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City of Gallup

2019
Audit Presentation

Presented by:
Farley Vener, CPA, CFE, CGMA
President and Managing Shareholder

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Today's Agenda

- Auditor's Communications AU-C 260
- Significant Audit Results/ Opinion
- Findings
- Review Financial Statement Trends
- New Standards

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Engagement Team

Partner In-Charge

- Farley Vener, CPA, CFE, CGMA

Audit Manager In-Charge

- Katelyn Constantin, MACCT, Senior Audit Manager

Audit Staff

- Leilani Sian, Staff Auditor

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Scope of Our Audit Procedures

Financial Statements

Procedures are designed to provide reasonable assurance to detect:

Material inaccuracies in financial statements	Internal control material weaknesses and significant deficiencies	Instances of noncompliance with State audit rule testing require findings
Sec. 12-6-5 NMSA 1978 – Each report shall set out in detail, in a separate section, any violation of law or good accounting practices found by the audit or examination	Procedures are not designed to find fraud although any discovered would be reported	

Federal Awards

Determine if the entity is in compliance with direct and material requirements related to the receiving of federal grants.	Internal control material weaknesses and significant deficiencies related to compliance	Assess fraud risk

Who Do We Serve?

Responsibility to provide objective fiduciary information to:

The City Councilors, Mayor, and other Elected Officials (provide objective fiduciary information)	Management	Public Interest

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Auditor's Communication With Those Charged With Governance (AU-C 260)

Management Responsibilities

- Accounting policies
- Internal controls
- Financial statements and trial balance
- Significant estimates
- Management representation letter

Auditor's Responsibilities

- Opinion on financial statements
- Reasonable assurance
- Understanding of internal controls sufficient to plan the audit

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Auditor's Communication With Those Charged With Governance (AU-C 260) Required Communications

COMMUNICATIONS	CONCLUSION
Accounting Practices	Consistent
Proposed Audit Adjustments	3
Adjustments Provided by Client	9
Adjustments for Government Wide Presentation	11
Adjustments for Presentation Purposes Only	1
Passed Adjustments-Because of Immateriality	None
Disagreements with Management	None
Management's Consultations with Other Accountants	Aware of None
Discussing of Accounting Issues Prior to Retention	None
Significant Difficulties in Performing the Audit	None

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Summary of Auditor's Results

<u>Financial Statements</u>

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness identified	None
• Significant deficiency identified	None
• Noncompliance material noted	None

<u>Federal Awards</u>

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness identified	None
• Significant deficiency identified	None
Findings disclosed per section 2 CFR section 200.516(a)	None

Identification of major programs:

- U.S. Department of the Interior
  - 15.552 Navajo-Gallup Water Supply Project
- U.S. Department of Housing and Urban Development
  - 14.872 Public Housing Capital Fund (Gallup Housing Authority)

Auditee qualified as low-risk auditee	Yes

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Findings

Reference #	Finding	Status of Current and Prior Year Findings	Type of Finding*
Prior Year Findings			
2018-001	**COMPLIANCE WITH CITY LIEN POLICY**	**Resolved**	**B, G**
2018-002	**POLICY OVER DELINQUENT CUSTOMER CARE ACCOUNTS**	**Resolved**	**B, G**

Current Year Findings
None

* Legend for Type of Findings

- **A.** Material Weakness in Internal Control Over Financial Reporting
- **B.** Significant Deficiency in Internal Control Over Financial Reporting
- **C.** Finding that Does Not Rise to the Level of a Significant Deficiency (Other Matters) Involving Internal Control Over Financial Reporting
- **D.** Material Weakness in Internal Control Over Compliance of Federal Awards
- **E.** Significant Deficiency in Internal Control Over Compliance of Federal Awards
- **F.** Instance of Noncompliance related to Federal Awards
- **G.** Non-compliance with State Audit Rule, NM State Statutes, NMAC, or Other Entity Compliance
- **H.** Instance of Material Non-compliance

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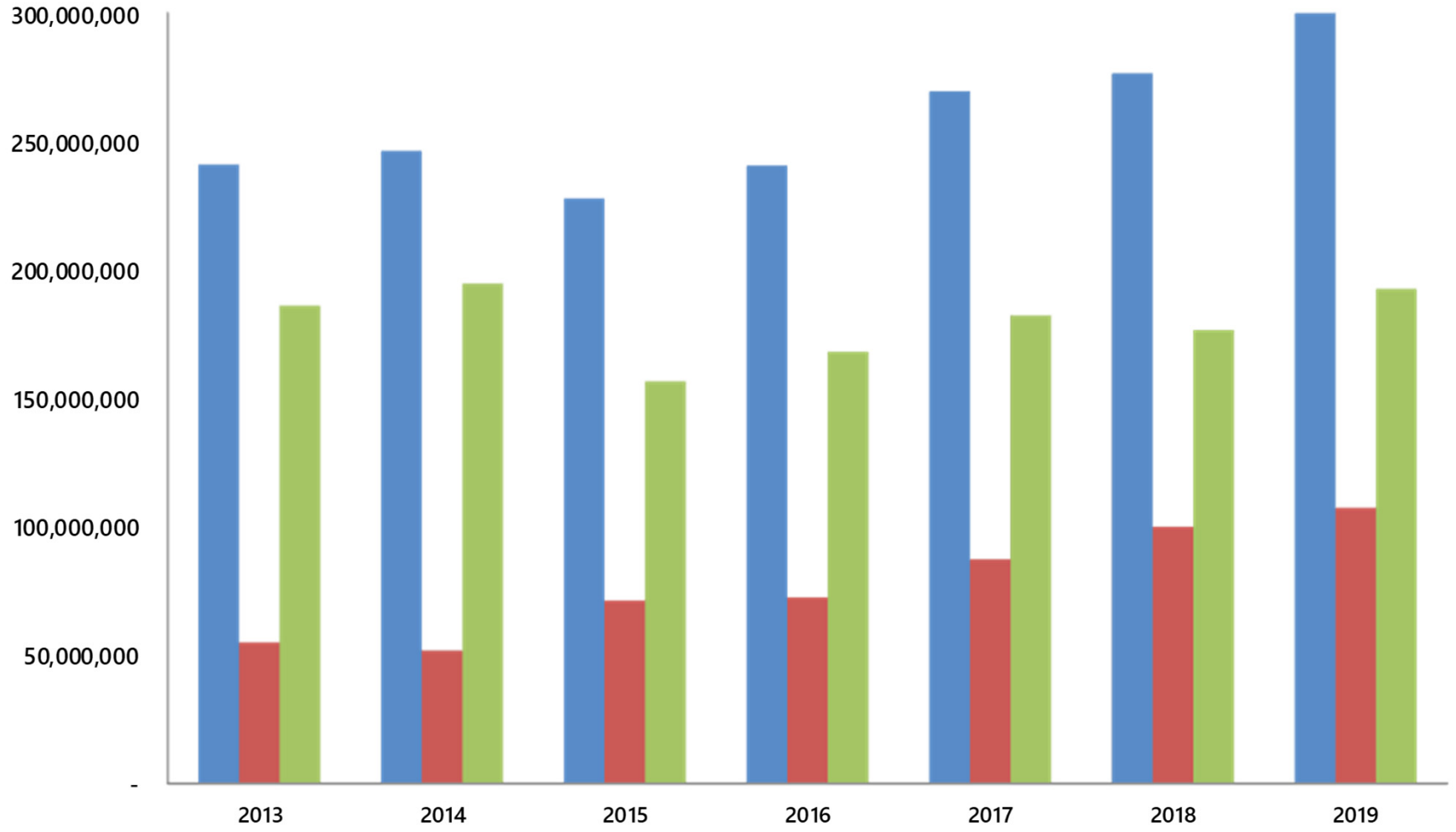
Balance Sheet Analysis



	2013	2014	2015	2016	2017	2018	2019
Assets and Deferred Outflows	240,888,628	246,263,947	227,721,331	240,551,455	269,394,651	276,415,797	299,869,483
Liabilities and Deferred Inflows	54,888,569	51,673,046	71,233,431	72,454,886	87,277,959	99,921,493	107,299,969
Net Position	186,000,059	194,590,901	156,487,900	168,096,569	182,116,692	176,494,304	192,569,514

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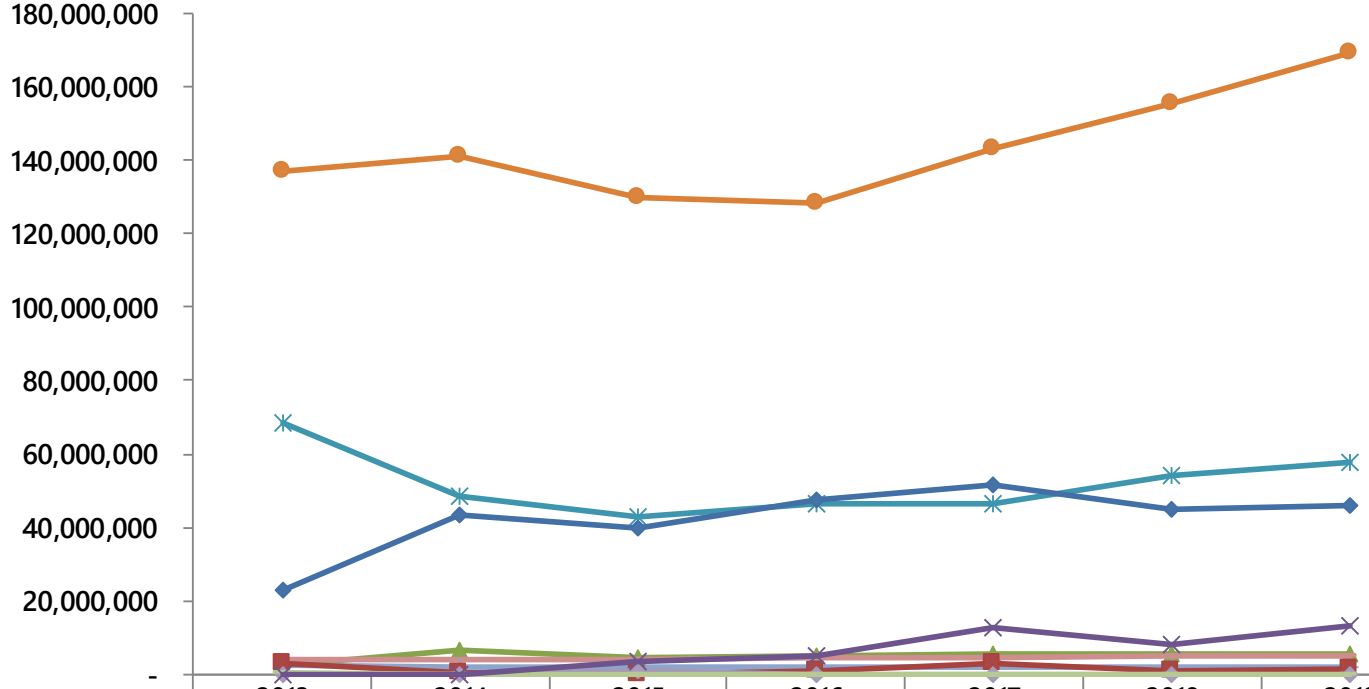
Assets and Deferred Outflows Over Time



	2013	2014	2015	2016	2017	2018	2019
Capital Assets, net	137,050,630	141,292,496	129,715,978	128,519,917	143,348,533	155,453,173	169,066,503
Investments	68,442,471	48,696,603	43,129,513	46,593,514	46,406,249	54,292,230	57,763,851
Cash & Cash Equivalents	22,886,567	43,233,945	39,944,376	47,668,416	51,812,190	45,149,140	45,833,487
Accounts Receivables, net	2,386,970	6,661,953	4,469,769	4,974,193	5,615,673	5,645,066	5,467,435
Taxes Receivables	4,131,290	3,859,621	3,972,062	4,399,555	4,638,539	4,816,540	5,103,668
Inventory and Prepaid Expenses	2,435,609	2,161,780	2,057,301	2,054,660	1,973,536	2,023,751	1,940,749
Grants Receivables	3,100,806	349,219	-	1,098,749	2,779,103	1,155,585	1,528,031
Customer Deposits	-	-	947,022	-	-	-	-
Bond Discount and Issuance, net	454,285	8,330	-	-	-	-	-
Deferred Outflows of Resources	-	-	3,485,310	5,242,451	12,820,828	7,880,312	13,165,759

	2013	2014	2015	2016	2017	2018	2019
Total Assets and DO	240,888,628	246,263,947	227,721,331	240,551,455	269,394,651	276,415,797	299,869,483
Total Assets without DO	240,888,628	246,263,947	224,236,021	235,309,004	256,573,823	268,535,485	286,703,724

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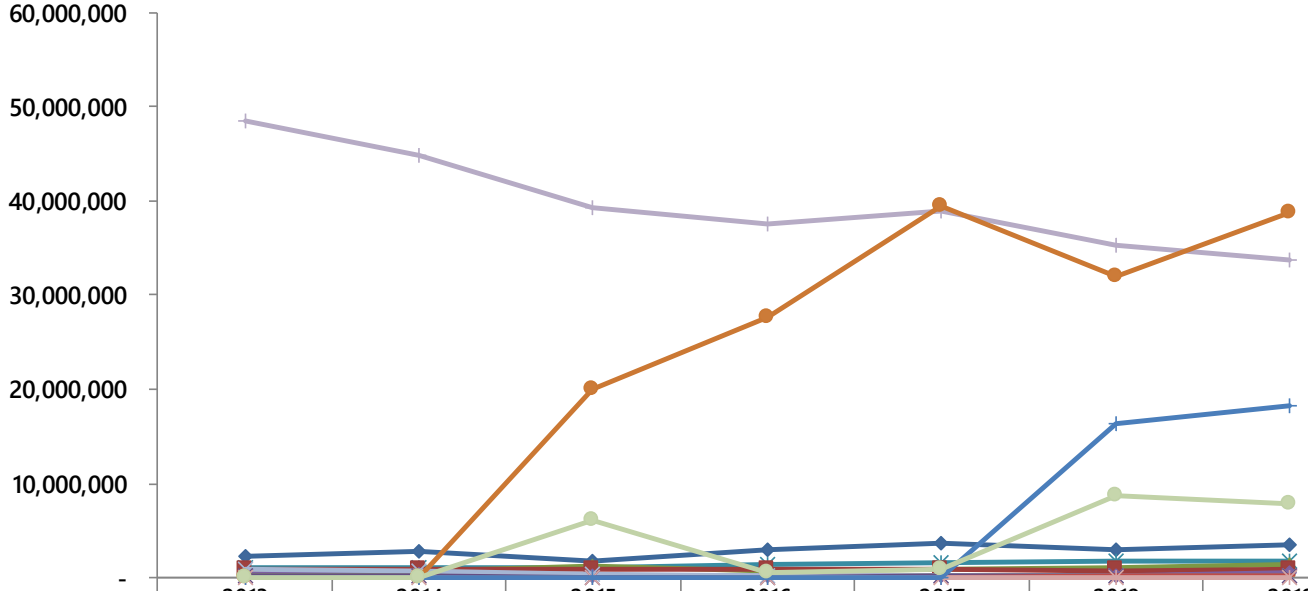
Liabilities and Deferred Inflows Over Time



	2013	2014	2015	2016	2017	2018	2019
Bonds and Notes Payable	48,510,907	44,824,013	39,338,957	37,530,541	38,859,463	35,252,149	33,663,305
Accounts Payable	2,249,101	2,884,546	1,703,594	2,912,208	3,623,264	2,957,671	3,517,718
Compensated Absences	1,065,543	1,065,905	1,022,093	1,467,110	1,644,650	1,714,430	1,746,913
Accrued Payroll Liabilities	705,523	662,370	1,247,702	764,882	957,283	1,151,196	1,371,374
Deposits Held in Trust for Others	931,807	909,258	947,022	946,103	932,186	876,651	925,786
Landfill Liability	300,000	326,857	249,103	206,938	188,126	270,418	487,000
Accrued Tax Liability	171,439	173,022	157,770	-	211,120	213,322	207,672
Bond Premium, net	810,953	706,421	297,049	245,742	221,718	197,694	173,669
Accrued Interest Payable	133,151	117,285	101,985	73,045	130,186	122,563	110,839
Unearned Revenue	-	-	-	83,169	85,594	121,749	121,376
Other Liabilities	10,145	3,369	1,881	3,789	7,658	7,210	7,132
Net Pension Liability	-	-	20,002,807	27,598,329	39,499,634	31,979,628	38,745,175
Net OPEB Liability	-	-	-	-	-	16,406,016	18,330,925
Deferred Inflows of Resources	-	-	6,163,468	623,030	917,077	8,650,796	7,891,085

	2013	2014	2015	2016	2017	2018	2019
Total Liabilities and DI	54,888,569	51,673,046	71,233,431	72,454,886	87,277,959	99,921,493	107,299,969
Total Liabilities w/out NPL, NOPEBL, DI	54,888,569	51,673,046	45,067,156	44,233,527	46,861,248	42,885,053	42,332,784

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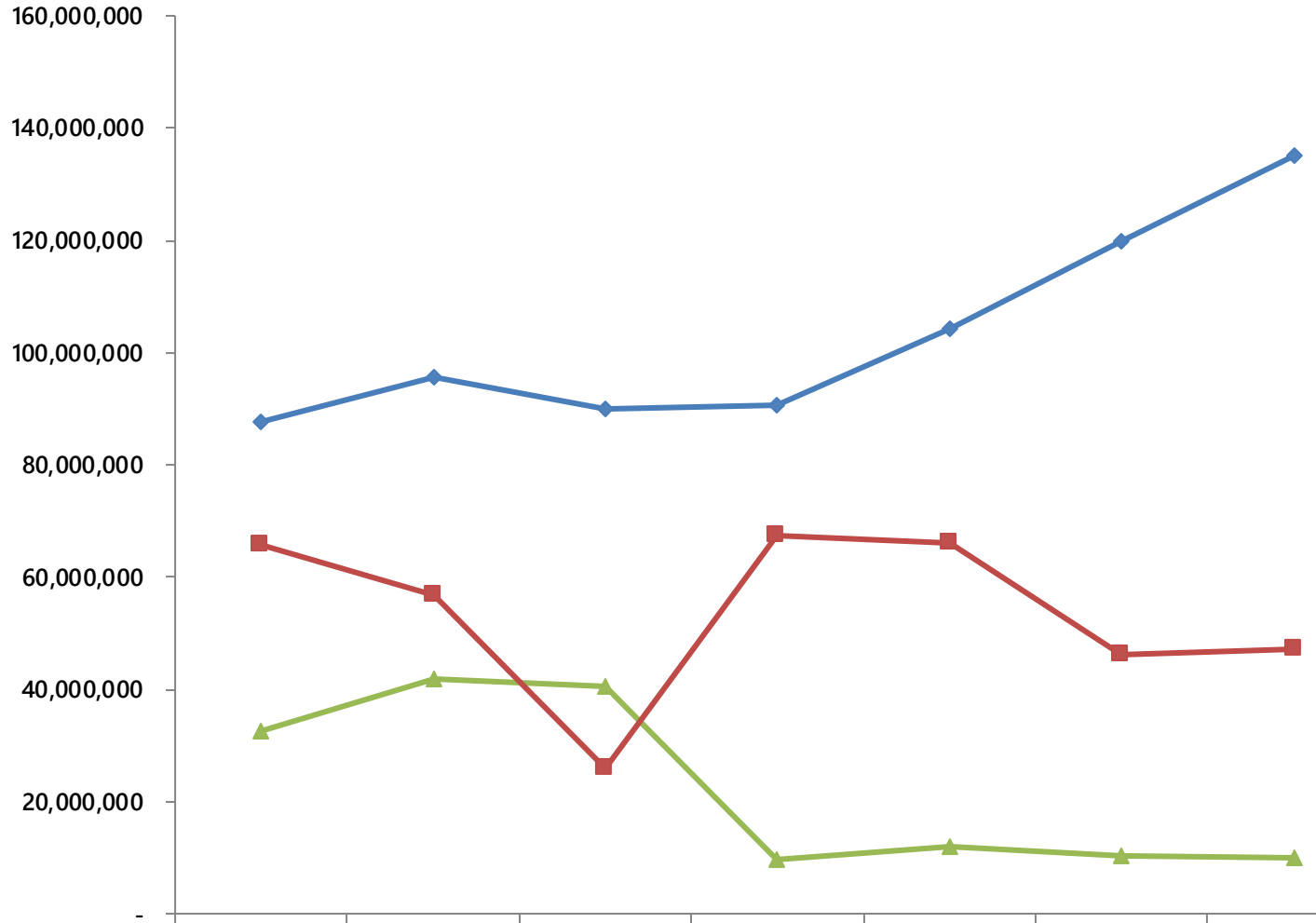
Net Position Over Time



	2013	2014	2015	2016	2017	2018	2019
Invested in Capital Assets, net	87,595,619	95,644,777	89,977,987	90,670,589	104,137,166	119,880,767	135,118,691
Restricted	32,680,408	42,006,027	40,563,738	9,856,598	11,951,981	10,437,469	10,163,830
Unrestricted	65,724,032	56,940,097	25,946,175	67,569,382	66,027,545	46,176,068	47,286,993

	2013	2014	2015	2016	2017	2018	2019
Total Net Position	186,000,059	194,590,901	156,487,900	168,096,569	182,116,692	176,494,304	192,569,514
Unrestricted w/out NPL, NOPEBL, DI, DO	65,724,032	56,940,097	48,627,140	90,548,290	89,006,453	95,332,196	99,088,419

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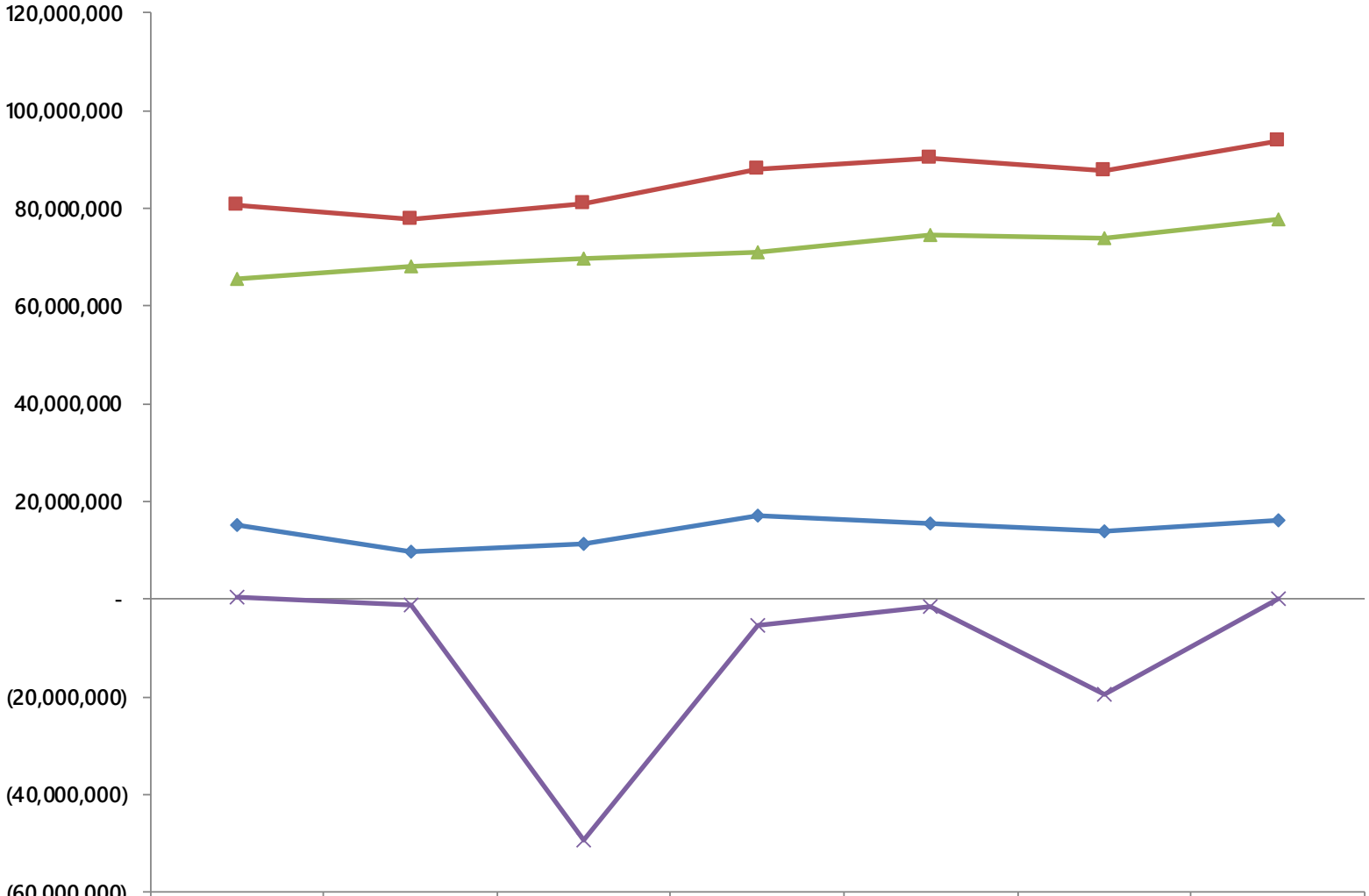
Change in Net Position



	2013	2014	2015	2016	2017	2018	2019
Revenue	80,537,962	77,763,134	81,135,621	87,996,377	90,226,586	87,710,517	93,980,478
Expenses	65,435,095	68,006,240	69,731,077	70,896,735	74,709,661	73,845,165	77,905,268
Change in Net Position	15,102,867	9,756,894	11,404,544	17,099,642	15,516,925	13,865,352	16,075,210
Restatements	244,576	(1,166,052)	(49,507,545)	(5,490,973)	(1,496,802)	(19,487,740)	-

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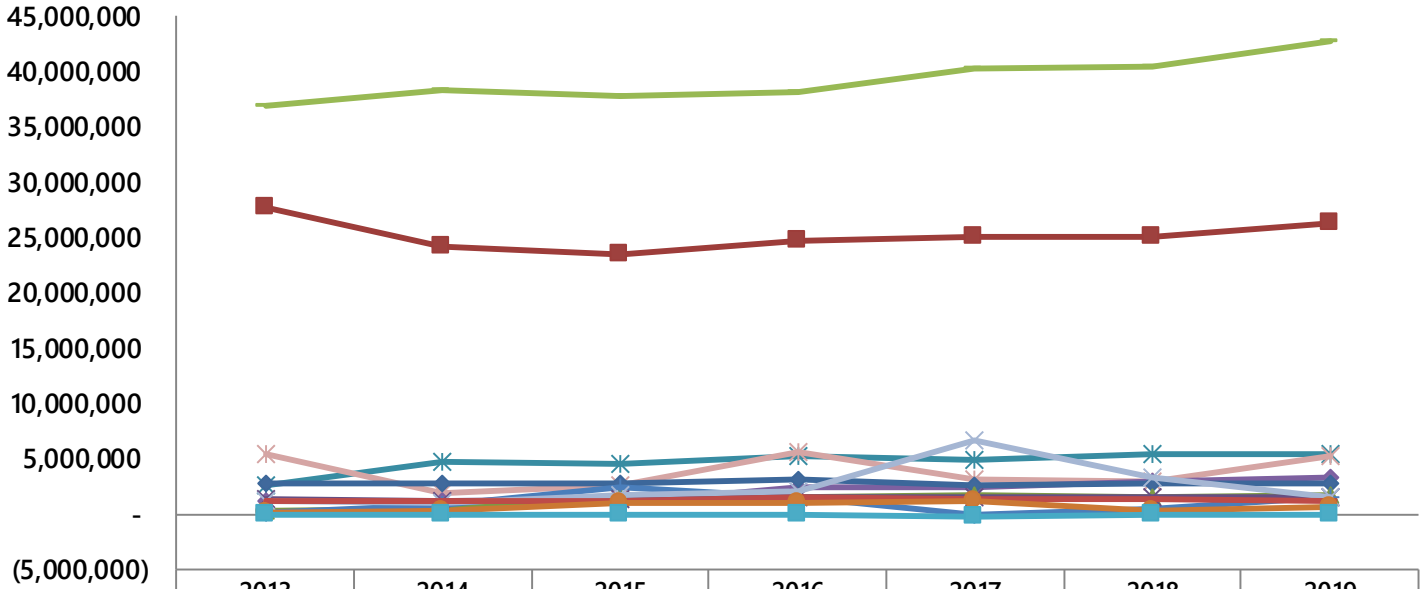
Revenues



	2013	2014	2015	2016	2017	2018	2019
Charges for Services - BT	36,848,015	38,294,847	37,765,352	38,154,675	40,267,343	40,369,089	42,673,659
Gross Receipts Tax	27,610,149	24,071,553	23,484,020	24,602,886	25,020,474	25,101,857	26,295,382
Charges for Services - Gov	2,551,139	4,758,147	4,462,129	5,317,310	4,963,163	5,357,838	5,428,161
Capital Grants & Contributions - BT	5,344,973	1,796,846	2,532,846	5,665,570	3,053,252	2,906,009	5,223,589
Operating Grants & Contributions - Gov	1,231,206	1,185,948	966,506	2,378,833	2,459,720	2,931,965	3,239,341
Property Taxes	2,789,611	2,784,114	2,720,296	3,093,049	2,589,717	2,693,230	2,796,161
Franchise Tax	315,065	502,736	1,577,196	1,508,579	1,612,224	1,567,211	1,659,587
Investment Earnings	45,806	822,685	2,447,013	1,499,039	(149,210)	474,246	1,603,262
Lodger's Tax	1,333,588	1,234,155	1,289,472	1,474,137	1,478,840	1,502,191	1,588,339
Capital Grants & Contributions - Gov	1,177,613	907,570	1,734,780	2,021,961	6,656,472	3,275,845	1,577,500
Gas Tax	1,146,985	1,173,910	1,206,090	1,452,652	1,352,388	1,267,349	1,173,715
Miscellaneous	143,812	230,623	949,921	934,473	1,126,330	264,229	721,782
Gain/(Loss) on Disposition of Capital Assets	-	-	-	(106,787)	(204,127)	(542)	-

	2013	2014	2015	2016	2017	2018	2019
Total Revenues	80,537,962	77,763,134	81,135,621	87,996,377	90,226,586	87,710,517	93,980,478

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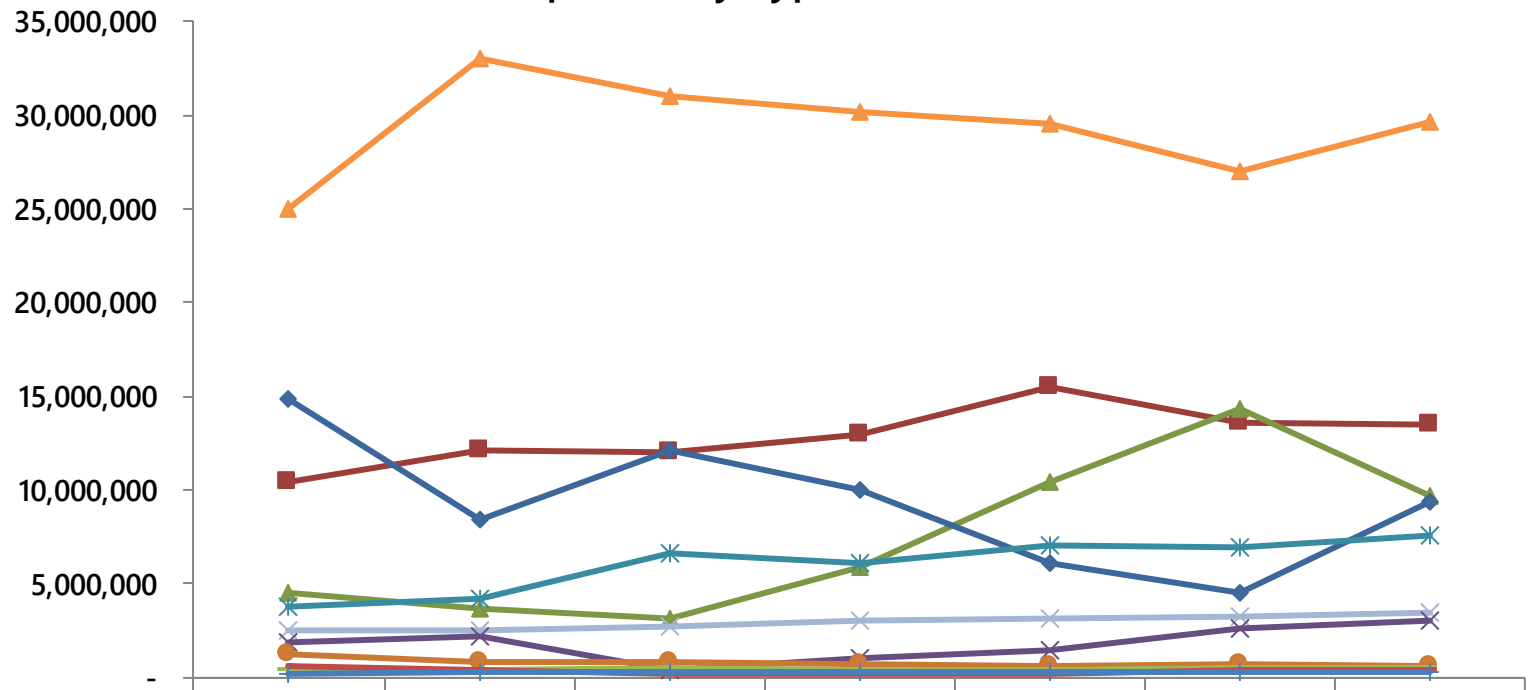
Expenses By Type



	2013	2014	2015	2016	2017	2018	2019
Joint Utility	25,023,953	32,979,480	30,974,756	30,202,120	29,543,676	26,956,874	29,597,723
Public Safety	10,394,180	12,117,061	12,027,719	12,968,196	15,462,776	13,634,440	13,484,221
Public Works	4,557,808	3,709,921	3,114,853	5,895,088	10,434,213	14,285,725	9,715,075
General Government	14,855,116	8,469,910	12,065,448	10,050,192	6,072,665	4,562,416	9,355,961
Cultural & Recreation	3,787,019	4,153,246	6,628,001	6,147,777	6,995,650	6,887,974	7,550,515
Solid Waste	2,524,107	2,475,657	2,694,621	3,019,442	3,142,944	3,198,402	3,431,262
Health & Welfare	1,854,367	2,224,316	425,625	1,024,362	1,494,447	2,572,856	3,057,999
Debt Service Interest	1,198,941	787,967	830,633	700,372	652,721	668,660	623,133
Gamerco	395,082	436,987	526,747	404,640	418,115	470,071	461,254
Rodeo	614,899	373,516	196,346	234,866	231,565	343,715	341,476
Fitness Center	229,623	278,179	246,328	249,680	260,889	264,032	286,678

	2013	2014	2015	2016	2017	2018	2019
Total Expenses	65,435,095	68,006,240	69,731,077	70,896,735	74,709,661	73,845,165	77,905,297

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Where did the Governmental Activities Money go in 2019?

General Government, 21%
Public Safety, 31%
Public Works, 22%
Health & Welfare, 7%
Culture & Recreation, 17%
Interest, 1%

Where did the Governmental Activities Money go in 2018?

General Government, 11%
Public Safety, 32%
Public Works, 34%
Health & Welfare, 6%
Culture & Recreation, 16%
Interest, 2%

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New Accounting Standards

The following new accounting standards may impact the County in future years. We offer the following information about these new standards to help you prepare for future implementation:

GASB 84 – Fiduciary Activities (*effective fiscal year 2020*)

- Establishes criteria for identifying fiduciary activities of all state and local governments:
  - (1) whether a government is controlling the assets of the fiduciary activity
  - (2) the beneficiaries with whom a fiduciary relationship exists
- Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities

GASB 87 – Leases (*effective fiscal year 2021*)

- Establishes a single model for lease accounting (removes long-term operating leases)
- Requires lessee to recognize a lease liability and intangible right-to-use lease asset
- Requires lessor to recognize a lease receivable and deferred inflows of resources
- Requires additional disclosures for both lessee and lessor

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Thank You

We appreciate all the support we received from Finance and Management!

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Contact Information

On call throughout the year

Farley Vener, Managing Shareholder

- FVener@HL-cpas.com
- (505) 385-4899

Hinkle + Landers, PC (Main Office)

- 2500 9th Street NW
- Albuquerque, NM 87102
- (505) 883-8788

Hinkle + Landers, PC (Santa Fe Office)

- 404 Brunn School Rd. #B
- Santa Fe, NM 87505
- (505) 883-8788

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