>(4,106)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 940</u>	<u>\$ -</u>	<u>11,613</u>	<u>\$ 11,613</u>
Fund Balance, Beginning of Year			<u>4,106</u>	
Fund Balance, End of Year			<u>\$ 15,719</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 11,613	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>975</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ 12,588</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
SPECIAL LIBRARY SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ 100,080	\$ 109,784	\$ 11,023	\$ (98,761)
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	8,313	8,313
Miscellaneous income	-	-	-	-
Interest income	-	-	31	31
Total Revenues	<u>100,080</u>	<u>109,784</u>	<u>19,367</u>	<u>(90,417)</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	100,080	109,784	71,893	37,891
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	7,043	7,043	-
Total Expenditures	<u>100,080</u>	<u>116,827</u>	<u>78,936</u>	<u>37,891</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>-</u>	<u>(7,043)</u>	<u>(59,569)</u>	<u>(52,526)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	7,043	-	(7,043)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>7,043</u>	<u>-</u>	<u>(7,043)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(59,569)</u>	<u>\$ (59,569)</u>
Fund Balance, Beginning of Year			<u>76,547</u>	
Fund Balance, End of Year			<u>\$ 16,978</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (59,569)	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			52,494	
Expenditures for payables, prepaid expenditures and other accruals			<u>(226)</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ (7,301)</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
LODGERS' TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	1,027,000	1,031,437	1,140,875	109,438
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	3,000	3,000	4,320	1,320
Total Revenues	<u>1,030,000</u>	<u>1,034,437</u>	<u>1,145,195</u>	<u>110,758</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Culture and recreation	850,000	1,661,788	578,310	1,083,478
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	5,087	4,380	707
Total Expenditures	<u>850,000</u>	<u>1,666,875</u>	<u>582,690</u>	<u>1,084,185</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>180,000</u>	<u>(632,438)</u>	<u>562,505</u>	<u>1,194,943</u>
OTHER FINANCING SOURCES (USES)				
Designated cash	-	812,438	-	(812,438)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	(180,000)	(180,000)	(180,000)	-
Total Other Financing Sources (Uses)	<u>(180,000)</u>	<u>632,438</u>	<u>(180,000)</u>	<u>(812,438)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>382,505</u>	<u>\$ 382,505</u>
Fund Balance, Beginning of Year			<u>895,973</u>	
Fund Balance, End of Year			<u>\$ 1,278,478</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 382,505	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			(13,093)	
Expenditures for payables, prepaid expenditures and other accruals			<u>11,730</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ 381,142</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
MUNICIPAL GAS TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 380,396	\$ 304,709	\$ (75,687)
Taxes	-	-	-	-
Operating grant - taxes	750,000	750,000	972,770	222,770
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	5,000	5,000	8,530	3,530
Total Revenues	<u>755,000</u>	<u>1,135,396</u>	<u>1,286,009</u>	<u>150,613</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	2,349,010	2,359,687	2,268,318	91,369
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	241,300	572,964	517,303	55,661
Total Expenditures	<u>2,590,310</u>	<u>2,932,651</u>	<u>2,785,621</u>	<u>147,030</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>(1,835,310)</u>	<u>(1,797,255)</u>	<u>(1,499,612)</u>	<u>297,643</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	1,835,310	1,835,310	690,726	(1,144,584)
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,835,310</u>	<u>1,835,310</u>	<u>690,726</u>	<u>(1,144,584)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 38,055</u>	<u>(808,886)</u>	<u>\$ (846,941)</u>
Fund Balance, Beginning of Year			<u>1,027,915</u>	
Fund Balance, End of Year			<u>\$ 219,029</u>	
<b>NET CHANGE IN FUND BALANCE (BUDGET BASIS)</b>			<b>\$ (808,886)</b>	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			41,291	
Expenditures for payables, prepaid expenditures and other accruals			<u>302,387</u>	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>			<b>\$ (465,208)</b>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
JUVENILE RECREATION SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grants - taxes	12,000	12,000	10,671	(1,329)
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	22	22
Total Revenues	<u>12,000</u>	<u>12,000</u>	<u>10,693</u>	<u>(1,307)</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Culture and recreation	12,000	12,856	12,619	237
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>12,000</u>	<u>12,856</u>	<u>12,619</u>	<u>237</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>-</u>	<u>(856)</u>	<u>(1,926)</u>	<u>(1,070)</u>
OTHER FINANCING SOURCES (USES)				
Designated cash	-	856	-	(856)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>856</u>	<u>-</u>	<u>(856)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(1,926)</u>	<u>\$ (1,926)</u>
Fund Balance, Beginning of Year			<u>52,012</u>	
Fund Balance, End of Year			<u>\$ 50,086</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (1,926)	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			190	
Expenditures for payables, prepaid expenditures and other accruals			<u>(175)</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ (1,911)</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
INTERGOVERNMENTAL GRANTS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 337,063	\$ 134,058	\$ (203,005)
Taxes	-	-	-	-
Operating grants - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	-	-
Total Revenues	<u>-</u>	<u>337,063</u>	<u>134,058</u>	<u>(203,005)</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	123,053	123,053	-
Culture and recreation	-	13,944	13,085	859
Public safety	-	618	617	1
Health and welfare	-	-	-	-
Public works	-	13,020	12,956	64
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>-</u>	<u>248,011</u>	<u>66,512</u>	<u>181,499</u>
Total Expenditures	<u>-</u>	<u>398,646</u>	<u>216,223</u>	<u>182,423</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(61,583)</u>	<u>(82,165)</u>	<u>(20,582)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	61,583	-	(61,583)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	20,000	20,000
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>61,583</u>	<u>20,000</u>	<u>(41,583)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(62,165)</u>	<u>\$ (62,165)</u>
Fund Balance, Beginning of Year			<u>66,632</u>	
Fund Balance, End of Year			<u>\$ 4,467</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (62,165)	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			(49,061)	
Expenditures for payables, prepaid expenditures and other accruals			<u>7,772</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ (103,454)</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
SENIOR CITIZENS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ 250,000	\$ 575,189	\$ 339,105	\$ (236,084)
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	40,000	45,461	70,523	25,062
Interest income	-	-	14	14
Total Revenues	<u>290,000</u>	<u>620,650</u>	<u>409,642</u>	<u>(211,008)</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	206,660	354,593	364,614	(10,021)
Public works	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	189,456	38,254	151,202
Total Expenditures	<u>206,660</u>	<u>544,049</u>	<u>402,868</u>	<u>141,181</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>83,340</u>	<u>76,601</u>	<u>6,774</u>	<u>(69,827)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 83,340</u>	<u>\$ 76,601</u>	6,774	<u>\$ (69,827)</u>
Fund Balance, Beginning of Year			<u>2,644</u>	
Fund Balance, End of Year			<u>\$ 9,418</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 6,774	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			(9,087)	
Expenditures for payables, prepaid expenditures and other accruals			<u>10,473</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ 8,160</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NA' NIZHOOZI CENTER SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	5	5	-
Total Revenues	<u>-</u>	<u>5</u>	<u>5</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>-</u>	<u>5</u>	<u>5</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	14,377	-	(14,377)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	<u>-</u>	<u>(14,382)</u>	<u>(14,382)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(5)</u>	<u>(14,382)</u>	<u>(14,377)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(14,377)</u>	<u>\$ (14,377)</u>
Fund Balance, Beginning of Year			<u>14,377</u>	
Fund Balance, End of Year			<u>\$ -</u>	
<b>NET CHANGE IN FUND BALANCE (BUDGET BASIS)</b>			<b>\$ (14,377)</b>	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>-</u>	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>			<b>\$ (14,377)</b>	

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



STATE OF NEW MEXICO  
CITY OF GALLUP  
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 319,838	\$ 319,839	\$ 1
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	3,594	3,594
Total Revenues	-	319,838	323,433	3,595
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	285,964	285,278	686
Total Expenditures	-	285,964	285,278	686
Excess (Deficiency) of				
Revenues over Expenditures	-	33,874	38,155	4,281
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ -	\$ 33,874	38,155	\$ 4,281
Fund Balance, Beginning of Year			158,656	
Fund Balance, End of Year			\$ 196,811	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 38,155	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			(24,128)	
Expenditures for payables, prepaid expenditures and other accruals			6,314	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			\$ 20,341	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
LAW ENFORCEMENT BLOCK GRANT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	1,138	-	(1,138)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	<u>-</u>	<u>(1,138)</u>	<u>(1,138)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(1,138)</u>	<u>(1,138)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(1,138)</u>	<u>\$ (1,138)</u>
Fund Balance, Beginning of Year			<u>1,138</u>	
Fund Balance, End of Year			<u>\$ -</u>	
<b>NET CHANGE IN FUND BALANCE (BUDGET BASIS)</b>			\$ (1,138)	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>-</u>	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>			<u>\$ (1,138)</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
BUSINESS IMPROVEMENT DISTRICT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 102,000	\$ 110,409	\$ 8,409
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	132,700	110,408	-
Miscellaneous income	-	-	-	-
Interest income	-	-	4	4
Total Revenues	<u>-</u>	<u>234,700</u>	<u>220,821</u>	<u>8,413</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	234,700	189,089	(45,611)
Public works	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>234,700</u>	<u>189,089</u>	<u>(45,611)</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>31,732</u>	<u>31,732</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>31,732</u>	<u>\$ 31,732</u>
Fund Balance, Beginning of Year			<u>-</u>	
Fund Balance, End of Year			<u>\$ 31,732</u>	
<b>NET CHANGE IN FUND BALANCE (BUDGET BASIS)</b>			<b>\$ 31,732</b>	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			22,383	
Expenditures for payables, prepaid expenditures and other accruals			<u>(29,769)</u>	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>			<u>\$ 24,346</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
02/04 SALES TAX REVENUE BONDS DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	7,000	7,000	8,576	1,576
Total Revenues	<u>7,000</u>	<u>7,000</u>	<u>8,576</u>	<u>1,576</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	785,000	785,000	785,000	-
Interest and other charges	606,270	606,270	606,265	5
Capital outlay	-	-	-	-
Total Expenditures	<u>1,391,270</u>	<u>1,391,270</u>	<u>1,391,265</u>	<u>5</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>(1,384,270)</u>	<u>(1,384,270)</u>	<u>(1,382,689)</u>	<u>1,581</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	1,384,270	1,384,270	1,384,250	(20)
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,384,270</u>	<u>1,384,270</u>	<u>1,384,250</u>	<u>(20)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	1,561	<u>\$ 1,561</u>
Fund Balance, Beginning of Year			<u>81,644</u>	
Fund Balance, End of Year			<u>\$ 83,205</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 1,561	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			-	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ 1,561</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NEW MEXICO FINANCE AUTHORITY DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	653,030	657,338	887,881	230,543
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	12,500	8,188	7,194	(994)
Total Revenues	<u>665,530</u>	<u>665,526</u>	<u>895,075</u>	<u>229,549</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	775,050	775,050	775,048	2
Interest and other charges	239,240	239,057	235,689	3,368
Capital outlay	-	-	-	-
Total Expenditures	<u>1,014,290</u>	<u>1,014,107</u>	<u>1,010,737</u>	<u>3,370</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>(348,760)</u>	<u>(348,581)</u>	<u>(115,662)</u>	<u>232,919</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	342,299	-	(342,299)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	348,760	239,922	239,924	2
Transfers to other funds	-	(233,640)	(233,633)	7
Total Other Financing Sources (Uses)	<u>348,760</u>	<u>348,581</u>	<u>6,291</u>	<u>(342,290)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(109,371)</u>	<u>\$ (109,371)</u>
Fund Balance, Beginning of Year			<u>1,333,308</u>	
Fund Balance, End of Year			<u>\$ 1,223,937</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (109,371)	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			7,227	
Expenditures for payables, prepaid expenditures and other accruals			<u>(6,296)</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ (108,440)</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
11/00 SALES TAX BONDS DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	1,000	2,058	2,062	4
Total Revenues	<u>1,000</u>	<u>2,058</u>	<u>2,062</u>	<u>4</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	505,000	4,110,000	4,110,000	-
Interest and other charges	210,570	225,390	225,390	-
Capital outlay	-	-	-	-
Total Expenditures	<u>715,570</u>	<u>4,335,390</u>	<u>4,335,390</u>	<u>-</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>(714,570)</u>	<u>(4,333,332)</u>	<u>(4,333,328)</u>	<u>4</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	82,597	-	82,597
Bond and loan proceeds	-	-	-	-
Transfers from other funds	714,570	4,334,400	4,334,396	(4)
Transfers to other funds	-	(83,665)	(83,665)	-
Total Other Financing Sources (Uses)	<u>714,570</u>	<u>4,333,332</u>	<u>4,250,731</u>	<u>82,593</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(82,597)</u>	<u>\$ 82,597</u>
Fund Balance, Beginning of Year			<u>82,597</u>	
Fund Balance, End of Year			<u>\$ -</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (82,597)	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>-</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ (82,597)</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
06/10 SALES TAX BONDS DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	289	289
Total Revenues	<u>-</u>	<u>-</u>	<u>289</u>	<u>289</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	200,000	(195,892)	395,892
Total Expenditures	<u>-</u>	<u>200,000</u>	<u>(195,892)</u>	<u>395,892</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>-</u>	<u>(200,000)</u>	<u>196,181</u>	<u>396,181</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	15,430,000	15,430,000	-
Transfers from other funds	-	83,665	83,665	-
Transfers to other funds	-	(3,619,830)	(3,619,826)	4
Total Other Financing Sources (Uses)	<u>-</u>	<u>11,893,835</u>	<u>11,893,839</u>	<u>4</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 11,693,835</u>	<u>12,090,020</u>	<u>\$ 396,185</u>
Fund Balance, Beginning of Year			<u>-</u>	
Fund Balance, End of Year			<u>\$ 12,090,020</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 12,090,020	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>-</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ 12,090,020</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
AIRPORT CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 233,193	\$ 230,498	\$ (2,695)
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	84	84
Total Revenues	<u>-</u>	<u>233,193</u>	<u>230,582</u>	<u>(2,611)</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	315,803	236,875	78,928
Total Expenditures	<u>-</u>	<u>315,803</u>	<u>236,875</u>	<u>78,928</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>-</u>	<u>(82,610)</u>	<u>(6,293)</u>	<u>76,317</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	82,610	-	(82,610)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>82,610</u>	<u>-</u>	<u>(82,610)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(6,293)</u>	<u>\$ (6,293)</u>
Fund Balance, Beginning of Year			183,065	
Fund Balance, End of Year			<u>\$ 176,772</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (6,293)	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			454	
Expenditures for payables, prepaid expenditures and other accruals			-	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ (5,839)</u>	

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



STATE OF NEW MEXICO  
CITY OF GALLUP  
INFRASTRUCTURE GRT CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	18,250	18,250
Total Revenues	<u>-</u>	<u>-</u>	<u>18,250</u>	<u>18,250</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>-</u>	<u>1,333,142</u>	<u>-</u>	<u>1,333,142</u>
Total Expenditures	<u>-</u>	<u>1,333,142</u>	<u>-</u>	<u>1,333,142</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>-</u>	<u>(1,333,142)</u>	<u>18,250</u>	<u>1,351,392</u>
OTHER FINANCING SOURCES (USES)				
Designated cash	-	1,133,802	-	(1,133,802)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	2,747,360	1,784,650	299,680	(1,484,970)
Transfers to other funds	<u>(1,585,310)</u>	<u>(1,585,310)</u>	<u>(805,835)</u>	<u>779,475</u>
Total Other Financing Sources (Uses)	<u>1,162,050</u>	<u>1,333,142</u>	<u>(506,155)</u>	<u>(1,839,297)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,162,050</u>	<u>\$ -</u>	<u>(487,905)</u>	<u>\$ (487,905)</u>
Fund Balance, Beginning of Year			<u>1,517,569</u>	
Fund Balance, End of Year			<u>\$ 1,029,664</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (487,905)	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>-</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ (487,905)</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
1/4% INFRASTRUCTURE GRT CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	5,220	17,966	12,746
Total Revenues	<u>-</u>	<u>5,220</u>	<u>17,966</u>	<u>12,746</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	67,000	10,529	56,471
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>-</u>	<u>1,222,920</u>	<u>159,216</u>	<u>1,063,704</u>
Total Expenditures	<u>-</u>	<u>1,289,920</u>	<u>169,745</u>	<u>1,120,175</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>-</u>	<u>(1,284,700)</u>	<u>(151,779)</u>	<u>1,132,921</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	2,835,710	3,002,244	166,534
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,835,710</u>	<u>3,002,244</u>	<u>166,534</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 1,551,010</u>	<u>2,850,465</u>	<u>\$ 1,299,455</u>
Fund Balance, Beginning of Year			<u>-</u>	
Fund Balance, End of Year			<u>\$ 2,850,465</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ 2,850,465	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>-</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ 2,850,465</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
11/00 SALES TAX BOND CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	6,710	6,710
Total Revenues	<u>-</u>	<u>-</u>	<u>6,710</u>	<u>6,710</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	15,220	-	15,220
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	206,088	2,390	203,698
Total Expenditures	<u>-</u>	<u>221,308</u>	<u>2,390</u>	<u>218,918</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>-</u>	<u>(221,308)</u>	<u>4,320</u>	<u>225,628</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	221,308	-	(221,308)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>221,308</u>	<u>-</u>	<u>(221,308)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>4,320</u>	<u>\$ 4,320</u>
Fund Balance, Beginning of Year			246,895	
Fund Balance, End of Year			<u>\$ 251,215</u>	
<b>NET CHANGE IN FUND BALANCE (BUDGET BASIS)</b>			\$ 4,320	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>-</u>	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>			<u>\$ 4,320</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
LEGISLATIVE APPROPRIATIONS CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 557,292	\$ 209,778	\$ (347,514)
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	16	16
Total Revenues	<u>-</u>	<u>557,292</u>	<u>209,794</u>	<u>(347,498)</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	396,442	248,470	147,972
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>-</u>	<u>114,143</u>	<u>8,795</u>	<u>105,348</u>
Total Expenditures	<u>-</u>	<u>510,585</u>	<u>257,265</u>	<u>253,320</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>46,707</u>	<u>(47,471)</u>	<u>(94,178)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 46,707</u>	<u>(47,471)</u>	<u>\$ (94,178)</u>
Fund Balance, Beginning of Year			<u>94,173</u>	
Fund Balance, End of Year			<u>\$ 46,702</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (47,471)	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			(84,946)	
Expenditures for payables, prepaid expenditures and other accruals			<u>78,652</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ (53,765)</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
GENERAL OBLIGATION BOND CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	50	50
Total Revenues	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	24,903	15,352	9,551
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>-</u>	<u>101,847</u>	<u>3,222</u>	<u>98,625</u>
Total Expenditures	<u>-</u>	<u>126,750</u>	<u>18,574</u>	<u>108,176</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>-</u>	<u>(126,750)</u>	<u>(18,524)</u>	<u>108,226</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	126,750	-	(126,750)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>126,750</u>	<u>-</u>	<u>(126,750)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(18,524)</u>	<u>\$ (18,524)</u>
Fund Balance, Beginning of Year			<u>128,247</u>	
Fund Balance, End of Year			<u>\$ 109,723</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (18,524)	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>2,692</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ (15,832)</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
02/04 SALES NON TAX BONDS CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	9	9
Total Revenues	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	12,578	-	(12,578)
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>-</u>	<u>12,610</u>	<u>8,389</u>	<u>4,221</u>
Total Expenditures	<u>-</u>	<u>25,188</u>	<u>8,389</u>	<u>(8,357)</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>-</u>	<u>(25,188)</u>	<u>(8,380)</u>	<u>16,808</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	25,188	-	(25,188)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>25,188</u>	<u>-</u>	<u>(25,188)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(8,380)</u>	<u>\$ (8,380)</u>
Fund Balance, Beginning of Year			<u>25,237</u>	
Fund Balance, End of Year			<u>\$ 16,857</u>	
<b>NET CHANGE IN FUND BALANCE (BUDGET BASIS)</b>			<b>\$ (8,380)</b>	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>-</u>	
<b>NET CHANGE IN FUND BALANCE (GAAP BASIS)</b>			<b>\$ (8,380)</b>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
02/04 SALES TAX BONDS CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	23	23
Total Revenues	<u>-</u>	<u>-</u>	<u>23</u>	<u>23</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	78	-	(78)
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>-</u>	<u>48,875</u>	<u>3,287</u>	<u>45,588</u>
Total Expenditures	<u>-</u>	<u>48,953</u>	<u>3,287</u>	<u>45,510</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>-</u>	<u>(48,953)</u>	<u>(3,264)</u>	<u>45,689</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	48,953	-	(48,953)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>48,953</u>	<u>-</u>	<u>(48,953)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(3,264)</u>	<u>\$ (3,264)</u>
Fund Balance, Beginning of Year			<u>54,943</u>	
Fund Balance, End of Year			<u>\$ 51,679</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (3,264)	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>-</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ (3,264)</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
PUBLIC WORKS CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Intergovernmental income	\$ -	\$ 7,045,600	\$ 426,100	\$ (6,619,500)
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	35,800	35,826	26
Total Revenues	<u>-</u>	<u>7,081,400</u>	<u>461,926</u>	<u>(6,619,474)</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>-</u>	<u>8,700,843</u>	<u>2,483,513</u>	<u>6,217,330</u>
Total Expenditures	<u>-</u>	<u>8,700,843</u>	<u>2,483,513</u>	<u>6,217,330</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>-</u>	<u>(1,619,443)</u>	<u>(2,021,587)</u>	<u>(402,144)</u>
OTHER FINANCING SOURCES (USES)				
Designated cash	-	1,619,443	-	(1,619,443)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	365,109	365,109
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,619,443</u>	<u>365,109</u>	<u>(1,254,334)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(1,656,478)</u>	<u>\$ (1,656,478)</u>
Fund Balance, Beginning of Year			<u>1,706,478</u>	
Fund Balance, End of Year			<u>\$ 50,000</u>	
NET CHANGE IN FUND BALANCE (BUDGET BASIS)			\$ (1,656,478)	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			2,595,809	
Expenditures for payables, prepaid expenditures and other accruals			<u>(804,558)</u>	
NET CHANGE IN FUND BALANCE (GAAP BASIS)			<u>\$ 134,773</u>	

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



**SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS – BUDGET AND ACTUAL**

STATE OF NEW MEXICO  
CITY OF GALLUP  
SOLID WASTE ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	150,000	150,000	422,337	-
Operating grant - taxes	-	-	-	-
Charges for services	2,730,670	2,730,670	3,031,349	300,679
Miscellaneous income	-	-	-	-
Interest income	-	-	43,253	43,253
Total Revenues	<u>2,880,670</u>	<u>2,880,670</u>	<u>3,496,939</u>	<u>343,932</u>
<b>EXPENSES</b>				
Personnel services	575,350	575,350	575,022	328
Depreciation expense	-	-	-	-
Amortization expense	-	-	-	-
Operating expenses	1,727,470	1,926,971	1,928,154	(1,183)
Capital outlay	260,000	170,150	80,900	89,250
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenses	<u>2,562,820</u>	<u>2,672,471</u>	<u>2,584,076</u>	<u>88,395</u>
Excess (Deficiency) of				
Revenues over Expenses	<u>317,850</u>	<u>208,199</u>	<u>912,863</u>	<u>704,664</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	(105,950)	(105,950)	(105,950)	-
Total Other Financing Sources (Uses)	<u>(105,950)</u>	<u>(105,950)</u>	<u>(105,950)</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>\$ 211,900</u>	<u>\$ 102,249</u>	806,913	<u>\$ 704,664</u>
Net Assets, Beginning of Year			<u>2,416,458</u>	
Net Assets, End of Year			<u>\$ 3,223,371</u>	
<b>CHANGE IN NET ASSETS (BUDGET BASIS)</b>			\$ 806,913	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			16,677	
Expenditures for payables, prepaid expenditures and other accruals			<u>(78,908)</u>	
<b>CHANGE IN NET ASSETS (GAAP BUDGET BASIS)</b>			<u>\$ 744,682</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
JOINT UTILITIES ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 7,489,571	\$ 7,521,116	\$ 31,545
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	27,647,040	27,653,360	30,921,676	3,268,316
Miscellaneous income	-	-	-	-
Interest income	162,000	174,216	363,213	188,997
Total Revenues	<u>27,809,040</u>	<u>35,317,147</u>	<u>38,806,005</u>	<u>3,488,858</u>
<b>EXPENDITURES</b>				
Current:				
Personnel services	2,630,750	3,194,710	3,070,847	123,863
Depreciation expense	-	-	-	-
Amortization expense	-	-	-	-
Operating expenses	17,821,050	27,706,581	16,679,299	11,027,282
Capital outlay	1,029,000	3,364,085	1,998,297	1,365,788
Debt Service:				
Principal retirement	1,488,010	1,518,537	1,518,525	12
Interest and other charges	1,103,280	1,072,753	1,072,744	9
Total Expenses	<u>24,072,090</u>	<u>36,856,666</u>	<u>24,339,712</u>	<u>12,516,954</u>
Excess (Deficiency) of				
Revenues over Expenses	<u>3,736,950</u>	<u>(1,539,519)</u>	<u>14,466,293</u>	<u>16,005,812</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	3,362,599	-	(3,362,599)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	2,458,080	11,254,052	11,254,052	-
Transfers to other funds	(4,281,160)	(13,077,132)	(13,077,132)	-
Total Other Financing Sources (Uses)	<u>(1,823,080)</u>	<u>1,539,519</u>	<u>(1,823,080)</u>	<u>(3,362,599)</u>
CHANGE IN NET ASSETS	<u>\$ 1,913,870</u>	<u>\$ -</u>	<u>12,643,213</u>	<u>\$ 12,643,213</u>
Net Assets, Beginning of Year			<u>21,653,310</u>	
Net Assets, End of Year			<u>\$ 34,296,523</u>	
CHANGE IN NET ASSETS (BUDGET BASIS)			\$ 12,643,213	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			(285,760)	
Expenditures for payables, prepaid expenditures and other accruals			<u>1,098,026</u>	
CHANGE IN NET ASSETS (GAAP BUDGET BASIS)			<u>\$ 13,455,479</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
THE FITNESS CENTER ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	210,000	210,000	200,246	(9,754)
Miscellaneous income	-	-	(153)	(153)
Interest income	-	-	1,969	1,969
Total Revenues	<u>210,000</u>	<u>210,000</u>	<u>202,062</u>	<u>(7,938)</u>
<b>EXPENSES</b>				
Current:				
Personnel services	145,220	145,220	132,363	12,857
Depreciation expense	-	-	-	-
Amortization expense	-	-	-	-
Operating expenses	134,120	159,721	109,349	50,372
Capital outlay	5,100	5,100	-	5,100
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenses	<u>284,440</u>	<u>310,041</u>	<u>241,712</u>	<u>68,329</u>
Excess (Deficiency) of				
Revenues over Expenses	<u>(74,440)</u>	<u>(100,041)</u>	<u>(39,650)</u>	<u>60,391</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	25,451	-	(25,451)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	74,590	74,590	74,590	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>74,590</u>	<u>100,041</u>	<u>74,590</u>	<u>(25,451)</u>
CHANGE IN NET ASSETS	<u>\$ 150</u>	<u>\$ -</u>	<u>34,940</u>	<u>\$ 34,940</u>
Net Assets, Beginning of Year			<u>209,090</u>	
Net Assets, End of Year			<u>\$ 244,030</u>	
<b>CHANGE IN NET ASSETS (BUDGET BASIS)</b>			\$ 34,940	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			7,678	
Expenditures for payables, prepaid expenditures and other accruals			<u>(6,094)</u>	
<b>CHANGE IN NET ASSETS (GAAP BUDGET BASIS)</b>			<u>\$ 36,524</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
NATIONAL JUNIOR HIGH SCHOOL FINALS RODEO ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ 200,000	\$ 150,000	\$ (50,000)
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	655,382	508,791	(146,591)
Miscellaneous income	-	30	55	25
Interest income	-	29	1,903	1,874
Total Revenues	-	855,441	660,749	(194,692)
<b>EXPENSES</b>				
Current:				
Personnel services	-	-	-	-
Depreciation expense	-	-	-	-
Amortization expense	-	-	-	-
Operating expenses	-	1,125,993	661,230	464,763
Capital outlay	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenses	-	1,125,993	661,230	464,763
Excess (Deficiency) of				
Revenues over Expenses	-	(270,552)	(481)	270,071
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	270,552	-	(270,552)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	500	500
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	-	270,552	500	(270,052)
CHANGE IN NET ASSETS	\$ -	\$ -	19	\$ 19
Net Assets, Beginning of Year			471,951	
Net Assets, End of Year			\$ 471,970	
<b>CHANGE IN NET ASSETS (BUDGET BASIS)</b>			\$ 19	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			(1,750)	
Expenditures for payables, prepaid expenditures and other accruals			(7,343)	
<b>CHANGE IN NET ASSETS (GAAP BUDGET BASIS)</b>			\$ (9,074)	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
GAMERCO BILLING ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Intergovernmental income	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	375,000	375,000	400,132	25,132
Miscellaneous income	-	-	-	-
Interest income	1,500	1,500	12,605	11,105
Total Revenues	<u>376,500</u>	<u>376,500</u>	<u>412,737</u>	<u>36,237</u>
<b>EXPENSES</b>				
Current:				
Personnel services	-	-	-	-
Depreciation expense	-	-	-	-
Amortization expense	-	-	-	-
Operating expenses	85,000	790,000	782,115	7,885
Capital outlay	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenses	<u>85,000</u>	<u>790,000</u>	<u>782,115</u>	<u>7,885</u>
Excess (Deficiency) of				
Revenues over Expenses	<u>291,500</u>	<u>(413,500)</u>	<u>(369,378)</u>	<u>44,122</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated cash	-	413,500	-	(413,500)
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>413,500</u>	<u>-</u>	<u>(413,500)</u>
CHANGE IN NET ASSETS	<u>\$ 291,500</u>	<u>\$ -</u>	<u>(369,378)</u>	<u>\$ (369,378)</u>
Net Assets, Beginning of Year			<u>746,279</u>	
Net Assets, End of Year			<u>\$ 376,901</u>	
<b>CHANGE IN NET ASSETS (BUDGET BASIS)</b>			\$ (369,378)	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			(59)	
Expenditures for payables, prepaid expenditures and other accruals			<u>-</u>	
<b>CHANGE IN NET ASSETS (GAAP BUDGET BASIS)</b>			<u>\$ (369,437)</u>	

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
RISK MANAGEMENT INTERNAL SERVICE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>REVENUES</b>				
Assessments	\$ 2,434,560	\$ 2,434,560	\$ 2,434,560	\$ -
Intergovernmental income	-	-	-	-
Operating grant - taxes	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	15,000	22,000	20,339	(1,661)
Interest income	44,910	44,910	53,694	8,784
Total Revenues	<u>2,494,470</u>	<u>2,501,470</u>	<u>2,508,593</u>	<u>7,123</u>
<b>EXPENSES</b>				
Current:				
Personnel services	293,670	293,670	286,885	6,785
Depreciation expense	-	-	-	-
Amortization expense	-	-	-	-
Operating expenses	2,146,700	2,157,498	1,743,410	414,088
Capital outlay	-	-	-	-
Debt Service:				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenses	<u>2,440,370</u>	<u>2,451,168</u>	<u>2,030,295</u>	<u>420,873</u>
Excess (Deficiency) of				
Revenues over Expenses	<u>54,100</u>	<u>50,302</u>	<u>478,298</u>	<u>427,996</u>
<b>OTHER FINANCING SOURCES</b>				
Designated cash	-	-	-	-
Bond and loan proceeds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>\$ 54,100</u>	<u>\$ 50,302</u>	478,298	<u>\$ 427,996</u>
Net Assets, Beginning of Year			<u>3,123,097</u>	
Net Assets, End of Year			<u>\$ 3,601,395</u>	
CHANGE IN NET ASSETS (BUDGET BASIS)			\$ 478,298	
Adjustments to:				
Revenues for tax accruals, interest, and other deferrals and accruals			-	
Expenditures for payables, prepaid expenditures and other accruals			<u>86,568</u>	
CHANGE IN NET ASSETS (GAAP BUDGET BASIS)			<u>\$ 564,866</u>	

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

## **NEW MEXICO STATE AUDITOR DISCLOSURES**



STATE OF NEW MEXICO  
CITY OF GALLUP  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS AND PLEDGED COLLATERAL  
JUNE 30, 2010

		<u>Bank Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
<b>WELLS FARGO, NEW MEXICO</b>				
Operations	Checking	\$ 2,571,440	\$ (815,291)	\$ 1,756,149
NJHS Rodeo	Checking	206,811	2,610	209,421
Gallup Municipal Court	Money Market	<u>9,328</u>	<u>(1,506)</u>	<u>7,822</u>
Municipality of Gallup		2,787,579	<u>\$ (814,187)</u>	<u>\$ 1,973,392</u>
Less FDIC coverage		<u>250,000</u>		
Uninsured Public Funds		2,537,579		
Less Pledged Collateral held by the pledging financial institution		<u>(5,679,185)</u>		
Over insured and over collateralized		<u>\$ (3,141,606)</u>		
Collateral requirement - 50% of uninsured funds		\$ 1,268,790		
Pledged Security		<u>5,679,185</u>		
Over Collateral Requirement		<u>\$ 4,410,395</u>		
<b>WELLS FARGO BROKERAGE</b>				
City of Gallup	Treasury Notes	\$ 28,654,581	\$ -	\$ 28,654,581
City of Gallup	Money Market	<u>14,390,876</u>	<u>-</u>	<u>14,390,876</u>
Municipality of Gallup		<u>\$ 43,045,457</u>	<u>\$ -</u>	<u>\$ 43,045,457</u>
<b>BANK OF ALBUQUERQUE - NEW MEXICO FINANCE AUTHORITY (NMFA)</b>				
Fire Station Loan	Cash Deposit	\$ 134,038	\$ -	\$ 134,038
Water Trust Board Grants	Cash Deposit	<u>9,603,852</u>	<u>-</u>	<u>9,603,852</u>
Municipality of Gallup		<u>\$ 9,737,890</u>	<u>\$ -</u>	<u>\$ 9,737,890</u>
<b>FIRST COMMUNITY BANK</b>				
City of Gallup	Certificate of Deposit	\$ 22,000,000	\$ -	\$ 22,000,000
Municipality of Gallup		22,000,000	<u>\$ -</u>	<u>\$ 22,000,000</u>
Less FDIC coverage		<u>250,000</u>		
Uninsured Public Funds		21,750,000		
Less Pledged Collateral held by the pledging financial institution		<u>(21,898,696)</u>		
Over insured and overcollateralized		<u>\$ (148,696)</u>		
Collateral requirement - 50% of uninsured funds		\$ 10,875,000		
Pledged Security		<u>21,898,696</u>		
Over Collateral Requirement		<u>\$ 11,023,696</u>		
<b>NEW MEXICO STATE TREASURER</b>				
Municipality of Gallup	Local Government Investment Pool (LGIP)	<u>\$ 23,877</u>	<u>\$ -</u>	<u>\$ 23,877</u>

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

STATE OF NEW MEXICO  
CITY OF GALLUP  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS AND PLEDGED COLLATERAL  
JUNE 30, 2010

	<u>Bank Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
<b>TOTAL FINANCIAL INSTITUTIONS</b>			
VALUE OF ACCOUNTS PER BANK			
City of Gallup	Checking	\$ 2,778,251	\$ (812,681) \$ 1,965,570
City of Gallup	Money Market	14,400,204	(1,506) 14,398,698
City of Gallup	Certificate of Deposit	22,000,000	- 22,000,000
City of Gallup	Cash Deposit	9,737,890	- 9,737,890
City of Gallup	Treasury Notes	28,654,581	- 28,654,581
City of Gallup	LGIP	<u>23,877</u>	<u>- 23,877</u>
Municipality of Gallup		77,594,803	<u>\$ (814,187) 76,780,616</u>
Less NMFA		9,737,890	9,737,890
Less Wells Fargo Brokerage		43,054,785	43,053,279
Less NM State Treasurer		<u>23,877</u>	<u>23,877</u>
		24,778,251	<u>\$ 23,965,570</u>
Less FDIC coverage		<u>500,000</u>	
Uninsured Public Funds		24,278,251	
Less Pledged Collateral held by the pledging financial institution		<u>(27,577,881)</u>	
Over insured and over collateralized		<u>\$ (3,299,630)</u>	
Collateral requirement - 50% of uninsured funds		\$ 12,139,126	
Pledged Security		<u>27,577,881</u>	
Over Collateral Requirement		<u>\$ 15,438,755</u>	

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



# Griego Professional Services, LLC

Certified Public Accountants

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, the budgetary comparison for the general fund and major special revenue fund of the City of Gallup (the "City"), New Mexico, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2010. We also have audited the financial statements of each of the City's non-major governmental, non-major enterprise and internal service funds, and budgetary comparisons and the major enterprise fund budgetary comparison, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents, and have issued our report thereon dated December 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 to be material weaknesses. FS 08-07.

A significant deficiency is a deficiency, or 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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. FS 08-01, FS 09-02 and FS 10-01.

Compliance and Other Matters

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

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 agency's response and, accordingly, we express no opinion on it.

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



Albuquerque, New Mexico  
December 14, 2010



# Griego Professional Services, LLC

Certified Public Accountants

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

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

### Compliance

We have audited the City of Gallup (the "City"), New Mexico, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The City of Gallup, New Mexico's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Gallup, New Mexico's management. Our responsibility is to express an opinion on the City of Gallup, New Mexico's compliance based on our audit.

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

In our opinion, the City of Gallup, New Mexico complied, 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those standards, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items FA 10-01, FA 10-02 and FA 10-03.

### Internal Control Over Compliance

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

*A 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items FA 10-01, FA 10-02 and FA 10-03. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Gallup, New Mexico'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 of Gallup, New Mexico's responses and, accordingly, we express no opinion on the responses.

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

*Grigo Professional Services, LLC*

Albuquerque, New Mexico  
December 14, 2010

**FEDERAL FINANCIAL ASSISTANCE**

STATE OF NEW MEXICO  
CITY OF GALLUP  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2010

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Program or Award Amount	Accrued Revenue 07/01/09	Revenues Recognized	Federal Expenditures	Accrued Revenue 06/30/10
<b>PRIMARY GOVERNMENT</b>							
<b>U.S. DEPARTMENT OF HEALTH AND WELFARE</b>							
<b>Administration on Aging</b>							
Passed through North Central N.M. Economic Development District							
Non-Metro Area Agency on Aging							
Special Programs for the Aging Title III, Part B							
Grants for Supportive Services and Senior Cente	93.044	2009-10 60013	\$ 29,294	\$ -	\$ 25,405	\$ 29,294	\$ 3,865
Special Programs for the Aging Title III, Part C-1							
Nutrition Services (Congregate)	93.045	2009-10 60013	35,287	-	29,995	35,287	5,292
Special Programs for the Aging Title III, Part C-2							
Nutrition Services (Home Delivered)	93.045	2009-10 60013	12,202	-	10,771	12,202	1,431
American Recovery and Reinvestment Act of 2009							
Aging Home-Delivered Nutrition Services for Stat	93.705	2009-10 60013	4,268	-	4,268	4,268	-
American Recovery and Reinvestment Act of 2009							
Aging Congregate Nutrition Services for States	93.707	2009-10 60013	8,237	-	8,237	8,237	-
Nutrition Service Incentive Program (NSIP)	93.053	2009-10 60013	<u>47,809</u>	<u>-</u>	<u>37,809</u>	<u>47,809</u>	<u>10,000</u>
Total U.S. Department of Health and Human Services			<u>137,097</u>	<u>-</u>	<u>116,485</u>	<u>137,097</u>	<u>20,588</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>							
<b>Federal Highway Administration</b>							
Passed through N.M. Department of Transportation							
American Recovery and Reinvestment Act of 2009							
Highway Planning and Construction							
Safe Routes to School Phase I	20.205	L6057	15,000	1,055	4,076	5,313	132
Clay Street Bridge Reconstruction	20.205	ES61190	2,100,000	-	-	605,908	446,570
Scenic Byways Program - Route 66 Phase I	20.205	SB602	50,000	27,745	15,718	12,274	-
Scenic Byways Program - Route 66 Phase II	20.205	SB702	50,000	-	21,364	21,212	-
Passed through N.M. Energy, Minerals and Natural Resources Department							
Recreational Trails Program	20.219	07-521-0551000000-0258	142,000	1,606	5,000	14,500	9,500
<b>Federal Aviation Administration</b>							
Airport Improvement Program	20.106	3-35-0019-021-2009	<u>227,193</u>	<u>-</u>	<u>224,576</u>	<u>225,030</u>	<u>454</u>
Total U.S. Department of Transportation			<u>2,584,193</u>	<u>30,406</u>	<u>270,734</u>	<u>884,237</u>	<u>456,656</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>							
Passed through N.M. Department of Public Safety							
Edward Byrne Memorial							
Justice Assistance Grant Program	16.738	RA-JAG-Gallup-SFY10	<u>53,944</u>	<u>-</u>	<u>-</u>	<u>53,947</u>	<u>53,944</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>							
<b>Bureau of Reclamation Direct Program</b>							
Water Conservation Field Services Program	15.530	R10AP40025	<u>11,520</u>	<u>-</u>	<u>-</u>	<u>11,456</u>	<u>11,456</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
<b>Office of Community Planning and Development</b>							
Passed through N.M. Department of Finance and Administration							
Local Government Division							
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii							
Sky City	14.228	07-C-NR-I-01-G-35	<u>295,711</u>	<u>-</u>	<u>295,711</u>	<u>278,964</u>	<u>-</u>
Total Primary Government			<u>3,082,465</u>	<u>30,406</u>	<u>682,930</u>	<u>1,365,701</u>	<u>542,644</u>

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



STATE OF NEW MEXICO  
CITY OF GALLUP  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2010

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Program or Award Amount	Accrued Revenue 07/01/09	Revenues Recognized	Federal Expenditures	Accrued Revenue 06/30/10
<i>DISCRETE COMPONENT UNIT</i>							
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
<b>Office of Public and Indian Housing Direct Program</b>							
Public and Indian Housing	14.850		-	2,527	537,308	767,353	227,518
Section 8 Housing Choice Vouchers	14.871		-	-	104,578	104,833	255
Public Housing Capital Fund	14.872		-	-	724,350	724,350	-
Native American Housing Block Grants (Formula) Recovery Act Funded	14.882		-	-	268,517	268,517	-
<b>Office of Community Planning and Development</b>							
Emergency Shelter Grants Program	14.231		-	-	75,471	75,471	-
Total U.S. Department of Housing and Urban Development			-	2,527	1,710,224	1,940,524	227,773
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u>\$ 3,082,465</u>	<u>\$ 32,933</u>	<u>\$ 2,393,154</u>	<u>\$ 3,306,225</u>
					<u>\$ 770,417</u>		

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

**STATE OF NEW MEXICO**  
**CITY OF GALLUP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

1. Type of auditors' report issued	Unqualified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	Yes
b. Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

*Federal Awards:*

1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiency identified not considered to be material weaknesses?	Yes
c. Control deficiency identified not considered to be significant deficiency?	No
2. Type of auditors' report issued on compliance for major programs	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes
4. Identification of major programs:	

<u>CFDA Number</u>	<u>Federal Program</u>
20.205	AARA Highway Planning and Construction
14.872	Capital Project Fund
14.850	Low Rent Public Housing Program

5. Dollar threshold used to distinguish between type A and type B programs:	\$300,000
6. Auditee qualified as low-risk auditee?	No

**STATE OF NEW MEXICO**  
**CITY OF GALLUP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Section II – Financial Statement Findings**

**FS 09-02 – Itemized Receipts**

*Condition:* During our test work of P-Cards, we noted four out of ten instances totaling \$4,894.08 in which a receipt was not retained and provided to the City. The total amount of P-Card payments within the sample was \$13,676.69.

*Criteria:* City of Gallup policies and procedures require itemized receipts to be provided when a P-Card is utilized and upon return from travel.

*Effect:* Non-adherence to The City of Gallup's internal controls may subject the City to a possible occurrence of fraud.

*Cause:* The staff did not follow the allowable procedures provided through the City of Gallup employee handbook.

*Auditors' Recommendation:* We recommend that the City emphasize and adhere to the Employee Handbook's procedures to prevent such an occurrence.

*Management's Response:* We will continue to enforce our policies and procedures. We will also conduct training on our travel policies so that all of our employees will know and follow procedures.

**FS 10-01 Audit Report**

*Condition:* The City's audit report for the year ended June 30, 2010 was not submitted to the State Auditor by the required due date, December 1, 2010.

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

*Effect:* The result was the late submission of the City's audit report for the year ended June 30, 2010. Late submission of the audit may affect state, federal and other funding, as well as affect the City's bond capacity or ratings.

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

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

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

**STATE OF NEW MEXICO**  
**CITY OF GALLUP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**FS 08-01 — Audit Report Not Submitted Timely (Housing Authority)**

*Condition:* The Authority's audit report for the year ended June 30, 2010 was not submitted to the State Auditor by the required due date, December 1, 2010.

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

*Effect:* The result was the late submission of the Authority's audit report for the year ended June 30, 2010.

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

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

*Management's Response:* The Authority converted its operating software in October of 2009, due to conversion the Agency had to hire both IT specialists as well as Fee-Accountants, to help with data problems. This caused the Fee-Accountant to delay submission of data to Auditor. This Agency is having Fee-accountant work FDS at six (6) months as well as FYE to insure timely submission.

**FS 08-07 — Internal Control over Financial Reporting (Housing Authority)**

*Condition:* Although the Authority is making progress, through continuing educations classes, it is currently without an individual at the management level capable of taking responsibility for the preparation of the financial statements as required by accounting standards.

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

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

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

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

*Management's Response:* Executive Director has during this past year attended industry trainings related to GASB processes, Executive Director is personally applying for assistance and enrollment to the University of Phoenix, for continued accounting training.

**STATE OF NEW MEXICO**  
**CITY OF GALLUP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Section II – Federal Award Findings**

**FA-10-01 — Non-Compliance with Uniform Financial Reporting Standards (Housing Authority)**

Federal program information:

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

*Condition:* The PHA submitted the Financial Data Statement (FDS) on September 30, 2010. This was 30 days past the required submission time frame allowed by HUD.

*Criteria:* In accordance with HUD's Uniform Financial Reporting Standards Rule, annually, a PHA is required to submit its financial statement, prepared in accordance with Generally Accepted Accounting Principles (GAAP). The unaudited financial statement is due 2 months after the PHA's fiscal year end.

*Effect:* The PHA is not in compliance with HUD's Uniform Reporting Standards.

*Cause:* Due to a system conversion, the PHA could not supply the proper information to the fee accountant for timely submission.

*Auditors' Recommendation:* The PHA should implement a policy that will ensure that the FDS is submitted within the allowable time frame.

*Management Response:* This Administration has taken the steps needed to ensure timely future, submissions. This Agency used valuable resources to solve all software issues, and strongly informed fee accountants of the importance of timely submissions.

**FA-10-02 — Depository Agreements (Housing Authority)**

Federal program information:

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

*Condition:* At the time of audit the PHA could not locate or provide valid depository agreements.

*Criteria:* PHA's are required to enter into depository agreements with their financial institutions in a form required by HUD in the Annual Contribution Contract. The agreements serve as a safeguard to federal funds and provide third part rights to HUD

*Effect:* The PHA is not in compliance with HUD requirements.

*Cause:* Due to a change in directors at the PHA, this process was started, but never completed.

*Auditors' Recommendation:* The PHA needs to put depository agreement in place with all financial institutions the handle HUD Federal Funds.

*Management Response:* This Agency is in the process of getting new depository agreements signed by all Institutions that secure our funds.

**STATE OF NEW MEXICO**  
**CITY OF GALLUP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**FA-10-03 — Asset Management-Fee-Cost-Approach (Housing Authority)**

Federal program information:

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

*Condition:* At year end, the PHA took a percentage, based on number of housing units within a project and allocated all the COCC cost using that percentage allocation. Actual HUD approved rates or reasonableness test were not used to charge each project. In addition, the PHA had chosen to centralize the maintenance function and these cost were not allocated based on actual services.

*Criteria:* In accordance with Compliance supplement A-133; Activities-Allowable/Non-Allowable: The PHA may establish a COCC to account for non-project specific cost. These costs shall be funded from the property management fees received from each property. If the PHA chooses to centralize functions under asset management, each project shall be charged for actual services and only to the extent that such amounts are reasonable.

*Effect:* The PHA is not in compliance with HUD cost allocation and reporting rules.

*Cause:* At the time of converting to asset-management based cost allocation, the accounting system of the PHA could not account for cost in this manner.

*Auditors' Recommendation:* The PHA should, in conjunction with the fee accountant, establish the cost allocation method that will be used.

*Management Response:* This Agency is currently using a Allocated Overhead method, (Section 226, PIH 2008-16), But has requested a special Study, By HUD to re-evaluate the Pros/Cons of Asset-management for an Agency of our Size, Which is 17 Units Above the Voluntary OPT-IN levels.

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

- FS 09-01** — Timeliness of Deposits – Resolved
- FS 08-01** — Audit Report not Submitted timely (Housing Authority) – Repeated
- FS 08-05** — Lack of Supporting Documentation - Travel (Housing Authority) – Resolved
- FS 08-06** — Internal Control Deficiencies (Housing Authority) – Resolved
- FS 08-07** — Internal Control over Financial Reporting (Housing Authority) – Repeated

**STATE OF NEW MEXICO**  
**CITY OF GALLUP**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Section IV – Other Disclosures**

Prepared Financials

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

Exit Conference – City of Gallup

The contents of this report were discussed on December 1, 2010. The following individuals were in attendance.

City of Gallup

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

Griego Professional Services, LLC

JJ Griego, CPA

Exit Conference – City of Gallup Housing Authority

The contents of this report were discussed on January 27, 2011. The following individuals were in attendance.

City of Gallup Housing Authority

Gumi Garcia, Chairperson  
Danny Garcia, Executive Director

Griego Professional Services, LLC

JJ Griego, CPA  
Ben Martinez