

STATE OF NEW MEXICO CITY OF GALLUP ANNUAL FINANCIAL REPORT

JUNE 30, 2014



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INTRODUCTORY SECTION

STATE OF NEW MEXICO

City of Gallup
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June 30, 2014

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STATE OF NEW MEXICO
City of Gallup
Official Roster
June 30, 2014

Name

Title

City Council

Jackie McKinney	Mayor
Linda Garcia	Councilor
Allan Landavazo	Councilor
Yogash Kumar	Councilor
Cecil E. Garcia	Councilor

Administrative Officials

Maryann Ustick	City Manager
George W. Kozeliski	City Attorney
Patty Holland	Chief Financial Officer

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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the General Fund and major special revenue fund of City of Gallup, New Mexico (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds, the nonmajor enterprise funds, and the budgetary comparisons for the major capital projects fund, the major debt service fund, the proprietary funds, the internal service fund and all nonmajor funds presented as supplementary information as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinions on the Governmental Activities and Business-type Activities Capital Assets, the accumulated and current year depreciation, the Capital Outlay Expenditures and Expenses related to Governmental and Enterprise Funds

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

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

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

Qualified Opinions

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinions on the Governmental Activities and Business-type Activities Capital Assets, the accumulated and current year depreciation, the Capital Outlay Expenditures and Expenses related to Governmental and Enterprise Funds" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities and Business-type of City of Gallup as of June 30, 2014, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion

Because of the significance of the matters described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements of the Discretely Presented Component Unit.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities that are not mentioned above, the business-type activities that are not mentioned above, each major fund, and the aggregate remaining fund information of City of Gallup, as of June 30, 2014, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and each nonmajor enterprise fund of the City not mentioned above, as of June 30, 2014, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for the major capital project fund and major debt service fund and all other nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The Schedule of Expenditures of Federal Awards and Supporting Schedules I through IV required by Section 2.2.2 NMAC and the U.S. Department of Housing and Urban Development are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America.

In our opinion, except for the effect on the supplementary information of the qualified opinions on the opinion units mentioned in the "Basis for Qualified Opinions on the Governmental Activities and Business-type Activities Capital Assets, the accumulated and current year depreciation, the Capital Outlay Expenditures and Expenses related to Governmental and Enterprise Funds" paragraph, Supporting Schedules I through IV required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the financial statements as a whole.

Because of the significance of the matters discussed in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards and Schedule V required by the U.S. Department of Housing and Urban Development.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 28, 2014

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

City of Gallup

Statement of Net Position

June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 16,722,970	\$ 18,591,116	\$ 35,314,086	\$ 190,417
Investments	31,969,934	16,726,668	48,696,602	-
Receivables:				
Property taxes	270,073	-	270,073	-
Other taxes	3,589,548	-	3,589,548	-
Other receivables, net	588,022	1,500,514	2,088,536	143,413
Customer receivables, net	-	4,922,636	4,922,636	33,581
Inventory	127,494	1,958,976	2,086,470	60,588
Prepaid expenses	-	75,311	75,311	23,252
Internal balances	(8,179,030)	8,179,030	-	-
Total current assets	<u>45,089,011</u>	<u>51,954,251</u>	<u>97,043,262</u>	<u>451,251</u>
Noncurrent assets				
Restricted cash and cash equivalents	1,242,720	6,677,139	7,919,859	118,016
Bond discount, net of accumulated amortization of \$22,988	8,330	-	8,330	-
Capital assets	154,200,878	104,957,433	259,158,311	15,791,125
Less: accumulated depreciation	<u>(66,449,270)</u>	<u>(51,416,544)</u>	<u>(117,865,814)</u>	<u>(7,476,359)</u>
Total noncurrent assets	<u>89,002,658</u>	<u>60,218,028</u>	<u>149,220,686</u>	<u>8,432,782</u>
Total assets	<u>\$ 134,091,669</u>	<u>\$ 112,172,279</u>	<u>\$ 246,263,948</u>	<u>\$ 8,884,033</u>

The accompanying notes are an integral part of these financial statements

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current liabilities				
Accounts payable	\$ 845,886	\$ 2,038,663	\$ 2,884,549	\$ 58,359
Accrued payroll	598,323	64,047	662,370	12,682
Accrued tax liability	3,369	173,021	176,390	-
Accrued utilities	-	-	-	-
Prepaid rent	-	-	-	3,204
Deposits held in trust for others	-	909,257	909,257	45,708
Accrued interest payable	90,480	26,804	117,284	-
Accrued compensated absences	67,595	17,677	85,272	600
Current portion of landfill closure costs	-	25,143	25,143	-
Current portion of bonds payable	2,530,000	1,945,000	4,475,000	-
Current portion of notes payable	100,624	164,853	265,477	-
Total current liabilities	4,236,277	5,364,465	9,600,742	120,553
Noncurrent liabilities				
Accrued compensated absences	777,348	203,285	980,633	9,818
Bond premiums, net of accumulated amortization of \$377,623	706,421	-	706,421	-
Landfill closure costs	-	301,714	301,714	-
Bonds payable	21,455,000	14,635,000	36,090,000	-
Notes payable	962,698	3,030,838	3,993,536	-
Total noncurrent liabilities	23,901,467	18,170,837	42,072,304	9,818
Total liabilities	28,137,744	23,535,302	51,673,046	130,371
Net Position				
Net investment in capital assets	62,703,286	33,765,198	96,468,484	8,314,766
Restricted for:				
Debt service	4,686,961	5,767,882	10,454,843	-
Capital projects	7,804,993	-	7,804,993	-
Special revenue	22,836,934	-	22,836,934	-
Tenant and escrow deposits	-	-	-	-
Security deposits	-	909,257	909,257	-
Section 8 housing	-	-	-	72,308
Unrestricted	7,921,751	48,194,640	56,116,391	366,588
Total net position	105,953,925	88,636,977	194,590,902	8,753,662
Total liabilities and net position	\$ 134,091,669	\$ 112,172,279	\$ 246,263,948	\$ 8,884,033

STATE OF NEW MEXICO
City of Gallup
Statement of Activities
For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
General government	\$ 8,469,910	\$ 962,704	\$ 1,342,448	\$ -
Public safety	12,117,061	91,878	529,761	-
Public works	3,709,921	1,494,165	2,395,628	252,480
Culture and recreation	4,153,246	7,059	10,280	-
Health and welfare	2,224,316	87,180	207,566	-
Interest on long-term debt	787,967	-	-	-
<i>Total governmental activities</i>	<u>31,462,421</u>	<u>2,642,986</u>	<u>4,485,683</u>	<u>252,480</u>
Business-type Activities:				
Joint utilities	32,979,480	33,865,860	-	1,795,682
Solid waste	2,475,657	3,116,767	-	-
Culture and recreation	1,088,682	723,057	-	-
<i>Total business-type activities</i>	<u>36,543,819</u>	<u>37,705,684</u>	<u>-</u>	<u>1,795,682</u>
<i>Total primary government</i>	<u>\$ 68,006,240</u>	<u>\$ 40,348,670</u>	<u>\$ 4,485,683</u>	<u>\$ 2,048,162</u>
Component Unit:				
Housing Authority	<u>\$ 1,937,567</u>	<u>\$ 715,848</u>	<u>\$ 719,302</u>	<u>\$ 728,762</u>

General Revenues, Transfers, and Special Item:

Taxes:
 Property taxes, levied for general purposes
 Gross receipts taxes
 Gasoline and motor vehicle taxes
 Franchise taxes
 Lodger's taxes
Investment income
Miscellaneous income (expense)
Transfers
Loss on disposal of capital assets
Special item - fraud loss

Total general revenues

Change in net position

Net position - beginning

Net position restatement (Note 22)

Net position, as restated

Net position - ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ (6,164,758)	\$ -	\$ (6,164,758)	\$ -
(11,495,422)	-	(11,495,422)	-
432,352	-	432,352	-
(4,135,907)	-	(4,135,907)	-
(1,929,570)	-	(1,929,570)	-
(787,967)	-	(787,967)	-
<u>(24,081,272)</u>	<u>-</u>	<u>(24,081,272)</u>	<u>-</u>
-	2,682,062	2,682,062	-
-	641,110	641,110	-
-	(365,625)	(365,625)	-
<u>-</u>	<u>2,957,547</u>	<u>2,957,547</u>	<u>-</u>
<u>(24,081,272)</u>	<u>2,957,547</u>	<u>(21,123,725)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>226,345</u>
2,797,632	-	2,797,632	-
23,706,748	364,805	24,071,553	-
1,173,910	-	1,173,910	-
502,736	-	502,736	-
1,234,155	-	1,234,155	-
802,280	20,405	822,685	38
278,720	(771)	277,949	42,508
4,690,307	(4,690,307)	-	-
-	-	-	(30,000)
-	-	-	(63,726)
<u>35,186,488</u>	<u>(4,305,868)</u>	<u>30,880,620</u>	<u>(51,180)</u>
<u>11,105,216</u>	<u>(1,348,321)</u>	<u>9,756,895</u>	<u>175,165</u>
95,115,401	90,884,658	186,000,059	8,578,497
<u>(266,692)</u>	<u>(899,360)</u>	<u>(1,166,052)</u>	<u>-</u>
<u>94,848,709</u>	<u>89,985,298</u>	<u>184,834,007</u>	<u>8,578,497</u>
<u>\$ 105,953,925</u>	<u>\$ 88,636,977</u>	<u>\$ 194,590,902</u>	<u>\$ 8,753,662</u>

STATE OF NEW MEXICO

City of Gallup

Balance Sheet

Governmental Funds

June 30, 2014

	General Fund	Environmental Surcharge Special Revenue Fund	02/11 Sales Tax Revenue Bonds Capital Projects Fund	02/04 Sales Tax Revenue Bonds Debt Service Fund
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 3,125,526	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	1,021,185
Investments	8,937,349	10,900,307	5,752,381	-
Receivables:				
Property taxes	219,197	-	-	-
Other taxes	3,406,990	-	-	-
Other receivables	86,156	-	-	-
Inventory	127,494	-	-	-
<i>Total assets</i>	<u>\$ 12,777,186</u>	<u>\$ 14,025,833</u>	<u>\$ 5,752,381</u>	<u>\$ 1,021,185</u>
<i>Liabilities</i>				
Accounts payable	\$ 270,903	\$ 27,514	\$ -	\$ -
Accrued payroll	541,852	-	-	-
Tax liability	3,369	-	-	-
Due to other funds	2,507,555	-	5,192,632	-
<i>Total liabilities</i>	<u>3,323,679</u>	<u>27,514</u>	<u>5,192,632</u>	<u>-</u>
<i>Deferred inflows of resources</i>				
Deferred inflows- property taxes	146,410	-	-	-
<i>Total deferred inflows of resources</i>	<u>146,410</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable				
Inventory	127,494	-	-	-
Spendable				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	13,998,319	-	-
Fire protection	-	-	-	-
Health and welfare	-	-	-	-
Debt service expenditures	-	-	-	1,021,185
Capital projects	-	-	559,749	-
Committed to:				
Minimum fund balance	2,035,526	-	-	-
Unassigned	7,144,077	-	-	-
<i>Total fund balances</i>	<u>9,307,097</u>	<u>13,998,319</u>	<u>559,749</u>	<u>1,021,185</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 12,777,186</u>	<u>\$ 14,025,833</u>	<u>\$ 5,752,381</u>	<u>\$ 1,021,185</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ 11,862,986	\$ 14,988,512
221,535	1,242,720
4,379,883	29,969,920
50,876	270,073
182,558	3,589,548
501,866	588,022
-	127,494
<u>\$ 17,199,704</u>	<u>\$ 50,776,289</u>
\$ 546,654	\$ 845,071
31,140	572,992
-	3,369
478,843	8,179,030
<u>1,056,637</u>	<u>9,600,462</u>
<u>33,862</u>	<u>180,272</u>
<u>33,862</u>	<u>180,272</u>
-	127,494
691,035	691,035
344,586	344,586
1,592,502	1,592,502
5,217,112	19,215,431
345,208	345,208
21,586	21,586
1,680,421	2,701,606
6,377,506	6,937,255
-	2,035,526
(160,751)	6,983,326
<u>16,109,205</u>	<u>40,995,555</u>
<u>\$ 17,199,704</u>	<u>\$ 50,776,289</u>

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STATE OF NEW MEXICO

City of Gallup

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2014

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$	40,995,555
Residual balances of the internal service funds are included within the governmental activities and are not reported within the governmental funds		3,706,661
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		87,750,836
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be "unavailable" revenue in the fund financial statements, but are considered revenue in the Statement of Activities.		180,272
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable:		
Accrued interest		(90,480)
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued compensated absences		(842,506)
Bond discount		8,330
Bond premiums		(706,421)
Bonds payable		(23,985,000)
Notes payable		(1,063,322)
		(1,063,322)
Total net position of governmental activities	\$	105,953,925

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Gallup
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Environmental Surcharge Special Revenue Fund	02/11 Sales Tax Revenue Bonds Capital Projects Fund	02/04 Sales Tax Revenue Bonds Debt Service Fund
<i>Revenues</i>				
Taxes:				
Property	\$ 2,256,317	\$ -	\$ -	\$ -
Gross receipts	22,231,927	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	502,736	-	-	-
Lodger's	-	-	-	-
Intergovernmental income:				
Federal operating grants	18,823	1,164	-	-
State operating grants	249,699	-	-	-
State capital grants	-	-	-	-
Charges for services	814,973	1,429,927	-	-
Licenses and fees	113,052	-	-	-
Investment income	769,366	10,582	4,434	-
Miscellaneous	215,051	-	-	-
<i>Total revenues</i>	<u>27,171,944</u>	<u>1,441,673</u>	<u>4,434</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	7,356,571	-	13,637	-
Public safety	11,501,793	-	-	-
Public works	1,114,328	81,195	-	-
Culture and recreation	3,182,484	-	-	-
Health and welfare	1,025,516	-	-	-
Capital outlay	245,618	4,387	284,907	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	69,840
<i>Total expenditures</i>	<u>24,426,310</u>	<u>85,582</u>	<u>298,544</u>	<u>69,840</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,745,634</u>	<u>1,356,091</u>	<u>(294,110)</u>	<u>(69,840)</u>
<i>Other financing sources (uses)</i>				
Transfers in	1,955,700	-	-	814,840
Transfers out	(5,105,090)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(3,149,390)</u>	<u>-</u>	<u>-</u>	<u>814,840</u>
<i>Net change in fund balances</i>	<u>(403,756)</u>	<u>1,356,091</u>	<u>(294,110)</u>	<u>745,000</u>
<i>Fund balance - beginning of year</i>	10,027,987	12,642,228	853,859	276,185
<i>Fund balances - restatement (Note 22)</i>	(317,134)	-	-	-
<i>Fund balances - as restated</i>	<u>9,710,853</u>	<u>12,642,228</u>	<u>853,859</u>	<u>276,185</u>
<i>Fund balance - end of year</i>	<u>\$ 9,307,097</u>	<u>\$ 13,998,319</u>	<u>\$ 559,749</u>	<u>\$ 1,021,185</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ 527,797	\$ 2,784,114
1,474,821	23,706,748
1,173,910	1,173,910
-	502,736
1,234,155	1,234,155
727,965	747,952
3,488,032	3,737,731
252,480	252,480
250,355	2,495,255
-	113,052
17,898	802,280
63,669	278,720
<u>9,211,082</u>	<u>37,829,133</u>
1,113,011	8,483,219
615,268	12,117,061
2,514,398	3,709,921
971,212	4,153,696
1,198,800	2,224,316
1,365,781	1,900,693
1,771,894	1,771,894
832,654	902,494
<u>10,383,018</u>	<u>35,263,294</u>
<u>(1,171,936)</u>	<u>2,565,839</u>
9,522,736	12,293,276
<u>(2,283,436)</u>	<u>(7,388,526)</u>
<u>7,239,300</u>	<u>4,904,750</u>
<u>6,067,364</u>	<u>7,470,589</u>
9,975,897	33,776,156
65,944	(251,190)
<u>10,041,841</u>	<u>33,524,966</u>
<u>\$ 16,109,205</u>	<u>\$ 40,995,555</u>

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STATE OF NEW MEXICO

City of Gallup

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	\$	7,470,589
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Change in net position of internal service funds		(179,764)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures recorded in capital outlay		1,900,693
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Increase in deferred inflows related to property taxes receivable		13,518
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The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Decrease in accrued interest		12,775
Decrease in accrued compensated absences		13,755
Amortization of bond discount		(2,776)
Amortization of bond premiums		104,532
Principal payments on bonds payable		1,675,000
Principal payments on loans payable		96,894
		96,894

Change in net position of governmental activities	\$	11,105,216
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The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-1

City of Gallup

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
<i>Taxes:</i>				
Property taxes	\$ 2,281,654	\$ 2,281,654	\$ 2,279,765	\$ (1,889)
Gross receipts	20,975,000	20,975,000	22,533,728	1,558,728
Gas and motor vehicle	-	-	-	-
Other	1,600,000	1,600,000	484,264	(1,115,736)
<i>Intergovernmental income:</i>				
Federal operating grants	-	1,140	29,245	28,105
Federal capital grants	-	-	-	-
State operating grants	182,500	375,704	239,229	(136,475)
State capital grants	-	-	-	-
Charges for services	1,060,150	1,060,150	765,024	(295,126)
Licenses and fees	121,250	121,250	113,052	(8,198)
Interest income (loss)	350,000	350,000	760,016	410,016
Miscellaneous	1,488,000	1,493,605	203,734	(1,289,871)
<i>Total revenues</i>	<u>28,058,554</u>	<u>28,258,503</u>	<u>27,408,057</u>	<u>(850,446)</u>
<i>Expenditures</i>				
<i>Current:</i>				
General government	7,741,106	7,950,221	7,533,867	416,354
Public safety	11,586,163	12,023,047	11,394,096	628,951
Public works	1,284,751	1,300,298	1,067,559	232,739
Culture and recreation	3,320,327	3,431,356	3,181,371	249,985
Health and welfare	1,124,734	1,131,604	1,022,620	108,984
Capital outlay	183,800	304,300	245,618	58,682
<i>Total expenditures</i>	<u>25,240,881</u>	<u>26,140,826</u>	<u>24,445,131</u>	<u>1,695,695</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,817,673</u>	<u>2,117,677</u>	<u>2,962,926</u>	<u>845,249</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,070,520	1,055,516	-	(1,055,516)
Transfers in	1,934,427	1,934,427	1,955,700	21,273
Transfers out	(5,822,620)	(5,107,620)	(5,105,090)	2,530
<i>Total other financing sources (uses)</i>	<u>(2,817,673)</u>	<u>(2,117,677)</u>	<u>(3,149,390)</u>	<u>(1,031,713)</u>
<i>Net change in fund balance</i>	-	-	(186,464)	(186,464)
<i>Fund balance - beginning of year</i>	-	-	6,616,258	6,616,258
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,429,794</u>	<u>\$ 6,429,794</u>
Net change in fund balance (Non-GAAP basis)				\$ (186,464)
Adjustment to revenues for taxes, grants, charges for service, miscellaneous, and investment income				(236,113)
Adjustments to expenditures for payroll, accounts payable, accounts receivable accruals				18,821
Net change in fund balance (GAAP basis)				<u>\$ (403,756)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-2

City of Gallup
 Environmental Surcharge Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Basis) and Actual
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gas and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	1,164	1,164	1,164	-
Federal capital grants	-	-	-	-
State operating grants	1,200	596	-	(596)
State capital grants	-	-	-	-
Charges for services	1,360,000	1,360,000	1,429,927	69,927
Licenses and fees	-	-	-	-
Interest income (loss)	25,000	25,000	10,582	(14,418)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	1,387,364	1,386,760	1,441,673	54,913
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,387,364	3,130,282	53,681	3,076,601
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	2,564,620	4,387	2,560,233
<i>Total expenditures</i>	1,387,364	5,694,902	58,068	5,636,834
<i>Excess (deficiency) of revenues over expenditures</i>	-	(4,308,142)	1,383,605	5,691,747
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	4,308,142	-	(4,308,142)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	4,308,142	-	(4,308,142)
<i>Net change in fund balance</i>	-	-	1,383,605	1,383,605
<i>Fund balance - beginning of year</i>	-	-	12,642,228	12,642,228
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 14,025,833	\$ 14,025,833
Net change in fund balance (Non-GAAP basis)				\$ 1,383,605
No adjustments to revenues				-
Adjustments to expenditures for payroll, accounts payable, accounts receivable accruals				(27,514)
Net change in fund balance (GAAP basis)				\$ 1,356,091

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit D-1

City of Gallup
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Funds		Total	Governmental Activities
	Joint Utilities	Nonmajor Funds		Internal Service Fund
<i>Assets</i>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 14,846,774	\$ 3,744,342	\$ 18,591,116	\$ 1,734,458
Investments	15,226,665	1,500,003	16,726,668	2,000,014
Other receivables, net	1,482,211	18,303	1,500,514	-
Customer receivables, net	4,547,856	374,780	4,922,636	-
Inventory	1,958,976	-	1,958,976	-
Utility deposit	75,311	-	75,311	-
Interfund receivable	8,182,711	-	8,182,711	-
<i>Total current assets</i>	<u>46,320,504</u>	<u>5,637,428</u>	<u>51,957,932</u>	<u>3,734,472</u>
<i>Noncurrent assets</i>				
Restricted cash and cash equivalents	6,677,139	-	6,677,139	-
Capital assets	99,740,615	5,216,818	104,957,433	36,538
Less: accumulated depreciation	(47,620,977)	(3,795,567)	(51,416,544)	(35,766)
<i>Total noncurrent assets</i>	<u>58,796,777</u>	<u>1,421,251</u>	<u>60,218,028</u>	<u>772</u>
<i>Total assets</i>	<u>\$ 105,117,281</u>	<u>\$ 7,058,679</u>	<u>\$ 112,175,960</u>	<u>\$ 3,735,244</u>
<i>Liabilities and net position</i>				
<i>Liabilities</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 1,937,955	\$ 100,708	\$ 2,038,663	\$ 815
Accrued payroll	52,079	11,968	64,047	25,331
Accrued tax liability	171,923	1,098	173,021	-
Deposits held in trust for others	909,257	-	909,257	-
Accrued interest payable	26,804	-	26,804	-
Accrued compensated absences	15,169	2,508	17,677	195
Interfund payable	-	3,681	3,681	-
Current portion of landfill closure costs	-	25,143	25,143	-
Current portion of bonds payable	1,945,000	-	1,945,000	-
Current portion of notes payable	164,853	-	164,853	-
<i>Total current liabilities</i>	<u>5,223,040</u>	<u>145,106</u>	<u>5,368,146</u>	<u>26,341</u>
<i>Noncurrent liabilities</i>				
Accrued compensated absences	174,447	28,838	203,285	2,242
Landfill closure costs	-	301,714	301,714	-
Bonds payable	14,635,000	-	14,635,000	-
Loans payable	3,030,838	-	3,030,838	-
<i>Total noncurrent liabilities</i>	<u>17,840,285</u>	<u>330,552</u>	<u>18,170,837</u>	<u>2,242</u>
<i>Total liabilities</i>	<u>23,063,325</u>	<u>475,658</u>	<u>23,538,983</u>	<u>28,583</u>
<i>Net position</i>				
Net investment in capital assets	32,343,947	1,421,251	33,765,198	772
Restricted for:				
Debt service	5,767,882	-	5,767,882	-
Security deposits	909,257	-	909,257	-
Unrestricted	43,032,870	5,161,770	48,194,640	3,705,889
<i>Total net position</i>	<u>82,053,956</u>	<u>6,583,021</u>	<u>88,636,977</u>	<u>3,706,661</u>
<i>Total liabilities and net position</i>	<u>\$ 105,117,281</u>	<u>\$ 7,058,679</u>	<u>\$ 112,175,960</u>	<u>\$ 3,735,244</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit D-2

City of Gallup
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Funds		Total	Governmental Activities
	Joint Utilities	Nonmajor Funds		Internal Service Fund
<i>Operating revenues</i>				
Charges for services	\$ 33,865,860	\$ 3,839,824	\$ 37,705,684	\$ 1,937,431
<i>Total operating revenues</i>	<u>33,865,860</u>	<u>3,839,824</u>	<u>37,705,684</u>	<u>1,937,431</u>
<i>Operating expenses</i>				
Personnel services	3,005,127	724,937	3,730,064	109,851
Contractual services	10,746,289	2,732,223	13,478,512	1,829,550
Supplies	476,842	-	476,842	-
Repairs and maintenance	18,206,202	76,518	18,282,720	-
Utilities	59,536	30,661	90,197	-
Depreciation	-	-	-	-
Other costs	9,101	-	9,101	-
<i>Total operating expenses</i>	<u>32,503,097</u>	<u>3,564,339</u>	<u>36,067,436</u>	<u>1,939,401</u>
<i>Operating income (loss)</i>	<u>1,362,763</u>	<u>275,485</u>	<u>1,638,248</u>	<u>(1,970)</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	-	364,805	364,805	-
Interest expense	(476,383)	-	(476,383)	-
Interest income	-	20,405	20,405	2,562
Miscellaneous income (expense)	(963)	192	(771)	34,087
<i>Total non-operating revenues (expenses)</i>	<u>(477,346)</u>	<u>385,402</u>	<u>(91,944)</u>	<u>36,649</u>
<i>Income (loss) before transfers and contributions</i>	885,417	660,887	1,546,304	34,679
State and federal capital grants	1,795,682	-	1,795,682	-
Transfers in	12,905,091	203,326	13,108,417	-
Transfers out	(17,045,299)	(753,425)	(17,798,724)	(214,443)
<i>Change in net position</i>	<u>(1,459,109)</u>	<u>110,788</u>	<u>(1,348,321)</u>	<u>(179,764)</u>
<i>Net position, beginning of year</i>	84,412,425	6,472,233	90,884,658	3,886,425
<i>Net position restatement (Note 22)</i>	<u>(899,360)</u>	<u>-</u>	<u>(899,360)</u>	<u>-</u>
<i>Net position, as restated</i>	<u>83,513,065</u>	<u>6,472,233</u>	<u>89,985,298</u>	<u>3,886,425</u>
<i>Net position, end of year</i>	<u>\$ 82,053,956</u>	<u>\$ 6,583,021</u>	<u>\$ 88,636,977</u>	<u>\$ 3,706,661</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Gallup
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

Exhibit D-3

	Enterprise Funds			Governmental Activities
	Joint Utilities	Nonmajor Funds	Total	Internal Service Fund
<i>Cash flows from operating activities</i>				
Cash received from user charges	\$ 32,281,605	\$ 3,922,084	\$ 36,203,689	\$ 1,937,431
Cash payments to employees for services	(2,994,153)	(597,450)	(3,591,603)	(281,042)
Cash payments to suppliers for goods and services	(28,025,930)	(3,185,042)	(31,210,972)	(1,656,484)
<i>Net cash provided (used) by operating activities</i>	<u>1,261,522</u>	<u>139,592</u>	<u>1,401,114</u>	<u>(95)</u>
<i>Cash flows from noncapital financing activities</i>				
Gross receipts taxes	-	364,805	364,805	-
Miscellaneous income (expense)	(963)	192	(771)	34,087
Payments for noncurrent accrued compensated absences	17,195	(4,987)	12,208	(843)
Interfund advances (payments) and transfers	(6,281,094)	(546,418)	(6,827,512)	(214,443)
<i>Net cash provided (used) by noncapital financing activities</i>	<u>(6,264,862)</u>	<u>(186,408)</u>	<u>(6,451,270)</u>	<u>(181,199)</u>
<i>Cash flows from capital and related financing activities</i>				
State and federal capital grants	1,795,682	-	1,795,682	-
Interest paid	(479,479)	-	(479,479)	-
Principal payments on long-term debt	(1,915,000)	-	(1,915,000)	-
Acquisition of capital assets	(1,597,432)	(426,608)	(2,024,040)	-
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(2,196,229)</u>	<u>(426,608)</u>	<u>(2,622,837)</u>	<u>-</u>
<i>Cash flows from investing activities</i>				
Proceeds from sales and maturities	16,161,426	200,000	16,361,426	-
Purchases of investments	-	2,000,000	2,000,000	1,500,000
Interest on investments	-	20,405	20,405	2,562
<i>Net cash provided (used) by investing activities</i>	<u>16,161,426</u>	<u>2,220,405</u>	<u>18,381,831</u>	<u>1,502,562</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	<u>8,961,857</u>	<u>1,746,981</u>	<u>10,708,838</u>	<u>1,321,268</u>
<i>Cash and cash equivalents - beginning of year</i>	<u>12,562,056</u>	<u>1,997,361</u>	<u>14,559,417</u>	<u>413,190</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 21,523,913</u>	<u>\$ 3,744,342</u>	<u>\$ 25,268,255</u>	<u>\$ 1,734,458</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>				
Operating income (loss)	\$ 1,362,763	\$ 275,485	\$ 1,638,248	\$ (1,970)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Changes in assets and liabilities				
Receivables	(1,584,255)	82,260	(1,501,995)	-
Inventory	52,758	-	52,758	-
Accounts payable	1,441,832	(219,193)	1,222,639	(23,383)
Accrued payroll expenses	8,903	282	9,185	25,331
Current accrued compensated absences	2,071	758	2,829	(73)
Meter deposits	(22,550)	-	(22,550)	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ 1,261,522</u>	<u>\$ 139,592</u>	<u>\$ 1,401,114</u>	<u>\$ (95)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Gallup
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2014

Exhibit E-1

<i>Assets</i>	
Cash	<u>\$ 649,487</u>
Total assets	<u><u>\$ 649,487</u></u>
<i>Liabilities</i>	
Deposits payable	\$ 20,343
Due to other entities	<u>629,144</u>
Total liabilities	<u><u>\$ 649,487</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 1. Summary of Significant Accounting Policies

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

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

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

This summary of significant accounting policies of the City is presented to assist in the understanding of City's financial statements. The financial statements and notes are the representation of City's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

During the year ended June 30, 2014, the City adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB Statement No. 65 ("GASB 65") established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The effect of GASB 65 is reflected in the Statement of Activities as a restatement to net position in both governmental and business-type activities in the amount of \$332,636 and \$110,543, respectively, due to the accounting treatment of the unamortized amount of bond issuance costs at July 1, 2013. Also, the implementation of GASB 65 affected the City by reclassifying unearned revenues- property taxes as a deferred inflow of resources at June 30, 2014.

A. Financial Reporting Entity

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

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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

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

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the City does have a component unit that is required to be reported under GASB Statements No. 14, No. 39, and No. 61.

Discretely presented component unit

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

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

B. Government-wide and fund financial statements

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

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

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

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary fund:

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

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

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

Additionally, the City reports the following fund type:

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

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

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

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

D. *Assets, Liabilities and Net Position or Equity*

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

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

Investments for the City are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

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

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

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Infrastructure	40
Distribution Systems	40
Equipment	6

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Deferred Inflows of Resources: Governmental funds report deferred inflows of resources for revenue due and receivable but not considered to be available to liquidate liabilities of the current period. At the end of the fiscal year, there were property taxes receivable in the amount \$180,272 that were not received within the period of availability, and as required by GASB 65, are classified as deferred inflows.

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

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

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

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

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

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

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

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Nonspendable Fund Balance: At June 30, 2014, the City had \$127,494 of fund balances in nonspendable form related to inventory.

Restricted and Committed Fund Balance: At June 30, 2014, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$691,035 for general government, \$344,586 for public safety, \$1,592,502 for culture and recreation, \$19,215,431 for public works, \$345,208 for fire protection, \$21,586 for health and welfare, \$2,701,606 for debt service expenditures, and \$6,937,255 for capital projects. The details of these fund balance items are located on the governmental funds balance sheet as detailed on pages 18-19.

Minimum Fund Balance Policy: The City's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the City holds cash reserves of 1/12th the General Fund expenditures for the upcoming budget year. The City has committed \$2,035,526 for minimum fund balance at June 30, 2014.

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

- a. Net investment in capital assets: This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position: Net Position is reported as restricted when constraints placed on net position use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for "special revenue, debt service, and capital projects" are described on pages 35 and 64-67.
- c. Unrestricted Net Position: All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

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

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

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

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

	<u>Excess (deficiency) of revenues over expenditures</u>	
	<u>Original Budget</u>	<u>Final Budget</u>
Budgeted Funds:		
General Fund	\$ 2,817,673	\$ 2,117,677
Environmental Surcharge Special Revenue Fund	\$ -	\$ (4,308,142)
02/11 Sales Tax Revenue Bonds Capital Projects Fund	\$ (4,441,167)	\$ (1,293,434)
02/04 Sales Tax Revenue Bonds Debt Service Fund	\$ (1,213,140)	\$ (1,213,140)
Nonmajor Governmental Funds	\$ (2,416,763)	\$ (5,035,435)
	<u>Change in net position</u>	
Budgeted Funds:		
Joint Utilities Proprietary Fund	\$ (4,663,222)	\$ (19,045,157)
Nonmajor Enterprise Funds	\$ (373,298)	\$ (1,308,120)
Internal Service Fund	\$ (15,210)	\$ (231,348)

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

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

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 3. Deposits and Investments

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2014.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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

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

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2014, \$7,319,429 of the City's cash and CD account deposits of \$8,069,429 were exposed to custodial credit risk. \$5,641,192 of the City's cash and CD account deposits were uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name, and \$1,678,237 was uninsured and uncollateralized.

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 3. Deposits and Investments (continued)

	Wells Fargo Bank, N.A.	US Bank	Total
Amount of deposits	\$ 4,069,429	\$ 4,000,000	\$ 8,069,429
FDIC Coverage	(500,000)	(250,000)	(750,000)
Total uninsured public funds	3,569,429	3,750,000	7,319,429
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name			
	1,891,192	3,750,000	5,641,192
Uninsured and uncollateralized	\$ 1,678,237	\$ -	\$ 1,678,237
Collateral requirement (50% of uninsured funds)			
	\$ 1,784,715	\$ 1,875,000	\$ 3,659,715
Pledged Collateral	1,891,192	4,000,000	5,891,192
Over (Under) collateralized	\$ 106,478	\$ 2,125,000	\$ 2,231,478

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

Investments

Repurchase Agreement

	Wells Fargo Bank, N.A.
Amount of deposits	\$ 35,944,409
FDIC Coverage	(250,000)
Total uninsured public funds	35,694,409
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	
	35,694,409
Uninsured and uncollateralized	\$ -
Collateral requirement (102% of uninsured funds)	
	\$ 36,663,297
Pledged Collateral	36,663,298
Over (Under) collateralized	\$ 1

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged to be delivered for securities underlying an overnight repurchase agreement, or a joint safekeeping receipt be issued to the City for at least one hundred two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution. At June 30, 2014, \$35,694,409 of the City's investment balance was exposed to custodial credit risk but was collateralized by collateral held by the counterparty, not in the City's name. The securities are not subject to custodial credit risk as they are registered and held in the name of City of Gallup.

The City had invested \$489 in the State Treasurer Local Government Investment Pool Reserve Contingency Fund as of June 30, 2014. However, the current trustee believes that there will be no further distributions from the Reserve Primary Fund estate. As of June 30, 2011, the LGIP made the decision to "write down" the remaining portion of the estate. As such, the State's financial statements do not include holdings of the Reserve Primary Fund or the Primary Fund- in Liquidation. In current year, the City has left these amounts on the books related to possible increases in state account balances.

As of June 30, 2014, the City's investment in the State Treasurer Local Government Investment Pool- Reserve Contingency Fund was unrated.

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

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 3. Deposits and Investments (continued)

The City's investments at June 30, 2014 include the following:

<u>Investments</u>	<u>Rating*</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Reserve Contingency Fund**	Unrated	Does not earn interest	\$ 489
Negotiable Certificates of Deposits***	Unrated	>2 year	9,470,345
Money Market Mutual Funds****	AA+	>1 year	14,782,155
Federal Home Loan Bank	A-1+	>7 year	6,480,141
Freddie Mac Discount	AA+	>4 year	2,357,398
Fannie Mae	AA+	>5 year	5,392,600
New Mexico Government Bonds*****	*****	>5 year	3,695,515
Goldman Sach BK Interest Bearing Bonds	A	>3 year	250,931
New Mexico Finance Authority REE-Transr	AAA	>6 year	150,749
New Mexico State Treasurer Debt Service	AA+	>365 Days	2,116,280
New Mexico State Treasurer Debt Service**	AA+	>365 Days	5,779,417
			<u>\$ 50,476,020</u>

* Based off Standard & Poor's rating

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

*** Subject to FDIC coverage

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

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

The investments are listed on Schedule I of this report.

In addition to the investments above are \$4,000,000 of certificates of deposit that are greater than 90 days and therefore are considered investments in the Statement of Net Position.

Interest Rate Risk – Investments. The City has investments in which the maturity date is greater than one year. Schedule I in this report specifically identifies the investment type and amount of investment for these securities. The fair value of the securities exposed to interest rate risk is \$38,579,834. These securities do not have call options. The City's policy related to interest rate risk with investments is to comply with the statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Concentration of Credit Risk – Investments. For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the City. The investments in Negotiable Certificates of Deposits, Money Market Mutual Funds, Federal Home Loan Bank, New Mexico Governmental Bonds, Freddie Mac, Fannie Mae, and New Mexico State Treasurer Debt Service represent 22%, 35%, 15%, 9%, 6%, 10%, and 24%, respectively, of the investment portfolio. The City's policy related to concentration of credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Position:

Cash and cash equivalents per Exhibit A-1	\$ 35,314,086
Investments per Exhibit A-1	48,696,602
Restricted cash and cash equivalents per Exhibit A-1	7,919,859
Agency funds cash per Exhibit E-1	<u>649,487</u>
 Total cash, cash equivalents and investments	 92,580,034
 Plus outstanding checks	 1,811,946
Add: investment repurchasing agreement	35,944,409
Less: deposits in transit	(35,838,874)
Less: State Treasurer Debt Service	(7,895,697)
Less: investments held in Money Market Funds	(14,782,156)
Less: investments held in negotiable certificates of deposits	(9,470,345)
Less: investments held in Federal Home Loan	(6,480,141)
Less: investments held in New Mexico Government Bonds	(3,695,515)
Less: investments held in Fannie Mae	(5,392,600)
Less: investments held in Goldman Sach BK interest bearing commercial paper	(250,931)
Less: investments held in Freddie Mac	(2,357,398)
Less: investements held in New Mexico Finance Authority REE-Transr	(150,749)
Less: Reserve Contingency Fund	(489)
Less: petty cash	<u>(7,657)</u>
 Bank balance of deposits	 <u><u>\$ 44,013,838</u></u>

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 4. Receivables

Receivables as of June 30, 2014, are as follows:

Governmental Activities:	General	Other Governmental Funds	Total
Property taxes receivable	\$ 219,197	\$ 50,876	\$ 270,073
Other taxes receivable:			
Gross receipts	3,294,931	-	3,294,931
Gasoline and motor vehicle	40,639	96,188	136,827
Franchise taxes	71,420	-	71,420
Lodger's taxes	-	86,370	86,370
Other receivables:			
Intergovernmental:			
Federal grants	-	21,779	21,779
State grants	44,392	480,087	524,479
Local	11,317	-	11,317
Interest	9,350	-	9,350
Miscellaneous	21,097	-	21,097
Total receivables	<u>\$3,712,343</u>	<u>\$ 735,300</u>	<u>\$ 4,447,643</u>

Receivables for governmental activities are considered to be 100% collectible at June 30, 2014.

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Deferred inflows of resources related to property taxes receivable for the City for the year ended June 30, 2014 was \$180,272.

Business-type Activities:	Joint Utilities	Other Proprietary Funds	Total
Customer receivables	\$5,405,149	\$ 446,018	\$ 5,851,167
Other receivables:			
Federal grants	1,482,211	-	1,482,211
State grants	-	18,303	18,303
Total gross receivables	<u>6,887,360</u>	<u>464,321</u>	<u>7,351,681</u>
Less: allowance for customer receivables	<u>(857,293)</u>	<u>(71,238)</u>	<u>(928,531)</u>
Total net receivables	<u>\$6,030,067</u>	<u>\$ 393,083</u>	<u>\$ 6,423,150</u>

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 5. Transfers and Interfund Receivables

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

Transfers In	Transfers Out	Amount
02/04 Sales Tax Revenue Bonds Debt Service Fund	General Fund	\$ 634,840
02/04 Sales Tax Revenue Bonds Debt Service Fund	Lodgers Tax	180,000
02/11 GO Bond Refunding	Lodgers Tax	241,000
06/10 Sales Tax Revenue Bonds	General Fund	1,555,983
09/12 GRT Refunding Revenue	General Fund	278,447
Fitness Center	General Fund	83,792
Gallup Express Busing System	General Fund	85,000
General Fund	Joint Utility	1,779,690
General Fund	Solid Waste	176,010
Infrastructure GRT .125%	General Fund	135,000
Infrastructure GRT	General Fund	1,600,000
Joint Utilities	Fire Protection	4
Joint Utilities	Joint Utilities	* 12,356,235
Joint Utilities	Solid Waste	548,852
Municipal Gas Tax	Intergovernmental Grants	2,530
Municipal Gas Tax	General Fund	197,470
Municipal Gas Tax	Infrastructure GRT	1,600,000
Navajo Gallup Water Project- City	Joint Utilities	1,000,000
NM Finance Authority Loan	Fire Protection	140,368
Public Works	Fitness Center	28,563
Public Works	Internal Service	214,443
Public Works	Joint Utilities	1,909,374
Rodeo	Lodgers Tax	119,534
Senior Citizens	General Fund	534,558
		<u>\$ 25,401,693</u>

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

Internal balances have primarily been recorded when funds overdraw their share of pooled cash. At year end June 30, 2014, the City did not adjust cash and investment balances in several funds, resulting in negative cash balances of \$8,182,711 respectively. The composition of interfund balances as of June 30, 2014 is as follows:

Due from Other Funds	Due to Other Funds	Amount
Joint Utilities	General Fund	\$ 2,507,555
Joint Utilities	02/11 Sales Tax Revenue Bonds Capital Projects Fund	5,192,632
Joint Utilities	EMS	3,593
Joint Utilities	Intergovernmental Grants	170,000
Joint Utilities	11/00 Sales Tax Revenue Bonds	52,327
Joint Utilities	Legislative Appropriations	200,023
Joint Utilities	Public Works	50,000
Joint Utilities	NM Finance Authority Loans	2,900
Joint Utilities	Rodeo (proprietary)	3,681
		<u>\$ 8,182,711</u>

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

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2014 follows. Land is not subject to depreciation.

Governmental activities:	<u>Balance June 30, 2013</u>	<u>Restatement</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Capital assets, not depreciated:					
Land	\$ 7,790,128		\$ 376,223	\$ -	\$ 8,166,351
Total capital assets, not depreciated	<u>7,790,128</u>	<u>-</u>	<u>376,223</u>	<u>-</u>	<u>8,166,351</u>
Capital assets, depreciated:					
Buildings	82,227,334	-	516,936	-	82,744,270
Infrastructure	44,494,734	-	61,551	-	44,556,285
Equipment	17,470,855	317,134	945,983	-	18,733,972
Total capital assets, depreciated	<u>144,192,923</u>	<u>317,134</u>	<u>1,524,470</u>	<u>-</u>	<u>146,034,527</u>
Less accumulated depreciation:					
Buildings	(28,803,351)	-	-	-	(28,803,351)
Infrastructure	(22,102,975)	-	-	-	(22,102,975)
Equipment	(15,542,944)	-	-	-	(15,542,944)
Total accumulated depreciation	<u>(66,449,270)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,449,270)</u>
Net book value	<u>\$ 85,533,781</u>	<u>\$ 317,134</u>	<u>\$ 1,900,693</u>	<u>\$ -</u>	<u>\$ 87,751,608</u>

For the year ended June 30, 2014, due to insufficient information, there was no depreciation posted for the governmental activities capital assets.

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 6. Capital Assets (continued)

Business-type activities:	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Capital assets, not depreciated:				
Land	\$ 483,908	\$ -	\$ -	\$ 483,908
Total capital assets, not depreciated	<u>483,908</u>	<u>-</u>	<u>-</u>	<u>483,908</u>
Capital assets, depreciated:				
Distribution systems	55,077,490	-	-	55,077,490
Buildings	34,762,149	1,067,991	-	35,830,140
Equipment	12,609,846	956,049	-	13,565,895
Total capital assets, depreciated	<u>102,449,485</u>	<u>2,024,040</u>	<u>-</u>	<u>104,473,525</u>
Less accumulated depreciation:				
Distribution systems	(26,177,358)	-	-	(26,177,358)
Buildings	(15,007,469)	-	-	(15,007,469)
Equipment	(10,231,717)	-	-	(10,231,717)
Total accumulated depreciation	<u>(51,416,544)</u>	<u>-</u>	<u>-</u>	<u>(51,416,544)</u>
Net book value	<u>\$ 51,516,849</u>	<u>\$ 2,024,040</u>	<u>\$ -</u>	<u>\$ 53,540,889</u>

For the year ended June 30, 2014, due to insufficient information, there was no depreciation posted for the business-type activities capital assets.

NOTE 7. Long-term Debt

Governmental Activities:

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
GO Bonds	\$ 2,565,000	\$ -	\$ 565,000	\$ 2,000,000	\$ 590,000
Revenue Bonds	23,095,000	-	1,110,000	21,985,000	1,940,000
NMFA Loans	1,160,216	-	96,894	1,063,322	100,624
Compensated Absences	859,618	835,347	850,022	844,943	67,595
Total Long-Term Debt	<u>\$ 27,679,834</u>	<u>\$ 835,347</u>	<u>\$ 2,621,916</u>	<u>\$ 25,893,265</u>	<u>\$ 2,698,219</u>

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 7. Long-term Debt (continued)

General Obligation Bonds

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

Description	Date of Issue	Due Date	Interest Rate	Amount of Issue	Balance June 30, 2014
GO Bonds Series 2011	02/24/11	06/30/21	2.00-4.00%	\$ 3,630,000	<u>\$ 2,000,000</u>
					<u>\$ 2,000,000</u>

The annual requirements to amortize the general obligation bonds as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 590,000	\$ 53,200	\$ 643,200
2016	615,000	38,075	653,075
2017	145,000	26,675	171,675
2018	150,000	22,250	172,250
2019	160,000	16,800	176,800
2020-2021	340,000	13,600	353,600
	<u>\$ 2,000,000</u>	<u>\$ 170,600</u>	<u>\$ 2,170,600</u>

Sales Tax Revenue Bonds

The City issues bonds where the City pledges income from the receipt of sales tax revenue (Gross Receipts Tax). Sales tax bonds have been issued for governmental activities. The original amount of sales tax bonds issued in prior years was \$28,850,000. These bonds provided funds for the construction of many City capital improvements. The City pledges an intercept of gross receipts tax (GRT) revenues for these bonds, which has varying interest rates that range from 2.0% to 5.125%. The sales tax revenue bonds are as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2014
Capital Projects Sales Tax Revenue Bonds Series 2004B	02/19/04	06/01/16	2.00-4.75%	\$ 4,095,000	\$ 1,440,000
Infrastructure Sales Tax Revenue Bond Series 2010A	06/30/10	06/01/30	3.00-5.125%	11,910,000	10,240,000
Infrastructure Sales Tax Revenue Bond Series 2010B	06/30/10	06/01/16	2.00-4.00%	3,520,000	1,240,000
GRT Refunding Revenue Bonds Series 2012	09/27/12	06/01/24	2.17%	9,325,000	<u>9,065,000</u>
					<u>\$ 21,985,000</u>

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 7. Long-term Debt (continued)

Sales Tax Revenue Bonds (continued)

The annual requirements to amortize the sales tax revenue bonds as of June 30, 2014, including interest payments, are as follows:

Capital Projects Sales Tax Revenue Bonds Series 2004B

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 695,000	\$ 33,708	\$ 728,708
2016	745,000	69,840	814,840
	<u>\$ 1,440,000</u>	<u>\$ 103,548</u>	<u>\$ 1,543,548</u>

Infrastructure Sales Tax Revenue Bonds Series 2010A

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 460,000	\$ 430,782	\$ 890,782
2016	480,000	407,782	887,782
2017	505,000	383,782	888,782
2018	530,000	357,902	887,902
2019	550,000	342,002	892,002
2020-2024	3,095,000	1,351,294	4,446,294
2025-2029	3,765,000	687,962	4,452,962
2030	855,000	37,406	892,406
	<u>\$ 10,240,000</u>	<u>\$ 3,998,912</u>	<u>\$ 14,238,912</u>

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 7. Long-term Debt (continued)

Sales Tax Revenue Bonds (continued)

Infrastructure Sales Tax Revenue Bonds Series 2010B

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 610,000	\$ 49,600	\$ 659,600
2016	630,000	25,200	655,200
	<u>\$ 1,240,000</u>	<u>\$ 74,800</u>	<u>\$ 1,314,800</u>

Refunding Revenue Bonds Series 2012

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 175,000	\$ 196,710	\$ 371,710
2016	905,000	192,913	1,097,913
2017	925,000	173,274	1,098,274
2018	945,000	153,203	1,098,203
2019	965,000	132,695	1,097,695
2020-2024	5,150,000	340,039	5,490,039
	<u>\$ 9,065,000</u>	<u>\$ 1,188,834</u>	<u>\$ 10,253,834</u>

Total Revenue Bonds

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 1,940,000	\$ 710,800	\$ 2,650,800
2016	2,015,000	625,895	2,640,895
2017	2,175,000	557,056	2,732,056
2018	1,475,000	511,105	1,986,105
2019	1,515,000	474,697	1,989,697
2020-2024	8,245,000	1,691,333	9,936,333
2025-2029	3,765,000	687,962	4,452,962
2030	855,000	37,406	892,406
	<u>\$ 21,985,000</u>	<u>\$ 5,296,254</u>	<u>\$ 27,281,254</u>

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 7. Long-term Debt (continued)

Capital Loans

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

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2014
NMFA 2015-PP - Westside Fire Station	06/29/07	05/01/23	3.42-3.86%	\$ 1,452,605	\$ 1,063,322

The annual requirements to amortize the capital loans as of June 30, 2014, including interest payments, are as follows:

NMFA 2015-PP - Westside Fire Station

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 100,624	\$ 39,996	\$ 140,620
2016	104,528	36,352	140,880
2017	108,615	32,538	141,153
2018	112,905	28,530	141,435
2019	117,410	24,318	141,728
2019-2023	519,240	50,854	570,094
	<u>\$ 1,063,322</u>	<u>\$ 212,588</u>	<u>\$ 1,275,910</u>

Compensated Absences- Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2014, compensated absences decreased \$14,675 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 7. Long-term Debt (continued)

Business-type Activities:

The proprietary funds have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2014:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Revenue Bonds	\$ 18,495,000	\$ -	\$ 1,915,000	\$ 16,580,000	\$ 1,945,000
Notes Payable	3,195,691	-	-	3,195,691	164,853
Landfill Closure Liability	300,000	52,000	25,143	326,857	25,143
Compensated Absences	205,925	236,182	221,145	220,962	17,677
Total Long-Term Debt	\$ 22,196,616	\$ 288,182	\$ 2,161,288	\$ 20,323,510	\$ 2,152,673

Revenue Bonds

The City issues bonds where the City pledges income derived from the net revenues from the operations of the municipal joint water and sewer distribution systems. A Revenue bond has been issued for business-type activities. The original amount of this revenue bond issued in prior years was \$20,290,000. These bonds provided funds for the completion of many capital improvement projects for the City's water and wastewater distribution systems. The interest rate on this bond is 1.94%. The revenue bond is as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2014
Refunding Revenue Bonds Series 2012	09/27/12	06/01/25	1.94%	\$ 20,290,000	<u>\$ 16,580,000</u>

The annual requirements to amortize the revenue bonds as of June 30, 2014, including interest payments, are as follows:

Refunding Revenue Bonds Series 2012

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 1,945,000	\$ 321,652	\$ 2,266,652
2016	1,985,000	283,919	2,268,919
2017	2,020,000	245,410	2,265,410
2018	2,065,000	206,222	2,271,222
2019	1,765,000	166,161	1,931,161
2020-2024	5,865,000	398,864	6,263,864
2025	935,000	18,139	953,139
	<u>\$ 16,580,000</u>	<u>\$ 1,640,367</u>	<u>\$ 18,220,367</u>

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 7. Long-term Debt (continued)

Notes Payable

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

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

Notes payables are as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2014
NMFA Gallup 8 - Gamerco Storage Tank Pipeline	10/19/12	06/01/32	0.00%	1,748,652	1,694,951
NMFA Gallup 9 - Navajo Gallup Water Supply	03/22/13	06/01/32	0.00%	1,515,534	1,500,740
					<u>\$ 3,195,691</u>

The annual requirement to amortize the loans as of June 30, 2014, including interest payments, is as follows:

NMFA Gallup 8 - Gamerco Storage Tank Pipeline

Fiscal Year Ending June 30,	Principal	Administrative Fees	Total Debt Service
2015	\$ 87,436	\$ 4,019	\$ 91,455
2016	87,654	3,801	91,455
2017	87,873	3,582	91,455
2018	88,093	3,362	91,455
2019	88,313	3,142	91,455
2020-2024	444,889	12,386	457,275
2025-2029	450,477	7,470	457,947
2030-2032	360,216	1,365	361,581
	<u>\$ 1,694,951</u>	<u>\$ 39,127</u>	<u>\$ 1,734,078</u>

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 7. Long-term Debt (continued)

Notes Payable (continued)

NMFA Gallup 9 - Navajo Gallup Water Supply

Fiscal Year Ending June 30,	Principal	Administrative Fees	Total Debt Service
2015	\$ 77,417	\$ 3,559	\$ 80,976
2016	77,611	3,365	80,976
2017	77,805	3,171	80,976
2018	77,999	2,977	80,976
2019	78,194	2,782	80,976
2020-2024	393,912	10,966	404,878
2025-2029	398,861	6,018	404,879
2030-2032	318,941	1,209	320,150
	<u>\$ 1,500,740</u>	<u>\$ 34,047</u>	<u>\$ 1,534,787</u>

Compensated Absences- Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2014, compensated absences increased \$15,037 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

Operating Leases-The City has several operating leases for golf carts as of year end June 30, 2014. The required lease payments related to these golf carts are as follows:

Fiscal Year Ending June 30,	Principal
2015	\$ 12,004
	<u>\$ 12,004</u>

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 8. Risk Management

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The City participates in the New Mexico Self-Insurers' Fund risk pool. The City has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the City which exceeds the insurance coverage, the City would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage has not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2014, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. The City is not aware of any major lawsuits that have been filed.

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

NOTE 9. Other Required Individual Fund Disclosures

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

- A.** Deficit fund balance of individual funds. The following funds had deficit fund balances as of June 30, 2014.

	Amount
EMS Special Revenue Fund	\$ 5,251
CDBG Special Revenue Fund	2,129
Business Improvement District Special Revenue Fund	140,646
Legislative Appropriations Special Revenue Fund	12,725
Rodeo Proprietary Fund	39,699
	\$ 200,450

- B.** Actual expenditures in excess of amount budgeted. Budgetary legal level of control is at the fund level. The following funds had exceeded approved budgetary authority for the year ended June 30, 2014.

Gamerico Proprietary Fund	\$ 66,487
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- C.** Designated cash appropriations in excess of available balances. The following funds had designated cash appropriations in excess of available balances for the year ended June 30, 2014

EMS Special Revenue Fund	\$ 22,365
Gallup Express Busing System Special Revenue Fund	5,075
02/04 Sales Tax Revenue Bonds Debt Service Fund	122,115
	\$ 149,555

NOTE 10. Pension Plan- Public Employees Retirement Association

Plan Description. Substantially all of the City of Gallup's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries.

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

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

PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

Funding Policy. Plan members are required to contribute the following percentages of their gross salary: 17.80 % for law enforcement, 17.70% for fire protection, and 14.65% for municipal employees. The City is required to contribute the following percentages of the gross covered salary: 18.50% for law enforcement employees, 21.25% for fire protection employees, and 9.15% for municipal employees. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. However, the City has elected to adopt the 75% pick-up provision allowed by state statute thereby reducing all employee contributions as follows:

	<u>City Pickup</u>	<u>Employee</u>	<u>Total</u>
<i>Firefighters</i>	12.30	4.00	16.30
<i>Police officers</i>	13.275	4.425	17.70
<i>Regular</i>	10.988	3.662	14.65

The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2014, 2013 and 2012 were \$3,242,742, \$3,138,332, and \$3,072,686, respectively, which equal the amount of the required contributions for each fiscal year.

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

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

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

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

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

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

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

claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act

The City's contributions to the RHCA for the years ended June 30, 2014, 2013, and 2012 were \$294,076, \$313,203 and \$273,932, respectively, which equal the required contributions for each year.

NOTE 12. Retirement Plan

The City provides two optional deferred compensation 457 plans. These plans were created in accordance with IRC Section 457. The plans are available to any City employee. Nationwide Retirement Solutions, Inc. and International City/County Managers Association (ICMA) Retirement Corporation administer the individual plans. Employee contributions totaled \$219,847 for Nationwide and \$7,800 for ICMA for the year ended June 30, 2014.

NOTE 13. Labor Unions

The City has three labor unions: United mine Workers of America (UMWA), Gallup Police Officers Association, and Gallup Firefighters union. The UMWA agreement went into effect on January 8, 2013. Employees covered under this plan are non-probationary laborers as specified in the contract. The Police agreement went into effect on November 14, 2013. Employees covered under this plan include non-probationary uniformed police officers up to the rank of sergeant. The Firefighters collective bargaining agreement went into effect June 10, 2014. Employees covered under this plan include non-probationary firefighters up to the rank of battalion commanders.

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

NOTE 14. Contingent Liabilities

The City is party to various claims and lawsuits arising in the normal course of business. The City is insured by the New Mexico Self Insurers Fund. The maximum exposure of the City is not estimable as of June 30, 2014.

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 15. Federal and State Grants

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

NOTE 16. Landfill Closure and Post Closure Care Costs

State and Federal laws and regulations require that the City place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill site, an expense provision and related liability are being recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. As of June 30, 2014, the landfill is closed and post-closure monitoring activities were taking place. The Solid Waste Enterprise Fund accounts for the landfill post-closure care costs and had accrued \$300,000 as of prior year, however, the City recognized a change in estimate in the amount \$52,000 in current year increased the landfill liability to \$352,000. At June 30, 2014 the liability was \$326,857. The primary source of repayment is from Gross Receipts Tax.

NOTE 17. Construction and Other Significant Commitments

The City does not have any construction at June 30, 2014. However, the City does have a significant commitment related to a Joint Powers Agreement reported at Schedule IV in the amount of \$85,000,000. The intent of this agreement is to establish a commitment and mechanism by which the City and County can provide a portion of the non-federal matching funding to pay for the Navajo-Gallup Water Supply Project which will provide water to the City of Gallup and surrounding areas, including private and Tribal lands. However, this commitment is contingent upon certain criteria and may not take place if these criteria are not met.

NOTE 18. Subsequent Events

The date to which events occurring after June 30, 2014, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 26, 2014, which is the date on which the financial statements were issued.

NOTE 19. Restricted Net Position

The government-wide statement of net position reports \$42,006,027 of restricted net position, all of which is restricted by enabling legislation. See page 39 for descriptions of the related restrictions for special revenue, debt service and capital projects funds.

STATE OF NEW MEXICO
City of Gallup
Notes to the Financial Statements
June 30, 2014

NOTE 20. Utility Revenues Pledged

The City of Gallup has pledged future revenues from the water and wastewater system, net of operation and maintenance expenses to repay \$2,266,652 in Series 2012 Utility Revenue Bonds. The bonds are payable solely from utility customer net revenues and are payable through June, 2025. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the bond agreement, including an amount sufficient to cure any deficiencies in the debt service account or the bond agreement reserve account. The total principal and interest remaining to be paid on the bonds is \$16,580,000 and \$1,640,367 respectively. Principal and interest paid for the current year were \$1,915,000 and \$358,803 respectively.

The City of Gallup has pledged utility revenues for tow NMFA loans payable through June, 2032. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest and other amounts due under the loan agreement. The total principal and interest remaining is \$3,195,691 and \$73,174 respectively.

NOTE 21. Subsequent Pronouncements

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* was issued, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2015 and will significantly impact the City.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations* was issued, Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The City is still evaluating how this standard will affect the City.

In November 2013, GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* was issued, Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The standard will be implemented during fiscal year June 30, 2015.

NOTE 22. Governmental, Business-type Activities, and Fund Financial Statement Restatements

During the year, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 (“GASB 65”) established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The effect of GASB 65 is reflected in the Statement of Activities as a restatement to net position in both governmental and business-type activities in the amount of \$332,636 and \$110,543, respectively.

During the year, the City restated beginning fund balance in the general fund related to the reclassification of capital assets from an inventory account in the fund financial statements to an equipment account on the government wide statement in the amount of \$317,134. Due to this restatement in the fund financial statements being reverse to a capital asset account in the government wide statements, there is a corresponding restatement in the governmental wide statements which has a zero effect on net position.

During the year, the City restated beginning fund balance in the 09/12 GRT Refunding Revenue Special revenue fund in order to correct errors in prior years related to debt transactions in the amount of \$65,944.

During the year, the City restated beginning fund balance in the Joint Utility Proprietary fund in order to correct errors in prior years related to debt transactions in the amount of \$899,360.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Gallup
Nonmajor Fund Descriptions
June 30, 2014

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

Navajo Gallup Water Project- County accounts for the County's portion of the Navajo Gallup Water Project, specifically for the construction, expansion, operation and maintenance of the Navajo Gallup water supply pipeline project

Navajo Gallup Water Project- City accounts for the City's portion of the Navajo Gallup Water Project, specifically for the construction, expansion, operation and maintenance of the Navajo Gallup water supply pipeline project

Gallup Express Busing System accounts for funding from state and city to support the operations of the Gallup Express Busing System.

Gallup Detox accounts for funding from McKinley liquor excise tax to support building maintenance upgrades.

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

STATE OF NEW MEXICO
City of Gallup
Nonmajor Fund Descriptions
June 30, 2014

Special Revenue Funds (continued)

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

Capital Projects Funds

Airport accounts for the costs associated with Airport improvements.

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

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

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

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

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

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

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

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

Debt Service Funds

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

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

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

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

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STATE OF NEW MEXICO
City of Gallup
Nonmajor Fund Descriptions
June 30, 2014

Proprietary Funds

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

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

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

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

STATE OF NEW MEXICO
City of Gallup
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014

	Special Revenue			
	Corrections		Fire Protection	Law Enforcement
	Fees	EMS		Protection
<i>Assets</i>				
Cash and cash equivalents	\$ 191,636	\$ -	\$ 95,208	\$ 2,950
Restricted cash and cash equivalents	-	-	-	-
Investments	150,000	-	250,000	-
Receivables:				
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Other receivables	-	-	-	-
<i>Total assets</i>	\$ 341,636	\$ -	\$ 345,208	\$ 2,950
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 1,658	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	3,593	-	-
<i>Total liabilities</i>	-	5,251	-	-
<i>Deferred inflows of resources</i>				
Deferred inflows- property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	-	-	-	-
<i>Fund balances</i>				
Spendable:				
Restricted for:				
General government	-	-	-	-
Public safety	341,636	-	-	2,950
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Fire protection	-	-	345,208	-
Health and welfare	-	-	-	-
Debt service expenditures	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	(5,251)	-	-
<i>Total fund balances</i>	341,636	(5,251)	345,208	2,950
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 341,636	\$ -	\$ 345,208	\$ 2,950

The accompanying notes are an integral part of these financial statements

Special Revenue

Special Library	Lodger's Tax	Municipal Gas Tax	Juvenile Recreation	Intergovernmental Grants	Senior Citizens
\$ 101,008	\$ 442,397	\$ 749,946	\$ 17,452	\$ 472,052	\$ 32,334
-	-	210,000	-	-	-
-	1,000,000	-	-	-	-
-	-	-	-	-	-
-	86,370	96,188	-	-	-
-	-	-	-	40,000	32,007
<u>\$ 101,008</u>	<u>\$ 1,528,767</u>	<u>\$ 1,056,134</u>	<u>\$ 17,452</u>	<u>\$ 512,052</u>	<u>\$ 64,341</u>
\$ 1,858	\$ 52,867	\$ 116,894	\$ -	\$ -	\$ 32,675
-	-	21,060	-	-	10,080
-	-	-	-	170,000	-
<u>1,858</u>	<u>52,867</u>	<u>137,954</u>	<u>-</u>	<u>170,000</u>	<u>42,755</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	342,052	-
-	-	-	-	-	-
99,150	1,475,900	-	17,452	-	-
-	-	918,180	-	-	-
-	-	-	-	-	-
-	-	-	-	-	21,586
-	-	-	-	-	-
-	-	-	-	-	-
<u>99,150</u>	<u>1,475,900</u>	<u>918,180</u>	<u>17,452</u>	<u>342,052</u>	<u>21,586</u>
<u>\$ 101,008</u>	<u>\$ 1,528,767</u>	<u>\$ 1,056,134</u>	<u>\$ 17,452</u>	<u>\$ 512,052</u>	<u>\$ 64,341</u>

STATE OF NEW MEXICO
City of Gallup
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014

	Special Revenue			
	Navajo Gallup Water Project	Navajo Gallup Water Project- County	Navajo Gallup Water Project- City	Gallup Express Busing System
<i>Assets</i>				
Cash and cash equivalents	\$ 1,986,145	\$ 1,083,333	\$ 1,000,000	\$ 19,469
Restricted cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables:				
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Other receivables	229,454	-	-	-
	<u>\$ 2,215,599</u>	<u>\$ 1,083,333</u>	<u>\$ 1,000,000</u>	<u>\$ 19,469</u>
<i>Total assets</i>	<u>\$ 2,215,599</u>	<u>\$ 1,083,333</u>	<u>\$ 1,000,000</u>	<u>\$ 19,469</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Deferred inflows of resources</i>				
Deferred inflows- property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable:				
Restricted for:				
General government	-	-	-	19,469
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Public works	2,215,599	1,083,333	1,000,000	-
Fire protection	-	-	-	-
Health and welfare	-	-	-	-
Debt service expenditures	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>2,215,599</u>	<u>1,083,333</u>	<u>1,000,000</u>	<u>19,469</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 2,215,599</u>	<u>\$ 1,083,333</u>	<u>\$ 1,000,000</u>	<u>\$ 19,469</u>

The accompanying notes are an integral part of these financial statements

Special Revenue			Capital Projects			
Gallup Detox	CDBG	Business Improvement District	Airport	Infrastructure GRT	1/4% Infrastructure GRT	
\$ 329,847	\$ 11,123	\$ 86,166	\$ 108,156	\$ 746,912	\$ 217,721	
-	-	-	-	-	-	
-	-	-	-	1,250,000	1,499,876	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>\$ 329,847</u>	<u>\$ 11,123</u>	<u>\$ 86,166</u>	<u>\$ 108,156</u>	<u>\$ 1,996,912</u>	<u>\$ 1,717,597</u>	
\$ 333	\$ 13,252	\$ 226,812	\$ -	\$ 43,847	\$ -	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>333</u>	<u>13,252</u>	<u>226,812</u>	<u>-</u>	<u>43,847</u>	<u>-</u>	
-	-	-	-	-	-	
-	-	-	-	-	-	
329,514	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	108,156	1,953,065	1,717,597	
-	(2,129)	(140,646)	-	-	-	
<u>329,514</u>	<u>(2,129)</u>	<u>(140,646)</u>	<u>108,156</u>	<u>1,953,065</u>	<u>1,717,597</u>	
<u>\$ 329,847</u>	<u>\$ 11,123</u>	<u>\$ 86,166</u>	<u>\$ 108,156</u>	<u>\$ 1,996,912</u>	<u>\$ 1,717,597</u>	

STATE OF NEW MEXICO
City of Gallup
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014

	Capital Projects			
	11/00 Sales Tax Revenue Bonds	Legislative Appropriations	08/03 General Obligation Bonds	02/04 Sales NonTax Revenue Bonds
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ 38,819	\$ 2,908
Restricted cash and cash equivalents	-	-	-	-
Investments	100,000	-	-	-
Receivables:				
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Other receivables	-	200,405	-	-
	<u>\$ 100,000</u>	<u>\$ 200,405</u>	<u>\$ 38,819</u>	<u>\$ 2,908</u>
<i>Total assets</i>	<u>\$ 100,000</u>	<u>\$ 200,405</u>	<u>\$ 38,819</u>	<u>\$ 2,908</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 13,107	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	52,327	200,023	-	-
<i>Total liabilities</i>	<u>52,327</u>	<u>213,130</u>	<u>-</u>	<u>-</u>
<i>Deferred inflows of resources</i>				
Deferred inflows- property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable:				
Restricted for:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Public works	-	-	-	-
Fire protection	-	-	-	-
Health and welfare	-	-	-	-
Debt service expenditures	-	-	-	-
Capital projects	47,673	-	38,819	2,908
Unassigned	-	(12,725)	-	-
<i>Total fund balances</i>	<u>47,673</u>	<u>(12,725)</u>	<u>38,819</u>	<u>2,908</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 100,000</u>	<u>\$ 200,405</u>	<u>\$ 38,819</u>	<u>\$ 2,908</u>

The accompanying notes are an integral part of these financial statements

Capital Projects		Debt Service			
02/04 Sales Tax Revenue Bonds	Public Works	NM Finance Authority Loans	06/10 Sales Tax Revenue Bonds	02/11 General Obligation Bonds	09/12 GRT Refunding Revenue
\$ 166,076	\$ 2,436,563	\$ -	\$ 87,632	\$ 1,198,732	\$ 238,401
-	-	11,535	-	-	-
-	-	123,882	6,122	3	-
-	-	-	-	50,876	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 166,076</u>	<u>\$ 2,436,563</u>	<u>\$ 135,417</u>	<u>\$ 93,754</u>	<u>\$ 1,249,611</u>	<u>\$ 238,401</u>
\$ -	\$ 43,351	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	50,000	2,900	-	-	-
-	93,351	2,900	-	-	-
-	-	-	-	33,862	-
-	-	-	-	33,862	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	132,517	93,754	1,215,749	238,401
166,076	2,343,212	-	-	-	-
-	-	-	-	-	-
<u>166,076</u>	<u>2,343,212</u>	<u>132,517</u>	<u>93,754</u>	<u>1,215,749</u>	<u>238,401</u>
<u>\$ 166,076</u>	<u>\$ 2,436,563</u>	<u>\$ 135,417</u>	<u>\$ 93,754</u>	<u>\$ 1,249,611</u>	<u>\$ 238,401</u>

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STATE OF NEW MEXICO
City of Gallup
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014

	Total Nonmajor Governmental Funds
<i>Assets</i>	
Cash and cash equivalents	\$ 11,862,986
Restricted cash and cash equivalents	221,535
Investments	4,379,883
Receivables:	
Property taxes	50,876
Other taxes	182,558
Other receivables	501,866
<i>Total assets</i>	\$ 17,199,704
<i>Liabilities</i>	
Accounts payable	\$ 546,654
Accrued payroll	31,140
Due to other funds	478,843
<i>Total liabilities</i>	1,056,637
<i>Deferred inflows of resources</i>	
Deferred inflows- property taxes	33,862
<i>Total deferred inflows of resources</i>	33,862
<i>Fund balances</i>	
Spendable:	
Restricted for:	
General government	691,035
Public safety	344,586
Culture and recreation	1,592,502
Public works	5,217,112
Fire protection	345,208
Health and welfare	21,586
Debt service expenditures	1,680,421
Capital projects	6,377,506
Unassigned	(160,751)
<i>Total fund balances</i>	16,109,205
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 17,199,704

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Gallup
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2014

	Special Revenue			
	Corrections	EMS	Fire Protection	Law
	Fees			Enforcement
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Lodger's	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
State operating grants	-	13,142	451,255	64,200
State capital grants	-	-	-	-
Charges for services	91,878	-	-	-
Interest income	2,805	-	4,675	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>94,683</u>	<u>13,142</u>	<u>455,930</u>	<u>64,200</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	59,706	18,468	475,465	61,629
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	66,254	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>59,706</u>	<u>18,468</u>	<u>541,719</u>	<u>61,629</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>34,977</u>	<u>(5,326)</u>	<u>(85,789)</u>	<u>2,571</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers out	-	-	(140,372)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(140,372)</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>34,977</u>	<u>(5,326)</u>	<u>(226,161)</u>	<u>2,571</u>
<i>Fund balances - beginning of year</i>	306,659	75	571,369	379
<i>Fund balances - restatement (Note 22)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - as restated</i>	<u>306,659</u>	<u>75</u>	<u>571,369</u>	<u>379</u>
<i>Fund balances - end of year</i>	<u>\$ 341,636</u>	<u>\$ (5,251)</u>	<u>\$ 345,208</u>	<u>\$ 2,950</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Special Library	Lodger's Tax	Municipal Gas Tax	Juvenile Recreation	Intergovernmental Grants	Senior Citizens
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	1,173,910	-	-	-
-	1,234,155	-	-	-	-
-	-	-	-	34,395	160,150
10,280	-	16,163	-	842,000	164,798
-	-	-	-	-	-
7,059	-	15,989	-	-	-
-	-	-	-	-	-
-	-	-	-	12,501	51,168
<u>17,339</u>	<u>1,234,155</u>	<u>1,206,062</u>	<u>-</u>	<u>888,896</u>	<u>376,116</u>
-	-	-	-	515,259	-
-	-	-	-	-	-
-	-	2,312,054	-	-	-
22,498	927,414	-	21,300	-	-
-	-	-	-	-	901,926
-	55,334	587,658	-	-	34,475
-	-	-	-	-	-
-	-	-	-	-	-
<u>22,498</u>	<u>982,748</u>	<u>2,899,712</u>	<u>21,300</u>	<u>515,259</u>	<u>936,401</u>
<u>(5,159)</u>	<u>251,407</u>	<u>(1,693,650)</u>	<u>(21,300)</u>	<u>373,637</u>	<u>(560,285)</u>
-	-	1,800,000	-	-	534,558
-	(540,534)	-	-	(2,530)	-
-	(540,534)	1,800,000	-	(2,530)	534,558
<u>(5,159)</u>	<u>(289,127)</u>	<u>106,350</u>	<u>(21,300)</u>	<u>371,107</u>	<u>(25,727)</u>
104,309	1,765,027	811,830	38,752	(29,055)	47,313
-	-	-	-	-	-
<u>104,309</u>	<u>1,765,027</u>	<u>811,830</u>	<u>38,752</u>	<u>(29,055)</u>	<u>47,313</u>
<u>\$ 99,150</u>	<u>\$ 1,475,900</u>	<u>\$ 918,180</u>	<u>\$ 17,452</u>	<u>\$ 342,052</u>	<u>\$ 21,586</u>

STATE OF NEW MEXICO
City of Gallup
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2014

	Special Revenue			
	Navajo Gallup Water Project	Navajo Gallup Water Project- County	Navajo Gallup Water Project- City	Gallup Express Busing System
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	1,474,821	-	-	-
Gasoline and motor vehicle	-	-	-	-
Lodger's	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	118,986
State operating grants	-	1,083,333	-	51,600
State capital grants	-	-	-	-
Charges for services	-	-	-	48,249
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,474,821</u>	<u>1,083,333</u>	<u>-</u>	<u>218,835</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	284,366
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,366</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,474,821</u>	<u>1,083,333</u>	<u>-</u>	<u>(65,531)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	1,000,000	85,000
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>85,000</u>
<i>Net change in fund balances</i>	<u>1,474,821</u>	<u>1,083,333</u>	<u>1,000,000</u>	<u>19,469</u>
<i>Fund balances - beginning of year</i>	740,778	-	-	-
<i>Fund balances - restatement (Note 22)</i>	-	-	-	-
<i>Fund balances - as restated</i>	<u>740,778</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 2,215,599</u>	<u>\$ 1,083,333</u>	<u>\$ 1,000,000</u>	<u>\$ 19,469</u>

The accompanying notes are an integral part of these financial statements

Special Revenue			Capital Projects		
Gallup Detox	CDBG	Business Improvement District	Airport	Infrastructure GRT	1/4% Infrastructure GRT
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	414,434	-	-
640,000	-	32,149	71,112	-	-
-	-	-	-	-	-
-	-	87,180	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
640,000	-	119,329	485,546	-	-
310,486	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	5,288	-
-	-	-	-	-	-
-	-	296,874	-	-	-
-	26,504	-	177,372	102,008	118,802
-	-	-	-	-	-
-	-	-	-	-	-
310,486	26,504	296,874	177,372	107,296	118,802
329,514	(26,504)	(177,545)	308,174	(107,296)	(118,802)
-	-	-	-	1,600,000	135,000
-	-	-	-	(1,600,000)	-
-	-	-	-	-	135,000
329,514	(26,504)	(177,545)	308,174	(107,296)	16,198
-	24,375	36,899	(200,018)	2,060,361	1,701,399
-	-	-	-	-	-
-	24,375	36,899	(200,018)	2,060,361	1,701,399
\$ 329,514	\$ (2,129)	\$ (140,646)	\$ 108,156	\$ 1,953,065	\$ 1,717,597

STATE OF NEW MEXICO
City of Gallup
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2014

	Capital Projects			
	11/00 Sales Tax Revenue Bonds	Legislative Appropriations	08/03 General Obligation Bonds	02/04 Sales NonTax Revenue Bonds
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Lodger's	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	252,480	-	-
Charges for services	-	-	-	-
Interest income	1,870	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	1,870	252,480	-	-
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	197,056	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	70,486	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	267,542	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	1,870	(15,062)	-	-
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	1,870	(15,062)	-	-
<i>Fund balances - beginning of year</i>	45,803	2,337	38,819	2,908
<i>Fund balances - restatement (Note 22)</i>	-	-	-	-
<i>Fund balances - as restated</i>	45,803	2,337	38,819	2,908
<i>Fund balances - end of year</i>	\$ 47,673	\$ (12,725)	\$ 38,819	\$ 2,908

The accompanying notes are an integral part of these financial statements

Capital Projects		Debt Service			
02/04 Sales Tax Revenue Bonds	Public Works	NM Finance Authority Loans	06/10 Sales Tax Revenue Bonds	02/11 General Obligation Bonds	09/12 GRT Refunding Revenue
\$ -	\$ -	\$ -	\$ -	\$ 527,797	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
48,000	-	-	-	-	-
-	-	-	-	-	-
-	-	596	-	-	7,952
-	-	-	-	-	-
<u>48,000</u>	<u>-</u>	<u>596</u>	<u>-</u>	<u>527,797</u>	<u>7,952</u>
-	-	2,900	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	126,888	-	-	-	-
-	-	96,894	1,030,000	565,000	80,000
-	-	43,474	525,983	64,750	198,447
-	<u>126,888</u>	<u>143,268</u>	<u>1,555,983</u>	<u>629,750</u>	<u>278,447</u>
<u>48,000</u>	<u>(126,888)</u>	<u>(142,672)</u>	<u>(1,555,983)</u>	<u>(101,953)</u>	<u>(270,495)</u>
-	2,152,380	140,368	1,555,983	241,000	278,447
-	-	-	-	-	-
-	<u>2,152,380</u>	<u>140,368</u>	<u>1,555,983</u>	<u>241,000</u>	<u>278,447</u>
<u>48,000</u>	<u>2,025,492</u>	<u>(2,304)</u>	<u>-</u>	<u>139,047</u>	<u>7,952</u>
118,076	317,720	134,821	93,754	1,076,702	164,505
-	-	-	-	-	65,944
<u>118,076</u>	<u>317,720</u>	<u>134,821</u>	<u>93,754</u>	<u>1,076,702</u>	<u>230,449</u>
<u>\$ 166,076</u>	<u>\$ 2,343,212</u>	<u>\$ 132,517</u>	<u>\$ 93,754</u>	<u>\$ 1,215,749</u>	<u>\$ 238,401</u>

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STATE OF NEW MEXICO
City of Gallup
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2014

	Total Nonmajor Governmental Funds
<i>Revenues</i>	
Taxes:	
Property	\$ 527,797
Gross receipts	1,474,821
Gasoline and motor vehicle	1,173,910
Lodger's	1,234,155
Intergovernmental income:	
Federal operating grants	727,965
State operating grants	3,488,032
State capital grants	252,480
Charges for services	250,355
Interest income	17,898
Miscellaneous	63,669
<i>Total revenues</i>	9,211,082
 <i>Expenditures</i>	
Current:	
General government	1,113,011
Public safety	615,268
Public works	2,514,398
Culture and recreation	971,212
Health and welfare	1,198,800
Capital outlay	1,365,781
Debt service:	
Principal	1,771,894
Interest	832,654
<i>Total expenditures</i>	10,383,018
 <i>Excess (deficiency) of revenues over expenditures</i>	 (1,171,936)
 <i>Other financing sources (uses)</i>	
Transfers in	9,522,736
Transfers out	(2,283,436)
<i>Total other financing sources (uses)</i>	7,239,300
 <i>Net change in fund balances</i>	 6,067,364
 <i>Fund balances - beginning of year</i>	 9,975,897
 <i>Fund balances - restatement (Note 22)</i>	 65,944
 <i>Fund balances - as restated</i>	 10,041,841
 <i>Fund balances - end of year</i>	 \$ 16,109,205

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-1

City of Gallup

Corrections Fees Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	86,000	86,000	91,878	5,878
Interest income	2,500	2,500	2,805	305
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>88,500</u>	<u>88,500</u>	<u>94,683</u>	<u>6,183</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	88,500	88,500	59,706	28,794
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>88,500</u>	<u>88,500</u>	<u>59,706</u>	<u>28,794</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>34,977</u>	<u>34,977</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>34,977</u>	<u>34,977</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>306,659</u>	<u>306,659</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 341,636</u>	<u>\$ 341,636</u>
Net change in fund balance (Non-GAAP basis)				\$ 34,977
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 34,977</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-2

City of Gallup

EMS Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	14,000	14,000	13,142	(858)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>14,000</u>	<u>14,000</u>	<u>13,142</u>	<u>(858)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	36,440	36,440	16,810	19,630
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>36,440</u>	<u>36,440</u>	<u>16,810</u>	<u>19,630</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(22,440)</u>	<u>(22,440)</u>	<u>(3,668)</u>	<u>18,772</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	22,440	22,440	-	(22,440)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>22,440</u>	<u>22,440</u>	<u>-</u>	<u>(22,440)</u>
<i>Net change in fund balance</i>	-	-	(3,668)	(3,668)
<i>Fund balance - beginning of year</i>	-	-	75	75
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,593)</u>	<u>\$ (3,593)</u>
Net change in fund balance (Non-GAAP basis)				\$ (3,668)
No adjustments to revenues				-
Adjustments to expenditures for public safety accruals				(1,658)
Net change in fund balance (GAAP basis)				<u>\$ (5,326)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-3

City of Gallup

Fire Protection Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	390,000	451,255	451,255	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	3,000	3,000	4,675	1,675
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>393,000</u>	<u>454,255</u>	<u>455,930</u>	<u>1,675</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	104,100	543,507	475,465	68,042
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	250,000	307,986	66,254	241,732
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>354,100</u>	<u>851,493</u>	<u>541,719</u>	<u>309,774</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>38,900</u>	<u>(397,238)</u>	<u>(85,789)</u>	<u>311,449</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	101,468	540,507	-	(540,507)
Transfers in	-	-	-	-
Transfers out	(140,368)	(143,269)	(140,372)	2,897
<i>Total other financing sources (uses)</i>	<u>(38,900)</u>	<u>397,238</u>	<u>(140,372)</u>	<u>(537,610)</u>
<i>Net change in fund balance</i>	-	-	(226,161)	(226,161)
<i>Fund balance - beginning of year</i>	-	-	571,369	571,369
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 345,208</u>	<u>\$ 345,208</u>
Net change in fund balance (Non-GAAP basis)				\$ (226,161)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (226,161)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-4

City of Gallup

Law Enforcement Protection Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	60,000	64,200	64,200	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>60,000</u>	<u>64,200</u>	<u>64,200</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	60,000	64,579	61,629	2,950
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>60,000</u>	<u>64,579</u>	<u>61,629</u>	<u>2,950</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(379)</u>	<u>2,571</u>	<u>2,950</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	379	-	(379)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>379</u>	<u>-</u>	<u>(379)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>2,571</u>	<u>2,571</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>379</u>	<u>379</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,950</u>	<u>\$ 2,950</u>
Net change in fund balance (Non-GAAP basis)				\$ 2,571
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 2,571</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-5

City of Gallup

Special Library Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	106,795	19,363	19,362	(1)
State capital grants	-	-	-	-
Charges for services	-	6,000	7,059	1,059
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>106,795</u>	<u>25,363</u>	<u>26,421</u>	<u>1,058</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	106,795	22,723	20,640	2,083
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>106,795</u>	<u>22,723</u>	<u>20,640</u>	<u>2,083</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>2,640</u>	<u>5,781</u>	<u>3,141</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(2,640)	-	2,640
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(2,640)</u>	<u>-</u>	<u>2,640</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>5,781</u>	<u>5,781</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>95,227</u>	<u>95,227</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,008</u>	<u>\$ 101,008</u>
Net change in fund balance (Non-GAAP basis)				\$ 5,781
Adjustments to revenues for state operating grants accruals				(9,082)
Adjustment to expenditures for culture and recreation accruals				(1,858)
Net change in fund balance (GAAP basis)				<u>\$ (5,159)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-6

City of Gallup

Lodger's Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	1,300,000	1,300,000	1,253,927	(46,073)
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,253,927</u>	<u>(46,073)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	1,474,000	1,227,281	892,047	335,234
Health and welfare	-	-	-	-
Capital outlay	-	52,259	55,334	(3,075)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,474,000</u>	<u>1,279,540</u>	<u>947,381</u>	<u>332,159</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(174,000)</u>	<u>20,460</u>	<u>306,546</u>	<u>286,086</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	595,000	520,075	-	(520,075)
Transfers in	-	-	-	-
Transfers out	(421,000)	(540,535)	(540,534)	1
<i>Total other financing sources (uses)</i>	<u>174,000</u>	<u>(20,460)</u>	<u>(540,534)</u>	<u>(520,074)</u>
<i>Net change in fund balance</i>	-	-	(233,988)	(233,988)
<i>Fund balance - beginning of year</i>	-	-	1,676,385	1,676,385
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,442,397</u>	<u>\$ 1,442,397</u>
Net change in fund balance (Non-GAAP basis)				\$ (233,988)
Adjustment to revenues for lodger's taxes				(19,772)
Adjustment to expenditures for culture and recreation accruals				(35,367)
Net change in fund balance (GAAP basis)				<u>\$ (289,127)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-7

City of Gallup

Municipal Gas Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(NonGAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	1,050,000	1,050,000	1,151,658	101,658
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	120,000	230,000	32,152	(197,848)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,170,000</u>	<u>1,280,000</u>	<u>1,183,810</u>	<u>(96,190)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	2,166,740	2,661,681	2,231,335	430,346
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	500,000	600,537	587,658	12,879
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,666,740</u>	<u>3,262,218</u>	<u>2,818,993</u>	<u>443,225</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,496,740)</u>	<u>(1,982,218)</u>	<u>(1,635,183)</u>	<u>347,035</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(303,260)	182,218	-	(182,218)
Transfers in	1,800,000	1,800,000	1,800,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,496,740</u>	<u>1,982,218</u>	<u>1,800,000</u>	<u>(182,218)</u>
<i>Net change in fund balance</i>	-	-	164,817	164,817
<i>Fund balance - beginning of year</i>	-	-	795,129	795,129
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 959,946</u>	<u>\$ 959,946</u>
Net change in fund balance (Non-GAAP basis)				\$ 164,817
Adjustment to revenues for taxes				22,252
Adjustment to expenditures for public works and capital outlay accruals				(80,719)
Net change in fund balance (GAAP basis)				<u>\$ 106,350</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-8

City of Gallup

Juvenile Recreation Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	38,752	38,752	21,300	17,452
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>38,752</u>	<u>38,752</u>	<u>21,300</u>	<u>17,452</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(38,752)</u>	<u>(38,752)</u>	<u>(21,300)</u>	<u>17,452</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	38,752	38,752	-	(38,752)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>38,752</u>	<u>38,752</u>	<u>-</u>	<u>(38,752)</u>
<i>Net change in fund balance</i>	-	-	(21,300)	(21,300)
<i>Fund balance - beginning of year</i>	-	-	38,752	38,752
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,452</u>	<u>\$ 17,452</u>
Net change in fund balance (Non-GAAP basis)				\$ (21,300)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (21,300)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-9

City of Gallup

Intergovernmental Grants Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	102,780	97,096	(5,684)
Federal capital grants	-	-	-	-
State operating grants	-	800,000	802,000	2,000
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	12,502	12,501	(1)
<i>Total revenues</i>	<u>-</u>	<u>915,282</u>	<u>911,597</u>	<u>(3,685)</u>
<i>Expenditures</i>				
Current				
General government	-	839,783	535,159	304,624
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>839,783</u>	<u>535,159</u>	<u>304,624</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>75,499</u>	<u>376,438</u>	<u>300,939</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(75,499)	-	75,499
Transfers in	-	-	(2,530)	(2,530)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(75,499)</u>	<u>(2,530)</u>	<u>72,969</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>373,908</u>	<u>373,908</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(71,856)</u>	<u>(71,856)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 302,052</u>	<u>\$ 302,052</u>
Net change in fund balance (Non-GAAP basis)				\$ 373,908
Adjustment to revenues for grant revenue accruals				(22,701)
Adjustment to expenditures for health and welfare and capital outlay accruals				19,900
Net change in fund balance (GAAP basis)				<u>\$ 371,107</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-10

City of Gallup

Senior Citizens Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	199,226	128,143	(71,083)
Federal capital grants	-	-	-	-
State operating grants	260,000	182,995	164,798	(18,197)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	50,000	50,000	51,168	1,168
<i>Total revenues</i>	<u>310,000</u>	<u>432,221</u>	<u>344,109</u>	<u>(88,112)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	844,558	955,495	891,461	64,034
Capital outlay	-	11,600	11,600	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>844,558</u>	<u>967,095</u>	<u>903,061</u>	<u>64,034</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(534,558)</u>	<u>(534,874)</u>	<u>(558,952)</u>	<u>(24,078)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	316	-	(316)
Transfers in	534,558	534,558	534,558	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>534,558</u>	<u>534,874</u>	<u>534,558</u>	<u>(316)</u>
<i>Net change in fund balance</i>	-	-	(24,394)	(24,394)
<i>Fund balance - beginning of year</i>	-	-	56,728	56,728
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,334</u>	<u>\$ 32,334</u>
Net change in fund balance (Non-GAAP basis)				\$ (24,394)
Adjustment to revenues for grant revenue accruals				32,007
Adjustment to expenditures for health and welfare accruals				(33,340)
Net change in fund balance (GAAP basis)				<u>\$ (25,727)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-11

City of Gallup

Navajo Gallup Water Project Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	1,480,000	1,480,000	1,497,640	17,640
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,480,000</u>	<u>1,480,000</u>	<u>1,497,640</u>	<u>17,640</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,480,000</u>	<u>1,480,000</u>	<u>1,497,640</u>	<u>17,640</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(2,480,000)	(1,480,000)	-	1,480,000
Transfers in	1,000,000	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(1,480,000)</u>	<u>(1,480,000)</u>	<u>-</u>	<u>1,480,000</u>
<i>Net change in fund balance</i>	-	-	1,497,640	1,497,640
<i>Fund balance - beginning of year</i>	-	-	488,505	488,505
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,986,145</u>	<u>\$ 1,986,145</u>
Net change in fund balance (Non-GAAP basis)				\$ 1,497,640
Adjustment to revenues for gross receipts tax revenue accruals				(22,819)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 1,474,821</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-12

City of Gallup

Navajo Gallup Water Project- County Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	1,000,000	1,083,333	83,333
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>1,000,000</u>	<u>1,083,333</u>	<u>83,333</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>1,000,000</u>	<u>1,083,333</u>	<u>83,333</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(1,000,000)	-	1,000,000
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(1,000,000)</u>	<u>-</u>	<u>1,000,000</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>1,083,333</u>	<u>1,083,333</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,083,333</u>	<u>\$ 1,083,333</u>
Net change in fund balance (Non-GAAP basis)				\$ 1,083,333
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 1,083,333</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-13

City of Gallup

Navajo Gallup Water Project- City Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2014

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

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-14

City of Gallup

Gallup Express Busing System Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	395,876	118,986	(276,890)
Federal capital grants	-	-	-	-
State operating grants	-	93,373	51,600	(41,773)
State capital grants	-	-	-	-
Charges for services	-	106,414	48,249	(58,165)
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>595,663</u>	<u>218,835</u>	<u>(376,828)</u>
<i>Expenditures</i>				
Current				
General government	-	685,738	284,366	401,372
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>685,738</u>	<u>284,366</u>	<u>401,372</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(90,075)</u>	<u>(65,531)</u>	<u>24,544</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	5,075	-	(5,075)
Transfers in	-	85,000	85,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>90,075</u>	<u>85,000</u>	<u>(5,075)</u>
<i>Net change in fund balance</i>	-	-	19,469	19,469
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,469</u>	<u>\$ 19,469</u>
Net change in fund balance (Non-GAAP basis)				\$ 19,469
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 19,469</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-15

City of Gallup

Gallup Detox Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	440,000	640,000	200,000
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>440,000</u>	<u>640,000</u>	<u>200,000</u>
<i>Expenditures</i>				
Current				
General government	-	440,000	310,153	129,847
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>440,000</u>	<u>310,153</u>	<u>129,847</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>329,847</u>	<u>329,847</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>329,847</u>	<u>329,847</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,847</u>	<u>\$ 329,847</u>
Net change in fund balance (Non-GAAP basis)				\$ 329,847
No adjustments to revenues				-
Adjustments to expenditures for general government accruals				(333)
Net change in fund balance (GAAP basis)				<u>\$ 329,514</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-16

City of Gallup

CDBG Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	450,000	-	(450,000)
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>450,000</u>	<u>-</u>	<u>(450,000)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	450,000	13,252	436,748
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>450,000</u>	<u>13,252</u>	<u>436,748</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(13,252)</u>	<u>(13,252)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(13,252)</u>	<u>(13,252)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>24,375</u>	<u>24,375</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,123</u>	<u>\$ 11,123</u>
Net change in fund balance (Non-GAAP basis)				\$ (13,252)
No adjustments to revenues				-
Adjustments to expenditures for capital outlay accruals				(13,252)
Net change in fund balance (GAAP basis)				<u>\$ (26,504)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-17

City of Gallup

Business Improvement District Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	130,000	130,000	32,149	(97,851)
State capital grants	-	-	-	-
Charges for services	130,000	130,000	87,180	(42,820)
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>260,000</u>	<u>260,000</u>	<u>119,329</u>	<u>(140,671)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	260,000	260,000	70,062	189,938
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>260,000</u>	<u>260,000</u>	<u>70,062</u>	<u>189,938</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>49,267</u>	<u>49,267</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>49,267</u>	<u>49,267</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>36,899</u>	<u>36,899</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,166</u>	<u>\$ 86,166</u>
Net change in fund balance (Non-GAAP basis)				\$ 49,267
No adjustments to revenues				-
Adjustment to expenditures for health and welfare accruals				(226,812)
Net change in fund balance (GAAP basis)				<u>\$ (177,545)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-18

City of Gallup

Airport Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	654,085	542,278	(111,807)
Federal capital grants	-	-	-	-
State operating grants	-	98,232	88,490	(9,742)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>752,317</u>	<u>630,768</u>	<u>(121,549)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	957,022	742,953	214,069
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>957,022</u>	<u>742,953</u>	<u>214,069</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(204,705)</u>	<u>(112,185)</u>	<u>92,520</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	204,705	-	(204,705)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>204,705</u>	<u>-</u>	<u>(204,705)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(112,185)</u>	<u>(112,185)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>220,341</u>	<u>220,341</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,156</u>	<u>\$ 108,156</u>
Net change in fund balance (Non-GAAP basis)				\$ (112,185)
Adjustment to revenues for grant revenue accruals				(145,222)
Adjustment to expenditures for capital outlay accruals				565,581
Net change in fund balance (GAAP basis)				<u>\$ 308,174</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-19

City of Gallup

Infrastructure GRT Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	418,065	5,288	412,777
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	329,247	95,678	233,569
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>747,312</u>	<u>100,966</u>	<u>646,346</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(747,312)</u>	<u>(100,966)</u>	<u>646,346</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	747,312	-	(747,312)
Transfers in	1,600,000	1,600,000	1,600,000	-
Transfers out	(1,600,000)	(1,600,000)	(1,600,000)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>747,312</u>	<u>-</u>	<u>(747,312)</u>
<i>Net change in fund balance</i>	-	-	(100,966)	(100,966)
<i>Fund balance - beginning of year</i>	-	-	2,097,878	2,097,878
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,996,912</u>	<u>\$ 1,996,912</u>
Net change in fund balance (Non-GAAP basis)				\$ (100,966)
No adjustments to revenues				-
Adjustment to expenditures for general government and capital outlay accruals				(6,330)
Net change in fund balance (GAAP basis)				<u>\$ (107,296)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-20

City of Gallup

1/4% Infrastructure GRT Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	500	500	-	(500)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	248,308	118,802	129,506
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	135,500	152,848	-	152,848
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>135,500</u>	<u>401,156</u>	<u>118,802</u>	<u>282,354</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(135,000)</u>	<u>(400,656)</u>	<u>(118,802)</u>	<u>281,854</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	265,656	-	(265,656)
Transfers in	135,000	135,000	135,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>135,000</u>	<u>400,656</u>	<u>135,000</u>	<u>(265,656)</u>
<i>Net change in fund balance</i>	-	-	16,198	16,198
<i>Fund balance - beginning of year</i>	-	-	1,701,399	1,701,399
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,717,597</u>	<u>\$ 1,717,597</u>
Net change in fund balance (Non-GAAP basis)				\$ 16,198
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 16,198</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-21

City of Gallup

02/11 Sales Tax Revenue Bonds Capital Projects Fund (Major)
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	4,500	14,000	4,434	(9,566)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>4,500</u>	<u>14,000</u>	<u>4,434</u>	<u>(9,566)</u>
<i>Expenditures</i>				
Current				
General government	-	-	13,637	(13,637)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	4,445,667	1,307,434	804,813	502,621
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,445,667</u>	<u>1,307,434</u>	<u>818,450</u>	<u>488,984</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,441,167)</u>	<u>(1,293,434)</u>	<u>(814,016)</u>	<u>479,418</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	4,441,167	1,293,434	-	(1,293,434)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>4,441,167</u>	<u>1,293,434</u>	<u>-</u>	<u>(1,293,434)</u>
<i>Net change in fund balance</i>	-	-	(814,016)	(814,016)
<i>Fund balance - beginning of year</i>	-	-	1,373,765	1,373,765
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 559,749</u>	<u>\$ 559,749</u>
Net change in fund balance (Non-GAAP basis)				\$ (814,016)
No adjustments to revenues				-
Adjustment to expenditures for general government and capital outlay accruals				519,906
Net change in fund balance (GAAP basis)				<u>\$ (294,110)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-22

City of Gallup

11/00 Sales Tax Revenue Bonds Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	1,500	2,000	1,870	(130)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,500</u>	<u>2,000</u>	<u>1,870</u>	<u>(130)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	27,349	-	27,349
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>27,349</u>	<u>-</u>	<u>27,349</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,500</u>	<u>(25,349)</u>	<u>1,870</u>	<u>27,219</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(1,500)	25,349	-	(25,349)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(1,500)</u>	<u>25,349</u>	<u>-</u>	<u>(25,349)</u>
<i>Net change in fund balance</i>	-	-	1,870	1,870
<i>Fund balance - beginning of year</i>	-	-	45,803	45,803
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,673</u>	<u>\$ 47,673</u>
Net change in fund balance (Non-GAAP basis)				\$ 1,870
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 1,870</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-23

City of Gallup

Legislative Appropriations Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	25,000	389,478	105,074	(284,404)
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>25,000</u>	<u>389,478</u>	<u>105,074</u>	<u>(284,404)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	25,000	269,686	183,949	85,737
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	70,593	70,486	107
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>25,000</u>	<u>340,279</u>	<u>254,435</u>	<u>85,844</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>49,199</u>	<u>(149,361)</u>	<u>(198,560)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(49,199)	-	49,199
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(49,199)</u>	<u>-</u>	<u>49,199</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(149,361)</u>	<u>(149,361)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(50,662)</u>	<u>(50,662)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (200,023)</u>	<u>\$ (200,023)</u>
Net change in fund balance (Non-GAAP basis)				\$ (149,361)
Adjustment to revenues for grant revenues				147,406
Adjustments to expenditures for public works				(13,107)
Net change in fund balance (GAAP basis)				<u>\$ (15,062)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-24

City of Gallup

08/03 General Obligation Bonds Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	9,000	9,000	-	(9,000)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>9,000</u>	<u>9,000</u>	<u>-</u>	<u>(9,000)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	10,786	-	10,786
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>10,786</u>	<u>-</u>	<u>10,786</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>9,000</u>	<u>(1,786)</u>	<u>-</u>	<u>1,786</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(9,000)	1,786	-	(1,786)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(9,000)</u>	<u>1,786</u>	<u>-</u>	<u>(1,786)</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	38,819	38,819
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,819</u>	<u>\$ 38,819</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-25

City of Gallup

02/04 Sales NonTax Revenue Bonds Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	2,278	-	2,278
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>2,278</u>	<u>-</u>	<u>2,278</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(2,278)</u>	<u>-</u>	<u>2,278</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	2,278	-	(2,278)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>2,278</u>	<u>-</u>	<u>(2,278)</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	2,908	2,908
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,908</u>	<u>\$ 2,908</u>
Net change in fund balance (Non-GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-26

City of Gallup

02/04 Sales Tax Revenue Bonds Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	48,000	48,000	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>48,000</u>	<u>48,000</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	1,396	-	1,396
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>1,396</u>	<u>-</u>	<u>1,396</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>46,604</u>	<u>48,000</u>	<u>1,396</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(46,604)	-	46,604
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(46,604)</u>	<u>-</u>	<u>46,604</u>
<i>Net change in fund balance</i>	-	-	48,000	48,000
<i>Fund balance - beginning of year</i>	-	-	118,076	118,076
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,076</u>	<u>\$ 166,076</u>
Net change in fund balance (Non-GAAP basis)				\$ 48,000
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 48,000</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-27

City of Gallup

Public Works Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	1,126,134	-	(1,126,134)
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>1,126,134</u>	<u>-</u>	<u>(1,126,134)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	3,223,635	83,537	3,140,098
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>3,223,635</u>	<u>83,537</u>	<u>3,140,098</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(2,097,501)</u>	<u>(83,537)</u>	<u>2,013,964</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(54,879)	-	54,879
Transfers in	-	2,152,380	2,152,380	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>2,097,501</u>	<u>2,152,380</u>	<u>54,879</u>
<i>Net change in fund balance</i>	-	-	2,068,843	2,068,843
<i>Fund balance - beginning of year</i>	-	-	317,720	317,720
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,386,563</u>	<u>\$ 2,386,563</u>
Net change in fund balance (Non-GAAP basis)				\$ 2,068,843
No adjustments to revenues				-
Adjustments to expenditures for public works				(43,351)
Net change in fund balance (GAAP basis)				<u>\$ 2,025,492</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-28

City of Gallup

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

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	745,000	745,000	-	745,000
Interest	468,140	468,140	69,840	398,300
<i>Total expenditures</i>	<u>1,213,140</u>	<u>1,213,140</u>	<u>69,840</u>	<u>1,143,300</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,213,140)</u>	<u>(1,213,140)</u>	<u>(69,840)</u>	<u>1,143,300</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	398,300	398,300	-	(398,300)
Transfers in	814,840	814,840	814,840	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,213,140</u>	<u>1,213,140</u>	<u>814,840</u>	<u>(398,300)</u>
<i>Net change in fund balance</i>	-	-	745,000	745,000
<i>Fund balance - beginning of year</i>	-	-	276,185	276,185
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,021,185</u>	<u>\$ 1,021,185</u>
Net change in fund balance (Non-GAAP basis)				\$ 745,000
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 745,000</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-29

City of Gallup

NM Finance Authority Loans Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	500	596	96
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>500</u>	<u>596</u>	<u>96</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	96,894	96,894	96,894	-
Interest	43,474	43,474	43,474	-
Bond issuance costs	-	2,901	2,900	1
<i>Total expenditures</i>	<u>140,368</u>	<u>143,269</u>	<u>143,268</u>	<u>1</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(140,368)</u>	<u>(142,769)</u>	<u>(142,672)</u>	<u>97</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(500)	-	500
Transfers in	140,368	143,269	140,368	(2,901)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>140,368</u>	<u>142,769</u>	<u>140,368</u>	<u>(2,401)</u>
<i>Net change in fund balance</i>	-	-	(2,304)	(2,304)
<i>Fund balance - beginning of year</i>	-	-	134,821	134,821
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,517</u>	<u>\$ 132,517</u>
Net change in fund balance (Non-GAAP basis)				\$ (2,304)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (2,304)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-30

City of Gallup

06/10 Sales Tax Revenue Bonds Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	1,030,000	1,030,000	1,030,000	-
Interest	525,983	525,983	525,983	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>1,555,983</u>	<u>1,555,983</u>	<u>1,555,983</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,555,983)</u>	<u>(1,555,983)</u>	<u>(1,555,983)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	1,555,983	1,555,983	1,555,983	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,555,983</u>	<u>1,555,983</u>	<u>1,555,983</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	93,754	93,754
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,754</u>	<u>\$ 93,754</u>
<i>Net change in fund balance (Non-GAAP basis)</i>				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-31

City of Gallup

02/11 General Obligation Bonds Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Basis)	(Unfavorable)
				Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ 1,060,000	\$ 1,060,000	\$ 537,539	\$ (522,461)
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	500	500	-	(500)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,060,500</u>	<u>1,060,500</u>	<u>537,539</u>	<u>(522,961)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	565,000	565,000	565,000	-
Interest	64,750	64,750	64,750	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>629,750</u>	<u>629,750</u>	<u>629,750</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>430,750</u>	<u>430,750</u>	<u>(92,211)</u>	<u>(522,961)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(671,750)	(671,750)	-	671,750
Transfers in	241,000	241,000	241,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(430,750)</u>	<u>(430,750)</u>	<u>241,000</u>	<u>671,750</u>
<i>Net change in fund balance</i>	-	-	148,789	148,789
<i>Fund balance - beginning of year</i>	-	-	1,049,946	1,049,946
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,198,735</u>	<u>\$ 1,198,735</u>
<i>Net change in fund balance (Non-GAAP basis)</i>				\$ 148,789
Adjustment to revenues for property taxes accruals				(9,742)
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ 139,047</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-32

City of Gallup

09/12 GRT Refunding Revenue Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Basis)	(Unfavorable)
				Final to Actual
<i>Revenues</i>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	7,952	7,952
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>7,952</u>	<u>7,952</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	80,000	80,000	80,000	-
Interest	198,447	198,447	198,447	-
Bond issuance costs	625	8,125	-	8,125
<i>Total expenditures</i>	<u>279,072</u>	<u>286,572</u>	<u>278,447</u>	<u>8,125</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(279,072)</u>	<u>(286,572)</u>	<u>(270,495)</u>	<u>16,077</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	625	(9,316,875)	-	9,316,875
Bond proceeds	-	9,325,000	-	(9,325,000)
Transfers in	278,447	278,447	278,447	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>279,072</u>	<u>286,572</u>	<u>278,447</u>	<u>(8,125)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>7,952</u>	<u>7,952</u>
<i>Fund balance - beginning of year</i>	-	-	164,505	164,505
<i>Fund balance - restatement (Note 22)</i>	-	-	65,944	65,944
<i>Fund balance - as restated</i>	<u>-</u>	<u>-</u>	<u>230,449</u>	<u>230,449</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,401</u>	<u>\$ 172,457</u>
<i>Net change in fund balance (Non-GAAP basis)</i>				<u>\$ 7,952</u>
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP basis)</i>				<u>\$ 7,952</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Gallup
Nonmajor Proprietary Funds
Combining Statement of Net Position
June 30, 2014

Statement C-1

	Enterprise Funds				Total
	Solid Waste	Fitness Center	Rodeo	Gamerico	
<i>Assets</i>					
<i>Current assets</i>					
Cash and cash equivalents	\$ 3,046,168	\$ 386,344	\$ -	\$ 311,830	\$ 3,744,342
Investments	1,500,000	-	-	3	1,500,003
Other receivables	18,303	-	-	-	18,303
Customer receivables, net	314,019	-	-	60,761	374,780
<i>Total current assets</i>	<u>4,878,490</u>	<u>386,344</u>	<u>-</u>	<u>372,594</u>	<u>5,637,428</u>
<i>Noncurrent assets</i>					
Capital assets	4,897,490	319,328	-	-	5,216,818
Less: accumulated depreciation	(3,727,675)	(67,892)	-	-	(3,795,567)
<i>Total noncurrent assets</i>	<u>1,169,815</u>	<u>251,436</u>	<u>-</u>	<u>-</u>	<u>1,421,251</u>
<i>Total assets</i>	<u>\$ 6,048,305</u>	<u>\$ 637,780</u>	<u>\$ -</u>	<u>\$ 372,594</u>	<u>\$ 7,058,679</u>
<i>Liabilities and net position</i>					
<i>Liabilities</i>					
<i>Current liabilities</i>					
Accounts payable	\$ 27,029	\$ -	\$ 36,018	\$ 37,661	\$ 100,708
Accrued payroll	9,625	2,343	-	-	11,968
Accrued tax liability	-	1,098	-	-	1,098
Accrued compensated absences	2,388	120	-	-	2,508
Interfund payable	-	-	3,681	-	3,681
Current portion of landfill closure costs	25,143	-	-	-	25,143
<i>Total current liabilities</i>	<u>64,185</u>	<u>3,561</u>	<u>39,699</u>	<u>37,661</u>	<u>145,106</u>
<i>Noncurrent liabilities</i>					
Accrued compensated absences	27,462	1,376	-	-	28,838
Landfill closure costs	301,714	-	-	-	301,714
<i>Total noncurrent liabilities</i>	<u>329,176</u>	<u>1,376</u>	<u>-</u>	<u>-</u>	<u>330,552</u>
<i>Total liabilities</i>	<u>393,361</u>	<u>4,937</u>	<u>39,699</u>	<u>37,661</u>	<u>475,658</u>
<i>Net position</i>					
Net investment in capital assets	1,169,815	251,436	-	-	1,421,251
Unrestricted	4,485,129	381,407	(39,699)	334,933	5,161,770
<i>Total net position</i>	<u>5,654,944</u>	<u>632,843</u>	<u>(39,699)</u>	<u>334,933</u>	<u>6,583,021</u>
<i>Total liabilities and net position</i>	<u>\$ 6,048,305</u>	<u>\$ 637,780</u>	<u>\$ -</u>	<u>\$ 372,594</u>	<u>\$ 7,058,679</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Gallup
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

Statement C-2

	Enterprise Funds				Total
	Solid Waste	Fitness Center	Rodeo	Gamerico	
<i>Operating revenues</i>					
Charges for services	\$ 3,116,767	\$ 230,495	\$ 109,792	\$ 382,770	\$ 3,839,824
<i>Total operating revenues</i>	<u>3,116,767</u>	<u>230,495</u>	<u>109,792</u>	<u>382,770</u>	<u>3,839,824</u>
<i>Operating expenses</i>					
Personnel services	590,658	134,279	-	-	724,937
Contractual services	1,884,999	36,721	373,516	436,987	2,732,223
Repairs and maintenance	-	76,518	-	-	76,518
Utilities	-	30,661	-	-	30,661
Equipment	-	-	-	-	-
Depreciation	-	-	-	-	-
<i>Total operating expenses</i>	<u>2,475,657</u>	<u>278,179</u>	<u>373,516</u>	<u>436,987</u>	<u>3,564,339</u>
<i>Operating income (loss)</i>	<u>641,110</u>	<u>(47,684)</u>	<u>(263,724)</u>	<u>(54,217)</u>	<u>275,485</u>
<i>Non-operating revenues (expenses)</i>					
Gross receipts taxes	364,805	-	-	-	364,805
Interest income	20,357	-	-	48	20,405
Miscellaneous income	-	192	-	-	192
<i>Total non-operating revenues (expenses)</i>	<u>385,162</u>	<u>192</u>	<u>-</u>	<u>48</u>	<u>385,402</u>
<i>Income (loss) before transfers and contributions</i>	<u>1,026,272</u>	<u>(47,492)</u>	<u>(263,724)</u>	<u>(54,169)</u>	<u>660,887</u>
Transfers in	-	83,792	119,534	-	203,326
Transfers out	(724,862)	(28,563)	-	-	(753,425)
<i>Change in net position</i>	301,410	7,737	(144,190)	(54,169)	110,788
<i>Net position, beginning of year</i>	<u>5,353,534</u>	<u>625,106</u>	<u>104,491</u>	<u>389,102</u>	<u>6,472,233</u>
<i>Net position, end of year</i>	<u>\$ 5,654,944</u>	<u>\$ 632,843</u>	<u>\$ (39,699)</u>	<u>\$ 334,933</u>	<u>\$ 6,583,021</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
City of Gallup
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2014

Statement C-3

	Enterprise Funds				Total
	Solid Waste	Fitness Center	Rodeo	Gamerico	
<i>Cash flows from operating activities</i>					
Cash received from user charges	\$3,185,020	\$ 230,495	\$ 109,792	\$ 396,777	\$3,922,084
Cash payments to employees for services	(533,626)	(63,824)	-	-	(597,450)
Cash payments to suppliers for goods and services	(1,981,512)	(215,280)	(582,160)	(406,090)	(3,185,042)
<i>Net cash provided (used) by operating activities</i>	<u>669,882</u>	<u>(48,609)</u>	<u>(472,368)</u>	<u>(9,313)</u>	<u>139,592</u>
<i>Cash flows from noncapital financing activities</i>					
Gross receipts taxes	364,805	-	-	-	364,805
Miscellaneous income	-	192	-	-	192
Payments for noncurrent accrued compensated absences	-	(4,987)	-	-	(4,987)
Interfund advances (payments) and transfers	(724,862)	55,229	123,215	-	(546,418)
<i>Net cash provided (used) by noncapital financing activities</i>	<u>(360,057)</u>	<u>50,434</u>	<u>123,215</u>	<u>-</u>	<u>(186,408)</u>
<i>Cash flows from capital and related financing activities</i>					
State and federal capital grants	-	-	-	-	-
Acquisition of capital assets	(426,608)	-	-	-	(426,608)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(426,608)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(426,608)</u>
<i>Cash flows from investing activities</i>					
Proceeds from sales and maturities	-	-	-	200,000	200,000
Purchases of investments	2,000,000	-	-	-	2,000,000
Interest on investments	20,357	-	-	48	20,405
<i>Net cash provided by investing activities</i>	<u>2,020,357</u>	<u>-</u>	<u>-</u>	<u>200,048</u>	<u>2,220,405</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	1,903,574	1,825	(349,153)	190,735	1,746,981
<i>Cash and cash equivalents - beginning of year</i>	<u>1,142,594</u>	<u>384,519</u>	<u>349,153</u>	<u>121,095</u>	<u>1,997,361</u>
<i>Cash and cash equivalents - end of year</i>	<u><u>\$3,046,168</u></u>	<u><u>\$ 386,344</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 311,830</u></u>	<u><u>\$3,744,342</u></u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>					
Operating income (loss)	\$ 641,110	\$ (47,684)	\$ (263,724)	\$ (54,217)	\$ 275,485
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>					
Depreciation	-	-	-	-	-
<i>Changes in assets and liabilities</i>					
Receivables	68,253	-	-	14,007	82,260
Accounts payable	(41,446)	-	(208,644)	30,897	(219,193)
Accrued payroll expenses	634	(352)	-	-	282
Accrued compensated absences	1,331	(573)	-	-	758
<i>Net cash provided (used) by operating activities</i>	<u><u>\$ 669,882</u></u>	<u><u>\$ (48,609)</u></u>	<u><u>\$ (472,368)</u></u>	<u><u>\$ (9,313)</u></u>	<u><u>\$ 139,592</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Gallup
Joint Utilities Proprietary Fund
Statement of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2014

Statement D-1

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 30,000,000	\$ 30,019,055	\$ 33,865,860	\$ 3,846,805
<i>Total operating revenues</i>	<u>30,000,000</u>	<u>30,019,055</u>	<u>33,865,860</u>	<u>3,846,805</u>
<i>Operating expenses</i>				
Personnel services	3,263,087	3,263,287	3,005,127	258,160
Contractual services	2,724,766	9,924,213	10,746,289	(822,076)
Supplies	-	-	476,842	(476,842)
Repairs and maintenance	20,319,176	23,639,732	18,206,202	5,433,530
Utilities	509,901	209,901	59,536	150,365
Equipment	630,000	4,051,332	-	4,051,332
Depreciation	-	-	-	-
Miscellaneous	3,799,243	3,799,243	9,101	3,790,142
<i>Total operating expenses</i>	<u>31,246,173</u>	<u>44,887,708</u>	<u>32,503,097</u>	<u>12,384,611</u>
<i>Operating income (loss)</i>	<u>(1,246,173)</u>	<u>(14,868,653)</u>	<u>1,362,763</u>	<u>16,231,416</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	-	-	-	-
Interest expense	(1,253,127)	(1,253,127)	(385,607)	867,520
Interest income	113,300	113,300	(90,776)	(204,076)
Miscellaneous income (expense)	-	-	(963)	(963)
<i>Total non-operating revenues (expenses)</i>	<u>(1,139,827)</u>	<u>(1,139,827)</u>	<u>(477,346)</u>	<u>662,481</u>
<i>Income (loss) before transfers and contributions</i>	<u>(2,386,000)</u>	<u>(16,008,480)</u>	<u>885,417</u>	<u>16,893,897</u>
State and federal capital grants	365,000	975,964	1,795,682	819,718
Transfers	(2,642,222)	(4,012,641)	(4,140,208)	(127,567)
<i>Change in net position</i>	<u>\$ (4,663,222)</u>	<u>\$ (19,045,157)</u>	<u>(1,459,109)</u>	<u>\$ 17,586,048</u>
<i>Net position, beginning of year</i>			84,412,425	
<i>Net position restatement (Note 22)</i>			<u>(899,360)</u>	
<i>Net position, as restated</i>			<u>83,513,065</u>	
<i>Net position, end of year</i>			<u>\$ 82,053,956</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-2

City of Gallup

Solid Waste Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Position

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 2,926,300	\$ 2,926,300	\$ 3,116,767	\$ 190,467
<i>Total operating revenues</i>	<u>2,926,300</u>	<u>2,926,300</u>	<u>3,116,767</u>	<u>190,467</u>
<i>Operating expenses</i>				
Personnel services	664,131	664,131	590,658	73,473
Contractual services	2,433,817	2,910,423	1,884,999	1,025,424
Supplies	-	-	-	-
Repairs and maintenance	-	-	-	-
Utilities	-	-	-	-
Equipment	-	-	-	-
Depreciation	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating expenses</i>	<u>3,097,948</u>	<u>3,574,554</u>	<u>2,475,657</u>	<u>1,098,897</u>
<i>Operating income (loss)</i>	<u>(171,648)</u>	<u>(648,254)</u>	<u>641,110</u>	<u>1,289,364</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	430,000	430,000	364,805	(65,195)
Interest expense	-	-	-	-
Interest income	3,500	3,500	20,357	16,857
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>433,500</u>	<u>433,500</u>	<u>385,162</u>	<u>(48,338)</u>
<i>Income (loss) before transfers and contributions</i>	<u>261,852</u>	<u>(214,754)</u>	<u>1,026,272</u>	<u>1,241,026</u>
State and federal capital grants	-	-	-	-
Transfers	(373,298)	(712,252)	(724,862)	(12,610)
<i>Change in net position</i>	<u>\$ (111,446)</u>	<u>\$ (927,006)</u>	<u>301,410</u>	<u>\$ 1,228,416</u>
<i>Net position, beginning of year</i>			<u>5,353,534</u>	
<i>Net position, end of year</i>			<u>\$ 5,654,944</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-3

City of Gallup

Fitness Center Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Position

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2014

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 200,000	\$ 200,000	\$ 230,495	\$ 30,495
<i>Total operating revenues</i>	200,000	200,000	230,495	30,495
<i>Operating expenses</i>				
Personnel services	150,492	150,492	134,279	16,213
Contractual services	58,300	55,300	36,721	18,579
Supplies	-	-	-	-
Repairs and maintenance	39,000	85,677	76,518	9,159
Utilities	36,000	36,000	30,661	5,339
Equipment	-	-	-	-
Depreciation	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating expenses</i>	283,792	327,469	278,179	49,290
<i>Operating income (loss)</i>	(83,792)	(127,469)	(47,684)	79,785
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	-	-	-	-
Interest expense	-	-	-	-
Interest income	-	-	-	-
Gain on disposal of capital assets	-	-	-	-
Miscellaneous income	-	-	192	192
<i>Total non-operating revenues (expenses)</i>	-	-	192	192
<i>Income (loss) before transfers and contributions</i>	(83,792)	(127,469)	(47,492)	79,977
State and federal capital grants	-	-	-	-
Transfers	83,792	55,229	55,229	-
<i>Change in net position</i>	\$ -	\$ (72,240)	7,737	\$ 79,977
<i>Net position, beginning of year</i>			625,106	
<i>Net position, end of year</i>			\$ 632,843	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-4

City of Gallup

Rodeo Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2014

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ -	\$ 184,598	\$ 109,792	\$ (74,806)
<i>Total operating revenues</i>	-	184,598	109,792	(74,806)
<i>Operating expenses</i>				
Personnel services	-	-	-	-
Contractual services	-	648,007	373,516	274,491
Supplies	-	-	-	-
Repairs and maintenance	-	-	-	-
Utilities	-	-	-	-
Equipment	-	-	-	-
Depreciation	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating expenses</i>	-	648,007	373,516	274,491
<i>Operating income (loss)</i>	-	(463,409)	(263,724)	199,685
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	-	-	-	-
Other taxes	-	35,000	-	(35,000)
Interest expense	-	-	-	-
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	-	35,000	-	(35,000)
<i>Income (loss) before transfers and contributions</i>	-	(428,409)	(263,724)	164,685
State and federal capital grants	-	-	-	-
Transfers	-	119,535	119,534	(1)
<i>Change in net position</i>	\$ -	\$ (308,874)	(144,190)	\$ 164,684
<i>Net position, beginning of year</i>			104,491	
<i>Net position, end of year</i>			\$ (39,699)	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-5

City of Gallup

Gamerico Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Position
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2014

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 370,000	\$ 370,000	\$ 382,770	\$ 12,770
<i>Total operating revenues</i>	370,000	370,000	382,770	12,770
<i>Operating expenses</i>				
Personnel services	-	-	-	-
Contractual services	370,500	370,500	436,987	(66,487)
Supplies	-	-	-	-
Repairs and maintenance	-	-	-	-
Utilities	-	-	-	-
Equipment	-	-	-	-
Depreciation	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating expenses</i>	370,500	370,500	436,987	(66,487)
<i>Operating income (loss)</i>	(500)	(500)	(54,217)	(53,717)
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	-	-	-	-
Interest expense	-	-	-	-
Interest income	500	500	48	(452)
Bad debt expense	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	500	500	48	(452)
<i>Income (loss) before transfers and contributions</i>	-	-	(54,169)	(54,169)
State and federal capital grants	-	-	-	-
Transfers	-	-	-	-
<i>Change in net position</i>	\$ -	\$ -	(54,169)	\$ (54,169)
<i>Net position, beginning of year</i>			389,102	
<i>Net position, end of year</i>			\$ 334,933	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-6

City of Gallup

Internal Service Fund

Statement of Revenues, Expenses and Changes in Net Position
 Budget (GAAP Basis) and Actual
 For the Year Ended June 30, 2014

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 2,000,000	\$ 2,000,000	\$ 1,937,431	\$ (62,569)
<i>Total operating revenues</i>	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,937,431</u>	<u>(62,569)</u>
<i>Operating expenses</i>				
Personnel services	105,400	112,075	109,851	2,224
Contractual services	1,989,310	1,984,329	1,829,550	154,779
Depreciation	-	-	-	-
<i>Total operating expenses</i>	<u>2,094,710</u>	<u>2,096,404</u>	<u>1,939,401</u>	<u>157,003</u>
<i>Operating income (loss)</i>	<u>(94,710)</u>	<u>(96,404)</u>	<u>(1,970)</u>	<u>94,434</u>
<i>Non-operating revenues (expenses)</i>				
Interest income	4,500	4,500	2,562	(1,938)
Miscellaneous income	75,000	75,000	34,087	(40,913)
<i>Total non-operating revenues (expenses)</i>	<u>79,500</u>	<u>79,500</u>	<u>36,649</u>	<u>(42,851)</u>
<i>Income (loss) before transfers and contributions</i>	<u>(15,210)</u>	<u>(16,904)</u>	<u>34,679</u>	<u>51,583</u>
Transfers	-	(214,444)	(214,443)	1
<i>Change in net position</i>	<u>\$ (15,210)</u>	<u>\$ (231,348)</u>	<u>(179,764)</u>	<u>\$ 51,584</u>
<i>Net position, beginning of year</i>			<u>3,886,425</u>	
<i>Net position, end of year</i>			<u>\$ 3,706,661</u>	

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
City of Gallup
Schedule of Deposit and Investment Accounts
June 30, 2014

Schedule I

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Wells Fargo Bank, N.A.					
Operational	Checking	\$ 3,837,743	\$35,838,874	\$ 1,810,614	\$ 37,866,003
Operational	Repurchase Agreement	35,944,409	-	35,944,409	-
Gallup Municipal Court	Checking	21,676	-	1,332	20,344
CDBG Account - Checking	Checking	5	-	-	5
Escrow-Rio Puerco Project	Checking	210,005	-	-	210,005
Total Wells Fargo Bank, N.A.		<u>40,013,838</u>	<u>35,838,874</u>	<u>37,756,355</u>	<u>38,096,357</u>
Wells Fargo Brokerage					
Money Market Account #1	Money Market	4,258,502	-	-	4,258,502
Negotiable CD	Certificates of Deposit	1,499,195	-	-	1,499,195
Fannie Mae	Money Market	1,006,276	-	-	1,006,276
Money Market Account #2	Money Market	10,523,653	-	-	10,523,653
Negotiable CD	Certificates of Deposit	7,971,150	-	-	7,971,150
Federal Home Loans	Money Market	6,480,141	-	-	6,480,141
Misc NM Government Bonds	Money Market	3,695,515	-	-	3,695,515
Fannie Mae	Money Market	4,386,324	-	-	4,386,324
Goldman Sach BK Interest bearing comm. paper	Money Market	250,931	-	-	250,931
Freddie Mac	Money Market	2,357,398	-	-	2,357,398
New Mexico Finance Authority REE-Transr	Money Market	150,749	-	-	150,749
Total Wells Fargo Brokerage		<u>42,579,834</u>	<u>-</u>	<u>-</u>	<u>42,579,834</u>
US Bank					
City of Gallup	Certificates of Deposit	4,000,000	-	-	4,000,000
Total US Bank		<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>
New Mexico Finance Authority					
NMFA Gallup 4 Cash & Reserve	State Tr. Debt Service	135,417	-	-	135,417
NMFA Gallup 6 Program Funds	State Tr. Debt Service	3,971,446	-	-	3,971,446
NMFA Gallup 8 Program Funds	State Tr. Debt Service	2,273,300	-	-	2,273,300
NMFA Gallup 9 Loan proceeds	State Tr. Debt Service	1,515,534	-	-	1,515,534
Total New Mexico Finance Authority		<u>7,895,697</u>	<u>-</u>	<u>-</u>	<u>7,895,697</u>
Total		<u>\$ 94,489,369</u>	<u>\$35,838,874</u>	<u>\$37,756,355</u>	92,571,888
New Mexico State Treasurer Reserve Contingency Fund					489
Add: petty cash					7,657
Total deposits and investments					<u>\$ 92,580,034</u>
Deposits and investments per financial statements:					
Cash and cash equivalents - Exhibit A-1					\$ 35,314,086
Investments - Exhibit A-1					48,696,602
Restricted cash and cash equivalents - Exhibit A-1					7,919,859
Fiduciary funds cash - Exhibit E-1					649,487
Total deposits and investments					<u>\$ 92,580,034</u>

See independent auditors' report

STATE OF NEW MEXICO
City of Gallup
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2014

Schedule II

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2014	Location of Safekeeper
Wells Fargo Bank, N.A.					
	FN AU4293 4.00% 09/01/2043	9/1/2043	3138X3XX5	\$ 1,800,306	Wells Fargo Bank Northwest, NA
	FN AB7507 3.00% 01/01/2043	1/1/2043	31417EKV2	90,886	Wells Fargo Bank Northwest, NA
	FN AU3753 4.00% 08/01/2043	8/1/2043	3138X3E32	36,663,298	WF Brokerage, Minneapolis, MN
				<u>38,554,490</u>	
US Bank					
	FHLB of Cincinnati *	7/1/2013	NA	<u>4,000,000</u>	Federal Home Loan Bank- Cincinnati, OH
Total Pledged Collateral				<u>\$ 42,554,490</u>	

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

STATE OF NEW MEXICO

Schedule III

City of Gallup

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<i>Assets</i>				
Cash	\$ 515,490	\$ 133,997	\$ -	\$ 649,487
Accounts receivable	7,337	-	7,337	-
Total assets	<u>\$ 522,827</u>	<u>\$ 133,997</u>	<u>\$ 7,337</u>	<u>\$ 649,487</u>
<i>Liabilities</i>				
Due to other entities	\$ 509,728	\$ 119,416	\$ -	\$ 629,144
Deposits payable	13,099	20,343	13,099	20,343
Total liabilities	<u>\$ 522,827</u>	<u>\$ 139,759</u>	<u>\$ 13,099</u>	<u>\$ 649,487</u>

See independent auditors' report

STATE OF NEW MEXICO
City of Gallup
Schedule of Joint Powers Agreements and Memo of Understanding
June 30, 2014

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

See independent auditors' report

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

STATE OF NEW MEXICO
Gallup Housing Authority
A Component Unit of the City of Gallup
Financial Data Schedule
June 30, 2014

Low Rent Public Housing Program

Line Item Number	Description	Project 1 NM006000001 14.850	Project 2 NM006000002 14.850	Project 3 NM006000003 14.850	Other Project 14.850
111	Cash - Unrestricted	\$ -	\$ 31,728	\$ 128,170	\$ -
113	Cash - Other Restricted	-	-	-	-
114	Cash - Tenant Security Deposits	36,774	2,684	6,250	-
100	Total Cash	36,774	34,412	134,420	-
	Accounts Receivable - HUD Other				
122	Projects	138,093	-	-	-
125	Accounts Receivable - Miscellaneous	3,602	-	190	1,528
	Accounts Receivable - Tenants -				
126	Dwelling Rents	41,285	311	13,401	-
	Allowance for Doubtful Accounts -				
126.1	Dwelling Rents	(20,416)	-	(1,000)	-
120	Total Receivables, Net of Allowance for Doubtful Accounts	162,564	311	12,591	1,528
142	Prepaid Expenses and Other Assets	16,618	2,971	3,663	-
143	Inventories	63,266	9,666	14,938	-
143.1	Allowance for Obsolete Inventories	(19,643)	(3,001)	(4,638)	-
150	Total Current Assets	259,579	44,359	160,974	1,528
161	Land	1,486,872	75,593	116,825	6,872
162	Buildings	7,896,757	1,116,516	2,374,851	1,548,459
	Furniture, Equipment & Machinery -				
163	Dwellings	225,948	35,661	50,519	-
	Furniture, Equipment & Machinery -				
164	Administration	131,204	16,270	23,505	213,778
166	Accumulated Depreciation	(3,903,273)	(584,984)	(1,276,169)	(1,697,131)
167	Construction in progress	366,398	-	90,295	-
160	Total Capital Assets, Net of Accumulated Depreciation	6,203,906	659,056	1,379,826	71,978
180	Total Non-Current Assets	6,203,906	659,056	1,379,826	71,978
190	Total Assets	\$ 6,463,485	\$ 703,415	\$ 1,540,800	\$ 73,506

See independent auditors' report

Housing Choice Vouchers Program 14.871	Section 8 Moderate Rehabilitation Single Room Occupancy 14.249	Homeless Prevention & Rapid Rehousing 14.257	Total
\$ 51,675	\$ 7,187	\$ -	\$ 218,760
68,730	-	-	68,730
-	-	-	45,708
120,405	7,187	-	333,198
-	-	-	138,093
-	-	-	5,320
-	-	-	54,997
-	-	-	(21,416)
-	-	-	176,994
-	-	-	23,252
-	-	-	87,870
-	-	-	(27,282)
120,405	7,187	-	594,032
-	-	-	1,686,162
-	-	-	12,936,583
-	-	-	312,128
14,802	-	-	399,559
(14,802)	-	-	(7,476,359)
-	-	-	456,693
-	-	-	8,314,766
-	-	-	8,314,766
\$ 120,405	\$ 7,187	\$ -	\$ 8,908,798

STATE OF NEW MEXICO
Gallup Housing Authority
A Component Unit of the City of Gallup
Financial Data Schedule
June 30, 2014

Low Rent Public Housing Program

Line Item Number	Description	Project 1 NM006000001 14.850	Project 2 NM006000002 14.850	Project 3 NM006000003 14.850	Other Project 14.850
311	Bank Overdraft	\$ 19,215	\$ -	\$ -	\$ 5,550
312	Accounts Payable <= 90 Days	44,070	7,778	3,796	2,708
321	Accrued Wage/Payroll Taxes Payable	5,245	852	1,264	5,201
	Accrued Compensated Absences -				
322	Current Portion	304	46	72	162
331	Accounts payable - HUD PHA programs	-	-	-	-
341	Tenant Security Deposits	36,774	2,684	6,250	-
342	Unearned Revenues	2,113	634	457	-
346	Accrued Liabilities - Other	-	-	-	-
310	Total Current Liabilities	<u>107,721</u>	<u>11,994</u>	<u>11,839</u>	<u>13,621</u>
	Accrued Compensated Absences - Non-				
354	Current	<u>4,968</u>	<u>759</u>	<u>1,173</u>	<u>2,653</u>
350	Total Non-Current Liabilities	<u>4,968</u>	<u>759</u>	<u>1,173</u>	<u>2,653</u>
300	Total Liabilities	<u>112,689</u>	<u>12,753</u>	<u>13,012</u>	<u>16,274</u>
508.1	Net investment in capital assets	6,203,906	659,056	1,379,826	71,978
511	Restricted Net Position	-	-	-	-
512.1	Unrestricted Net Position	<u>146,890</u>	<u>31,606</u>	<u>147,962</u>	<u>(14,746)</u>
513	Total Equity/Net Position	<u>6,350,796</u>	<u>690,662</u>	<u>1,527,788</u>	<u>57,232</u>
600	Total Liabilities and Equity/Net Position	<u>\$ 6,463,485</u>	<u>\$ 703,415</u>	<u>\$ 1,540,800</u>	<u>\$ 73,506</u>

See independent auditors' report

Housing Choice Vouchers Program 14.871	Section 8 Moderate Rehabilitation Single Room Occupancy 14.249	Homeless Prevention & Rapid Rehousing 14.257	Total
\$ -	\$ -	\$ -	\$ 24,765
-	-	-	58,352
120	-	-	12,682
16	-	-	600
7	-	-	7
-	-	-	45,708
-	-	-	3,204
-	-	-	-
143	-	-	145,318
265	-	-	9,818
265	-	-	9,818
408	-	-	155,136
-	-	-	8,314,766
68,730	-	-	68,730
51,267	7,187	-	370,166
119,997	7,187	-	8,753,662
\$ 120,405	\$ 7,187	\$ -	\$ 8,908,798

STATE OF NEW MEXICO
Gallup Housing Authority
A Component Unit of the City of Gallup
Financial Data Schedule
June 30, 2014

Low Rent Public Housing Program

Line Item Number	Description	Project 1 NM006000001 14.850	Project 2 NM006000002 14.850	Project 3 NM006000003 14.850	Other Project 14.850
70300	Net Tenant Rental Revenue	\$ 542,095	\$ 70,229	\$ 78,047	\$ -
70400	Tenant Revenue - Other	13,128	-	-	-
70500	Total Tenant Revenue	555,223	70,229	78,047	-
70600	HUD PHA Operating Grants	413,291	36,002	117,695	-
70610	Capital Grants	-	-	-	-
70800	Other Governmental Grants	-	-	-	-
71100	Investment Income - Unrestricted	16	3	3	3
71400	Fraud Recovery	-	-	2,030	6,000
71500	Other Revenue	24,164	776	7,611	4,464
70000	Total Revenue	992,694	107,010	205,386	10,467
91100	Administrative Salaries	98,868	12,407	14,546	-
91200	Auditing Fees	-	-	-	-
	Employee Benefit Contributions -				
91500	Administrative	54,239	8,289	11,326	-
91600	Office Expenses	26,872	4,905	6,175	-
91700	Legal Expense	3,776	-	-	-
91800	Travel	1,342	246	316	-
91810	Allocated Overhead	137,151	21,552	33,308	-
91900	Other Operating - Administrative	56,803	1,777	1,988	-
91000	Total Operating - Administrative	379,051	49,176	67,659	-
93100	Water	69,659	5,776	718	-
93200	Electricity	91,138	12,214	1,701	-
93300	Gas	85,921	10,905	3,885	-
93600	Sewer	39,045	2,794	452	-
93800	Other Utilities Expense	17,959	982	1,027	-
93000	Total Utilities	303,722	32,671	7,783	-

See independent auditors' report

Public Housing Capital Projects Fund			Housing	Section 8	Homeless	Total
Project 1	Project 2	Project 3	Choice Vouchers	Rehabilitation	Prevention &	
NM006000001	NM006000002	NM006000003	Program	Single Room	Rapid Rehousing	
14.872	14.872	14.872	14.871	Occupancy	14.257	
14.872	14.872	14.872	14.871	14.249	14.257	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 690,371
-	-	-	-	-	-	13,128
-	-	-	-	-	-	703,499
3,400	47,223	-	123,709	28,605	-	769,925
587,844	-	90,295	-	-	-	678,139
-	-	-	-	-	-	-
-	-	-	13	-	-	38
-	-	-	-	-	-	8,030
-	-	-	9,812	-	-	46,827
591,244	47,223	90,295	133,534	28,605	-	2,206,458
-	-	-	7,972	3,369	-	137,162
-	-	-	-	-	-	-
-	-	-	2,813	-	-	76,667
-	-	-	-	-	-	37,952
-	-	-	-	-	-	3,776
-	-	-	-	-	-	1,904
-	-	-	3,919	-	-	195,930
3,400	-	-	-	-	64	64,032
3,400	-	-	14,704	3,369	64	517,423
-	-	-	-	-	-	76,153
-	-	-	-	-	-	105,053
-	-	-	-	-	-	100,711
-	-	-	-	-	-	42,291
-	-	-	-	-	-	19,968
-	-	-	-	-	-	344,176

STATE OF NEW MEXICO
Gallup Housing Authority
A Component Unit of the City of Gallup
Financial Data Schedule
June 30, 2014

Low Rent Public Housing Program

Line Item Number	Description	Project 1 NM006000001 14.850	Project 2 NM006000002 14.850	Project 3 NM006000003 14.850	Other Project 14.850
94100	Ordinary Maintenance & Operation - Labor	143,397	22,793	33,047	-
94200	Ordinary Maintenance & Operation - Materials & Other	176,354	27,717	28,268	-
94300	Ordinary Maintenance & Operation Contracts	55,095	10,905	5,876	-
94500	Employee Benefit Contributions - Ordinary Maintenance	-	-	-	-
94000	Total Maintenance	<u>374,846</u>	<u>61,415</u>	<u>67,191</u>	-
96110	Property Insurance	21,413	3,926	4,996	-
96120	Liability Insurance	24,116	4,424	5,582	-
96130	Workmen's Compensation	7,252	1,330	1,692	-
96140	All Other Insurance	4,766	875	1,011	-
96100	Total Insurance Premiums	<u>57,547</u>	<u>10,555</u>	<u>13,281</u>	-
96210	Compensated Absences	5,450	800	1,090	-
96300	Payment In Lieu of Taxes	-	-	-	-
96400	Bad Debt - Tenant Rents	32,464	1,144	2,779	-
96000	Total Other General	<u>37,914</u>	<u>1,944</u>	<u>3,869</u>	-
96900	Total Operating Expenses	<u>\$ 1,153,080</u>	<u>\$ 155,761</u>	<u>\$ 159,783</u>	<u>\$ -</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>(160,386)</u>	<u>(48,751)</u>	<u>45,603</u>	<u>10,467</u>
97200	Casualty Losses - Non-capitalized	30,000	-	-	-
97300	Housing Assistance Payments	-	-	-	-
97350	HAP Portability-In	-	-	-	-
97400	Depreciation Expense	207,805	34,242	68,203	7,174
97500	Fraud Losses	68,142	-	-	-
90000	Total Expenses	<u><u>\$ 1,459,027</u></u>	<u><u>\$ 190,003</u></u>	<u><u>\$ 227,986</u></u>	<u><u>\$ 7,174</u></u>
10010	Operating Transfers In	-	47,223	-	-
10020	Operating Transfers Out	-	-	-	-
10091	Inter Project excess Cash Transfer In	-	-	-	-
10092	Inter Project excess Cash Transfer Out	-	-	-	-
10100	Total Other Financing Sources (Uses)	<u>-</u>	<u>47,223</u>	<u>-</u>	<u>-</u>
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(466,333)	(35,770)	(22,600)	3,293

See independent auditors' report

Public Housing Capital Projects Fund			Housing	Section 8	Homeless	Total
Project 1	Project 2	Project 3	Choice Vouchers	Rehabilitation	Prevention &	
NM006000001	NM006000002	NM006000003	Program	Single Room	Rapid Rehousing	
14.872	14.872	14.872	14.871	Occupancy	14.257	
				14.249		
-	-	-	-	-	-	199,237
-	-	-	-	-	-	232,339
-	-	-	-	-	-	71,876
-	-	-	-	-	-	-
-	-	-	-	-	-	503,452
-	-	-	-	-	-	30,335
-	-	-	-	-	-	34,122
-	-	-	-	-	-	10,274
-	-	-	-	-	-	6,652
-	-	-	-	-	-	81,383
-	-	-	230	-	-	7,570
-	-	-	-	-	-	-
-	-	-	-	-	-	36,387
-	-	-	230	-	-	43,957
\$ 3,400	\$ -	\$ -	\$ 14,934	\$ 3,369	\$ 64	\$ 1,490,391
587,844	47,223	90,295	118,600	25,236	(64)	716,067
-	-	-	-	-	-	30,000
-	-	-	98,137	18,049	-	116,186
-	-	-	9,150	-	-	9,150
-	-	-	-	-	-	317,424
-	-	-	-	-	-	68,142
\$ 3,400	\$ -	\$ -	\$ 122,221	\$ 21,418	\$ 64	\$ 2,031,293
-	-	-	-	-	-	47,223
-	(47,223)	-	-	-	-	(47,223)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(47,223)	-	-	-	-	-
587,844	-	90,295	11,313	7,187	(64)	175,165

STATE OF NEW MEXICO
 Gallup Housing Authority
 A Component Unit of the City of Gallup
 Financial Data Schedule
 June 30, 2014

		<u>Low Rent Public Housing Program</u>			
Line Item Number	Description	Project 1 NM006000001 14.850	Project 2 NM006000002 14.850	Project 3 NM006000003 14.850	Other Project 14.850
11030	Beginning Equity	6,229,285	726,432	1,460,093	53,939
	Ending Equity (deficit)	<u>\$ 5,762,952</u>	<u>\$ 690,662</u>	<u>\$ 1,437,493</u>	<u>\$ 57,232</u>
11190	Unit Months Available	<u>2,304</u>	<u>348</u>	<u>552</u>	<u>-</u>
11210	Number of Unit Months Leased	<u>2,113</u>	<u>320</u>	<u>506</u>	<u>-</u>
11620	Building Purchases	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report

Public Housing Capital Projects Fund						
Project 1 NM006000001 14.872	Project 2 NM006000002 14.872	Project 3 NM006000003 14.872	Housing Choice Vouchers Program 14.871	Housing Choice Vouchers Program 14.249	Homeless Prevention & Rapid Rehousing 14.257	Total
-	-	-	108,684	-	64	8,578,497
\$ 587,844	\$ -	\$ 90,295	\$ 119,997	\$ 7,187	\$ -	\$ 8,753,662
-	-	-	-	-	-	3,204
-	-	-	-	-	-	2,939
\$ 587,844	\$ -	\$ 90,295	\$ -	\$ -	\$ -	\$ 678,139

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue fund of the City of Gallup (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual fund statements and related budgetary comparisons of the City, presented as supplemental information, and have issued our report thereon dated November 28, 2014.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS 2012-002 (FS 12-02), FS 2012-003 (FS 12-03), FS 2012-004 (FS 12-04), FS 2012-005 (FS 12-05), FS 2012-006 (FS 12-06), FS 2012-008 (FS 12-08), FSHA 2012-001 (FSHA 12-01), FSHA 2012-002 (FSHA 12-02), FSHA 2012-004 (FSHA 12-04), FSHA 2012-012 (FSHA 12-12), and FSHA 2013-001 (FSHA 13-01) to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FSHA 2008-007 (FSHA 08-07), FSHA 2012-003 (FSHA 12-03), FSHA 2012-007 (FSHA 12-07), FSHA 2012-011 (FSHA 12-11), and FSHA 2014-004 to be significant deficiencies.

Compliance and Other Matters

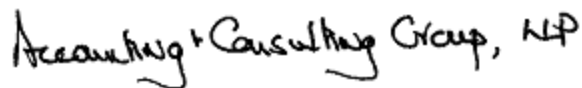
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 2013-001, FS 2013-002, FS 2014-001, FSHA 2012-001 (FSHA 12-01), FSHA 2012-004 (FSHA 12-04), FSHA 2012-005 (FSHA 12-05), FSHA 2012-008 (FSHA 12-08), FSHA 2012-009 (FSHA 12-09), FSHA 2012-010 (FSHA 12-10), FSHA 2014-001, FSHA 2014-002, and FSHA 2014-003.

City's Response to Findings

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

Purpose of this Report

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



Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 28, 2014

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the Gallup Housing Authority's (the "Authority"), a component unit of the City of Gallup, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2014. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Basis for Adverse Opinion on CFDA 14.850 Public and Indian Housing and on CFDA 14.872 Public Housing Capital Fund

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA 14.850 Public and Indian Housing as described in findings FA HA 2012-003 (FAHA 12-03) for Equipment and Real Property Management; FAHA 2012-004 (FAHA 12-04) for Reporting; and FAHA 2012-005 (FAHA 12-05) for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Adverse Opinion on CFDA 14.850 Public and Indian Housing and on CFDA 14.872 Public Housing Capital Fund

In our opinion, because of the significance of the effects of the noncompliance described in the Basis for Adverse Opinion paragraph, the Authority did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 14.850 Public and Indian Housing for the year ended June 30, 2014.

Other Matters

The Authority's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items FAHA 2012-002 (FAHA 12-02), FAHA 2012-003 (FAHA 12-03), FAHA 2012-004 (FAHA 12-04), FAHA 2012-005 (FAHA 12-05), and FAHA 2013-001 (FAHA 13-01) to be material weaknesses.

The Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 28, 2014

STATE OF NEW MEXICO
City of Gallup
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Funding Source/Grantor or Contact Name	CFDA Number	Federal Grant Number	Federal Expenditures
U.S. Department of Health and Human Services			
Special Programs for the Aging Title III, Part B Grants for Services and Senior Centers	93.044 (1)	2012-13-60013 IIIB	\$ 28,073
Special Programs for the Aging Title III, Part C-1 Nutrition	93.045 (1)	2012-13-60013 IIIC1	49,271
Special Programs for the Aging Title III, Part C-2 Nutrition	93.045 (1)	2012-13-60013 IIIC2	13,502
Nutrition Service Incentive Program (NSIP)	93.053 (1)	2012-13-60013 NSIP	46,123
Total U.S. Department of Health and Human Services			<u>136,969</u>
U.S. Department of the Interior			
Navajo-Gallup Water Supply Project	15.552	11-WC-40-435	427,055
Water Conservation Field Services Program	15.530	R12AP40017& R11AP40044	3,730
Total U.S. Department of the Interior			<u>430,785</u>
U.S. Department of Transportation			
Formula Grants to Rural Areas	20.509	MO1251	118,986
Airport Improvement Program	20.106	3-35-00019-023-2012	641,724
100 Days and Nights of Summer	20.600	12-PT-DS-037	7,378
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	12-AL-64-037	22,140
Total U.S. Department of Transportation			<u>790,228</u>
U.S. Department of Housing and Urban Development			
Public and Indian Housing	* 14.850	Component Unit	1,786,048
Section 8 Housing Choice Vouchers	14.871	Component Unit	129,408
Section 8 Moderate Rehabilitation Single Room Occupancy	14.829	Component Unit	21,418
Public Housing Capital Fund	* 14.872	Component Unit	653,869
Total U.S. Department of Housing and Urban Development			<u>2,590,743</u>
Total Federal Financial Assistance			<u>\$ 3,948,725</u>

() Denotes cluster programs

* Denotes Major Federal Financial Assistance Program

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

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

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

Subrecipients

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

Non-Cash Federal Assistance

The City did not receive any non-cash federal assistance during the year.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 3,948,725
Total expenditures funded by other sources	<u>67,859,159</u>
Total expenditures	<u><u>\$ 71,807,884</u></u>

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STATE OF NEW MEXICO
City of Gallup
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

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

Federal Awards:

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

CFDA Number	Federal Program
14.850	Public and Indian Housing
14.872	Capital Funds Program

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

SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Primary Government

FS 2012-002 (FS 12-02) Financial Statement Adjustments – Material Weakness (Repeat/Modified)

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

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

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

Cause: Due to the turnover in management in prior years, the City’s internal controls that were implemented in prior years were not implemented or monitored fully during the fiscal year 2014.

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

Management’s Response: The City finance will staff the department with appropriate staffing to allow for proper segregation of duties. We will train and implement processes to properly monitor accounts and activity to ensure timely and accurate recording of events.

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

FS 2012-003 (FS 12-03) Internal Controls – Lack of Segregation of Duties and Internal Controls (Payroll, Receipts and Disbursements Cycle) – Material Weakness (Repeat/Modified)

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

- Management has total control over these cycles and could potentially override internal controls that are in place.

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

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

Cause: Due to the turnover in management in prior years, the City's internal controls that were implemented in prior years were not implemented or monitored fully during the fiscal year 2014.

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

Management's Response: The finance department will be shifting responsibilities within the department as well as access to control files to eliminate this weakness.

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

FS 2012-004 (FS 12-04) Capital Assets – Material Weakness (Repeat/Modified)

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

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

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

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

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

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

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

Management's Response: The City is in the process of hiring a consulting group to conduct the physical inventory to allow for the proper documentation of all assets. This will include all areas of the City. From this initial work we have processes in place to properly track additions and deletions and shall be in full compliance by the next fiscal year end.

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

FS 2012-005 (FS 12-05) Entity-Wide Control Deficiency – Material Weakness (Repeat/Modified)

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

- During our audit procedures, we noted that the City has insufficient internal controls to properly identify and assess fraud risks.
- During our audit procedures, we noted that the City has insufficient internal controls to properly identify and assess risks related to employee turnover and employee retirements.
- The City does not have a proper structure in place for the finance department to ensure that duties, control, and monitoring functions are delegated to individuals at the appropriate level of the entity and that proper oversight is in place over these functions.
- During our review of the bank reconciliations, we noted that the City does not have proper internal controls and segregation of duties over bank reconciliations for reviewing and adjustment postings.
- The City did not properly provide accurate accrual account listings at year end.
- During audit review and testing procedures performed, we noted several instances of incorrect account coding to expenditure accounts.

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

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

Cause: Due to the turnover in management several times throughout the prior years, the City's internal controls that were implemented in prior years were not implemented or monitored fully during the fiscal year 2014.

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

Management's Response: The City will implement the COSO framework as recommended to properly identify control deficiencies and implement changes to ensure proper controls. We will also design a succession plan to identify key positions and the value they contribute and a continuation of productivity as individuals retire or leave the City. The finance department will focus on further segregation of duties, account analysis and reconciliation.

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

FS 2012-006 (FS 12-06) Internal Controls Over Non-Standard Journal Entries – Material Weakness (Repeat/Modified)

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

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

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

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

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

Management’s Response: The finance department is cross training additional staff to segregate some of the journal entry responsibilities so that this weakness can be addressed.

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

FS 2012-008 (FS 12-08) Inadequate Closing Cycle – Material Weakness (Repeat/Modified)

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

- Unavailable revenue
- Long term debt and related accounts
- Fund balance and net position

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

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

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

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

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

Management's Response: Many of these items relate to long term issues that are now being addressed. We anticipate that these will be resolved in the current fiscal year.

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

FS 2013-001 Untimely Submission of PERA/ RHC reports – Noncompliance (Repeat/Modified)

Condition: During our procedures we noted that the payments made to PERA were made after the due date for 26 of the 26 pay periods during Fiscal Year 2014. Also, from review, we noted that the payments made to RHC were made after the due date for 5 of the 12 pay periods during Fiscal Year 2014.

Criteria: Section 2 of the NMSA Employer Guide, "Both the Wage and Contribution Report (WCR) and the combined contributions are due to PERA no later than the fifth working day after the payday applicable to the payroll period being reported. Also, per 10-7C-15(D) NMSA 1978- requires contributions to be received by the 10th day of the month following the last pay period ending date

Effect: Per NMSA statute 10-11-126, and 10-7C-15(D) NMSA 1978, "The association may assess an interest charge and a penalty charge on any remittance not made by its due date."

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

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

Management's Response: The finance department is working diligently to improve the processing of these reports and timely submission.

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

FS 2013-002 Stale Dated Checks – Other Matters (Repeat/Modified)

Condition: The City had 454 checks listed as outstanding that were over one year old. The total amount of the stale checks was \$48,991.46. The City has not reported the payee or turned over the funds to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

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

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

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

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

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

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

FS 2014-001 –Budgeted Cash in Excess of Available Balance – (Noncompliance)

Condition: The City exceeded budgeted expenditures in the following fund:

<u>Business-Type Funds</u>	
Gamerico	\$ 66,487

When the City’s budgeted expenditures exceed its budgeted revenue, the City budgets “designated cash” left over from the previous year to make up the short fall. However, “designated cash” in the current year budget cannot exceed prior year cash and receivables in the same fund.

Designated cash appropriations exceeded available balances in the following funds:

<u>Governmental Funds</u>	
EMS Special Revenue Fund	\$ 22,365
Gallup Express Busing System Special Revenue Fund	5,075
02/04 Sales Tax Revenue Bonds Debt Service Fund	<u>122,115</u>
	<u>\$ 149,555</u>

Criteria: All City funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the State of New Mexico Department of Finance and Administration – Local Government Division for approval. Once adopted, any claims or warrants in excess of budget are a violation of New Mexico State Statute 6-6-6, 1978 Compilation. Per Section 6-6-11, NMSA 1978 (the Batemen Act), it is unlawful for any board of county commissioners, municipal governing body or any local school board, for any purpose whatever to become indebted or contract any debts of any kind or nature whatsoever during any current year which, at the end of such current year, is not and cannot then be paid out of the money actually collected and belonging to that current year, and any indebtedness for any current year which is not paid and cannot be paid, as above provided for, is void. In addition, Section 2.2.2.10. (P) (1), NMAC, states that the City’s cash balances rebudgeted to absorb budget deficits cannot exceed the actual cash balance available at the end of the prior year.

Effect: Any expenditure in excess of the approved budget(s) shall be a liability against the officials so allowing or paying such claims or warrants, and recovery of such excess amounts so allowed or paid may be had against the bondsmen of such official. The effect of a budget with inadequate designated cash available to cover the excess of budgeted expenditures over budgeted revenue could result in the City incurring debt to pay for current year budgeted expenditures, which would be noncompliance with the Batemen Act.

Cause: The City has inadequate monitoring of budgeting procedures at year end.

Auditors’ Recommendations: We recommend all City funds, with the exception of agency funds, be budgeted and approved by the City Council. Once adopted, budgets must be monitored for compliance with state statute. In addition, we recommend the City’s cash balances rebudgeted to absorb budget deficits do not exceed the actual cash balances available at the end of the prior year.

Management Response: The finance department has added additional fund analysis to project cash based upon cash on hand and budgeted revenue and expenditures. This will reveal any unfavorable variances and allow correction prior to cash being committed.

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

Component Unit

FSHA 2008-007 (FSHA 08-07) Internal Control Over Financial Reporting – Significant Deficiency – Repeated and Modified

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

Criteria: According to the American Institute of Certified Public Accountants' Auditing Standards Section 325, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

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

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

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

The training should include, but not be limited to:

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

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

Management's Response: The Authority has replaced the Accounting staff person with a higher qualified staff person and also retained the services of an outside Fee Accountant to assist GHA in this matter.

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

FSHA 2012-001 (FSHA 12-01) Deficiencies in Internal Control Structure Design, Operation, and Oversight – Material Weakness/Noncompliance – Repeated and Modified

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

- During testwork, we noted instances of fraud and illegal acts allegedly perpetrated by previous employees of the Authority; however at June 30, 2014 the results of investigations have not yet been released by the Office of the Inspector General. The actual amount of fraud and illegal acts is undeterminable at the date of the issuance of this report, but testwork revealed approx. \$34,016 in fraudulent rent adjustments and approx. \$29,917 in voided rent payments, for an approximate total of \$63,726 in fraudulent activity.
- There is not a fraud risk assessment done at the Authority.
- There are inadequate internal controls over bank reconciliations.
- There are inadequate segregation of duties in accounting personnel at the Authority.
- There are inadequate internal controls to mitigate risks of management override to perpetrate fraud.
- There are inadequate internal controls to mitigate risks of management override to manipulate bid awards.
- There are inadequate internal controls to monitor projects as follows:
 - Ensure proper licensing by contractors
 - Ensure proper monitoring of project completeness per specifications before payment
 - Ensure proper filing of supporting documentation
- There are inadequate internal controls to ensure proper quotes for purchases.
- There is no proper conflict of interest policy maintained by the Authority.
- There is a lack of proper monitoring over vendor master files.
- There is a lack of internal controls over capital assets.
- There is a lack of internal controls over voided checks.
- There is a lack of internal controls over journal entries.
- The Board of the Housing Authority did not exercise appropriate oversight over operations of the Housing Authority.
- “Risk appetite,” or the amount of risk the entity is willing to accept, associated with each new activity is not discussed and influenced by the Authority’s culture and operating practices. Management’s philosophy and operating style are not consistent with a sound control environment and have a negative pervasive effect on the entity. Management does not analyze the risks and benefits of new activities, does not assess turnover among employees, does not investigate and resolve improper business practices, does not view accounting as a means to monitor and control the various activities of the organization, and does not adopt accounting policies that ensure safeguard of assets.
- Process procedures are not sufficiently formal such that management can determine whether the control objective is met, documentation supporting the procedures is in place, and personnel routinely know the procedures that need to be performed. Information relevant to financial reporting is not identified, captured, processed, and distributed within the parameters established by the Authority’s control processes to support the achievement of financial reporting objectives.
- Data underlying the financial statements are not captured completely, accurately, and timely, in accordance with the Authority’s policies and procedures and in compliance with laws and regulations. Information relevant to financial reporting is not identified, captured, processed, and distributed within the parameters established by the Authority’s control processes to support the achievement of financial reporting objectives.
- In 5 out of 5 cash receipts transactions totaling \$1,345; the supporting documentation was not accompanied by a validated deposit receipt.
- 1 of the 5 cash receipts selected for testing totaling \$436; all supporting documentation was missing.
- The board of the Authority is not properly authorizing minutes of meetings.

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

FSHA 2012-001 (FSHA 12-01) Deficiencies in Internal Control Structure Design, Operation, and Oversight – Material Weakness/Noncompliance (continued)

- The Authority did not properly file an accurate unaudited Financial Data Schedule. The submission did not tie to the unaudited trial balance, and included errors related to cash, expenses, capital assets, and fund balance.
- The Authority did not properly certify capital assets at year end.
- The Authority did not properly reconcile CFP funds at year end.
- The Authority did not properly track deletions in current year, and was unable to provide proper documentation related to a salvaged vehicle in the amount of \$30,000 at year end.

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

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

The Auditing Standards (AU) Section 325 Exhibit B lists the following circumstance as a possible control deficiency, significant deficiency, or material weakness: “inadequate documentation of the components of internal control.” Auditing Standards Section 325 paragraph 15 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and as a strong indicator of a material weakness in internal control.

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

Cause: For the fiscal year 2014 management, the body charged with governance and staff did not have expertise and/or training to implement an adequate internal control structure. As a result, management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of the requirements under AU Section 325 to provide effective oversight of internal control and the financial reporting process.

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

Management’s Response: Lack of qualified and ethical staff in executive management, accounting and program management resulted in horrendous neglect in this area. The current board has hired and experienced Executive Director with a stronger financial and ethical background. Four of five key management staff have been replaced with higher qualified staff who have a strong understanding for the need to follow existing policies and procedures. GHA hired a Fee Account to assist with year-end closing and will be retained to provide TA in developing the required Financial policies and procedures to insure internal control over financial reporting.

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

FSHA 2012-002 (FSHA 12-02) Internal Controls/Segregation of Duties – Material Weakness - Repeated

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

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

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

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

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

Management's Response: Lack of qualified and ethical staff in executive management, accounting and program management resulted in horrendous neglect in this area. The current board has hired and experienced Executive Director with a stronger financial and ethical background. Four of five key management staff have been replaced with higher qualified staff who have a strong understanding for the need to follow existing policies and procedures. GHA hired a Fee Accountant to assist with year-end closing and will be retained to provide TA in developing the required Financial policies and procedures to insure internal control over financial reporting. In addition steps have already been taken to institute segregation of duties and higher review and approval of financial transactions.

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

FSHA 2012-003 (FSHA 12-03) Internal Control Deviations – Disbursements – Significant Deficiency – Repeated and Modified

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

- In 3 disbursements totaling \$2,563 out of 8 disbursements tested totaling \$7,466, purchase orders were not created and authorized prior to the purchase being made.

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

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

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

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

Management's Response: The prior Accounting staff issued purchase orders without Executive Director review and approval for all staff and departmental purchases. That staff person has left GHA and been replace with a new Accounting Staff person who has drafted procedures proper processing of purchase order by the requesting department or program and will not issue a purchase unless the Executive Director has review and signed the purchase order.

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

FSHA 2012-004 (FSHA 12-04) Capital Assets Listing – Material Weakness/ Noncompliance – Repeated and Modified

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

- The Authority did not perform an annual inventory of capital assets in a timely manner.
- The Authority does not have a proper tracking system implemented when removing items from and adding items to the capital asset inventory.
- The Authority did not have proper internal controls in place to monitor capital asset additions during the year.

Criteria: Per section 2.20.1.10 of NMAC, capital assets acquired through purchase shall be recorded at cost. Capital assets include assets constructed by agency personnel. Per Section 2.20.1.14 of NMAC, repairs and maintenance on capital assets which are routine and necessary for continued, safe, and productive operation should be charged to maintenance expense in the period in which they occur. Per section 2.20.1.18 of NMAC, appropriate entries must be made in the financial accounts to reflect the disposition of property. GASB 34 paragraph 20 requires capital assets to be reported, net of accumulated depreciation, in the statement of net position. Section 12-6-10, NMSA 1978, requires all agencies to conduct a physical inventory of their capital assets inventory at the end of each fiscal year.

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

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

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

Management's Response: Lack of qualified and trained staff resulted in no oversight of this area. GHA housing authority has completed its capital assets inventory and corrected records to better reflect an accurate balance with the help of a Fee Accountant. Going forward GHA will continue to clean up records and procedures will be put in place to make sure proper recording of capital assets of \$5,000 or more are placed in inventory and properly depreciated. A higher qualified staff person has been hired who will be trained on how to make required entries and maintain inventory thereafter.

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

FSHA 2012-005 (FSHA 12-05) RHC Reports and the General Ledger – Other Matter – Repeated and Modified

Condition: The amount reported in the general ledger for employer's contribution to Retiree Health Care of \$6,045 does not tie to the reported expense of \$8,259 resulting in a difference of \$2,214.

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

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

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

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

Management's Response: This matter apparently needs to be researched as a possible software issue. In addition monthly reconciliation will be institute to keep GL in balance with expense ledger.

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

FSHA 2012-007 (FSHA 12-07) Internal Control Deficiencies – Payroll – Significant Deficiency – Repeated and Modified

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

- Time sheet for 1 out 10 reviewed was missing
- Check copy for 1 out of 10 requiring two signatures was missing

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

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

Cause: For the fiscal year 2014 management did not follow its own policies to ensure internal controls were in place and working properly.

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

Management's Response: The previous Accounting prepared and issued payroll and made additional payroll related payments without any review by executive management. That staff person has left GHA and been replaced with higher qualified individual who has followed proper procedures with regard to signatures on timesheets, review and approval of payroll. A policy and procedure still needs to be developed to cover periodic review of records to maintain integrity of the payroll process.

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

FSHA 2012-008 (FSHA 12-08) Noncompliance with Procurement Code – Noncompliance – Repeated and Modified

Condition: During our test work regarding compliance with the NM Procurement Code, we noted that the Authority failed to advertise the bid 10 days prior to opening

Criteria: Per the New Mexico Procurement Code, Section 13-1-104, NMSA 1978, an invitation for bids or notice thereof shall be published not less than ten calendar days prior to the date set forth for the opening of the bids.

Effect: The Authority did not comply with the Procurement Code requirement to solicit for bids in published newspaper of general circulation prior to opening the bids.

Cause: The Authority was aware of the requirement and has this in the policy and procedures of the Authority, however the Authority's personnel did not follow these procedures.

Auditors' Recommendations: We recommend that the Authority make all employees involved in procurement to be aware of requirements set forth in the procurement code as well as the Authority's policy and procedure manual.

Management's Response: The previous Accounting prepared and issued payroll and made additional payroll related payments without any review by executive management. That staff person has left GHA and been replaced with higher qualified individual who has followed proper procedures with regard to signatures on timesheets, review and approval of payroll. A policy and procedure still needs to be developed to cover periodic review of records to maintain integrity of the payroll process. Further, GHA will send appropriate staff to procurement code training to insure staff know the code. And, GHA will update its procurement manual to use as a guide for procurement activities.

FSHA 2012-009 (FSHA 12-09) Cash Deposits not Made Timely – Other Matter – Repeated and Modified

Condition: During testwork performed over cash receipts 5 out of 5 receipts tested totaling \$1,345 were not deposited in a timely manner.

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

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

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

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

Management's Response: (No response given by agency)

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

FSHA 2012-010 (FSHA 12-10) Stale Dated Transactions Not Cancelled – Noncompliance – Repeated and Modified

Condition: The Authority is in violation of state statutes regarding stale-dated checks. The Authority maintained one check totaling \$75 and two deposits totaling \$381 on its bank reconciliations that were dated over one year old at June 30, 2014.

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

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

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

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

Management's Response: A review of items will be conducted and recommendations of the Auditors will be followed. The process of review will be built into the bank statement recon process.

FSHA 2012-011 (FSHA 12-11) Inventories – Significant Deficiency - Repeated and Modified

Condition: During our walkthrough and testwork of inventory, we noted the following deficiencies:

- The Authority annual supply inventory was not performed in a timely manner.
- Lack of proper tracking system implemented for items removed from supply inventory.

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

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

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

Auditors' Recommendation: We recommend the Authority properly train employees on the importance of timely accurate supply inventory counts as well as identify and implement a proper tracking system for supply inventory usage.

Management's Response: First, new Executive Management and the Accounting staff clearly understand that lack of up-to-date materials inventory was the major cause the previous embezzlement by the former Executive Director who was indicated and eventually plead guilty. The materials inventory was completed this year while Auditors were on site. A system for tracking of additions and deletions have been put in place. GHA has to work with the software vendor to do a mass update and then those records will be maintained thereafter by a newly hired Maintenance/Capital Projects Director.

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

FSHA 2012-012 (FSHA 12-12) Inadequate Review of Manual Journal Entries – Material Weakness - Repeated

Condition: During the 2014 fiscal year, the Authority did not have procedures in place for authorization and review of manual journal entries. Multiple journal entries were posted to reconcile revenues and expenditures of the Authority without proper supporting documentation and management review.

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

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

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

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

Management's Response: A second review of all JE has been instituted.

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

FSHA 2013-001 (FSHA 13-01) Tenant Rent Receivables and Prepaid Rents – Material Weakness – Repeated and Modified

Condition: During testwork, we noted instances of fraud and illegal acts allegedly perpetrated by a previous employee of the Authority. Testwork revealed approximately \$34,016 in fraudulent rent adjustments and approximately \$29,917 in voided rent payments for a total of approximately \$63,726 in fraudulent and illegal acts.

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

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

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

Auditors' Recommendations: We recommend that the Authority incorporate internal controls to segregate duties between the person collecting rent payments and the person in charge of the rent ledger/roll as to prevent the same person from collecting and adjusting rent balances. We also recommend that a member of management review these periodically.

Management's Response: First and foremost the front desk clerk who took payments was stealing rents and altering records to cover. In addition, the person was rigging rents for friends and family. This person was caught and terminated and the matter has been referred to proper authorities for possible prosecution. Now procedures have been set in place where adjustments in rent can be made without a second level and approval. A procedure has been set in place to segregate duties on process of rent receipt deposits and deposits are made at minimum twice weekly. A new front desk person with higher ethical standards has been hired to guard against fraud and embezzlement in this area. In addition a process of review monthly rental registers, payments received and deposits made is being instituted and the Executive Director right now performs that review.

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

FSHA 2014-001 Travel and Per Diem – Noncompliance

Condition: During testwork over travel and per diem, we noted that 1 out of 6 transactions tested, the Authority over paid for actual mileage reimbursement by using a reimbursement rate of \$.56 per mile rather than \$.55 per mile.

Criteria: NMAC 2.2.10 G (2) requires the Authority to comply with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-8, for all per diem and reimbursement rates.

Effect: The risk that the Authority may be overpaying monies for reimbursements using public funds.

Cause: The noncompliance was due to an oversight by management during the travel internal control process.

Auditors' Recommendation: We recommend the Authority review the Per Diem and Mileage Act to ensure policies and procedures are in line with the requirements when paying per diem and travel reimbursements.

Management's Response: This matter has been corrected. The Accounting staff will also insure all staff understand the Travel and Per Diem reimbursement requirements.

FSHA 2014-002 – PERA Reports and the General Ledger – Other Matter

Condition: The amount in the general ledger for employer's contribution to PERA of \$1,638 does not tie to the reported expense of \$1,825 resulting in a difference of \$187.

Criteria: Per NMSA 1978, 10-11-3, unless specifically excluded, each employee and elected official of every affiliated public employer shall be a member of the association (PERA). As well as NMSA 1978, 10-11-2 U, contributions should be calculated based on employees' base salary or pay, excluding overtime, and should be remitted to PERA on a timely basis. PERA contributions should be reconciled to the PERA contribution summary.

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

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

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

Management's Response: A process of reconciling amounts has been implemented and further the periodic review of the payroll process will be a secondary check on this matter.

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

FSHA 2014-003 – Personal Use of Housing Authority Vehicle – Other Matter

Condition: The Authority does not add a fringe benefit amount to an employee's W-2 form for use of a Housing Authority owned vehicle which results in underreporting of employee income and employee tax liability

Criteria: Per Internal Revenue Regulation 1.61-21, Taxation of Fringe Benefits, the Internal Revenue Code requires that any personal use of a District vehicle be reported on the employee's W-2 form unless it is a qualified vehicle or employee. To be a qualified vehicle, it must be a vehicle modified for specific use or the employee must have arrest powers and the right to be armed.

Effect: The Authority is not complying with the IRS regulations regarding personal use of a company vehicle. This could result in possible fines or other penalties from the IRS.

Cause: The Authority allows four maintenance employees to drive a Housing Authority-owned vehicle home overnight and does not include a fringe benefit for such use on his/her W-2.

Auditors' Recommendations: We recommend the Authority develop policies and procedures regarding the personal use of vehicles. The policy needs to address the method to value personal use, which employee is eligible to drive a vehicle home, other than commuting, no other personal use should be permitted and the means to add the personal use to the employee's income.

Management's Response: This Accounting staff person will research and impose as required by law.

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

FSHA 2014-004 – Bank Reconciliation – Significant Deficiency

Condition: During our testwork, we noted the following:

- For the year ended June 30, 2014, the Authority’s Security Deposit Account general ledger and cash reconciliation reports did not tie. The general ledger reported \$51,260 and the cash reconciliation reports reported \$51,830 for a difference of \$570.
- For the year ended June 30, 2014, the Authority’s New CFA Account general ledger and cash report did not tie. The general ledger reported \$100 and the cash reconciliation report reported \$87 for a difference of \$13.
- Bank Reconciliations were not being reviewed throughout the year.

Criteria: Per Section 6-6-3 NMSA 1978, every local public body shall, keep all the books, records and accounts in their respective offices in the form prescribed by the local government division, make all reports as may be required by the local government division, and conform to the rules and regulations adopted by the local government division.

Effect: The Authority is not maintaining adequate controls over cash to safeguard cash and provide prompt and accurate reporting.

Cause: The Authority was unable to reconcile cash accurately.

Auditor’s Recommendation: We recommend the Authority establish internal controls over cash which requires bank reconciliations to be reviewed by a person other than the person that prepares the reconciliation. As well as, establish procedures to ensure cash reconciliations tie to the general ledger throughout the year.

Management’s Response: The previous Accounting staff performed this process without any oversight. The new procedure is the Executive Director performs the bank recs and the Accounting staff person reviews and then files.

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

FAHA 2012-002 (FAHA12-02) Deficiencies in Internal Control Structure Design, Operation and Oversight – Mechanisms to Identify Risks of Inaccurate Financial Reporting – Material Weakness - Repeated

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development
Title: Public and Indian Housing and Public Housing Capital Funds
CFDA Number: 14.850 and 14.872

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

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

Questioned Costs: Undeterminable

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

Cause: For the fiscal year 2014 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal awards.

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

Management's Response: Lack of qualified and ethical staff in executive management, accounting and program management resulted in horrendous neglect in this area. The current board has hired and experienced Executive Director with a stronger financial and ethical background. Four of five key management staff have been replaced with higher qualified staff who have a strong understanding for the need to follow existing policies and procedures. GHA hired a Fee Account to assist with year-end closing and will be retained to provide TA in developing the required Financial policies and procedures to insure internal control over financial reporting. In addition GHA will further seek a Risk Assessment from a certified accountant annual until such time GHA is out of the hot water.

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

FAHA 2012-003 (FAHA 12-03) Deficiencies in Internal Control Structure Design, Operation and Oversight – Tracking Property and Equipment Purchased with Federal Award Funds – Material Weakness/ Noncompliance - Repeated

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development
Title: Public and Indian Housing and Public Housing Capital Funds
CFDA Number: 14.850 and 14.872

Condition: During FY 2014, management did not track any capital assets, including property and equipment purchased with federal awards.

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

Questioned Costs: None

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

Cause: For the fiscal year 2014 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal Awards.

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

Management's Response: Lack of qualified and trained staff resulted in no oversight of this area. GHA housing authority has completed its capital assets inventory and corrected records to better reflect an accurate balance with the help of a Fee Accountant. Going forward GHA will continue to clean up records and procedures will be put in place to make sure proper recording of capital assets of \$5,000 or more are placed in inventory and properly depreciated. A higher qualified staff person has been hired who will be trained on how to make required entries and maintain inventory thereafter.

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

FAHA 2012-004 (FAHA 12-04) Reporting – Material Weakness – Repeated and Modified

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development
Title: Public and Indian Housing and Public Housing Capital Funds
CFDA Number: 14.850 and 14.872

Condition: The auditors were unable to verify whether the Form HUD 6002 was filed timely for the year ended June 30, 2014, or review the Forms HUD-52723 or HUD-52725 for accuracy, timeliness, and compliance with program requirements.

Criteria: For each public and Indian housing grant that involved development, operating, or modernization assistance, the prime recipient must submit Form HUD 60002 (24 CFR sections 135.3(a) and 135.90) within 10 days of the end of the project (or the program year), and must timely submit Forms HUD 52723 and HUD 52725. To ensure that management and the governing body have sufficient information to adequately operate and monitor the operations of the Authority's federal programs, copies of all reports filed must be retained and available for review.

Questioned Costs: None

Effect: Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to ensure compliance with program requirements.

Cause: For the fiscal year 2014 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under the A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) that require management to establish and maintain internal controls over Federal Awards.

Auditors' Recommendations: The Authority should ensure that a comprehensive internal control structure, including tracking of reporting requirements and retention of proper documentation for all required reports.. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

Management's Response: The new Executive Director, Accounting Staff and Public Housing manager all have a clear understanding of federal reporting requirements. The HUD Alb. Office has offered and conducted training to aid in making sure scheduled reports and deadlines are met in a timely manner.

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

FAHA 2012-005 (FAHA 12-05) Circular A-87 Cost Principles and Allowable Activities – Material Weakness/Noncompliance - Repeated

Federal Program Information:

Funding Agency: U.S. Department of Housing and Urban Development
Title: Public and Indian Housing and Public Housing Capital Funds
CFDA Number: 14.850 and 14.872

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

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

Questioned Costs: \$7,812

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

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

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

Management's Response: The new Executive Director and new key staff have a better understanding of the application of A-87. To make sure all key staff will attend any training offered regarding such federal grant requirements to get up to date on the requirements.

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

**FAHA 2013-001 (FAHA 13-01) Lack of Proper Documentation in Tenant Files – Material Weakness/
Noncompliance – Repeated and Modified**

Federal Program Information:

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

Condition: During testwork over 60 tenant files we noted the following:

- In two instances, the application for voluntary update is not signed, although the recertification paperwork is signed.
- In one instance, policies that zero-income tenants must recertify every 90 days were not followed. The zero-income tenant was recertified annually.
- In one instance, one of the adults living in the household did not sign the recertification application.
- In one instance the recertification application was not signed by the tenant.
- In five instances, the income used in the HUD-50058 does not match supporting documentation.
- In three instances, there is no supporting documentation for income used in the HUD-50058, and no follow-up on indication of additional income disclosed by the tenant.
- In one instance, tenant disclosed that they own a savings account. The value of this asset was not documented.
- In six instances, deductions from income were taken on the HUD-50058 without supporting documentation.
- In fourteen instances, payments recorded do not match rent amounts. Rent due from tenants does not reconcile to the general ledger; payments recorded in the tenant files do not match those recorded in the general ledger. Payments voided in the general ledger do not match missed payments in the tenant files.
- In one instance, a tenant was served with an eviction notice for nonpayment of rent. The tenant did not pay the full amount due and was not evicted. There was no documentation of alternative payment arrangements made.
- In one instance, the tenant file includes a complaint from a neighbor that unauthorized individuals are staying at the property and that illegal drug use is occurring in the tenant's residence. There is no documentation of investigation or follow-up on the allegations.
- In one instance, the Form 50058 was not completed prior to move-in, and a W-2 was included in income despite tenant's statement that no one in the household was working. This resulted in overcharged rent.
- In one instance, a storage unit was included on the tenant-occupied unit listing.
- In one instance, a family bypassed the waiting list to receive housing less than one month after application.

Criteria: In accordance with 24 CFR sections 5.230, 5.609, and 982.516, as a condition of admission or continued occupancy, the Housing Authority must require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility. The Housing Authority is also required to re-examine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third-party verification. The Housing Authority must establish and comply with policies in regards to its treatment of the Public Housing Waiting List. In addition, good accounting, program income, and cash management requires that rental income be properly collected, secured, recorded, and that tenant rent receivables be reconcilable to the general ledger control account.

Questioned Costs: \$6,531.02

Effect: The Housing Authority could be providing services to tenants who are not eligible for the program. As a result, it could affect funding for the program. The Housing Authority is at risk for fraud or misappropriation of its assets due to a lack of controls over the receipt and recording of rental income.

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

**FAHA 2013-001 (FAHA 13-01) Lack of Proper Documentation in Tenant Files – Material Weakness/
Noncompliance – Repeated and Modified (continued)**

Cause: Files from Gallup Housing Authority lacked proper documentation and management of the Housing Authority did not provide sufficient monitoring to ensure that tenant files and eligibility determinations were being performed timely, that Forms HUD-50058 were accurate, that rent calculations were accurate, that waiting list policies were adhered to, that rent was being properly collected and recorded, or that tenant files were complete.

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

Management's Response: Clearly previous Executive Management and Program Management staff did not following existing policies and procedures. The corporate culture was one of incompetence and neglect. Clearly ethical behavior was not a high priority. The new Executive Management, Accounting and Program management staff are actively cleaning up the problems in this area. All staff are being held accountable for compliance issues and non-compliance will not be tolerated as in the past. In addition, a policy and procedure will be put in place for "peer file" review and/or requesting that the HUD Alb. Office sent a staff person annual to conduct a review of a significant sample of tenant files as well as Section 8 files.

STATE OF NEW MEXICO
City of Gallup
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Schedule VII
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SECTION V – PRIOR YEAR AUDIT FINDINGS

Financial Statement- Primary Government

FS 12-01 Inventory – Significant Deficiency (Resolved)

FS 2012-002 (FS 12-02) Financial Statement Adjustments – Material Weakness (Repeat/ Modified)

FS 2012-003 (FS 12-03) Internal Controls – Lack of Segregation of Duties and Internal Controls (Payroll, Receipts and Disbursements Cycle) – Material Weakness (Repeat/ Modified)

FS 2012-004 (FS 12-04) Capital Assets – Material Weakness (Repeat/ Modified)

FS 2012-005 (FS 12-05) Entity-Wide Control Deficiency – Material Weakness (Repeat/ Modified)

FS 2012-006 (FS 12-06) Internal Controls Over Non-Standard Journal Entries – Material Weakness (Repeat/ Modified)

FS 2012-008 (FS 12-08) Inadequate Closing Cycle – Material Weakness (Repeat/ Modified)

FS 2013-001 Untimely Submission of PERA/ RHC reports- Noncompliance (Repeat/ Modified)

FS 2013-002 Stale Dated Checks – Other Matters (Repeat/Modified)

Financial Statement- Component Unit

FSHA 2008-007 (FSHA 08-07) Internal Control over Financial Reporting – Material Weakness – (Repeat/Modified)

FSHA 2012-001 (FSHA 12-01) Deficiencies in Internal Control Structure Design, Operation, and Oversight – Material Weakness/ Noncompliance – (Repeat/Modified)

FSHA 2012-002 (FSHA 12-02) Internal Controls/Segregation of Duties – Material Weakness – (Repeat/Modified)

FSHA 2012-003 (FSHA 12-03) Internal Control Deviations – Disbursements – Material Weakness – (Repeat/Modified)

FSHA 2012-004 (FSHA 12-04) Capital Assets Listing – Material Weakness/Material Noncompliance – (Repeat/Modified)

FSHA 2012-005 (FSHA 12-05) RHC Reports and the General Ledger – Other Matter – (Repeat/Modified)

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

FSHA 2012-007 (FSHA 12-07) Internal Control Deficiencies – Payroll – Material Weakness – (Repeat/Modified)

FSHA 2012-008 (FSHA 12-08) Noncompliance with Procurement Code – Noncompliance – (Repeat/Modified)

FSHA 2012-009 (FSHA 12-09) Cash Deposits not Made Timely – Other Matter – (Repeat/Modified)

FSHA 2012-010 (FSHA 12-10) Stale Dated Transactions Not Cancelled – Noncompliance – (Repeat/Modified)

FSHA 2012-011 (FSHA 12-11) Inventories – Material Weakness – (Repeat/Modified)

FSHA 2012-012 (FSHA 12-12) Inadequate Review of Manual Journal Entries – Material Weakness – (Repeat/Modified)

FSHA 2012-014 (FSHA 12-14) Violations of Open Meetings Act – Noncompliance – Resolved

SECTION V – PRIOR YEAR AUDIT FINDINGS (continued)

Financial Statement- Component Unit (continued)

FSHA 2012-015 (FSHA 12-15) Procurement Code (Related Parties) – Significant Deficiency – Resolved

FSHA 2013-001 (FSHA 13-01) Tenant Rent Receivables and Prepaid Rents – Material Weakness – (Repeat/Modified)

Federal Award- Primary Government

None Noted

Federal Awards- Component Unit

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

FAHA 2012-002 (FAHA 12-02) Deficiencies in Internal Control Structure Design, Operation and Oversight – Mechanisms to Identify Risks of Inaccurate Financial Reporting – Material Weakness – (Repeat/Modified)

FAHA 2012-003 (FAHA 12-03) Deficiencies in Internal Control Structure Design, Operation and Oversight – Tracking Property and Equipment Purchased with Federal Award Funds – Material Weakness/ Noncompliance – (Repeat/Modified)

FAHA 2012-004 (FAHA 12-04) Reporting – Noncompliance – (Repeat/Modified)

FAHA 2012-005 (FAHA 12-05) Circular A-87 Cost Principles and Allowable Activities – Material Weakness/Noncompliance – Repeated and Modified

FAHA 2013-001 (FAHA 13-01) Lack of Proper Documentation in Tenant Files – Material Weakness/ Noncompliance – (Repeat/Modified)

STATE OF NEW MEXICO
City of Gallup
Other Disclosures
For the Year Ended June 30, 2014

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 26, 2014. In attendance were the following:

Representing the City of Gallup:

Jackie McKinney	Mayor
Maryann Ustick	City Manager
Patty Holland	Chief Financial Officer

Representing Accounting & Consulting Group, LLP:

Ray Roberts, CPA	Managing Partner
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Auditor Prepared Financial Statements

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