



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO
CITY OF GALLUP**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

For the Year Ended June 30, 2019

**STATE OF NEW MEXICO
CITY OF GALLUP
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FOR THE YEAR ENDED JUNE 30, 2019**

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CITY OF GALLUP
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**STATE OF NEW MEXICO
CITY OF GALLUP
OFFICIAL ROSTER
AS OF JUNE 30, 2019**

CITY COUNCIL

NAME	TITLE
Jackie McKinney	Mayor
Linda Garcia	Councilor - District #1
Allan Landavazo	Councilor - District #2
Yogash Kumar	Councilor - District #3
Fran Palochak	Councilor - District #4

ADMINISTRATIVE OFFICIALS

NAME	TITLE
Maryann Ustick	City Manager
Curtis Hayes	City Attorney
Patty Holland, CPA	Chief Financial Officer



INDEPENDENT AUDITOR’S REPORT

The Mayor and City Councilors
State of New Mexico, City of Gallup and
Mr. Brian Colón, State Auditor
State of New Mexico, Office of the State Auditor

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 comparison for the general fund of the City of Gallup (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the City’s basic financial statements 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 entity’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 entity’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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, and the schedules related to net pension liabilities and net OPEB liabilities, listed as "Required Supplementary Information" in the table of contents, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements, that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and the schedule of changes in the fiduciary assets and liabilities-agency funds, as listed in the table of contents, as supplementary information, are presented for purposes of additional analysis and are not required part of the basic financial statements.

The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not required part of the basic financial statements. The other schedules, as required by 2.2.2 NMAC, as listed as other supplementary information in the table of contents, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statements and schedules, listed as supplementary and other supplementary information in the table of contents, 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 auditing standards generally accepted in the United States of America. In our opinion, the statements and schedules were fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019 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.



Hinkle + Landers, PC
Albuquerque, New Mexico
December 2, 2019

**STATE OF NEW MEXICO
CITY OF GALLUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

As management of the City of Gallup, we offer the readers of the City of Gallup financial statements this narrative overview and analysis of the financial activities of the City of Gallup for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements of the City of Gallup and additional information provided.

Financial Highlights

- The assets of the City of Gallup exceeded its liabilities at the close of the most recent fiscal year by \$192,569,514 (*net position*). Of this amount, \$47,286,993 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's governmental activities net position increased by \$1,218,974, compared to prior year. Property Taxes, Gross Receipts Taxes, Lodgers Tax, Investment Income, Miscellaneous Income and Transfers grew to help generate higher revenues while expenses were held to minimal growth, causing the overall increase.
- The business-type activities total net position assets increased by \$14,856,236, compared to prior year.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate housing authority for which the City is financially accountable.

**STATE OF NEW MEXICO
CITY OF GALLUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements are found in this report as noted in the Table of Contents.

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

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

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

The City of Gallup maintains twenty (20) individual governmental funds. Information is presented separately in the governmental fund financials and the combining and individual fund statements and schedules. The major governmental fund consists of only the General Fund. Data from the other nineteen (19) governmental funds are also combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in this report, in the form of the combining and individual fund statements and schedules, as noted in the Table of Contents.

The City of Gallup adopts an annual appropriated budget for its general fund and all other governmental funds. A budgetary comparison statement has been provided for the general fund, to demonstrate compliance with this budget.

The budget of the general fund is found in this report as noted in the Table of Contents.

Business-type funds. The City maintains five (5) proprietary funds and one (1) internal service fund. The proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses these funds to account for its Joint Utility (electric, water, and waste water), Solid Waste, Fitness Center, Rodeo, and Gamerco Billings. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its insurance administration. Because this service predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements are found in this report as noted in the Table of Contents.

**STATE OF NEW MEXICO
CITY OF GALLUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

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

The basic fiduciary fund financial statements are found in this report as noted in the Table of Contents.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found in this report as noted in the Table of Contents.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules are found in this report as noted in the Table of Contents.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Gallup, assets exceeded liabilities by \$192,569,514 at the close of the most recent fiscal year.

The largest portion of the City of Gallup' net position, 70%, reflects its net investment in capital assets (e.g. land, buildings, machinery and equipment less accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the government as a whole. This was also true for the prior fiscal year.

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**STATE OF NEW MEXICO
CITY OF GALLUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

**City of Gallup
Net Position**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Current and other assets	\$ 28,902,527	28,330,061	88,734,694	84,752,252	117,637,221	113,082,313
Capital assets, net of accumulated depreciation	<u>73,800,735</u>	<u>72,237,155</u>	<u>95,265,769</u>	<u>83,216,017</u>	<u>169,066,504</u>	<u>155,453,172</u>
Deferred outflows of resources	<u>10,440,251</u>	<u>6,085,728</u>	<u>2,725,507</u>	<u>1,794,583</u>	<u>13,165,758</u>	<u>7,880,311</u>
Total assets and deferred outflows or resources	<u>113,143,513</u>	<u>106,652,944</u>	<u>186,725,970</u>	<u>169,762,852</u>	<u>299,869,483</u>	<u>276,415,796</u>
Current and other assets	\$ 5,390,149	5,001,059	6,183,013	5,832,913	11,573,162	10,833,972
Long-term liabilities outstanding	<u>64,311,612</u>	<u>58,748,319</u>	<u>23,524,110</u>	<u>21,688,405</u>	<u>87,835,722</u>	<u>80,436,724</u>
Deferred inflows of resources	<u>6,526,426</u>	<u>7,207,214</u>	<u>1,364,659</u>	<u>1,443,582</u>	<u>7,891,085</u>	<u>8,650,796</u>
Total liabilities and deferred inflows of resources	<u>\$ 76,228,187</u>	<u>70,956,592</u>	<u>31,071,782</u>	<u>28,964,900</u>	<u>107,299,969</u>	<u>99,921,492</u>
Net position	<u>\$ 36,915,326</u>	<u>35,696,352</u>	<u>155,654,188</u>	<u>140,797,952</u>	<u>192,569,514</u>	<u>176,494,304</u>

Overall net position increased by \$16,075,210. This was a 9% increase in net position from prior year. Overall revenues and expenses increased.

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**STATE OF NEW MEXICO
CITY OF GALLUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

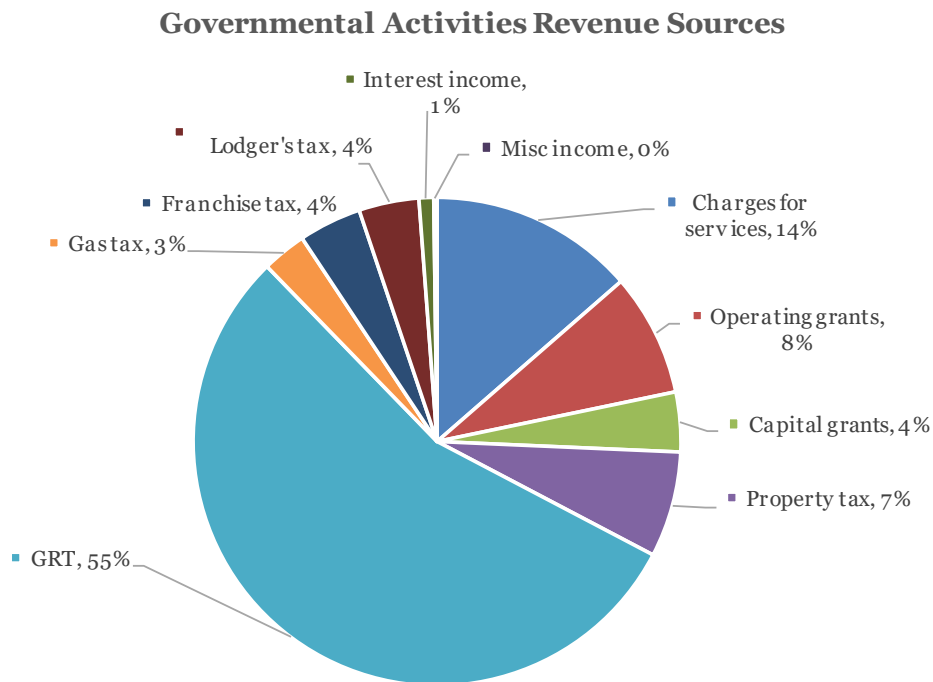
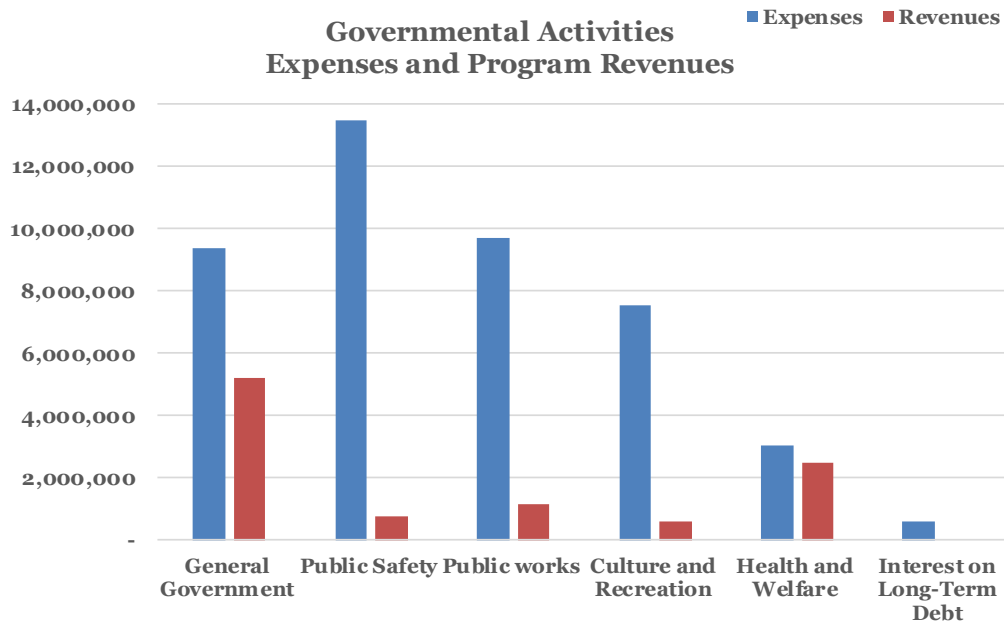
**City of Gallup
Statement of Activities**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenues						
Taxes	\$ 29,170,610	28,073,433	4,342,574	4,058,405	33,513,184	32,131,838
Intergovernmental	4,816,841	6,207,810	5,223,589	2,906,009	10,040,430	9,113,819
Charges for services	5,428,161	4,921,999	42,673,659	40,369,089	48,101,820	45,291,088
Other	475,460	694,279	1,849,584	479,493	2,325,044	1,173,772
Total revenue	39,891,072	39,897,521	54,089,406	47,812,996	93,980,478	87,710,517
Expenses						
General government	9,355,877	4,562,417	-	-	9,355,877	4,562,417
Public safety	13,484,256	13,634,440	-	-	13,484,256	13,634,440
Public works	9,715,095	14,285,725	-	-	9,715,095	14,285,725
Culture and recreation	7,550,515	6,887,974	-	-	7,550,515	6,887,974
Health and welfare	3,057,999	2,572,856	-	-	3,057,999	2,572,856
Interest on long-term debt	623,133	668,660	-	-	623,133	668,660
Joint utility	-	-	29,597,723	26,956,874	29,597,723	26,956,874
Solid waste	-	-	3,431,262	3,198,402	3,431,262	3,198,402
Fitness center	-	-	286,678	264,032	286,678	264,032
Rodeo	-	-	341,476	343,715	341,476	343,715
Gamerco	-	-	461,254	470,071	461,254	470,071
Total expenses	43,786,875	42,612,072	34,118,393	31,233,094	77,905,268	73,845,166
Transfers	5,114,777	4,298,715	(5,114,777)	(4,298,715)	-	-
Change in net position	\$ 1,218,974	1,584,164	14,856,236	12,281,187	16,075,210	13,865,351

Governmental activities. Governmental activities increased the City's net position by \$1,218,974 (net of restatements). Key elements of current year operations are as follows:

- Charges for services increased by \$506,162 due to increases in usage of recreational facilities around the City and the reopening of the Golf Course, after major renovations.
- Operating grants and contributions increased by \$307,376, primarily due to the continuing efforts to renew existing funding as well as obtain new funding. Primary new funding includes programming related to detoxification services and safe shelter housing.
- Capital grants and contributions decreased by \$1,698,345.
- Expenses increased by \$1,174,803, representing an increase of 2.8% from the prior fiscal year.

**STATE OF NEW MEXICO
CITY OF GALLUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

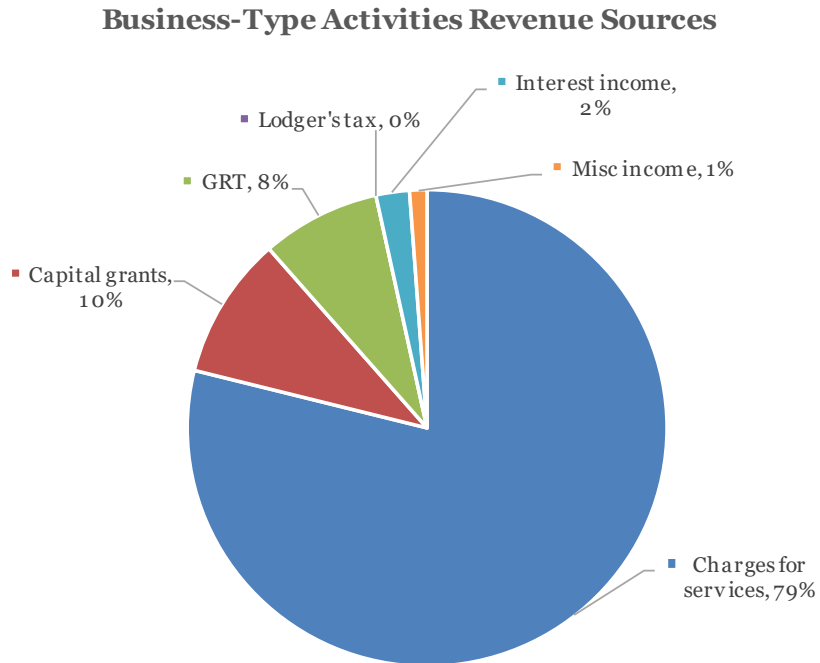
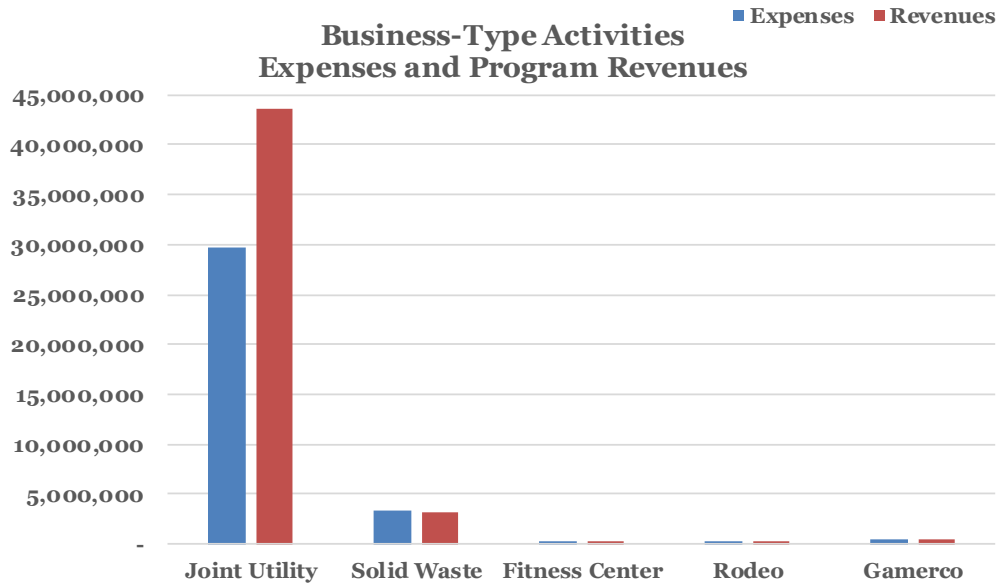


Business-type activities. Business-type activities increased the City's net position by \$14,856,236 (net of restatements). Key elements of this increase are as follows:

- Charges for services increased by \$2,304,570, representing a 5.7% increase from the prior fiscal year, primarily due to rate increases to help support upcoming capital projects and major repair and maintenance of the utility system.
- Capital grants and Contributions increased by \$2,317,580, representing an 80% increase from the prior fiscal year. This primarily represents an increase in funding from NMFA for the Navajo Gallup pipeline project.

**STATE OF NEW MEXICO
CITY OF GALLUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

- Overall expenses for business-type activities increased \$2,885,299. Specifically, the expenses for the Joint Utility fund increased \$2,640,849, representing an increase of 9.8% from the prior fiscal year. The Solid Waste and Fitness Center also had increases in expenditures for the year. The Rodeo and Gamerco had decreases in expenditures for the year.



**STATE OF NEW MEXICO
CITY OF GALLUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24,470,126, a decrease of \$257,868, or 1%, in comparison with the prior year. The General Fund individually had a decrease in fund balance of \$278,081, which is available for spending at the City's discretion.

Key factors in this decrease are as follows:

- Property taxes increased by \$72,317,
- Gross receipts increased by \$909,356,
- Gas taxes decreased by \$93,634,
- Franchise taxes increased by \$92,376,
- Lodgers tax increased by \$86,148,
- State operating and capital grants decreased by \$2,029,459,
- Federal operating and capital grants increased by \$638,489,
- Charges for service decreased by \$933,794, and
- Total expenses decreased by \$2,535,610.

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

Total unrestricted net position at the end of the year amounted to \$72,314,583. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget totaled \$346,201 in revenues and \$5,053,607 in expenditures and can be briefly summarized as follows:

- Gross Receipts final amended budget revenues exceeded original projection by \$1,275,515.
- Charges for Service final amended budget revenues exceeded original projection by \$50,756.
- General Government final amended budget expenditures exceeded original projection by \$923,857.
- Public safety final amended budget expenditures were below original projection by \$123,818.
- Public works final amended budget expenditures exceeded original projection by \$177,197.
- Culture and recreation final amended budget expenditures exceeded original projection by \$275,764.
- Capital outlay final amended budget expenditures exceeded original projection by \$3,800,607.

**STATE OF NEW MEXICO
CITY OF GALLUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Capital Asset and Debt Administration

Capital assets. The City's net investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$169,066,504 (net of accumulated depreciation and relate). This investment in capital assets includes land, construction in process, buildings, improvements, machinery and equipment, vehicles, and distribution systems; net of accumulated depreciation. The total increase in the City's investment in capital assets for the current fiscal year was 9% (2% increase for governmental activities and 14% increase for business-type activities).

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

- Land and construction in process acquisitions and deletions resulted in a combined increase of \$10,356,467.
- Building acquisitions and deletions, resulted in no change.
- Miscellaneous improvements acquisitions and deletions resulted in an increase of \$2,990,433.
- Equipment acquisitions and deletions resulted in an increase of \$2,169,516.
- Infrastructure acquisitions and deletions resulted in an increase of \$4,213,134.
- Easement acquisitions and deletions resulted in an increase of \$18,200.
- Accumulated depreciation additions and deletions resulted in an increase of \$6,134,416.

**City of Gallup
Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Land	\$ 13,559,240	13,559,240	2,855,540	2,834,940	16,414,780	16,394,180
Construction in progress	1,034,868	183,688	41,075,508	31,590,821	42,110,376	31,774,509
Buildings	23,566,957	23,566,957	32,841,052	32,841,052	56,408,009	56,408,009
Other improvements	6,099,582	3,109,149	533,386	533,386	6,632,968	3,642,535
Equipment	14,895,569	13,536,671	10,955,822	10,145,204	25,851,391	23,681,875
Infrastructure	78,030,898	78,030,898	56,304,748	52,091,614	134,335,646	130,122,512
Easement	-	-	18,200	-	18,200	-
Accumulated depreciation	(63,386,379)	(59,749,449)	(49,318,487)	(46,821,001)	(112,704,866)	(106,570,450)
Net capital assets	<u>\$ 73,800,735</u>	<u>72,237,154</u>	<u>95,265,769</u>	<u>83,216,016</u>	<u>169,066,504</u>	<u>155,453,170</u>

Additional information on the City of Gallup' capital assets can be found in Note 5 in the Notes to the Financial Statements, as noted in the Table of Contents.

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**STATE OF NEW MEXICO
CITY OF GALLUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$25,005,000. Of this amount, \$5,340,000 comprises debt backed by property taxes, \$12,865,000 comprises debt backed by gross receipts tax revenues, and \$6,800,000 is backed by revenue generated by Utilities. The remaining loan debt of \$8,658,305 is made up of loans backed by specific operational revenue sources. Other debt includes compensated absences, net pension liability, net OPEB liability, and landfill closure liability totaling an additional \$58,983,476.

**City of Gallup
Long-term Debt**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
GO bonds	\$ 5,340,000	5,520,000	-	-	5,340,000	5,520,000
Revenue bonds	12,865,000	14,380,000	6,800,000	8,565,000	19,665,000	22,945,000
Notes payable	519,250	636,660	8,139,055	6,150,489	8,658,305	6,787,149
Compensated absences	1,420,376	1,357,097	326,537	357,332	1,746,913	1,714,429
Net pension liability	32,275,550	26,569,506	6,469,625	5,410,122	38,745,175	31,979,628
Net OPEB liability	14,686,821	13,139,579	3,644,104	3,266,437	18,330,925	16,406,016
Landfill closure liability	-	-	487,000	270,418	487,000	270,418
Total Debt	\$ 67,106,997	61,602,842	25,866,321	24,019,798	92,973,318	85,622,640

During the current fiscal year, the City's total debt outstanding increased by \$7,350,678. During the year the City received additional New Mexico Environmental Department Loan funds. The loan is based upon an ongoing project with up to \$2,240,000 available. The major contribution to the increase in debt is related to the increased in the net pension and net OPEB liabilities.

Credit Ratings

Currently the City does not have a bond rating. We are working to have the rating established within the next fiscal year.

Debt Limitation

Article IX, Section 13 of the State Constitution limits the powers of the City to incur general obligation debt to an aggregate amount, including existing indebtedness, not to exceed four (4) percent of the value of the taxable property in the City as shown by the last preceding general assessments. The current general obligation debt limitation for the City is approximately \$14.0 million, with approximately \$8 million as remaining capacity.

Additional information on the City's long-term debt can be found in the Notes to the Financial Statements as noted in the Table of Contents.

The net pension liability (NPL) is the largest single liability reported by the City of Gallup at June 30, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." In fiscal year 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

**STATE OF NEW MEXICO
CITY OF GALLUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of New Mexico's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City of Gallup's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City of Gallup is not responsible for certain key factors affecting the balance of these liabilities. In New Mexico, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both New Mexico Legislature and approval of the Governor. Benefit provisions are also determined by State statute. NMSA 10-7C-9 requires all eligible employers to participate in the Retiree Health Care Act except as provided in Subsection D or Subsection E of this section. Participating employers are required to continue existing group health insurance coverages until such time as similar coverages are offered by the board.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In New Mexico, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The Public Employees Retirement Association of New Mexico is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

**STATE OF NEW MEXICO
CITY OF GALLUP
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

Economic Factors and Next Year's Budget

- Budget revenues for fiscal year 2019 were projected using a 5-year average adjusted for a 3-year trend analysis.
- Inflationary trends in the region compare favorably to national indices.

During the current fiscal year, unfund balance in the general fund decreased \$129,688 to \$15,900,273. The City has appropriated \$1,553,384 of fund balance for spending in the 2020 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges for services during the 2020 fiscal year.

Utilities increased rates for the 2019 budget year. Electric rates increased by 2.9% for all customers, water rates increased by 4.0% and waste water rates increased by 20%. These rate increases were necessary for projected operational needs as well as capital improvements needs and financing of additional capital improvements.

Request for Information

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

**STATE OF NEW MEXICO
CITY OF GALLUP
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Gallup Housing Authority
Assets				
Current assets				
Cash and cash equivalents	\$ 8,049,506	32,648,819	40,698,325	722,037
Investments	12,854,217	44,909,635	57,763,852	-
Receivables:				
Property taxes	264,080	-	264,080	-
Other taxes	4,155,482	684,106	4,839,588	-
Grants receivable	1,450,156	77,876	1,528,032	60,626
Accounts receivables, net	302,096	5,165,339	5,467,435	23,522
Inventory	186,306	1,754,443	1,940,749	47,011
Prepaid expenses and other current assets	-	-	-	18,428
Due from other funds	-	-	-	5,480
Total current assets	<u>27,261,843</u>	<u>85,240,218</u>	<u>112,502,061</u>	<u>877,104</u>
Noncurrent assets				
Restricted cash	1,640,684	2,568,690	4,209,374	54,086
Restricted cash - customer deposits	-	925,786	925,786	-
Due from other funds	-	-	-	46,663
Land and work in progress	14,594,107	43,931,045	58,525,152	1,645,108
Capital assets, depreciable	122,593,007	100,653,210	223,246,217	14,713,278
Less: accumulated depreciation	<u>(63,386,379)</u>	<u>(49,318,486)</u>	<u>(112,704,865)</u>	<u>(8,649,841)</u>
Total noncurrent assets	<u>75,441,419</u>	<u>98,760,245</u>	<u>174,201,664</u>	<u>7,809,294</u>
Total assets	<u>102,703,262</u>	<u>184,000,463</u>	<u>286,703,725</u>	<u>8,686,398</u>
Deferred Outflows of Resources				
Pension deferral	7,966,055	2,138,058	10,104,113	223,987
OPEB deferral	2,474,196	587,449	3,061,645	9,454
Total deferred outflows of resources	<u>10,440,251</u>	<u>2,725,507</u>	<u>13,165,758</u>	<u>233,441</u>
Total assets and deferred outflows of resources	<u>\$ 113,143,513</u>	<u>186,725,970</u>	<u>299,869,483</u>	<u>8,919,839</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 1,159,632	2,365,218	3,524,850	49,023
Accrued payroll expenses	1,162,646	208,728	1,371,374	20,364
Accrued tax liability	-	207,672	207,672	-
Deposits held in trust for others	-	925,786	925,786	54,086
Accrued interest payable	98,817	12,022	110,839	-
Due to other funds	-	-	-	5,480
Unearned revenue	-	121,376	121,376	9,782
Bond premium, net	173,669	-	173,669	-
Compensated absences, current portion	923,244	212,249	1,135,493	13,267
Notes and loans payable, current portion	122,141	334,962	457,103	-
Bonds payable, current portion	1,750,000	1,795,000	3,545,000	-
Total current liabilities	<u>5,390,149</u>	<u>6,183,013</u>	<u>11,573,162</u>	<u>152,002</u>
Noncurrent liabilities				
Due to other funds	-	-	-	46,663
Compensated absences	497,132	114,288	611,420	33,771
Notes and loans payable	397,109	7,804,093	8,201,202	-
Bonds payable	16,455,000	5,005,000	21,460,000	-
Landfill closure costs	-	487,000	487,000	-
Net pension liability	32,275,550	6,469,625	38,745,175	832,261
Net OPEB liability	14,686,821	3,644,104	18,330,925	464,404
Total noncurrent liabilities	<u>64,311,612</u>	<u>23,524,110</u>	<u>87,835,722</u>	<u>1,377,099</u>
Total liabilities	<u>69,701,761</u>	<u>29,707,123</u>	<u>99,408,884</u>	<u>1,529,101</u>
Deferred Inflows of Resources				
Pension deferral	2,730,157	424,555	3,154,712	57,990
OPEB deferral	3,796,269	940,104	4,736,373	164,062
Total deferred inflows of resources	<u>6,526,426</u>	<u>1,364,659</u>	<u>7,891,085</u>	<u>222,052</u>
Net Position				
Net investment in capital assets	54,803,999	80,314,692	135,118,691	7,708,545
Restricted for:				
Other purposes	7,138,917	2,099,127	9,238,044	-
Security deposits	-	925,786	925,786	-
Unrestricted	<u>(25,027,590)</u>	<u>72,314,583</u>	<u>47,286,993</u>	<u>(539,859)</u>
Total net position	<u>36,915,326</u>	<u>155,654,188</u>	<u>192,569,514</u>	<u>7,168,686</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 113,143,513</u>	<u>186,725,970</u>	<u>299,869,483</u>	<u>8,919,839</u>

See Independent Auditor's Report.

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

**STATE OF NEW MEXICO
CITY OF GALLUP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
General government	\$ 9,355,877	4,442,574	329,927	418,889	(4,164,487)	-	(4,164,487)	-
Public safety	13,484,256	126,823	661,720	-	(12,695,713)	-	(12,695,713)	-
Public works	9,715,095	-	-	1,158,611	(8,556,484)	-	(8,556,484)	-
Culture and recreation	7,550,515	252,300	356,959	-	(6,941,256)	-	(6,941,256)	-
Health and welfare	3,057,999	606,464	1,890,735	-	(560,800)	-	(560,800)	-
Interest on long-term debt	623,133	-	-	-	(623,133)	-	(623,133)	-
<i>Total governmental activities</i>	<u>43,786,875</u>	<u>5,428,161</u>	<u>3,239,341</u>	<u>1,577,500</u>	<u>(33,541,873)</u>	<u>-</u>	<u>(33,541,873)</u>	<u>-</u>
Business-type Activities:								
Joint utility	29,597,723	38,409,401	-	5,223,589	-	14,035,267	14,035,267	-
Solid waste	3,431,262	3,193,489	-	-	-	(237,773)	(237,773)	-
Fitness center	286,678	260,956	-	-	-	(25,722)	(25,722)	-
Rodeo	341,476	351,718	-	-	-	10,242	10,242	-
Gamerco	461,254	458,095	-	-	-	(3,159)	(3,159)	-
<i>Total business-type activities</i>	<u>34,118,393</u>	<u>42,673,659</u>	<u>-</u>	<u>5,223,589</u>	<u>-</u>	<u>13,778,855</u>	<u>13,778,855</u>	<u>-</u>
<i>Total Primary Government</i>	<u>\$ 77,905,268</u>	<u>48,101,820</u>	<u>3,239,341</u>	<u>6,801,089</u>	<u>(33,541,873)</u>	<u>13,778,855</u>	<u>(19,763,018)</u>	<u>-</u>
Component Units:								
Gallup Housing Authority	\$ 2,478,684	862,224	1,040,698	874,167	-	-	-	298,405
General Revenues:								
Taxes								
Property taxes, levied for general purposes					\$ 2,796,161	-	2,796,161	-
Gross receipts taxes					21,952,808	4,342,574	26,295,382	-
Gas taxes					1,173,715	-	1,173,715	-
Franchise tax					1,659,587	-	1,659,587	-
Lodger's tax					1,588,339	-	1,588,339	-
Investment income					387,902	1,215,360	1,603,262	83
Miscellaneous income					87,558	634,224	721,782	46,272
Transfers					5,114,777	(5,114,777)	-	-
Total general revenues and transfers					<u>34,760,847</u>	<u>1,077,381</u>	<u>35,838,228</u>	<u>344,760</u>
Change in net position					1,218,974	14,856,236	16,075,210	344,760
Net position, beginning					35,696,352	140,797,952	176,494,304	6,823,926
Net position, ending					<u>\$ 36,915,326</u>	<u>155,654,188</u>	<u>192,569,514</u>	<u>7,168,686</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019**

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<i>Assets</i>			
Cash and investments	\$ 2,585,154	5,148,131	7,733,285
Restricted cash	1,501,669	139,015	1,640,684
Investments	9,863,477	1,306,961	11,170,438
Inventory	186,306	-	186,306
Receivables:			
Property taxes	216,587	47,493	264,080
Other taxes	4,054,885	100,597	4,155,482
Grants receivable	32,867	1,417,289	1,450,156
Accounts receivables, net	223,772	78,324	302,096
Due from other funds	1,255,000	-	1,255,000
<i>Total assets</i>	<u>\$ 19,919,717</u>	<u>8,237,810</u>	<u>28,157,527</u>
<i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 287,854	828,144	1,115,998
Accrued payroll expenses	1,046,452	107,338	1,153,790
Due to other funds	40,000	1,215,000	1,255,000
<i>Total liabilities</i>	<u>1,374,306</u>	<u>2,150,482</u>	<u>3,524,788</u>
<i>Deferred inflows of resources</i>			
Deferred inflows - property taxes	133,135	29,478	162,613
<i>Total deferred inflows of resources</i>	<u>133,135</u>	<u>29,478</u>	<u>162,613</u>
<i>Fund balances</i>			
Nonspendable	186,306	-	186,306
Restricted	2,495,650	4,643,267	7,138,917
Committed			
Debt service	-	1,671,165	1,671,165
Assigned	-	-	-
Unassigned	15,730,320	(256,582)	15,473,738
<i>Total fund balances</i>	<u>18,412,276</u>	<u>6,057,850</u>	<u>24,470,126</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 19,919,717</u>	<u>8,237,810</u>	<u>28,157,527</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
AS OF JUNE 30, 2019**

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

Fund balances - total governmental funds	\$	24,470,126
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet (less Internal Service Funds).		73,648,615
Internal service funds are used by management to charge the cost of certain activities, such as insurance and fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net position. Internal Service Fund balances not included in other reconciling items:		
Total net position, ending		1,746,282
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet:		
Bonds and notes payable		(16,852,109)
Compensated absences		(494,350)
Net pension related deferrals and liability		(26,837,855)
Net OPEB related deferrals and liability		(15,865,293)
Other current liabilities (bonds payable) are not available to pay for current period expenditures and therefore are deferred in the funds:		
Accrued interest payable		(98,817)
Bonds and notes payable		(1,872,141)
Compensated absences		(918,076)
Bond premium, net		(173,669)
Revenues not collected within sixty days after year end are considered "available" revenues and are considered to be "unavailable" revenues in the fund financial statements, but are considered revenue in the Statement of Activities:		
Property taxes		162,613
		162,613
Net position of governmental activities	\$	36,915,326

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Non-Major Governmental Funds	Total
<i>Revenues:</i>			
<i>Taxes:</i>			
Property	\$ 2,300,267	499,120	2,799,387
Gross receipts	21,952,808	-	21,952,808
Gasoline and motor vehicle	-	1,173,715	1,173,715
Franchise	1,659,587	-	1,659,587
Lodger's	-	1,588,339	1,588,339
<i>Intergovernmental:</i>			
State operating grants	101,653	1,289,416	1,391,069
State capital grants	-	1,076,987	1,076,987
Federal operating grants	62,585	1,785,687	1,848,272
Federal capital grants	-	500,513	500,513
Charges for services	1,527,767	989,780	2,517,547
Licenses and fees	103,821	-	103,821
Investment income	332,720	27,355	360,075
Miscellaneous	55,389	19,851	75,240
<i>Total revenues</i>	<u>28,096,597</u>	<u>8,950,763</u>	<u>37,047,360</u>
<i>Expenditures:</i>			
<i>Current:</i>			
General government	8,727,279	65,555	8,792,834
Public safety	11,691,871	231,427	11,923,298
Public works	1,963,016	2,719,551	4,682,567
Culture and recreation	3,971,064	2,470,887	6,441,951
Health and welfare	-	2,736,031	2,736,031
Capital outlay	3,594,574	1,816,001	5,410,575
<i>Debt service:</i>			
Principal	-	1,812,410	1,812,410
Interest	-	655,958	655,958
<i>Total expenditures</i>	<u>29,947,804</u>	<u>12,507,820</u>	<u>42,455,624</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,851,207)</u>	<u>(3,557,057)</u>	<u>(5,408,264)</u>
<i>Other financing sources (uses)</i>			
Transfers in	6,543,670	4,577,544	11,121,214
Transfers out	(4,970,544)	(1,000,274)	(5,970,818)
<i>Total other financing sources (uses)</i>	<u>1,573,126</u>	<u>3,577,270</u>	<u>5,150,396</u>
<i>Net change in fund balance</i>	(278,081)	20,213	(257,868)
<i>Fund balance, - beginning</i>	18,690,357	6,037,637	24,727,994
<i>Fund balance - ending</i>	<u>\$ 18,412,276</u>	<u>6,057,850</u>	<u>24,470,126</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

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

Net change in fund balances - total governmental funds	\$	(257,868)
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		5,443,136
Depreciation expense on capital assets, excluding internal service fleet fund, is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as expenditure in governmental funds.		
		(4,031,674)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management to individual funds. The net change of the internal service funds resulting from transactions not recorded with governmental funds.		
		481,936
The issuance of long-term debt (e.g. bonds, notes, capital 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 similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Principal payments on long-term debt payable		1,812,410
Change in accrued interest		8,799
Amortization of bond premium		24,025
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Pension expense		(2,055,301)
OPEB expense		(144,102)
Change in compensated absences		(59,159)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:		
Change in deferred inflows related to property taxes		(3,226)
Rounding		(2)
Change in net position of governmental activities	\$	<u><u>1,218,974</u></u>

See Independent Auditor's Report.
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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND (101, 390, 392, 393, 394)
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<i>Revenues:</i>				
Taxes				
Property	\$ 2,286,354	2,286,354	2,274,253	(12,101)
Gross receipts	20,378,000	20,378,000	21,653,515	1,275,515
Franchise	1,500,000	1,500,000	1,674,935	174,935
Intergovernmental:				
State operating grants	45,855	215,059	255,988	40,929
Federal operating grants	-	169,997	63,705	(106,292)
Charges for services	1,474,920	1,481,920	1,532,676	50,756
Licenses and fees	96,800	96,800	103,821	7,021
Investment income	289,534	289,534	332,720	43,186
Miscellaneous	150,000	150,000	84,217	(65,783)
<i>Total revenues</i>	<u>26,221,463</u>	<u>26,567,664</u>	<u>27,975,830</u>	<u>1,408,166</u>
<i>Expenditures:</i>				
Current:				
General government	9,130,537	10,054,394	8,649,629	1,404,765
Public safety	12,166,964	12,043,146	11,698,026	345,120
Public works	2,080,725	2,257,922	2,007,899	250,023
Culture and recreation	4,104,838	4,380,602	3,956,613	423,989
Capital outlay	438,632	4,239,239	2,507,647	1,731,592
<i>Total expenditures</i>	<u>27,921,696</u>	<u>32,975,303</u>	<u>28,819,814</u>	<u>4,155,489</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,700,233)</u>	<u>(6,407,639)</u>	<u>(843,984)</u>	<u>5,563,655</u>
<i>Other financing sources (uses)</i>				
Designated cash	1,791,218	5,648,814	-	(5,648,814)
Transfers in	3,200,674	4,065,028	4,052,633	(12,395)
Transfers out	(3,291,659)	(3,306,203)	(3,306,203)	-
<i>Total other financing sources (uses)</i>	<u>1,700,233</u>	<u>6,407,639</u>	<u>746,430</u>	<u>(5,661,209)</u>
<i>Net change in fund balance</i>	-	-	(97,554)	(97,554)
<i>Fund balance - beginning of year</i>	-	-	18,690,357	
<i>Fund balance - end of year</i>	\$ -	-	<u>18,592,803</u>	
Change in fund balance (Budget Basis)			\$ (97,554)	
To adjust applicable revenue accruals and deferrals			947,463	
To adjust applicable expenditure accruals			<u>(1,127,990)</u>	
Change in fund balance (GAAP basis)			\$ <u>(278,081)</u>	

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF JUNE 30, 2019**

	Joint Utility	Solid Waste 504	Nonmajor Funds	Total	Governmental Activities Internal Service Fund 603
<i>Assets</i>					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 31,306,008	121,826	1,220,985	32,648,819	316,221
Investments	42,519,164	2,390,471	-	44,909,635	1,683,779
Receivables:					
Other taxes	684,106	-	-	684,106	-
Grants receivable	77,876	-	-	77,876	-
Accounts receivables, net	4,696,619	386,204	82,516	5,165,339	-
Inventory	1,754,443	-	-	1,754,443	-
<i>Total current assets</i>	<u>81,038,216</u>	<u>2,898,501</u>	<u>1,303,501</u>	<u>85,240,218</u>	<u>2,000,000</u>
<i>Noncurrent Assets</i>					
Restricted cash	2,568,690	-	-	2,568,690	-
Restricted cash - customer deposits	925,786	-	-	925,786	-
Land and work in progress	43,516,607	313,878	100,560	43,931,045	-
Capital assets, depreciable	95,419,324	5,216,484	17,402	100,653,210	153,904
Less: accumulated depreciation	(45,562,220)	(3,749,608)	(6,658)	(49,318,486)	(1,784)
<i>Total noncurrent assets</i>	<u>96,868,187</u>	<u>1,780,754</u>	<u>111,304</u>	<u>98,760,245</u>	<u>152,120</u>
<i>Total assets</i>	<u>177,906,403</u>	<u>4,679,255</u>	<u>1,414,805</u>	<u>184,000,463</u>	<u>2,152,120</u>
<i>Deferred Outflows of Resources</i>					
Pension deferral	1,735,206	341,565	61,287	2,138,058	91,757
OPEB deferral	471,662	97,112	18,675	587,449	22,484
<i>Total deferred outflows of resources</i>	<u>2,206,868</u>	<u>438,677</u>	<u>79,962</u>	<u>2,725,507</u>	<u>114,241</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 180,113,271</u>	<u>5,117,932</u>	<u>1,494,767</u>	<u>186,725,970</u>	<u>2,266,361</u>
<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>					
<i>Liabilities:</i>					
<i>Current liabilities</i>					
Accounts payable	\$ 1,940,279	90,767	334,172	2,365,218	43,634
Accrued payroll expenses	163,582	40,701	4,445	208,728	8,856
Accrued tax liability	206,483	-	1,189	207,672	-
Deposits held in trust for others	925,786	-	-	925,786	-
Accrued interest payable	12,022	-	-	12,022	-
Unearned revenue	110,015	11,361	-	121,376	-
Compensated absences, current portion	162,886	44,145	5,218	212,249	5,168
Notes and loans payable, current portion	334,962	-	-	334,962	-
Bonds payable, current portion	1,795,000	-	-	1,795,000	-
<i>Total current liabilities</i>	<u>5,651,015</u>	<u>186,974</u>	<u>345,024</u>	<u>6,183,013</u>	<u>57,658</u>
<i>Noncurrent Liabilities</i>					
Compensated absences	87,709	23,770	2,809	114,288	2,782
Notes and loans payable	7,804,093	-	-	7,804,093	-
Bonds payable	5,005,000	-	-	5,005,000	-
Landfill closure costs	-	487,000	-	487,000	-
Net pension liability	5,262,586	1,007,721	199,318	6,469,625	273,465
Net OPEB liability	2,966,347	553,007	124,750	3,644,104	131,983
<i>Total noncurrent liabilities</i>	<u>21,125,735</u>	<u>2,071,498</u>	<u>326,877</u>	<u>23,524,110</u>	<u>408,230</u>
<i>Total liabilities</i>	<u>26,776,750</u>	<u>2,258,472</u>	<u>671,901</u>	<u>29,707,123</u>	<u>465,888</u>
<i>Deferred Inflows of Resources</i>					
Pension deferral	329,862	78,013	16,680	424,555	20,089
OPEB deferral	764,631	143,695	31,778	940,104	34,102
<i>Total deferred inflows of resources</i>	<u>1,094,493</u>	<u>221,708</u>	<u>48,458</u>	<u>1,364,659</u>	<u>54,191</u>
<i>Net Position:</i>					
Net investment in capital assets	78,422,634	1,780,754	111,304	80,314,692	152,120
Restricted:					
Debt service	2,099,127	-	-	2,099,127	-
Security deposits	925,786	-	-	925,786	-
Unrestricted	70,794,481	856,998	663,104	72,314,583	1,594,162
<i>Total net position</i>	<u>152,242,028</u>	<u>2,637,752</u>	<u>774,408</u>	<u>155,654,188</u>	<u>1,746,282</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 180,113,271</u>	<u>5,117,932</u>	<u>1,494,767</u>	<u>186,725,970</u>	<u>2,266,361</u>

See Independent Auditor's Report.

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

**STATE OF NEW MEXICO
CITY OF GALLUP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Joint Utility	Solid Waste 504	Nonmajor Funds	Total	Governmental Activities Internal Service Fund 603
<i>Operating revenues:</i>					
Charges for services	\$ 38,409,401	3,193,489	1,070,769	42,673,659	2,810,986
<i>Total operating revenues</i>	<u>38,409,401</u>	<u>3,193,489</u>	<u>1,070,769</u>	<u>42,673,659</u>	<u>2,810,986</u>
<i>Operating expenses:</i>					
Personnel services	4,146,834	858,580	160,186	5,165,600	602,479
Contractual services	4,653,896	1,365,223	767,506	6,786,625	265,073
Supplies and equipment	213,973	46,450	36,357	296,780	54,274
Repairs and maintenance	1,295,153	156,931	36,594	1,488,678	-
Utilities	841,963	8,686	36,873	887,522	-
COGS (electricity)	12,432,124	-	-	12,432,124	-
Miscellaneous	3,382,484	448,311	48,992	3,879,787	1,405,774
Depreciation and amortization	2,454,867	547,081	2,900	3,004,848	1,784
<i>Total operating expenses</i>	<u>29,421,294</u>	<u>3,431,262</u>	<u>1,089,408</u>	<u>33,941,964</u>	<u>2,329,384</u>
<i>Operating income (loss)</i>	<u>8,988,107</u>	<u>(237,773)</u>	<u>(18,639)</u>	<u>8,731,695</u>	<u>481,602</u>
<i>Non-operating revenues (expenses):</i>					
Gross receipts and other taxes	3,837,594	504,980	-	4,342,574	-
Investment income	1,128,702	86,658	-	1,215,360	27,827
Interest expense	(176,429)	-	-	(176,429)	-
Miscellaneous income	618,947	15,277	-	634,224	8,126
<i>Total non-operating revenues (expenses)</i>	<u>5,408,814</u>	<u>606,915</u>	<u>-</u>	<u>6,015,729</u>	<u>35,953</u>
Transfers in	8,271,256	-	90,000	8,361,256	-
Transfers out	(13,088,521)	(387,512)	-	(13,476,033)	(35,619)
Federal capital grants	3,612,745	-	-	3,612,745	-
State capital grants	1,610,844	-	-	1,610,844	-
<i>Net capital grants and transfers</i>	<u>406,324</u>	<u>(387,512)</u>	<u>90,000</u>	<u>108,812</u>	<u>(35,619)</u>
<i>Change in net position</i>	14,803,245	(18,370)	71,361	14,856,236	481,936
<i>Net position, beginning of year</i>	137,438,783	2,656,122	703,047	140,797,952	1,264,346
<i>Net position, end of year</i>	<u>\$ 152,242,028</u>	<u>2,637,752</u>	<u>774,408</u>	<u>155,654,188</u>	<u>1,746,282</u>

See Independent Auditor's Report.
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, 2019**

	<u>Joint Utility</u>	<u>Solid Waste 504</u>	<u>Nonmajor Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund 603</u>
Cash flows from operating activities:					
Receipts from customers and users	\$ 38,713,773	3,188,824	1,077,289	42,979,886	2,810,986
Payments to employees	(3,834,115)	(785,501)	(144,124)	(4,763,740)	(577,266)
Payments to suppliers	(6,675,754)	(1,573,621)	(766,032)	(9,015,407)	(395,385)
Other receipts/(payments)	(15,814,608)	(231,729)	(48,992)	(16,095,329)	(1,405,774)
<i>Net cash provided (used) by operating activities</i>	<u>12,389,296</u>	<u>597,973</u>	<u>118,141</u>	<u>13,105,410</u>	<u>432,561</u>
Cash flows from noncapital financing activities:					
Gross receipts and other taxes	3,837,594	504,980	-	4,342,574	-
Grants and agreements	1,610,844	-	-	1,610,844	-
Miscellaneous revenue	618,947	15,277	-	634,224	8,126
Transfers from other funds	8,271,256	-	90,000	8,361,256	-
Transfers to other funds	(13,088,521)	(387,512)	-	(13,476,033)	(35,619)
<i>Net cash provided (used) by noncapital financing activities</i>	<u>1,250,120</u>	<u>132,745</u>	<u>90,000</u>	<u>1,472,865</u>	<u>(27,493)</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(14,313,904)	(740,697)	-	(15,054,601)	(153,903)
Proceeds from issuance of debt	2,322,693	-	-	2,322,693	-
Principal payments	(2,099,127)	-	-	(2,099,127)	-
Interest payments	(176,429)	-	-	(176,429)	-
Capital grant revenue	3,612,745	-	-	3,612,745	-
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(10,654,022)</u>	<u>(740,697)</u>	<u>-</u>	<u>(11,394,719)</u>	<u>(153,903)</u>
Cash flows from investing activities:					
Purchases of investments, net	(3,128,702)	(86,658)	-	(3,215,360)	(27,827)
Investment income	1,128,702	86,658	-	1,215,360	27,827
<i>Net cash provided (used) by investing activities</i>	<u>(2,000,000)</u>	<u>-</u>	<u>-</u>	<u>(2,000,000)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	985,394	(9,979)	208,141	1,183,556	251,165
Balances - beginning of year	33,815,090	131,805	1,012,844	34,959,739	65,056
Balances - end of year	<u>\$ 34,800,484</u>	<u>121,826</u>	<u>1,220,985</u>	<u>36,143,295</u>	<u>316,221</u>

See Independent Auditor's Report.
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, 2019

	<u>Joint Utility</u>	<u>Solid Waste 504</u>	<u>Nonmajor Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Fund 603</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 8,988,107	(237,773)	(18,639)	8,731,695	481,602
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	2,454,867	547,081	2,900	3,004,848	1,784
Pension expense	301,720	68,552	14,004	384,276	17,446
OPEB expense	36,266	5,845	936	43,047	1,126
Landfill postclosure costs	-	216,582	-	216,582	-
Bad debt expense	42,107	7,012	3,673	52,792	-
(Increase) decrease in:					
Accounts receivable	262,265	(11,677)	2,847	253,435	-
Inventory	110,246	-	-	110,246	-
(Decrease) increase in:					
Accounts payable	171,202	4,093	112,820	288,115	(76,038)
Accrued payroll	3,459	3,097	(1,225)	5,331	2,521
Customer deposits	49,134	-	-	49,134	-
Unearned revenue	1,573	(424)	(1,522)	(373)	-
Compensated absences	(28,726)	(4,415)	2,347	(30,794)	4,120
Other liabilities	(2,924)	-	-	(2,924)	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ 12,389,296</u>	<u>597,973</u>	<u>118,141</u>	<u>13,105,410</u>	<u>432,561</u>

See Independent Auditor's Report.
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
AS OF JUNE 30, 2019**

<i>Assets</i>	
Cash and cash equivalents	\$ <u>271,592</u>
<i>Total assets</i>	\$ <u><u>271,592</u></u>
 <i>Liabilities</i>	
Deposits payable	\$ <u>271,592</u>
<i>Total liabilities</i>	\$ <u><u>271,592</u></u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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 operated 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 the City's financial statements. The financial statements and notes are the representation of the 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 government units.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City has elected not to follow subsequent private-sector guidance. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

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 No. 14 and 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.

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,

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity. 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 and changes in net position) report information on all of the non-fiduciary 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.

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 recognized 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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, if applicable, 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, if applicable. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as receivables in the year for which they are billed.

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies 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 property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered 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. 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. 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.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the airport, solid waste, wastewater, and golf course funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City has elected to report 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 government reports the following major proprietary fund:

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

The *Solid Waste Fund (504)* 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.

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Additionally, the government reports the following fund types:

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

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 for the various functions concerned. 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 taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City services, facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources are 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.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Cash Equivalents

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.

Investments

The City's investments are regulated by state law as well as by guidelines and rules promulgated by the State Investment Council and the State Treasurer. All investments are generally highly liquid in nature and are integrated with cash on the financial statements with appropriate disclosure. Investments are stated at fair value, which is determined using selected bases. Certificates of deposit are reported at carrying amount, which reasonably estimates fair value. Investments in a U.S. Treasury Fund and repurchase agreements are valued at the last reported sales price at current exchange rates. Additional cash, investment information, and fair values are presented in Note 2.

The City also participates in the State Treasurer Local Government Investment Pool. State law and regulations regulate this pool. Investment in the pool is reported at carrying amount, which reasonably estimates fair value.

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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.

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 as revenue when levied, net of estimated refunds and uncollectable amounts. Property taxes are considered to be 100% collectible.

The City estimates the utility allowance for uncollectible accounts based off the number of delinquent days and a percentage of current year and prior year write offs. The City estimates the percentage of accounts older than 120 days and applies that percentage to the overall balance.

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 (3) days thereafter, at which time they become delinquent. Property taxes are collected by McKinley County and remitted monthly to the City.

Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are accounted for using the consumption method. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

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.

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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 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 cost 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 furniture, fixtures 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>Asset Type</u>	<u>Years</u>
Land	Perpetuity
Construction in progress	Perpetuity
Land improvements	40
Buildings and improvements	40
Infrastructure	40
Equipment and vehicles	6

Accrued Expenses

Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2019, along with applicable PERA and Retiree Health Care.

Unearned Revenue

The City reports unearned revenue on its financial statements. When resources are received in advance of charges for services being earned are in advance of any eligibility requirement other than a time requirement being met for government-mandated or voluntary nonexchange transactions (i.e. for intergovernmental revenues), a liability is reported for the unearned revenue.

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Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then.

The City has the following deferred outflows of resources during fiscal year 2019 on the fund financials:

<u>Deferred Outflows of Resources - Fund Financials</u>	
Pension deferrals	\$ 2,229,815
OPEB deferrals	<u>609,933</u>
Total deferred inflows of resources	<u><u>\$ 2,839,748</u></u>

The City has the following deferred outflows of resources during fiscal year 2019 on the government-wide financials:

<u>Deferred Outflows of Resources - GW</u>	
Pension deferrals	\$ 10,104,113
OPEB deferrals	<u>3,061,645</u>
Total deferred outflows of resources	<u><u>\$ 13,165,758</u></u>

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue.

The City has the following deferred inflows of resources during fiscal year 2019 on the fund financials:

<u>Deferred Inflows of Resources - Fund Financials</u>	
Property tax revenue	\$ 162,613
Pension deferrals	444,644
OPEB deferrals	<u>974,206</u>
Total deferred inflows of resources	<u><u>\$ 1,581,463</u></u>

The City has the following deferred inflows of resources during fiscal year 2019 on the government-wide financials:

<u>Deferred Inflows of Resources - GW</u>	
Pension deferrals	\$ 3,154,712
OPEB deferrals	<u>4,736,373</u>
Total deferred inflows of resources	<u><u>\$ 7,891,085</u></u>

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Compensated Absences

Vacation Pay – Vacation is accrued by the following table:

<u>Months of Service</u>	<u>40hr Work Week Employees</u>	<u>42hr Work Week Employees</u>	<u>56hr Work Week Employees</u>
0-60 months	3.077 hrs per pay period	3.23hrs per pay period	4.21hrs per pay period
61-180 months	4.616 hrs per pay period	4.847 hrs per pay period	6.46 hrs per pay period
181 + months	6.15hrs per pay period	6.458hrs per pay period	8.61hrs per pay period
Max accrual	280 hours	294 hours	392 hours

Sick Leave Pay – Regular full-time, forty, (40) hour work week employees will accrue sick leave at the rate of 3.69 hours per pay period. Regular full-time, forty-two (42) hour work week police and corrections employees will accrue sick leave at the rate of 3.875 hours per pay period. Regular full-time, fifty-six (56) hour work week firefighters will accrue sick leave at the rate of 5.17 hours per pay period. Sick leave accrual is limited to a maximum of 1500 hours. Employees who qualify for or initiate an application for any retirement plan under PERA or other qualified retirement program are entitled to be paid for unused sick leave at a rate equal to thirty-three, (33%) percent of their hourly rate for up to 1,000 hours of sick leave.

Vested or accumulated vacation/sick 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/sick 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 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. For bonds issued after GASB 34 was implemented, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums, 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.

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Net Position

Equity is classified as net position and displayed in three components in the government-wide financial statements and the proprietary funds:

- *Net investment in capital assets* – Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted Net Position* – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – All other net position that do not meet the definition of “restricted” or “investment in capital assets, net of related debt.”

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

Governmental Fund Balances

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The Statement only applies to Governmental funds and does not extend to Proprietary fund types. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable* – Amounts not in a spendable form, such as prepaid expenses, inventories, or long-term portion of receivables or property held for resale, if the use of the proceeds from the collection/sale of property held for resale is not otherwise constrained. Nonspendable amounts also include amounts legally or contractually required to remain intact, such as the principal of a permanent fund.
- *Restricted* – Amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government).
- *Committed* – Amounts constrained to specific purposes by the governmental entity’s highest level of decision-making authority (City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest-level action to remove or change the constraint.
- *Assigned* – Amounts constrained by the City intends to be used for specific purposes. Intent can be expressed by the governing body (City Council) or an official or body to which the governing body delegates authority. 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 that purpose of that fund.

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- *Unassigned* –Balances available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

See the Schedule of Fund Balances, per the table of contents, for additional information about fund balances.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance department has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The New Mexico Department of Finance and Administration (DFA) requires that 1/12 of the 2019 budgets expenditures in the general fund be restricted as subsequent-year expenditures to provide adequate cash reserves. The City follows this requirement in order to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. See the Schedule of Fund Balances, per the table of contents, for the amount of minimum fund balance.

E. 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.

F. Indirect Expenses

The City allocated indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services. Central services include overall City management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services, and other administrative services. Allocations are charged to programs based on use of the services determined by various allocation methodologies.

G. Budgetary Information

The City Charter establishes the City's fiscal year as the twelve-month period beginning July 1 and ending June 30. Prior to June 1 the Budget Director submits to management a proposed operating budget of estimated revenues, expenditures, and transfers for the ensuing fiscal year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Fund and Enterprise Funds. Management subsequently submits the budget (1) to the New Mexico Department of Finance and Administration for review and approval; and (2) to the City Council for review and enactment of a resolution legally adopting the budget. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and

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appropriations. Additionally, the New Mexico Department of Finance and Administration must approve any amendments to the budget.

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.

Each fund's appropriated budget is prepared on a Non-GAAP cash basis at the detailed line item level. Revenues are budgeted by department and general ledger account. Expenditures are budgeted by department and general ledger account. Expenditures may not exceed appropriations at the fund level. All budget revisions at this level are subject to final review and approval by the City Council. Revisions to the budget were made throughout the year.

Budgetary Compliance – Budgetary control is required to be maintained at the individual fund level.

Budget Amendments – Budget increases and decreases can only be accomplished by Council resolution, followed by DFA approval. Similarly, budget transfers must follow the same procedure.

Budgetary Basis – State law prescribes that the City's budget be prepared on the basis of cash receipts and cash expenditures. Therefore, budgetary comparisons shown in exhibits are prepared on a cash basis to compare actual revenues and expenditures with a cash basis budget as amended.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds.

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2019 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

H. Interfund Activity

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.

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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.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA's. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. GASB 77 Disclosure

The City has no tax abatement agreements as of June 30, 2019, and therefore no disclosures under GASB 77 are required.

NOTE 2 – DEPOSITS AND INVESTMENTS

The City's cash balances consist of demand deposits, interest bearing savings accounts, money market accounts and bonds. The majority of City's cash and investments are pooled. All interest income is accounted for in the related funds. The City's investments consist of certificates of deposit, money markets, bonds, and investments in the NM State Treasurer's LGIP fund.

The City's cash, cash equivalents, investments, and collateral pledged are identified on the table of contents of this report.

A summary of the City's cash and investments as of June 30, 2019 is as follows:

Cash and investments	Amount
Cash and cash equivalents	
Cash on hand	\$ 13,465
Cash	46,091,612
Subtotal cash and cash equivalents	<u>46,105,077</u>
Investments	
State Treasurer's Investment Pool	299
Certificates of deposit	19,040,802
Money markets	27,773,068
US Agency Securities	10,949,683
Subtotal investments	<u>57,763,852</u>
Total cash and investments	<u>\$ 103,868,929</u>

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<u>Cash and investments by fund type</u>	<u>Amount</u>
Governmental funds	\$ 20,544,407
Internal service funds	2,000,000
Subtotal governmental activities	22,544,407
Business-type activities	81,052,930
Fiduciary funds	271,592
Total cash and investments	<u>\$ 103,868,929</u>

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present, state statutes require that a minimum of fifty percent of uninsured balances on deposit with anyone institution must be collateralized, with higher requirements up to 100% for financially troubled institutions. Investments in repurchase agreements must be collateralized at 102% of the contract. In addition, some bond covenants require debt service reserve amounts to be collateralized at 105%. The City's Schedule of Collateral is presented in this report, as stated in the table of contents.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, City, or political subdivision of the State of New Mexico.

As of June 30, 2019, the City's bank and investment balances of \$90,762,625 were exposed to custodial credit risk as follows:

Uninsured, collateralized with securities held by pledging financial institution's trust department or agent in the City's name.	\$ 73,013,856
Uninsured and uncollateralized	-
Total uninsured deposits	<u>\$ 73,013,856</u>

Custodial Credit Risk Investments - Custodial Credit Risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments are not exposed to custodial credit risk. All are fully collateralized, and the collateral is held in the City's name.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer, of more than 5%. The City's investments are diversified to avoid including concentration of credit risk. With the exception of authorized pools, no more than 50% of the total investment portfolio is in one single security type or financial institution.

Credit Risk - The City's investments shall be in accordance with State Law 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips, and US Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any county, municipality, or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10 NMSA 1978, 6-10-10 NMSA 1978.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City investments. The City's investment policy follows New Mexico State Statute Section 6-10-36E (NMSA, 1978 Comp) requiring the interest rate on time deposits shall not be less than the rated fixed 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.

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Foreign Currency Risk - Deposits and Investments - The City is not exposed to the risk that exchange rates will adversely affect the fair value of an investment as none of the investments pools or certificates of deposit are dominated in a foreign currency.

Custodial Credit Risk Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City funds may not be returned. The City is required to obtain from each bank that is a deposit only for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account. The pledged securities must be in the name of the governmental entity and held by the entity or its agent.

As of June 30, 2019, the City's investments were rated as follows:

<u>Investment Type</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Rating*</u>	<u>Weighted Average</u>	<u>Fair Value***</u>
Money Market	\$ 27,773,068	27,773,068	N/A	<1 Year	N/A
Certificate of Deposits	19,040,802	19,040,802	****	<3 Years	N/A
Federal National Mortgage Association	5,215,825	5,215,825	AAA	<6 Years	1
Federal Home Loan Mortgage Corp	1,638,327	1,638,327	AAA	<3 Years	1
Federal Home Loan Bank	2,790,015	2,790,015	AAA	<4 Years	1
Municipal Bonds	1,305,516	1,305,516	*****	<6 Years	1
State of NM Local Government Investment Pool (LGIP)	299	299	**	>1 Year	N/A
	<u>\$ 57,763,852</u>	<u>57,763,852</u>			

*Based on Moody's rating

**LGIP, collateralized by State

***See Note 2. Fair Value Measurements Using: Quoted prices in active markets for identical assets

****Certificate of Deposit, fully collateralized

*****Ratings on Municipal bonds vary, each bond underwritten by and subject to Section 6-10-10(F)(1) and Section 6-13-6, NMSA 1978. Each bond has revenue as security

State Treasurer Local Governmental Investment Pool

As of June 30, 2019, the City has the following invested in the State Treasurer Local Government Investment Pool:

<u>Financial Institution</u>	<u>Cost Basis</u>	<u>Market</u>	<u>Risk Rating</u>	<u>Weighted Average Maturity</u>
State of NM Local Government Investment	\$ 299	299	AAAm	[35] day WAM (R); [112] day WAM (F)

New Mexico State Statutes authorize the creation of the short-term investment fund in the New Mexico State Treasury. The Statutes authorize the State Treasurer to pool monies received from local public bodies for investment purposes with public monies under control. The purpose of the local short-term fund is to provide a voluntary investment alternative for local political subdivisions to realize the maximum return consistent with safe and prudent management. The local short-term investment fund, along with other public monies in the State Treasurer's investment account, is invested in repurchase agreements secured at 102% by U.S. Government Securities. The State Treasurer has the responsibility to pledge collaterals at 102% of investment balances for the City. All investing is performed in accordance with State Statutes and the City's investment policy.

Per review of GASB Statement No. 72, the State Treasurer Local Government Investment Pool is exempt from GASB 72 and should continue to be measured and disclosed in accordance with existing literature.

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Credit Risk LGIP – With respect to credit risk, the LGIP, is rated AAAM by Standard & Poor’s. Therefore, the LGIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.

Concentration of Risk – GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as LGIP, are excluded from the requirement of disclosing concentration of credit risk. Therefore, the LGIP is exempt from this disclosure.

Foreign Currency Risk – GASB Statement No. 40 defines interest rate risk that interest rate variation may adversely affect the fair value of an investment. The City is not exposed to the risk that exchange rates will adversely affect the fair value of an investment as none of the investments pools or certificates of deposit are dominated in a foreign currency.

Fair Value Measurement (GASB 72)

The City holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the City’s mission, the City determines that the disclosures related to these investments only need to be disaggregated by major type. The City chooses a table format for the fair value disclosures.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach: this uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach: this technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach: this approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

GASB 72 establishes a hierarchy of inputs to the valuation techniques listed above.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy’s three levels are as follows:

Level 1

Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. (Examples: equity securities traded on an open market, actively traded mutual funds, and US treasuries)

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Level 2

Are significant other observable inputs:

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c) Inputs other than quoted prices that are observable for the asset or liability, such as:
 1. Interest rates and yield curves observable at commonly quoted intervals,
 2. Implied volatilities, and
 3. Credit spreads.
- d) Market-corroborated inputs.

(Examples: a bond valued using market corroborated inputs such as yield curves, a bond valued using matrix pricing, and an interest rate swap valued using the LIBOR swap rate observed at commonly quoted intervals for the full term of the swap)

Level 3

Are significant unobservable inputs for an asset or liability. (Examples: Commercial real estate valued using a forecast of cash flows based on a university's own data and an interest rate swap valued using data that is neither directly observable nor corroborated by observable market data)

See page 42 of Note 2 for the City's recurring fair value measurements as of June 30, 2019.

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2019, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Funds

	<u>General Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental</u>
Accounts	\$ 223,788	78,324	302,112
Taxes			
Property tax	216,587	47,493	264,080
Other	4,054,885	100,597	4,155,482
Grants receivable	32,867	1,417,289	1,450,156
Subtotal	4,528,127	1,643,703	6,171,830
Less: Allowance for uncollectibles	(16)	-	(16)
Net receivables	<u>\$ 4,528,111</u>	<u>1,643,703</u>	<u>6,171,814</u>

Business-Type Funds

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Non-Major Funds</u>	<u>Total Business-Type</u>	<u>Internal Service Funds</u>
Accounts	\$ 4,924,231	406,858	87,847	5,418,936	-
Taxes					
Property tax	-	-	-	-	-
Other	684,106	-	-	684,106	-
Grants	77,876	-	-	77,876	-
Subtotal	5,686,213	406,858	87,847	6,180,918	-
Less: Allowance for uncollectibles	(227,612)	(20,654)	(5,331)	(253,597)	-
Net receivables	<u>\$ 5,458,601</u>	<u>386,204</u>	<u>82,516</u>	<u>5,927,321</u>	<u>-</u>

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NOTE 4 – INTERFUND BALANCES AND TRANSFERS

The City recorded interfund receivable/payable to reflect a temporary loan between funds. The purpose of the loans was to cover cash shortages until grant reimbursements could be obtained. All interfund receivables/payables are expected to be repaid within one year. Interfund balances as of June 30, 2019, are as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	Intergovernmental Grants (218)	\$ 105,000
General Fund	Gallup Detox (290)	350,000
General Fund	Community Development Block Grant (291)	375,000
General Fund	Legislative Appropriations (391)	385,000
Municipal Street (216)	General Fund	40,000
		<u>\$ 1,255,000</u>

The City recorded interfund transfers to reflect transfers of cash in accordance with the budget. Transfers and payments within the City are substantially for the purpose of subsidizing operating functions and funding capital projects, primarily street projects. All transfers made during the year were considered routine and were consistent with the general characteristics of the City's transfer policy. The composition of interfund transfers during the year ended June 30, 2019 is as follows:

		<u>Transfers In</u>						
		General	Non-Major Governmental Funds	Joint Utility Fund	Solid Waste	Non-Major Business-Type Funds	Internal Service Fund	Total
Transfers Out	General	\$ 1,664,342	2,703,287	602,915	-	-	-	4,970,544
	Non-Major Governmental Funds	661,202	249,072	-	-	90,000	-	1,000,274
	Joint Utility	3,894,199	1,600,000	7,594,322	-	-	-	13,088,521
	Solid Waste	313,493	-	74,019	-	-	-	387,512
	Non-Major Business -Type Funds	-	-	-	-	-	-	-
	Internal Service Fund	10,434	25,185	-	-	-	-	35,619
	Total	\$ 6,543,670	4,577,544	8,271,256	-	90,000	-	19,482,470

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NOTE 5 – CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2019, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and construction in progress are not subject to depreciation.

Governmental Activities	Balance				Balance
<i>includes Internal Service Funds</i>	June 30, 2018	Additions	Deletions	Transfers	June 30, 2019
Capital assets not being depreciated:					
Land	\$ 13,559,240	-	-	-	13,559,240
Construction in progress	183,688	851,180	-	-	1,034,868
Total capital assets not being depreciated	<u>13,742,928</u>	<u>851,180</u>	<u>-</u>	<u>-</u>	<u>14,594,108</u>
Capital assets being depreciated:					
Buildings	23,566,957	-	-	-	23,566,957
Other improvements	3,109,149	2,990,433	-	-	6,099,582
Equipment	13,536,671	1,755,426	(396,528)	-	14,895,569
Infrastructure	78,030,898	-	-	-	78,030,898
Total capital assets being depreciated	<u>118,243,675</u>	<u>4,745,859</u>	<u>(396,528)</u>	<u>-</u>	<u>122,593,006</u>
Total capital assets	<u>131,986,603</u>	<u>5,597,039</u>	<u>(396,528)</u>	<u>-</u>	<u>137,187,114</u>
Less accumulated depreciation:					
Buildings	(8,649,237)	(549,576)	-	-	(9,198,813)
Other improvements	(371,752)	(100,424)	-	-	(472,176)
Equipment	(8,931,788)	(1,438,723)	396,528	-	(9,973,983)
Infrastructure	(41,796,672)	(1,944,735)	-	-	(43,741,407)
Total accumulated depreciation	<u>(59,749,449)</u>	<u>(4,033,458)</u>	<u>396,528</u>	<u>-</u>	<u>(63,386,379)</u>
Total capital assets net of depreciation	\$ <u>72,237,154</u>	<u>1,563,581</u>	<u>-</u>	<u>-</u>	<u>73,800,735</u>
Business-Type Activities	Balance				Balance
	June 30, 2018	Additions	Deletions	Transfers	June 30, 2019
Capital assets not being depreciated:					
Land	\$ 2,834,940	20,600	-	-	2,855,540
Construction in progress	31,590,821	12,290,374	-	(2,805,687)	41,075,508
Total capital assets not being depreciated	<u>34,425,761</u>	<u>12,310,974</u>	<u>-</u>	<u>(2,805,687)</u>	<u>43,931,048</u>
Capital assets being depreciated:					
Buildings	32,841,052	-	-	-	32,841,052
Other improvements	533,386	-	-	-	533,386
Equipment	10,145,204	1,317,980	(507,362)	-	10,955,822
Infrastructure	52,091,614	1,407,447	-	2,805,687	56,304,748
Easement	-	18,200	-	-	18,200
Total capital assets being depreciated	<u>95,611,256</u>	<u>2,743,627</u>	<u>(507,362)</u>	<u>2,805,687</u>	<u>100,653,208</u>
Total capital assets	<u>130,037,017</u>	<u>15,054,601</u>	<u>(507,362)</u>	<u>-</u>	<u>144,584,256</u>
Less accumulated depreciation:					
Buildings	(12,524,654)	(711,921)	-	-	(13,236,575)
Other improvements	(51,702)	(13,292)	-	-	(64,994)
Equipment	(7,303,373)	(1,051,060)	507,362	-	(7,847,071)
Infrastructure	(26,941,272)	(1,228,310)	-	-	(28,169,582)
Easement	-	(265)	-	-	(265)
Total accumulated depreciation	<u>(46,821,001)</u>	<u>(3,004,848)</u>	<u>507,362</u>	<u>-</u>	<u>(49,318,487)</u>
Total capital assets net of depreciation	\$ <u>83,216,016</u>	<u>12,049,753</u>	<u>-</u>	<u>-</u>	<u>95,265,769</u>

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Depreciation expense for the year ended June 30, 2019 was charged to the following functions and funds:

Governmental activities:	
General government	\$ 1,069,955
Public safety	450,653
Public works	2,270,130
Culture and recreation	83,369
Health and welfare	<u>157,567</u>
Total	4,031,674
Internal Service Fund	<u>1,784</u>
Total governmental activities	<u>\$ 4,033,458</u>
Business type activities:	
Solid Waste	547,081
Joint Utility	2,454,867
Fitness Center	<u>2,900</u>
Total business-type activities	<u>\$ 3,004,848</u>

NOTE 6 – LONG-TERM DEBT

The governmental 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, 2019:

	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>	<u>Due Within</u>
	<u>June 30, 2018</u>			<u>June 30, 2019</u>	<u>One Year</u>
Governmental Activities:					
General obligation bonds	\$ 5,520,000	-	(180,000)	5,340,000	190,000
Revenue bonds	14,380,000	-	(1,515,000)	12,865,000	1,560,000
Notes payable	636,660	-	(117,410)	519,250	122,141
Compensated absences	1,357,097	954,004	(890,725)	1,420,376	923,244
Net pension liability	26,569,506	7,362,921	(1,656,877)	32,275,550	-
Net OPEB liability	13,139,579	1,547,242	-	14,686,821	-
Total governmental activities	<u>\$ 61,602,842</u>	<u>9,864,167</u>	<u>(4,360,012)</u>	<u>67,106,997</u>	<u>2,795,385</u>
Business-type Activities:					
Revenue bonds	\$ 8,565,000	-	(1,765,000)	6,800,000	1,795,000
Notes payable	6,150,489	2,322,693	(334,127)	8,139,055	334,962
Compensated absences	357,332	175,131	(205,926)	326,537	212,249
Net pension liability	5,410,122	1,365,053	(305,550)	6,469,625	-
Net OPEB liability	3,266,437	377,667	-	3,644,104	-
Landfill liability	270,418	216,582	-	487,000	-
Total business-type activities	<u>\$ 24,019,798</u>	<u>4,457,126</u>	<u>(2,610,603)</u>	<u>25,866,321</u>	<u>2,342,211</u>
Total City	<u>\$ 85,622,640</u>	<u>14,321,293</u>	<u>(6,970,615)</u>	<u>92,973,318</u>	<u>5,137,596</u>

**STATE OF NEW MEXICO
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A. Governmental Activities Debt:

General Obligation Bonds

The general obligation bonds are as follows:

<u>Description</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance June 30, 2019</u>
GO Bond Series 2011	2/24/2011	6/1/2020	3.00-4.00%	\$ 3,630,000	500,000
GO Bond Series 2017	2/17/2017	8/31/2031	1.367-3.40%	5,365,000	4,840,000
				<u>\$ 8,995,000</u>	<u>5,340,000</u>

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The GO Bond Series 2011 is a 10-year bond and the GO Bond Series 2017 is a 15-year bond with equal amounts of principal maturing each year. Principal is paid annually each August and interest is paid semi-annually each February and August.

This debt is secured with legally pledged revenues. There are no finance-related default consequences, termination event consequences, or subjective acceleration clauses specified in the debt agreement.

Pledged Revenues

Ordinance S2010-2 has dedicated the basic ad valorem property tax security for payment of the Bond. The ordinance provides further security by pledging the full faith and credit of the City for the payment of the principal of and interest on the Series 2011 and 2017 Bonds when due. Included in such pledge are all funds of the City, except those specifically limited to another use or prohibited from use for such debt service by the State Constitution, state or federal law, revenue bond trust agreements or City ordinances pledging funds for payment of revenue bonds.

The following are the revenues pledged for each GO Bond for the fiscal year ended June 30, 2019:

- GO Bonds Series 2011 - \$16,800
- GO Bonds Series 2017 – \$315,351

The annual requirements to amortize the *GO Bonds* outstanding as of June 30, 2019, including interest payments are as follows:

GO Bonds Series 2011

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ -	10,200	10,200
2021	500,000	3,400	503,400
2022	-	3,400	3,400
2023	-	-	-
2024	-	-	-
2025-2029	-	-	-
2030-2034	-	-	-
	<u>\$ 500,000</u>	<u>17,000</u>	<u>517,000</u>

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GO Bonds Series 2017

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 180,000	132,195	312,195
2021	190,000	128,521	318,521
2022	370,000	122,410	492,410
2023	380,000	113,788	493,788
2024	390,000	104,416	494,416
2025-2029	2,070,000	356,617	2,426,617
2030-2034	1,260,000	62,412	1,322,412
	<u>\$ 4,840,000</u>	<u>1,020,359</u>	<u>5,860,359</u>

Gross Receipts Tax Revenue Bonds

The GRT revenue bonds are as follows:

Description	Date of Issue	Maturity	Interest Rate	Amount of Original Issue	Balance June 30, 2019
GRT Improvement Revenue Bond Series 2010A	6/30/2010	6/1/1930	2.00-3.00%	\$ 11,910,000	7,715,000
GRT Refunding Revenue Bond Series 2012	9/27/2012	6/1/2024	2.17%	9,325,000	5,150,000
				<u>\$ 21,235,000</u>	<u>12,865,000</u>

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. These bonds provided funds for the construction of many City capital improvements.

This debt is secured with legally pledged revenues. There are no finance-related default consequences, termination event consequences, or subjective acceleration clauses specified in the debt agreement.

Pledged Revenues

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%. Ordinance S2012-2 has dedicated GRT revenue derived pursuant to Section 7-9-4 NMSA 1978, imposed on persons engaging in business in the State, which revenues are remitted monthly by the Revenue Division of the Taxation and Revenue Department of the State to the City as authorized by Sections 7-1-6.1 and 7-1-6.4 NMSA 1978, and which remittances as of the date of adoption of the Bond Ordinance are equal to one and two hundred twenty-five thousandths percent (1.225%) of the taxable gross receipts reports to the City for the month for which such remittance is made; provided that if a greater amount of such gross receipts tax revenues are hereafter provide to be remitted to the City under applicable law, such additional amounts shall be included as revenues pledged pursuant to the Bond Ordinance; and provided further that the amount of revenues pledged pursuant to the Bond Ordinance shall never be less than the greater of: (i) 1.225% of the taxable gross receipts remitted to the City as set forth above or (ii) the maximum amount at any time provided hereinafter to be remitted to the City under applicable law.

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The following are the revenues pledged for each Gross Receipts Tax Revenue Bond for the fiscal year ended June 30, 2019:

- Infrastructure Sales Tax Revenue Bonds Series 2010A - \$892,002
- Refunding Revenue Bonds Series 2012 - \$1,097,696

The annual requirements to amortize the *GRT Revenue Bonds* outstanding as of June 30, 2019, including interest payments are as follows:

Infrastructure Sales Tax Revenue Bonds Series 2010A

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 575,000	313,814	888,814
2021	595,000	293,689	888,689
2022	615,000	272,864	887,864
2023	640,000	248,264	888,264
2024	670,000	222,664	892,664
2025-2029	3,765,000	687,966	4,452,966
2030-2034	855,000	37,406	892,406
	<u>\$ 7,715,000</u>	<u>2,076,667</u>	<u>9,791,667</u>

Refunding Revenue Bonds Series 2012

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 985,000	111,754	1,096,754
2021	1,010,000	90,380	1,100,380
2022	1,030,000	68,464	1,098,464
2023	1,050,000	46,112	1,096,112
2024	1,075,000	23,328	1,098,328
2025-2029	-	-	-
2030-2034	-	-	-
	<u>\$ 5,150,000</u>	<u>340,038</u>	<u>5,490,038</u>

Total Revenue and GO Bonds

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 1,740,000	567,963	2,307,963
2021	2,295,000	515,990	2,810,990
2022	2,015,000	467,138	2,482,138
2023	2,070,000	408,164	2,478,164
2024	2,135,000	350,408	2,485,408
2025-2029	5,835,000	1,044,583	6,879,583
2030-2034	2,115,000	99,818	2,214,818
	<u>\$ 18,205,000</u>	<u>3,454,064</u>	<u>21,659,064</u>

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Notes Payable

The loan is as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance June 30, 2019</u>
NMFA 4 - Westside Fire Station	6/29/2007	5/1/2022	3.42-3.86%	\$ 1,452,605	519,250

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.

This debt is secured with legally pledged revenues. There are no finance-related default consequences, termination event consequences, or subjective acceleration clauses specified in the debt agreement.

Pledged Revenues

The City has entered into a loan agreement with NMFA and had pledged finds from the State's Fire Protection fund to pay principal and interest annually. Pledged revenues for the fiscal year ended June 30, 2019 totaled \$143,320.

The annual requirements to amortize the *NMFA 2015-PP – Westside Fire Station* outstanding as of June 30, 2019, including interest payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 122,141	19,892	142,033
2021	127,101	15,251	142,352
2022	132,287	10,395	142,682
2023	137,721	5,316	143,037
2024	-	-	-
2025-2029	-	-	-
2030-2034	-	-	-
	<u>\$ 519,250</u>	<u>50,854</u>	<u>570,104</u>

B. Business-Type Activities Debt:

Revenue Bonds

The revenue bond is as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance June 30, 2019</u>
Joint Water and Sewer Revenue Bonds Series 2012	6/1/2013	6/1/2025	1.94%	\$ 20,290,000	6,800,000

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

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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%.

This debt is secured with legally pledged revenues. There are no finance-related default consequences, termination event consequences, or subjective acceleration clauses specified in the debt agreement.

Pledged Revenues

Ordinance S2012-3 has pledged future revenues from the water and wastewater system, net of operation and maintenance expenses, to the payment of interest on and principal of 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. Pledged revenues for the fiscal year ended June 30, 2019 totaled \$1,931,162.

The annual requirements to amortize the *Joint Water and Sewer Refunding Revenue Bonds Series 2012* outstanding as of June 30, 2019, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 1,795,000	131,920	1,926,920
2021	1,030,000	97,097	1,127,097
2022	1,050,000	77,115	1,127,115
2023	1,070,000	56,745	1,126,745
2024	920,000	35,987	955,987
2025-2029	935,000	18,139	953,139
2030-2034	-	-	-
	<u>\$ 6,800,000</u>	<u>417,003</u>	<u>7,217,003</u>

Notes Payable

Notes payables are as follows:

Description	Date of Issue	Maturity	Interest Rate	Original Issue	June 30, 2019
NMFA 8 - Storage Tank	3/22/2013	6/1/2032	0.25%	\$ 1,748,652	1,168,364
NMFA 9 - Water Tank	10/19/2012	6/1/2032	0.25%	1,515,534	1,034,490
NMFA 11- Water Project	9/18/2015	6/1/2035	0.25%	1,600,000	1,305,267
NMFA 12 - Water System	3/4/2016	6/1/2035	0.25%	1,718,067	1,434,356
NMFA WPF 4338 - Waterline Installation	12/14/2018	6/1/2040	0.25%	997,352	997,352
NMED Loan CWSRF 065	10/24/2017	4/30/2021	0.60%	2,240,000	2,199,226
				<u>\$ 9,819,605</u>	<u>8,139,055</u>

The City has issued low interest rate loans provided by intergovernmental agencies for the construction of major capital facilities. The City has five notes with NMFA in their business-type funds.

1. 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

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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 0.25%, annually, of the unpaid principal balance of the loan amount.

2. 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 0.25%, annually, of the unpaid principal balance of the loan amount.
3. The Joint Utilities Fund received a loan of \$1,600,000 from the New Mexico Finance Authority. These funds secured the construction of the Navajo Gallup Water Supply. The loan closed September 18, 2015 and the City's first payment was due on June 1, 2016. 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 0.25%, annually, of the unpaid principal balance of the loan amount.
4. The Joint Utilities Fund received a loan of \$1,718,067 from the New Mexico Finance Authority. These funds are for the purpose of financing the cost of planning, design, and construction of multiple storage tanks, a pump station, and metering station. The loan closed March 4, 2016 and the City's first payment was due on June 1, 2016. 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 0.25%, annually, of the unpaid principal balance of the loan amount.
5. The Joint Utilities Fund received a loan of \$997,532 from the New Mexico Finance Authority. These funds are for the purpose of financing the cost of storage, conveyance and delivery of water to end users. In particular, the Project will consist of the installation of a 24inch waterline from the terminus of Project 5 to the Gallup Water System, extending approximately 3.2 miles, and shall include such other related work and revisions necessary to complete the Project. The loan closed December 14, 2018 and the City's first payment is due on June 1, 2021. 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 0.25%, annually, of the unpaid principal balance of the loan amount.

The following details the default consequences, termination event consequences, or subjective acceleration clauses specified in all NMFA debt agreements.

Whenever any Event of Default has occurred and is continuing and subject to section Remedies on Default, hereof, the Lender/Grantor may take any or all of the following actions as may appear necessary or desirable to collect the payments then due and to become due or to enforce performance of any obligations of the Borrower/Grantee in this Agreement:

- a) File a mandamus proceeding or other action or proceeding or suit at law or in equity to compel the Borrower/Grantee to perform or carry out its duties under the law and the agreements and covenants required to be performed by it contained herein;
- b) Terminate this Agreement;
- c) Cease disbursing any further amounts from the Project Account;
- d) Demand that the Borrower/Grantee immediately repay the Loan/Grant Amount or any portion thereof if such funds were not utilized in accordance with this Agreement;
- e) File a suit in equity to enjoin any acts or things which are unlawful or violate the rights of

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- the Lender/Granter;
- f) Intervene in judicial proceedings that affect this Agreement or the Pledged Revenues; or
 - g) Cause the Borrower/Grantee to account as if it were the trustee of an express trust for all of the Pledged Revenues;
 - h) Take whatever other action at law or in equity may appear necessary or desirable to collect amounts then due and thereafter to become due under this Agreement or to enforce any other of its rights hereunder; or
 - i) Apply any amounts in the Project Account toward satisfaction of any and all fees and costs incurred in enforcing the terms of this Agreement.

The City has issued low interest rate loans provided by intergovernmental agencies for the construction of major capital facilities. The City has one note with NMED in their business-type funds.

1. The Joint Utilities Fund received approval for a loan of up to \$1,925,000 from the New Mexico Environment Department. In June 2018, the agreement was amended to increase the loan to \$2,240,000 in total. These funds are for the purpose of financing the cost of renovations and repairs to the City's wastewater facility. The loan closed October 24, 2017. The City's first payment is not due until one year after completion of the project. The loan will then be repaid over a twenty (20) year period. The loans interest is 0.6%, annually, from the date of each respective disbursement annually until paid in full. As of June 30, 2019, the project is still in process and no principal or interest payments are yet due or scheduled. As a result, no annual future payment schedule is disclosed.

The following details the default consequences, termination event consequences, or subjective acceleration clauses specified in the NMED debt agreement.

Upon occurrence of an event of default:

1. The entire unpaid amount of the Agreement and Interim and Final Promissory Note may be declared by the NMED to be immediately due and payable and the Borrower shall pay the amounts due under the Agreement and Interim and Final Promissory Note from the Pledged Funds, either immediately or in the manner required by NMED in its declaration.
2. If the event of default is under clause 1 of Subsection H of Section VIII. COVENANTS, NMED is authorized to set water and wastewater user rates in the area of the Borrower's jurisdiction in order to provide sufficient money for repayment, on scheduled due dates of the loan and proper operation and maintenance of the System. Funds sufficient to provide for repayment, on scheduled due dates of the loan and proper operation and maintenance of the System shall be identified through a rate-setting analysis that will ensure enough revenue to cover yearly expenses and emergencies, a reserve fund for non-major capital items and equitable pay for staff. The rate setting analysis may be reviewed and changed on a yearly basis if necessary.
3. If default by the Borrower is of covenants or conditions required under the Agreement, the Borrower may be required to refund the amount of the loan disbursed to the Borrower from NMED.
4. NMED shall have no further obligation to make disbursements to the Borrower under the Agreement and may pursue any other appropriate remedies.

Pledged Revenues

The City has pledged utility revenues for the five loans with NMFA and the one NMED loan in their business-type funds. These debts are secured with legally pledged revenues. The pledged revenues shall be in an amount sufficient to pay principal, premium, if any, interest, administrative fees, and other amounts due under the loan agreement. There is a lien on the

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pledged revenues subordinate to all other liens thereon present and future, except that the lien on the Pledged Revenues of any future loans from the Lender/Grantor to the Borrower/Grantee pursuant to the Water Project Finance Act or the Colonias Infrastructure Act, secured by the Pledged Revenues shall be on a parity with this Loan/Grant.

The following are the revenues pledged for each loan for the fiscal year ended June 30, 2019:

- NMFA Gallup 8 WTB-0215 – Gameraco Storage Tank Pipeline - \$91,455
- NMFA Gallup 9 WTB-0215 – Navajo Gallup Water Supply - \$81,066
- NMFA Gallup 11 WTB-0283 – Water Project - \$83,323
- NMFA Gallup 12 WTB-0334 – Storage Tank/Waterline/Pump Station Project - \$91,564
- NMFA WPF-4338 – Waterline Installation – None in fiscal year 2019
- NMED CWSRF 065 – Clean Water State Revolving Loan Fund – None in fiscal year 2019

The annual requirements to amortize the *Notes Payable* outstanding as of June 30, 2019, including interest payments are as follows:

NMFA Gallup 8 WTB-0215 – Gameraco Storage Tank Pipeline

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 88,534	2,921	91,455
2021	88,755	2,700	91,455
2022	88,977	2,478	91,455
2023	89,200	2,255	91,455
2024	89,423	2,032	91,455
2025-2029	450,477	6,798	457,275
2030-2034	272,998	1,367	274,365
2035-2039	-	-	-
	<u>\$ 1,168,364</u>	<u>20,551</u>	<u>1,188,915</u>

NMFA Gallup 9 WTB-0215 – Navajo Gallup Water Supply

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 78,390	2,586	80,976
2021	78,585	2,390	80,975
2022	78,782	2,194	80,976
2023	78,979	1,997	80,976
2024	79,176	1,799	80,975
2025-2029	398,861	6,018	404,879
2030-2034	241,717	1,209	242,926
2035-2039	-	-	-
	<u>\$ 1,034,490</u>	<u>18,193</u>	<u>1,052,683</u>

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NMFA Gallup 11 WTB-0283 – Water Project

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 80,060	3,263	83,323
2021	80,261	3,063	83,324
2022	80,461	2,862	83,323
2023	80,662	2,661	83,323
2024	80,864	2,460	83,324
2025-2029	407,363	9,555	416,918
2030-2034	412,480	4,760	417,240
2035-2039	83,116	208	83,324
	<u>\$ 1,305,267</u>	<u>28,832</u>	<u>1,334,099</u>

NMFA Gallup 12 WTB-0334 – Storage Tank/Waterline/Pump Station Project

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 87,978	3,586	91,564
2021	88,198	3,366	91,564
2022	88,419	3,145	91,564
2023	88,640	2,924	91,564
2024	88,861	2,703	91,564
2025-2029	447,650	10,171	457,821
2030-2034	453,274	4,547	457,821
2035-2039	91,336	228	91,564
	<u>\$ 1,434,356</u>	<u>30,670</u>	<u>1,465,026</u>

NMFA WPF-4338 – Waterline Installation

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ -	-	-
2021	44,915	6,476	51,391
2022	49,010	2,381	51,391
2023	49,132	2,259	51,391
2024	49,255	2,136	51,391
2025-2029	248,129	8,825	256,954
2030-2034	251,246	5,708	256,954
2035-2039	254,402	2,552	256,954
2040-2044	51,263	128	51,391
	<u>\$ 997,352</u>	<u>30,465</u>	<u>1,027,817</u>

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Total Business-Type Notes Payable

Fiscal Year		Principal	Interest	Total Debt
Ending June 30,				Service
2020	\$	334,962	12,356	347,318
2021		380,714	17,995	398,709
2022		385,649	13,060	398,709
2023		386,613	12,096	398,709
2024		387,579	11,130	398,709
2025-2029		1,952,480	41,367	1,993,847
2030-2034		1,631,715	17,591	1,649,306
2035-2039		428,854	2,988	431,842
2040-2044		51,263	128	51,391
	\$	<u>5,939,829</u>	<u>128,711</u>	<u>6,068,540</u>

Landfill Liability

As of July 18, 2018, the City had a cost estimate to conduct post-closure care activities at the former Gallup Landfill (landfill) for the remainder of the post-closure care period. The present value at that time amortized over the remaining 13 years at a discount rate of 2.25% is \$487,000. This liability will be offset by costs the city incurs relating to; performing landfill inspections, record keeping, and reporting in accordance with the post-closure care plan; performing maintenance on the final landfill cover and site vegetation; inspecting and repairing site fencing and/or security; performing environmental monitoring including landfill gas and groundwater; and a contingency for installing one new groundwater monitoring well within the landfill vicinity.

NOTE 7 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The City established limited risk management programs for workers' compensation (as discussed below) and unemployment claims. Premiums for unemployment claims are paid to the appropriate internal service fund by all other funds and are available to pay claims, claims reserves, and administrative costs of the program.

Effective January 1, 1991, the City established a limited risk management program for workers' compensation. The City contracted with the New Mexico Self Insurer Fund (Fund) as administrator for this program. At the beginning of each policy period, the City pays a retention premium which covers expenses of the Fund, including, but not limited to, reinsurance expenses, claims adjusting, rating and underwriting, safety and loss control, reporting and administration. In the retention rating year (1/1/91 – 1/1/92), the City paid a "loss fund deposit" to the Fund equal to 15% of the estimated "manual premium". This deposit is retained by the Fund for the benefit of the City in paying all applicable claims and costs for all policy periods. Each anniversary date, the deposit will be reviewed and revised if necessary. The City's self-insured specific retention is \$250,000 per accident, with aggregate of 150% of the "manual premium" for a policy period.

The City accounts for this program in its Internal Service Fund, Workers Compensation. The Workers Compensation Fund allocates the cost of providing claim servicing and claim payments by charging a "premium" to each participating governmental and business-type activities fund, based on each fund's percentage of the estimated "manual premium". This charge considers recent trends in actual claims experience and makes provision for catastrophic loss.

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The Workers Compensation fund liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payout), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claims adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Settlements have not exceeded coverage for the current fiscal year.

The City continues to carry commercial insurance for all other risks. The City is in the process of establishing a fund for property and liability self-insurance. As of June 30, 2019, no claims activity had taken place in the fund. The only activity for the year ended June 30, 2019 consisted of interest earned from the fund's bank account.

NOTE 8 – PERA PENSION PLAN

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

Funding Policy – Plan members are required to contribute the following percentages of their gross salary: 17.8% for law enforcement, 17.7% for fire protection; and 14.65% for municipal employees. The City was required to contribute the following percentages of the gross covered salary: 18.90% for law enforcement plan members, 21.65% for fire protection plan members; and 9.55% for municipal plan members. The contribution requirements of plan members and the City of Gallup are established in State Statute under Chapter 10, Article 11 NMSA 1978. Additionally, the City has elected to adopt the 75% pick-up provision allowed by state statute thereby reducing all employee contributions.

The following table details the actual contribution rates:

Categories	City with Pick-Up	Employee	Total
Regular > \$20,000	20.53%	3.67%	24.20%
Regular < \$20,000	19.41%	3.29%	22.70%
Police Officers	32.07%	4.63%	36.70%
Firefighters	34.74%	4.61%	39.35%

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The City's contributions to PERA for the following fiscal years is identified below:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City contributions	\$ 1,997,675	1,962,426	1,885,639
City contributions picked up on behalf of employee	1,760,446	1,784,614	1,693,839
Employee contributions	<u>601,860</u>	<u>590,426</u>	<u>568,177</u>
	<u>\$ 4,359,981</u>	<u>4,337,466</u>	<u>4,147,655</u>

NOTE 9 – PENSION PLAN AND POST-EMPLOYMENT BENEFITS

General Information about the Pension Plan

Plan description. *Public Employees Retirement Fund* is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits provided. Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II. The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent.

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The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions. See PERA’s publicly available financial report and comprehensive annual financial report obtained at <http://saonm.org/> using the Audit Report Search function for agency 366, for the employer and employee contribution rates in effect for fiscal year 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions; At June 30, 2019, the City reported a liability of \$38,745,175 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The City’s proportion of the net pension liability was based on a projection of the City long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the City’s proportion was 1.3284%, which was an increase of 0.0501% from its proportion measured as of June 30, 2017.

For PERA Fund Division; Municipal General Division, at June 30, 2019, the City reported a liability of \$18,115,234 for its proportionate share of the net pension liability. At June 30, 2018, the City’s proportion was 1.1362%, which was an increase of 0.0805% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the City recognized PERA Fund Division; Municipal General Division pension expense of \$2,427,373. At June 30, 2019, the City reported PERA Fund Division; Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

<u>Municipal General Division</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 523,567	475,609
Changes of assumptions	1,642,402	104,156
Net difference between projected and actual earnings on pension plan investments	1,343,517	-
Change in proportion and differences between the City contributions and proportionate share of contributions	868,290	45,431
The City contributions subsequent to the measurement date	<u>932,500</u>	-
Total	<u>\$ 5,310,276</u>	<u>625,196</u>

\$932,500 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2020	\$ 2,198,864
2021	1,060,467
2022	423,375
2023	69,874
2024	-
Thereafter	-

For PERA Fund Division; Municipal Police Division, at June 30, 2019, the City reported a liability of \$10,319,170 for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was 1.5124%, which was an increase of 0.0361% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the City recognized PERA Fund Division; Municipal Police Division pension expense of \$1,097,249. At June 30, 2019, the City reported PERA Fund Division; Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Municipal Police Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 505,179	1,022,897
Changes of assumptions	1,177,431	63,085
Net difference between projected and actual earnings on pension plan investments	710,106	-
Change in proportion and differences between the City contributions and proportionate share of contributions	176,046	301,715
The City contributions subsequent to the measurement date	618,041	-
Total	\$ 3,186,803	1,387,697

\$618,041 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2020	\$ 753,492
2021	98,774
2022	291,169
2023	37,630
2024	-
Thereafter	-

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For PERA Fund Division; Municipal Fire Division, at June 30, 2019, the City reported a liability of \$10,310,771 for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was 1.6109%, which was a decrease of 0.0096% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the City recognized PERA Fund Division; Municipal Fire Division pension expense of \$929,534. At June 30, 2019, the City reported PERA Fund Division; Municipal Fire Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

<u>Municipal Fire Division</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 165,696	751,962
Changes of assumptions	595,481	37,650
Net difference between projected and actual earnings on pension plan investments	361,572	-
Change in proportion and differences between the City contributions and proportionate share of contributions	37,151	352,207
The City contributions subsequent to the measurement date	447,134	-
Total	<u>\$ 1,607,034</u>	<u>1,141,819</u>

\$447,134 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Amount
<u>June 30:</u>	<u>Amount</u>
2020	\$ 95,694
2021	(159,899)
2022	64,236
2023	18,050
2024	-
Thereafter	-

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Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	
Actuarial assumptions	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	2.75% to 13.50% annual rate
Includes inflation at	2.50%
	2.75% all other years
Mortality assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>All Funds - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	20.00%	6.48%
Total	<u>100.00%</u>	

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Discount rate. A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate. The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the employer name’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

PERA Fund Division	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Municipal General Division	\$ 27,914,361	18,115,234	10,014,687
Municipal Police Division	\$ 15,866,648	10,319,170	5,796,660
Municipal Fire Division	\$ 13,764,095	10,310,771	7,481,779

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERA financial reports, available at <http://www.nmpera.org/>.

Payable Changes in the Net Pension Liability. At June 30, 2019, the City reported a payable of \$139,862 for outstanding contributions due to PERA.

NOTE 10 – POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN

The City 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 (NMRHCA). The NMRHCA 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 NMRHCA 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.

The City’s contributions to RHCA for the following fiscal years is identified below:

	2019	2018	2017
City contributions	\$ 328,917	322,609	310,785
Employee contributions	151,891	161,272	155,421
Total contributions	\$ 480,808	483,881	466,206

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CITY OF GALLUP
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11 – OPEB

General Information about the OPEB

Plan description. Employees of the City are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

Benefits provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms – At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	156,025
 Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	93,349

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the City were \$328,917 for the year ended June 30, 2019.

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the City reported a liability of \$18,330,925 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the City's proportion was 0.42156 percent.

For the year ended June 30, 2019, the City recognized OPEB expense of \$554,603. At June 30, 2019 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	1,085,308
Net difference between actual and projected earnings on OPEB plan investments	-	228,763
Changes of assumptions	-	3,422,302
Changes of proportion	2,732,728	-
Contributions subsequent to the measurement date	328,917	-
Total	<u>\$ 3,061,645</u>	<u>4,736,373</u>

Deferred outflows of resources totaling \$328,917 represent City contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended		Amount
June 30:		
2020	\$	(624,442)
2021		(624,442)
2022		(624,442)
2023		(350,369)
2024		220,050
Total	\$	<u>(2,003,645)</u>

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Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions	
Inflation	2.50% for ERB members, 2.25% for PERA members
Projected salary increases	3.25% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females). PERA members: RP-2000 Combined Healthy Mortality

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	2.10%
U.S. equity - large cap	7.10%
Non U.S. Emerging markets	10.20%
Non U.S. - developed equities	7.80%
Private Equity	11.80%
Credit and Structured finance	5.30%
Real Estate	4.90%
Absolute Return	4.10%
U.S. equity - small/mid cap	7.10%

Discount Rate. The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the

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Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

<u>1% Decrease (3.08%)</u>	<u>Current Discount (4.08%)</u>	<u>1% Increase (5.08%)</u>
\$ 22,184,735	\$ 18,330,925	\$ 15,293,263

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
\$ 15,496,058	\$ 18,330,925	\$ 20,553,524

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2018.

Payable Changes in the Net OPEB Liability. At June 30, 2019, the City reported no payables of outstanding contributions due to NMRHCA.

NOTE 12 – DEFERRED COMPENSATION 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 \$255,850 for Nationwide and \$3,380 for ICMA for the year ended June 30, 2019.

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.

**STATE OF NEW MEXICO
CITY OF GALLUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14 – CONTINGENCIES

The City of Gallup is a party in various lawsuits. The City is insured by the New Mexico Self Insurers Fund. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

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 15 – DEFICIT FUND BALANCES

The following funds incurred a deficit fund balance at June 30, 2019:

<u>Fund</u>	<u>Amount</u>
Law Enforcement (211)	\$ (26,022)
Gallup Detox (290)	\$ (230,560)

Management intends to transfer sufficient funds from General Fund to cover any deficits.

NOTE 16 – OPERATING LEASES

The reporting entity has entered into a number of operating leases, which contain cancellation provisions and are subject to annual appropriations. The rent expenditures for these leases were primarily from the General Fund. Future minimum lease payments are:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 303,225
2021	277,127
2022	272,805
2023	247,670
2024	151,794
Thereafter	<u>109,351</u>
	<u>\$ 1,361,972</u>

Lease expenditures for the year ended June 30, 2019 were approximately \$565,196.

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CITY OF GALLUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 17 – COMMITMENTS

The City has the following projects under construction. Below is a summary list of the projects as of June 30, 2019:

Project	Total Cost	Amount Expensed as of June 30, 2019	Percent Complete	Estimated Date of Completion
Airport Design Runway	\$ 238,757	193,691	81%	6/30/2020
Airport Runway	3,900,347	3,675,346	94%	6/30/2020
Airport Taxiway	404,748	110,744	27%	6/30/2020
Alley 1st-2nd Phase I	840,000	27,349	3%	6/30/2020
Allison Substation (elec)	1,500,000	22,053	1%	6/30/2020
Cecil Garcia Fitness Ctr	48,633	47,670	98%	6/30/2020
Church Rock Street Lighting	1,455,024	448,088	31%	6/30/2020
Ciniza Drive Reconstruction	2,132,150	599,529	28%	6/30/2020
Drainage/Right of Way	3,139,232	185,716	6%	6/30/2020
Electrical System Improv/City Hall	445,000	89,764	20%	6/30/2020
Electric Building Vehicle Storage	750,000	11,755	2%	6/30/2020
Fiberoptic	202,784	63,461	31%	6/30/2020
Ford Canyon Shade	106,000	43,451	41%	6/30/2020
Golf Course Reconstruction	3,798,038	2,926,578	77%	12/31/2018
Harold Runnels Roof	61,917	8,401	14%	6/30/2020
Hassler Rd Storm Improvement	1,518,633	234,734	15%	6/30/2020
Heaton Pump Station	5,000	2,324	46%	6/30/2020
Navajo Gallup	26,612,549	17,867,187	67%	6/30/2025
Navajo Gallup NMFA	4,000,000	4,000,000	100%	6/30/2025
Navajo Gallup Reach 27.7 a +27.13	4,295,167	4,295,167	100%	6/30/2025
Rehoboth School/Gym Conversion	7,500	1,576	21%	6/30/2020
Sewer Plant Upgrades	2,240,000	543,045	24%	6/30/2020
Sewer Verdi Dr	205,060	197,237	96%	6/30/2020
Sky City Phase IV	18,803	26,792	142%	6/30/2020
Solid Waste Facility	6,349,964	3,200,387	50%	6/30/2020
Sports Complex Turf	164,871	34,094	21%	6/30/2020
Underfrequency Load/Sunshine Substation	150,000	55,423	37%	6/30/2020
Veterans Cemetery Road	410,500	369,353	90%	6/30/2020
Water Dist Rehab	152,978	65,798	43%	6/30/2020
Water Line Replacement Hwy 491	1,410,000	125,536	9%	6/30/2020
Water Well 11 Rehab	510,000	24,617	5%	6/30/2020
Waterline Park to Grandview	1,000,000	919,518	92%	6/30/2020
WW Influent Lift	290,000	24,795	9%	6/30/2020
WW Jefferson/Stron	275,000	235,915	86%	6/30/2020
WW Shalimar/Applebee's	200,000	89,120	45%	6/30/2020
WW to Airport	150,000	18,817	13%	6/30/2020
WWTP Capital Upgrades	2,955,444	1,325,341	45%	6/30/2020
	<u>\$ 71,944,099</u>	<u>42,110,371</u>		

NOTE 18 – SIGNIFICANT TRANSACTIONS BETWEEN CITY OF GALLUP AND GALLUP HOUSING AUTHORITY

Gallup Housing Authority, a component unit of the City of Gallup, granted the City of Gallup \$150,000 of Public Housing Capital Fund Program federal funds (CFDA #14.872) in fiscal year 2019. The funds were for the City's Sky City Phase IV project.

**STATE OF NEW MEXICO
CITY OF GALLUP
FOR THE YEAR ENDED JUNE 30, 2019**

NONMAJOR SPECIAL REVENUE FUNDS

Corrections Fees (201) – To account 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) (206) – To account 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 (209) – To account 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 (211) – To account 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.

Library (213) – To account 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 (214) – To account for the resources from the lodger’s 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 Street Fund (216) – To account for resources received from the one-cent gasoline tax imposed by Section 71-6.27 NMSA 1978. The funds are to be used for the reconstruction, resurfacing, maintaining and repairing, or other improvement of existing or new alleys, streets, roads, or bridges.

Juvenile Recreation (217) - To account 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 (218) – To account for the resources from various City governmental grants. These funds are to be spent on expenditures outlines in the grant awards (Resolution R2002-10).

Senior Citizens (219) – To account 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).

Gallup Detox (290) – To account for funding from McKinley liquor excise tax to support building maintenance upgrades.

**STATE OF NEW MEXICO
CITY OF GALLUP
FOR THE YEAR ENDED JUNE 30, 2019**

Community Development Block Grant (CDBG) (291) – To account for the accumulation of resources received from the US 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).

Business Improvement District (293) – To account for the accumulation of resources received from a property owner assessment. These funds are to be spent on improvements in the Downtown area.

**STATE OF NEW MEXICO
CITY OF GALLUP
FOR THE YEAR ENDED JUNE 30, 2019**

NONMAJOR CAPITAL PROJECTS FUNDS

Airport (308) – To account for the costs associated with Airport improvements.

Legislative Appropriations (391) – To account 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.

Public Works (399) – To account for the financial resources for various capital construction projects. Transfers from various funds and grants from the State of New Mexico Provide resources for the construction projects.

**STATE OF NEW MEXICO
CITY OF GALLUP
FOR THE YEAR ENDED JUNE 30, 2019**

NONMAJOR DEBT SERVICE FUNDS

Debt Service Fund – Accounts for the accumulation of resources for the payment of principal and interest for all debt relating to governmental funds. The resources of this fund are generated by the City's share of the gross receipts tax and lodger's tax.

**STATE OF NEW MEXICO
CITY OF GALLUP
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019**

	Special Revenue Funds	Capital Projects Funds	Debt Service	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 2,737,833	1,148,355	1,261,943	5,148,131
Restricted cash	36	-	138,979	139,015
Investments	1,054,733	-	252,228	1,306,961
Receivables				
Property taxes	-	-	47,493	47,493
Other taxes	100,597	-	-	100,597
Grants receivable	1,009,863	407,426	-	1,417,289
Accounts receivables, net	78,324	-	-	78,324
<i>Total assets</i>	<u>\$ 4,981,386</u>	<u>1,555,781</u>	<u>1,700,643</u>	<u>8,237,810</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
Accounts payable	\$ 669,261	158,883	-	828,144
Accrued payroll expenses	107,338	-	-	107,338
Due to other funds	830,000	385,000	-	1,215,000
<i>Total liabilities</i>	<u>1,606,599</u>	<u>543,883</u>	<u>-</u>	<u>2,150,482</u>
<i>Deferred inflows of resources</i>				
Deferred inflows - property taxes	-	-	29,478	29,478
<i>Total Liabilities and Deferred Inflow of Resources</i>	<u>1,606,599</u>	<u>543,883</u>	<u>29,478</u>	<u>2,179,960</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Restricted	3,631,369	1,011,898	-	4,643,267
Committed	-	-	1,671,165	1,671,165
Assigned	-	-	-	-
Unassigned	(256,582)	-	-	(256,582)
<i>Total fund balances</i>	<u>3,374,787</u>	<u>1,011,898</u>	<u>1,671,165</u>	<u>6,057,850</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 4,981,386</u>	<u>1,555,781</u>	<u>1,700,643</u>	<u>8,237,810</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds	Capital Projects Funds	Debt Service	Total
<i>Revenues:</i>				
<i>Taxes:</i>				
Property	\$ -	-	499,120	499,120
Gasoline and motor vehicle	1,173,715	-	-	1,173,715
Lodger's	1,588,339	-	-	1,588,339
<i>Intergovernmental:</i>				
State operating grants	1,289,416	-	-	1,289,416
State capital grants	270,396	806,591	-	1,076,987
Federal operating grants	1,785,687	-	-	1,785,687
Federal capital grants	418,889	81,624	-	500,513
Charges for services	989,780	-	-	989,780
Investment income	17,770	-	9,585	27,355
Miscellaneous	19,851	-	-	19,851
<i>Total revenues</i>	<u>7,553,843</u>	<u>888,215</u>	<u>508,705</u>	<u>8,950,763</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	65,284	-	271	65,555
Public safety	231,427	-	-	231,427
Public works	2,370,441	349,110	-	2,719,551
Culture and recreation	2,470,887	-	-	2,470,887
Health and welfare	2,736,031	-	-	2,736,031
Capital outlay	1,220,648	595,353	-	1,816,001
<i>Debt service:</i>				
Principal	-	-	1,812,410	1,812,410
Interest	-	-	655,958	655,958
<i>Total expenditures</i>	<u>9,094,718</u>	<u>944,463</u>	<u>2,468,639</u>	<u>12,507,820</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,540,875)</u>	<u>(56,248)</u>	<u>(1,959,934)</u>	<u>(3,557,057)</u>
<i>Other financing sources (uses)</i>				
Transfers in	2,033,125	419,456	2,124,963	4,577,544
Transfers out	(663,592)	(336,682)	-	(1,000,274)
<i>Total other financing sources (uses)</i>	<u>1,369,533</u>	<u>82,774</u>	<u>2,124,963</u>	<u>3,577,270</u>
<i>Net change in fund balances</i>	(171,342)	26,526	165,029	20,213
<i>Fund balances - beginning of year</i>	3,546,129	985,372	1,506,136	6,037,637
<i>Fund balances - end of year</i>	<u>\$ 3,374,787</u>	<u>1,011,898</u>	<u>1,671,165</u>	<u>6,057,850</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
AS OF JUNE 30, 2019**

	Corrections 201	EMS 206	Fire Protection 209	Law Enforcement 211	Library 213	Lodger's Tax 214
<i>Assets</i>						
Cash and cash equivalents	\$ 534,443	1	518,140	386	124,352	319,111
Investments	-	-	-	-	-	932,634
Receivables						
Grants receivable	-	-	18,481	-	-	-
Total assets	\$ 534,443	1	536,621	386	124,352	1,251,745
<i>Liabilities</i>						
Accounts payable	\$ 3,393	-	78	26,408	7,995	145,903
Accrued payroll expenses	-	-	-	-	-	13,357
Total liabilities	3,393	-	78	26,408	7,995	159,260
<i>Fund balances</i>						
Nonspendable	-	-	-	-	-	-
Restricted	531,050	1	536,543	-	116,357	1,092,485
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	(26,022)	-	-
Total fund balances	531,050	1	536,543	(26,022)	116,357	1,092,485
Total liabilities and fund balances	\$ 534,443	1	536,621	386	124,352	1,251,745

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
AS OF JUNE 30, 2019**

	Municipal Street 216	Juvenile Recreation 217	Intergovernmental Grants 218	Senior Citizens 219	Gallup Detox 290
<i>Assets</i>					
Cash and cash equivalents	\$ 1,024,100	-	1,505	201,705	2,642
Restricted cash	36	-	-	-	-
Investments	122,099	-	-	-	-
Receivables					
Other taxes	100,597	-	-	-	-
Grants receivable	-	-	159,942	76,571	335,980
Accounts receivables, net	9,141	-	-	-	-
<i>Total assets</i>	<u>\$ 1,255,973</u>	<u>-</u>	<u>161,447</u>	<u>278,276</u>	<u>338,622</u>
<i>Liabilities</i>					
Accounts payable	\$ 235,578	-	29,985	6,282	213,639
Accrued payroll expenses	50,962	-	-	37,476	5,543
Due to other funds	-	-	105,000	-	350,000
<i>Total liabilities</i>	<u>286,540</u>	<u>-</u>	<u>134,985</u>	<u>43,758</u>	<u>569,182</u>
<i>Fund balances</i>					
Nonspendable	-	-	-	-	-
Restricted	969,433	-	26,462	234,518	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(230,560)
<i>Total fund balances</i>	<u>969,433</u>	<u>-</u>	<u>26,462</u>	<u>234,518</u>	<u>(230,560)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,255,973</u>	<u>-</u>	<u>161,447</u>	<u>278,276</u>	<u>338,622</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
AS OF JUNE 30, 2019**

	CDBG 201	Business Improvement District 293	Total Special Revenue Funds
<i>Assets</i>			
Cash and cash equivalents	\$ 4,711	6,737	2,737,833
Restricted cash	-	-	36
Investments	-	-	1,054,733
Receivables			
Other taxes	-	-	100,597
Grants receivable	418,889	-	1,009,863
Accounts receivables, net	-	69,183	78,324
<i>Total assets</i>	<u>\$ 423,600</u>	<u>75,920</u>	<u>4,981,386</u>
<i>Liabilities</i>			
Accounts payable	\$ -	-	669,261
Accrued payroll expenses	-	-	107,338
Due to other funds	375,000	-	830,000
<i>Total liabilities</i>	<u>375,000</u>	<u>-</u>	<u>1,606,599</u>
<i>Fund balances</i>			
Nonspendable	-	-	-
Restricted	48,600	75,920	3,631,369
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	(256,582)
<i>Total fund balances</i>	<u>48,600</u>	<u>75,920</u>	<u>3,374,787</u>
<i>Total liabilities and fund balances</i>	<u>\$ 423,600</u>	<u>75,920</u>	<u>4,981,386</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
AS OF JUNE 30, 2019**

	Airport 308	Legislative Appropriations 391	Public Works 399	Total Capital Project Funds
<i>Assets</i>				
Cash and cash equivalents	\$ 238,254	1,126	908,975	1,148,355
Receivables				
Grants receivable	-	395,331	12,095	407,426
<i>Total assets</i>	<u>\$ 238,254</u>	<u>396,457</u>	<u>921,070</u>	<u>1,555,781</u>
<i>Liabilities</i>				
Accounts payable	\$ -	-	158,883	158,883
Due to other funds	-	385,000	-	385,000
<i>Total liabilities</i>	<u>-</u>	<u>385,000</u>	<u>158,883</u>	<u>543,883</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Restricted	238,254	11,457	762,187	1,011,898
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>238,254</u>	<u>11,457</u>	<u>762,187</u>	<u>1,011,898</u>
<i>Total liabilities and fund balances</i>	<u>\$ 238,254</u>	<u>396,457</u>	<u>921,070</u>	<u>1,555,781</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
AS OF JUNE 30, 2019**

	Debt Service	Total Debt Service Funds
	<u> </u>	<u> </u>
<i>Assets</i>		
Cash and cash equivalents	\$ 1,261,943	1,261,943
Restricted cash	138,979	138,979
Investments	252,228	252,228
Receivables		
Property taxes	<u>47,493</u>	<u>47,493</u>
<i>Total assets</i>	<u><u>1,700,643</u></u>	<u><u>1,700,643</u></u>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>		
Accounts payable	<u>-</u>	<u>-</u>
<i>Total liabilities</i>	<u>-</u>	<u>-</u>
 <i>Deferred inflows of resources</i>		
Deferred inflows - property taxes	<u>29,478</u>	<u>29,478</u>
 <i>Total Liabilities and Deferred Inflow of Resources</i>	 <u>29,478</u>	 <u>29,478</u>
 <i>Fund balances</i>		
Nonspendable	-	-
Restricted	-	-
Committed	1,671,165	1,671,165
Assigned	-	-
Unassigned	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>1,671,165</u>	<u>1,671,165</u>
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	 \$ <u><u>1,700,643</u></u>	 <u><u>1,700,643</u></u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Corrections 201	EMS 206	Fire Protection 209	Law Enforcement 211	Library 213	Lodger's Tax 214
<i>Revenues:</i>						
Taxes:						
Lodger's	\$ -	-	-	-	-	1,588,339
<i>Intergovernmental:</i>						
State operating grants	-	13,069	563,570	66,600	20,424	-
Federal operating grants	-	-	18,481	-	-	-
Charges for services	126,823	-	-	-	12,379	4,193
Investment income	-	-	-	-	-	15,413
<i>Total revenues</i>	<u>126,823</u>	<u>13,069</u>	<u>582,051</u>	<u>66,600</u>	<u>32,803</u>	<u>1,607,945</u>
<i>Expenditures:</i>						
<i>Current:</i>						
Public safety	57,594	13,609	66,931	93,293	-	-
Culture and recreation	-	-	-	-	30,991	1,592,903
Capital outlay	-	-	195,353	-	9,768	153,238
<i>Total expenditures</i>	<u>57,594</u>	<u>13,609</u>	<u>262,284</u>	<u>93,293</u>	<u>40,759</u>	<u>1,746,141</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>69,229</u>	<u>(540)</u>	<u>319,767</u>	<u>(26,693)</u>	<u>(7,956)</u>	<u>(138,196)</u>
<i>Other financing sources (uses)</i>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(135,265)	-	-	(90,000)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(135,265)</u>	<u>-</u>	<u>-</u>	<u>(90,000)</u>
<i>Net change in fund balances</i>	69,229	(540)	184,502	(26,693)	(7,956)	(228,196)
<i>Fund balance - beginning of year</i>	461,821	541	352,041	671	124,313	1,320,681
<i>Fund balances - end of year</i>	<u>\$ 531,050</u>	<u>1</u>	<u>536,543</u>	<u>(26,022)</u>	<u>116,357</u>	<u>1,092,485</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Municipal Street 216	Juvenile Recreation 217	Intergovernmental Grants 218	Senior Citizens 219	Gallup Detox 290
<i>Revenues:</i>					
<i>Taxes:</i>					
Gasoline and motor vehicle	\$ 1,173,715	-	-	-	-
<i>Intergovernmental:</i>					
State operating grants	-	-	20,441	135,879	469,433
State capital grants	270,396	-	-	-	-
Federal operating grants	-	-	145,248	200,656	1,421,302
Charges for services	-	-	-	-	606,464
Investment income	2,357	-	-	-	-
Miscellaneous	-	-	-	19,851	-
<i>Total revenues</i>	<u>1,446,468</u>	<u>-</u>	<u>165,689</u>	<u>356,386</u>	<u>2,497,199</u>
<i>Expenditures:</i>					
<i>Current:</i>					
General government	-	-	65,284	-	-
Public works	2,370,441	-	-	-	-
Culture and recreation	-	-	-	604,690	-
Health and welfare	-	-	-	-	2,736,031
Capital outlay	747,347	-	114,942	-	-
<i>Total expenditures</i>	<u>3,117,788</u>	<u>-</u>	<u>180,226</u>	<u>604,690</u>	<u>2,736,031</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,671,320)</u>	<u>-</u>	<u>(14,537)</u>	<u>(248,304)</u>	<u>(238,832)</u>
<i>Other financing sources (uses)</i>					
Transfers in	1,670,149	-	25,185	337,791	-
Transfers out	-	-	-	(43,658)	-
<i>Total other financing sources (uses)</i>	<u>1,670,149</u>	<u>-</u>	<u>25,185</u>	<u>294,133</u>	<u>-</u>
<i>Net change in fund balances</i>	(1,171)	-	10,648	45,829	(238,832)
<i>Fund balances - beginning of year</i>	970,604	-	15,814	188,689	8,272
<i>Fund balances - end of year</i>	<u>\$ 969,433</u>	<u>-</u>	<u>26,462</u>	<u>234,518</u>	<u>(230,560)</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	CDBG 291	Business Improvement District 293	Total Special Revenue Funds
<i>Revenues:</i>			
<i>Taxes:</i>			
Gasoline and motor vehicle	\$ -	-	1,173,715
Lodger's	-	-	1,588,339
<i>Intergovernmental:</i>			
State operating grants	-	-	1,289,416
State capital grants	-	-	270,396
Federal operating grants	-	-	1,785,687
Federal capital grants	418,889	-	418,889
Charges for services	-	239,921	989,780
Investment income	-	-	17,770
Miscellaneous	-	-	19,851
<i>Total revenues</i>	418,889	239,921	7,553,843
<i>Expenditures:</i>			
<i>Current:</i>			
General government	-	-	65,284
Public safety	-	-	231,427
Public works	-	-	2,370,441
Culture and recreation	-	242,303	2,470,887
Health and welfare	-	-	2,736,031
Capital outlay	-	-	1,220,648
<i>Total expenditures</i>	-	242,303	9,094,718
<i>Excess (deficiency) of revenues over expenditures</i>	418,889	(2,382)	(1,540,875)
<i>Other financing sources (uses)</i>			
Transfers in	-	-	2,033,125
Transfers out	(394,669)	-	(663,592)
<i>Total other financing sources (uses)</i>	(394,669)	-	1,369,533
<i>Net change in fund balances</i>	24,220	(2,382)	(171,342)
<i>Fund balances - beginning of year</i>	24,380	78,302	3,546,129
<i>Fund balances - end of year</i>	\$ 48,600	75,920	3,374,787

See Independent Auditor's Report.
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**STATE OF NEW MEXICO
CITY OF GALLUP
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Airport 308	Legislative Appropriations 391	Public Works 399	Total Capital Project Funds
<i>Revenues:</i>				
<i>Intergovernmental:</i>				
State capital grants	\$ -	736,443	70,148	806,591
Federal capital grants	-	-	81,624	81,624
<i>Total revenues</i>	<u>-</u>	<u>736,443</u>	<u>151,772</u>	<u>888,215</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Public works	-	12,361	336,749	349,110
Capital outlay	-	595,353	-	595,353
<i>Total expenditures</i>	<u>-</u>	<u>607,714</u>	<u>336,749</u>	<u>944,463</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>128,729</u>	<u>(184,977)</u>	<u>(56,248)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	419,456	419,456
Transfers out	-	(120,170)	(216,512)	(336,682)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(120,170)</u>	<u>202,944</u>	<u>82,774</u>
<i>Net change in fund balances</i>	-	8,559	17,967	26,526
<i>Fund balances - beginning of year</i>	<u>238,254</u>	<u>2,898</u>	<u>744,220</u>	<u>985,372</u>
<i>Fund balances - end of year</i>	<u>\$ 238,254</u>	<u>11,457</u>	<u>762,187</u>	<u>1,011,898</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
G STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
NON-MAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Debt Service</u>	<u>Total Debt Service Funds</u>
<i>Revenues:</i>		
Taxes:		
Property	\$ 499,120	499,120
Interest income	<u>9,585</u>	<u>9,585</u>
<i>Total revenues</i>	<u>508,705</u>	<u>508,705</u>
 <i>Expenditures:</i>		
Current:		
General government	271	271
Debt service:		
Principal	1,812,410	1,812,410
Interest	<u>655,958</u>	<u>655,958</u>
<i>Total expenditures</i>	<u>2,468,639</u>	<u>2,468,639</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,959,934)</u>	<u>(1,959,934)</u>
 <i>Other financing sources (uses)</i>		
Transfers in	2,124,963	2,124,963
Transfers out	-	-
<i>Total other financing sources (uses)</i>	<u>2,124,963</u>	<u>2,124,963</u>
 <i>Net change in fund balances</i>	165,029	165,029
 <i>Fund balance, - beginning</i>	<u>1,506,136</u>	<u>1,506,136</u>
<i>Fund balance - ending</i>	<u>\$ <u>1,671,165</u></u>	<u>1,671,165</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
FOR THE YEAR ENDED JUNE 30, 2019**

NONMAJOR PROPRIETARY FUNDS

Fitness Center (516) – To account 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 (590) – To account for the operations of NHJFR. Activities of the fund include administration and operation of the rodeo. All costs are financed through ticker sales and sponsorships.

Gamerco (592) – To account for the operation of wastewater, water, and solid waste collection services to the residents of the township of Gamerco. Activities of the fund include administration, operation, and maintenance of the distribution system.

**STATE OF NEW MEXICO
CITY OF GALLUP
STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS
AS OF JUNE 30, 2019**

	Fitness Center 516	Rodeo 590	Gamerco 592	Total
<i>Assets</i>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 593,986	411,280	215,719	1,220,985
Receivables:				
Accounts receivables, net	-	-	82,516	82,516
<i>Total current assets</i>	<u>593,986</u>	<u>411,280</u>	<u>298,235</u>	<u>1,303,501</u>
<i>Noncurrent Assets</i>				
Land and work in progress	100,560	-	-	100,560
Capital assets, depreciable	17,402	-	-	17,402
Less: accumulated depreciation	(6,658)	-	-	(6,658)
<i>Total noncurrent assets</i>	<u>111,304</u>	<u>-</u>	<u>-</u>	<u>111,304</u>
<i>Total Assets</i>	<u>705,290</u>	<u>411,280</u>	<u>298,235</u>	<u>1,414,805</u>
<i>Deferred Outflows of Resources</i>				
Pension deferral	61,287	-	-	61,287
OPEB deferral	18,675	-	-	18,675
<i>Total deferred outflows of resources</i>	<u>79,962</u>	<u>-</u>	<u>-</u>	<u>79,962</u>
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 785,252</u>	<u>411,280</u>	<u>298,235</u>	<u>1,494,767</u>
<i>Liabilities</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 618	259,066	74,488	334,172
Accrued payroll expenses	4,445	-	-	4,445
Accrued tax liability	1,189	-	-	1,189
Compensated absences	5,218	-	-	5,218
<i>Total current liabilities</i>	<u>11,470</u>	<u>259,066</u>	<u>74,488</u>	<u>345,024</u>
<i>Noncurrent Liabilities</i>				
Compensated absences	2,809	-	-	2,809
Net pension liability	199,318	-	-	199,318
Net OPEB liability	124,750	-	-	124,750
<i>Total noncurrent liabilities</i>	<u>326,877</u>	<u>-</u>	<u>-</u>	<u>326,877</u>
<i>Total liabilities</i>	<u>338,347</u>	<u>259,066</u>	<u>74,488</u>	<u>671,901</u>
<i>Deferred Inflows of Resources</i>				
Pension deferral	16,680	-	-	16,680
OPEB deferral	31,778	-	-	31,778
<i>Total deferred inflows of resources</i>	<u>48,458</u>	<u>-</u>	<u>-</u>	<u>48,458</u>
<i>Net Position</i>				
Net investment in capital assets	111,304	-	-	111,304
Unrestricted	287,143	152,214	223,747	663,104
<i>Total net position</i>	<u>398,447</u>	<u>152,214</u>	<u>223,747</u>	<u>774,408</u>
<i>Total Liabilities, Deferred Inflows or Resources, and Net Position</i>	<u>\$ 785,252</u>	<u>411,280</u>	<u>298,235</u>	<u>1,494,767</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Fitness Center 516	Rodeo 590	Gamerco 592	Total
<i>Operating revenues:</i>				
Charges for services	\$ 260,956	351,718	458,095	1,070,769
<i>Total operating revenues</i>	<u>260,956</u>	<u>351,718</u>	<u>458,095</u>	<u>1,070,769</u>
<i>Operating expenses:</i>				
Personnel services	160,186	-	-	160,186
Contractual services	3,481	302,771	461,254	767,506
Supplies and equipment	36,357	-	-	36,357
Repairs and maintenance	36,594	-	-	36,594
Utilities	36,873	-	-	36,873
Miscellaneous	10,287	38,705	-	48,992
Depreciation and amortization	2,900	-	-	2,900
<i>Total operating expenses</i>	<u>286,678</u>	<u>341,476</u>	<u>461,254</u>	<u>1,089,408</u>
<i>Operating income (loss)</i>	<u>(25,722)</u>	<u>10,242</u>	<u>(3,159)</u>	<u>(18,639)</u>
<i>Non-operating revenues (expenses):</i>				
None				
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers in	-	90,000	-	90,000
Transfers out	-	-	-	-
<i>Net capital grants and transfers</i>	<u>-</u>	<u>90,000</u>	<u>-</u>	<u>90,000</u>
<i>Change in net position</i>	<u>(25,722)</u>	<u>100,242</u>	<u>(3,159)</u>	<u>71,361</u>
<i>Net position, beginning of year</i>	<u>424,169</u>	<u>51,972</u>	<u>226,906</u>	<u>703,047</u>
<i>Net position, end of year</i>	<u>\$ 398,447</u>	<u>152,214</u>	<u>223,747</u>	<u>774,408</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Fitness Center 516	Rodeo 590	Gamerco 592	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 260,956	351,718	464,615	1,077,289
Payments to employees	(144,124)	-	-	(144,124)
Payments to suppliers	(112,876)	(240,171)	(412,985)	(766,032)
Other receipts/(payments)	(10,287)	(38,705)	-	(48,992)
<i>Net cash provided (used) by operating activities</i>	<u>(6,331)</u>	<u>72,842</u>	<u>51,630</u>	<u>118,141</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	-	90,000	-	90,000
Transfers to other funds	-	-	-	-
<i>Net cash provided (used) by noncapital financing activities</i>	<u>-</u>	<u>90,000</u>	<u>-</u>	<u>90,000</u>
Cash flows from capital and related financing activities:				
None				
<i>Net cash provided (used) by capital and related financing activities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
None				
<i>Net cash provided (used) by investing activities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(6,331)	162,842	51,630	208,141
Balances - beginning of year	600,317	248,438	164,089	1,012,844
Balances - end of year	<u>\$ 593,986</u>	<u>411,280</u>	<u>215,719</u>	<u>1,220,985</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF GALLUP
STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Fitness Center <u>516</u>	Rodeo <u>590</u>	Gamerco <u>592</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (25,722)	10,242	(3,159)	(18,639)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	2,900	-	-	2,900
Pension expense	14,004	-	-	14,004
OPEB expense	936	-	-	936
Bad debt expense	-	-	3,673	3,673
(Increase) decrease in:				
Accounts receivable	-	-	2,847	2,847
(Decrease) increase in:				
Accounts payable	429	62,600	49,791	112,820
Accrued payroll	(1,225)	-	-	(1,225)
Unearned revenue	-	-	(1,522)	(1,522)
Compensated absences	2,347	-	-	2,347
<i>Net cash provided (used) by operating activities</i>	<u>\$ (6,331)</u>	<u>72,842</u>	<u>51,630</u>	<u>118,141</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
MUNICIPAL COURT				
704				
<i>Assets</i>				
Cash and cash equivalents	\$ 4,782	10,312	(11,093)	4,001
<i>Total assets</i>	<u>\$ 4,782</u>	<u>10,312</u>	<u>(11,093)</u>	<u>4,001</u>
<i>Liabilities</i>				
Deposits payable	\$ 4,782	10,312	(11,093)	4,001
<i>Total liabilities</i>	<u>\$ 4,782</u>	<u>10,312</u>	<u>(11,093)</u>	<u>4,001</u>
TRUST & AGENCY				
799				
<i>Assets</i>				
Cash and cash equivalents	\$ 264,644	19,242	(16,295)	267,591
<i>Total assets</i>	<u>\$ 264,644</u>	<u>19,242</u>	<u>(16,295)</u>	<u>267,591</u>
<i>Liabilities</i>				
Deposits payable	\$ 264,644	19,242	(16,295)	267,591
<i>Total liabilities</i>	<u>\$ 264,644</u>	<u>19,242</u>	<u>(16,295)</u>	<u>267,591</u>
TOTALS - ALL AGENCY FUNDS				
<i>Assets</i>				
Cash and cash equivalents	\$ 269,426	29,554	(27,388)	271,592
<i>Total assets</i>	<u>\$ 269,426</u>	<u>29,554</u>	<u>(27,388)</u>	<u>271,592</u>
<i>Liabilities</i>				
Deposits payable	\$ 269,426	29,554	(27,388)	271,592
<i>Total liabilities</i>	<u>\$ 269,426</u>	<u>29,554</u>	<u>(27,388)</u>	<u>271,592</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	Measurement Date as of				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
The City's proportion of the net pension liability (asset) (%)					
Municipal General	1.1362%	1.0557%	1.0336%	1.0499%	1.0439%
Municipal Police	1.5124%	1.4763%	1.5938%	1.5863%	1.5291%
Municipal Fire	1.6109%	1.6205%	1.6829%	1.7953%	1.6470%
	<u>1.3284%</u>	<u>1.2783%</u>	<u>1.3155%</u>	<u>1.3686%</u>	<u>1.3130%</u>
The City's proportionate share of the net pension liability (asset) (\$)					
Municipal General	\$ 18,115,234	14,506,211	16,513,450	10,704,640	8,143,540
Municipal Police	10,319,170	8,201,814	11,759,530	7,627,820	4,984,700
Municipal Fire	10,310,771	9,271,603	11,226,654	9,265,869	6,874,567
	<u>\$ 38,745,175</u>	<u>31,979,628</u>	<u>39,499,634</u>	<u>27,598,329</u>	<u>20,002,807</u>
The City's covered payroll					
Municipal General	\$ 9,584,503	9,271,791	9,194,492	8,676,607	10,073,283
Municipal Police	3,195,370	3,042,545	3,288,434	3,098,127	3,992,894
Municipal Fire	2,047,025	1,963,704	2,035,150	2,084,000	2,143,801
	<u>\$ 14,826,898</u>	<u>14,278,040</u>	<u>14,518,076</u>	<u>13,858,734</u>	<u>16,209,978</u>
The City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll					
Municipal General	189.01%	156.46%	179.60%	123.37%	80.84%
Municipal Police	322.94%	269.57%	357.60%	246.21%	124.84%
Municipal Fire	503.70%	472.15%	551.64%	444.62%	320.67%
Plan fiduciary net position as a percentage of the total pension liability					
Municipal General	71.13%	73.74%	69.18%	76.99%	81.29%
Municipal Police	71.13%	73.74%	69.18%	76.99%	81.29%
Municipal Fire	71.13%	73.74%	69.18%	76.99%	81.29%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contribution					
Municipal General	\$ 932,500	915,320	885,456	878,074	828,616
Municipal Police	618,041	603,925	575,041	621,514	585,546
Municipal Fire	447,134	443,181	425,142	440,610	451,186
	<u>\$ 1,997,675</u>	<u>1,962,426</u>	<u>1,885,639</u>	<u>1,940,198</u>	<u>1,865,348</u>
Contributions in relation to the statutorily required contribution					
Municipal General	\$ 932,500	915,320	885,456	878,074	828,616
Municipal Police	618,041	603,925	575,041	621,514	585,546
Municipal Fire	447,134	443,181	425,142	440,610	451,186
	<u>\$ 1,997,675</u>	<u>1,962,426</u>	<u>1,885,639</u>	<u>1,940,198</u>	<u>1,865,348</u>
Contribution deficiency (excess)					
Municipal General	\$ -	-	-	-	-
Municipal Police	-	-	-	-	-
Municipal Fire	-	-	-	-	-
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2019**

Changes of Benefit Terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

Changes of Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2018 report is available at <http://www.nmpera.org/>

**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS***

	<u>2019</u>	<u>2018</u>
	<u>Measurement Date as of</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
The City's proportion of the net OPEB liability (asset) (%)	0.42156%	0.36203%
The City's proportionate share of the net OPEB liability (asset) (\$)	\$ 18,330,925	16,406,016
The City's covered-employee payroll	\$ 18,087,524	15,080,893
The City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	101.35%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for available years.

**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S CONTRIBUTIONS OPEB PLAN
LAST 10 FISCAL YEARS***

	2019	2018
Contractually required contribution	\$ 658,758	1,149,615
Contributions in relation to the statutorily required contribution	650,715	576,979
Contribution deficiency (excess)	\$ 8,043	572,636
City's covered-employee payroll	\$ 18,087,524	15,080,893
Contributions as a percentage of covered-employee payroll	3.60%	3.83%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for available years.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2019**

Changes of Benefit Terms: There were no modifications to the benefit provisions as this is the second year of adoption of the OPEB accounting standard.

Changes of Assumptions: The New Mexico Retiree Health Care Authority Annual Actuarial Valuations as of June 2018 report is available by contacting the Authority at 4308 Carlisle Blvd. NE Suite 105, Albuquerque, NM 87107

**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC, AND CAPITAL OUTLAY APPROPRIATIONS
AS OF JUNE 30, 2019**

Description/Project	Admin Agency	SHARE Fund #	Agreement Date	Reversion Date	Original Appropriation Award (\$)	Remaining Balance as of June 30, 2018	Current Year Expenditures	Remaining Balance as of June 30, 2019
15-0520 WWTP	NMDFA	89200	12/14/2015	6/30/2019	150,000	\$ 15,147	15,147	-
17-4056 Veterans' Cemetery	NMDFA	89200	8/29/2017	6/30/2019	40,000	14,750	12,360	2,390
17-4057 Stake Park	NMDFA	89200	8/18/2017	6/30/2019	50,000	26,270	26,270	-
16-2457 Indian Hills Lights	NMDFA	89200	9/21/2016	6/30/2020	50,000	9,038	-	9,038
16-2459 Skate Park	NMDFA	89200	9/21/2016	6/30/2020	195,000	102,459	102,459	-
18-C2532 Police Vehicle	NMDFA	89200	8/21/2018	6/30/2020	226,000	-	226,000	-
15-1029 Allison	NMDOT	89300	1/27/2016	6/30/2019	650,000	80,086	70,148	9,938
17-B4058 Veterans' Cemetery Rd	NMDOT	89300	12/18/2017	6/30/2019	75,000	-	75,000	-
18-C2647 Veterans' Cemetery Access Road	NMDOT	89300	10/24/2018	6/30/2022	335,500	-	294,353	41,147
						\$ 247,750	821,737	62,513

See Independent Auditor's Report.
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**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF CASH, INVESTMENTS, AND PLEDGED COLLATERAL
BY BANK AND ACCOUNT
AS OF JUNE 30, 2019**

Account Name	Account Type	Wells Fargo Bank, NA	LPL Financial	Pinnacle Bank	Washington Federal	New Mexico Finance Authority	NM Local Government Investment Pool	Petty cash	Reconciling Items	Book Balance
Cash, cash equivalents, and investments										
Operational	Checking*	\$ 43,966,402	-	-	-	-	-	-	(2,088,171)	41,878,231
Gallup Municipal Court	Checking*	9,856	-	-	-	-	-	-	(5,855)	4,001
Escrow - Rio Puerco Project	Checking*	36	-	-	-	-	-	-	-	36
Community Block Grant	Checking*	5	-	-	-	-	-	-	-	5
Money Market Mutual Funds	Money Market*	7,688,962	13,772	18,068,202	2,002,132	-	-	-	-	27,773,068
Certificate of Deposits	Certificate of Deposit	-	17,012,541	2,028,261	-	-	-	-	-	19,040,802
Federal National Mortgage Association	US Agency Securities	-	5,215,825	-	-	-	-	-	-	5,215,825
Federal Home Loan Mortgage Corp	US Agency Securities	-	1,638,327	-	-	-	-	-	-	1,638,327
Federal Home Loan Bank	US Agency Securities	-	2,790,015	-	-	-	-	-	-	2,790,015
New Mexico Municipal	US Agency Securities	-	1,305,516	-	-	-	-	-	-	1,305,516
NMFA	Reserves	-	-	-	-	4,209,339	-	-	-	4,209,339
NM Local Government Investment Pool (LGIP)	Investment Pool	-	-	-	-	-	299	-	-	299
Petty cash	Petty Cash	-	-	-	-	-	-	13,465	-	13,465
Subtotal cash and investments		<u>51,665,261</u>	<u>27,975,996</u>	<u>20,096,463</u>	<u>2,002,132</u>	<u>4,209,339</u>	<u>299</u>	<u>13,465</u>	<u>(2,094,026)</u>	<u>103,868,929</u>
Total amount of deposit in bank										
FDIC coverage		51,665,261	16,998,769	20,096,463	2,002,132	-	-	-	-	-
Total uninsured public funds		<u>(250,000)</u>	<u>(16,998,769)</u>	<u>(250,000)</u>	<u>(250,000)</u>	-	-	-	-	-
		51,415,261	-	19,846,463	1,752,132	-	-	-	-	-
50% Collateral Requirement (Section 6-10-17 NMSA 1978)										
		1,929,944	-	9,923,232	876,066	-	-	-	-	-
102% Collateral Requirement (Section 6-10-10(H) NMSA 1978)										
		<u>40,908,645</u>	-	-	-	-	-	-	-	-
		42,838,589	-	9,923,232	876,066	-	-	-	-	-
Pledged security at:										
Wells Fargo FNMA FNMS 2.50% - 3140F9QB4 09/01/31		1,611,864	-	-	-	-	-	-	-	-
Wells Fargo FMAC FGPC 4.00% - 3128MCJ55 11/01/24		85,848	-	-	-	-	-	-	-	-
Wells Fargo FNMA FNMS 4.00% - 3140J6EC7 10/01/47		591,830	-	-	-	-	-	-	-	-
Wells Fargo FHG-3 3.00% - 3128MJYG9 6/1/2046		40,908,646	-	-	-	-	-	-	-	-
Washington Federal FNMA 3.00% - 3140EW4W2 11/01/2046		-	-	-	937,194	-	-	-	-	-
Pinnacle Bank FHLB BONDS 5.25% - 3133XN4B2 12/9/2022		-	-	2,746,207	-	-	-	-	-	-
Pinnacle Bank FHLB BONDS 5.25% - 3133XN4B2 12/9/2022		-	-	8,455,867	-	-	-	-	-	-
Pinnacle Bank FHLB BONDS 5.25% - 3133XN4B2 12/9/2022		-	-	10,055,000	-	-	-	-	-	-
Total collateral		<u>43,198,188</u>	-	<u>21,257,074</u>	<u>937,194</u>	-	-	-	-	-
Amount over/(under) collateralized		<u>\$ 359,599</u>	-	<u>11,333,843</u>	<u>61,128</u>	-	-	-	-	-
Amount over/(under) collateralized & insured		<u>\$ 609,599</u>	<u>16,998,769</u>	<u>11,583,843</u>	<u>311,128</u>	-	-	-	-	-
Total book balance		<u>\$ 41,882,273</u>	<u>27,975,996</u>	<u>20,096,463</u>	<u>2,002,132</u>	<u>4,209,339</u>	<u>299</u>	<u>13,465</u>	-	-

*denotes interest bearing account

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF FUND BALANCES
AS OF JUNE 30, 2019**

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Fund Balances:			
Nonspendable:			
Inventory	\$ 186,306	-	186,306
Subtotal nonspendable	<u>186,306</u>	<u>-</u>	<u>186,306</u>
Restricted for:			
Operation of the correction facilities	-	531,050	531,050
EMS training of personnel and admin expenses	-	1	1
Operation, maintenance, and betterment of local fire districts	-	536,543	536,543
Library books and non-admin purchases	-	116,357	116,357
Tourism	-	1,092,485	1,092,485
Road repairs, maintenance, and improvements	-	969,433	969,433
Metro redevelopment and improvements	-	102,382	102,382
Operating/administering senior citizens facility	-	234,518	234,518
Housing rehabilitation and construction	-	48,600	48,600
Airport improvements	-	238,254	238,254
Capital construction projects funded by State of New Mexico			
Legislative Appropriations	-	773,644	773,644
Minimum fund balance requirement	2,495,650	-	2,495,650
Subtotal restricted	<u>2,495,650</u>	<u>4,643,267</u>	<u>7,138,917</u>
Committed to:			
Debt service	-	1,671,165	1,671,165
Subtotal committed	<u>-</u>	<u>1,671,165</u>	<u>1,671,165</u>
Assigned to:			
None	-	-	-
Subtotal assigned	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned:			
	15,730,320	(256,582)	15,473,738
Total fund balances	<u>\$ 18,412,276</u>	<u>6,057,850</u>	<u>24,470,126</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

	Joint Powers Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Agency	Amount contributed by City during current FY	Audit Responsibility
1	Northwest New Mexico Regional Solid Waste Authority	City of Gallup McKinley County Cibola County City of Grants Village of Milan	All	Operation or solid waste authority and its facilities	11/23/16 until terminated	None	None	None
2	Liquor Excise Tax	City of Gallup McKinley County	McKinley County	Liquor Excise tax usage	7/1/16-6/30/20	None	None	None
3	Animal Control Operation	City of Gallup McKinley County	Both	Joint funding of operation of animal control services	7/1/16 until terminated	60% City of Gallup 40% McKinley County	\$ 265,026	Each Participant

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF REVENUE AND EXPENSES - AGING PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2019**

	Congregate Meals	Home Delivered Meals	Transportation	Total
<i>Revenue and other support</i>				
Contributions	\$ 11,376	8,475	-	19,851
Governmental grants & contracts				
NCNMEDD - Non-Metro AAA				
Title IIIB	-	-	34,524	34,524
Title IIIC1	96,746	-	-	96,746
Title IIIC2	-	12,020	-	12,020
NSIP	28,683	28,683	-	57,366
State Funds	57,668	38,757	39,454	135,879
Local match (transfer from City)	<u>186,965</u>	<u>138,462</u>	<u>12,364</u>	<u>337,791</u>
<i>Total revenue and other support</i>	<u>381,438</u>	<u>226,397</u>	<u>86,342</u>	<u>694,177</u>
<i>Expenses</i>				
Program services	<u>349,128</u>	<u>194,958</u>	<u>60,604</u>	<u>604,690</u>
<i>Total expenses</i>	<u>349,128</u>	<u>194,958</u>	<u>60,604</u>	<u>604,690</u>
<i>Excess (deficiency) of revenue over expenses</i>	<u>\$ 32,310</u>	<u>31,439</u>	<u>25,738</u>	<u>89,487</u>
<i>Units provided</i>	<u>43,874</u>	<u>14,342</u>	<u>12,588</u>	<u>70,804</u>
<i>Persons served</i>	<u>1,218</u>	<u>82</u>	<u>98</u>	<u>1,398</u>

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
FINANCIAL DATA SCHEDULE - BALANCE SHEET
AS OF JUNE 30, 2019

Line Item Number	Description	14.871 Housing Choice Vouchers		14.249 Section 8 Moderate Rehabilitation Single Room Occupancy		2 State/Local	1 Business Activities	Subtotal	ELIM	Total
		Project Total								
111	Cash - Unrestricted	\$ 615,249	70,688	33,852	-	-	2,248	722,037	-	722,037
112	Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-
113	Cash - Other Restricted	-	-	-	-	-	-	-	-	-
114	Cash - Tenant Security Deposits	54,086	-	-	-	-	-	54,086	-	54,086
115	Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-	-	-
100	Total Cash	669,335	70,688	33,852	-	-	2,248	776,123	-	776,123
121	Accounts Receivable - PHA Projects	-	-	-	-	-	-	-	-	-
122	Accounts Receivable - HUD Other Projects	56,475	4,151	-	-	-	-	60,626	-	60,626
124	Accounts Receivable - Other Government	-	-	-	-	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	-	-	-	-
126	Accounts Receivable - Tenants	14,080	-	-	-	-	-	14,080	-	14,080
126.1	Allowance for Doubtful Accounts - Tenants	(5,861)	-	-	-	-	-	(5,861)	-	(5,861)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-	-
127	Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-	-	-	-
128	Fraud Recovery	22,795	-	-	-	-	-	22,795	-	22,795
128.1	Allowance for Doubtful Accounts - Fraud	(7,492)	-	-	-	-	-	(7,492)	-	(7,492)
129	Accrued Interest Receivable	-	-	-	-	-	-	-	-	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	79,997	4,151	-	-	-	-	84,148	-	84,148
131	Investments - Unrestricted	-	-	-	-	-	-	-	-	-
132	Investments - Restricted	-	-	-	-	-	-	-	-	-
135	Investments - Restricted for Payment of Current Liability	-	-	-	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	18,070	358	-	-	-	-	18,428	-	18,428
143	Inventories	52,234	-	-	-	-	-	52,234	-	52,234
143.1	Allowance for Obsolete Inventories	(5,223)	-	-	-	-	-	(5,223)	-	(5,223)
144	Inter Program Due From	51,611	532	-	-	-	-	52,143	(52,143)	-
145	Assets Held for Sale	-	-	-	-	-	-	-	-	-
150	Total Current Assets	866,024	75,729	33,852	-	-	2,248	977,853	(52,143)	925,710
161	Land	1,593,833	-	-	-	-	-	1,593,833	-	1,593,833
162	Buildings	14,136,773	-	-	-	-	-	14,136,773	-	14,136,773
163	Furniture, Equipment & Machinery - Dwellings	56,659	-	-	-	-	-	56,659	-	56,659
164	Furniture, Equipment & Machinery - Administration	504,904	14,942	-	-	-	-	519,846	-	519,846
165	Leasehold Improvements	-	-	-	-	-	-	-	-	-
166	Accumulated Depreciation	(8,634,974)	(14,867)	-	-	-	-	(8,649,841)	-	(8,649,841)
167	Construction in Progress	51,275	-	-	-	-	-	51,275	-	51,275
168	Infrastructure	-	-	-	-	-	-	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	7,708,470	75	-	-	-	-	7,708,545	-	7,708,545
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-	-	-
172	Notes, Loans, & Mortgages Receivable - Non Current - Past Due	-	-	-	-	-	-	-	-	-
173	Grants Receivable - Non Current	-	-	-	-	-	-	-	-	-
174	Other Assets	-	-	-	-	-	-	-	-	-
176	Investments in Joint Ventures	-	-	-	-	-	-	-	-	-
180	Total Non-Current Assets	7,708,470	75	-	-	-	-	7,708,545	-	7,708,545
200	Deferred Outflow of Resources	229,098	4,343	-	-	-	-	233,441	-	233,441
290	Total Assets and Deferred Outflow of Resources	\$ 8,803,592	80,147	33,852	-	-	2,248	8,919,839	(52,143)	8,867,696
311	Bank Overdraft	\$ -	-	-	-	-	-	-	-	-
312	Accounts Payable <= 90 Days	18,958	496	-	-	-	-	19,454	-	19,454
313	Accounts Payable >90 Days Past Due	-	-	-	-	-	-	-	-	-
321	Accrued Wage/Payroll Taxes Payable	19,765	599	-	-	-	-	20,364	-	20,364
322	Accrued Compensated Absences - Current Portion	13,037	230	-	-	-	-	13,267	-	13,267
324	Accrued Contingency Liability	-	-	-	-	-	-	-	-	-
325	Accrued Interest Payable	-	-	-	-	-	-	-	-	-
331	Accounts Payable - HUD PHA Programs	-	-	3,733	-	-	-	3,733	-	3,733
332	Account Payable - PHA Projects	-	-	-	-	-	-	-	-	-
333	Accounts Payable - Other Government	-	-	-	-	-	-	-	-	-
341	Tenant Security Deposits	54,086	-	-	-	-	-	54,086	-	54,086
342	Unearned Revenue	9,782	-	-	-	-	-	9,782	-	9,782
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	-	-	-
344	Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-	-	-
345	Other Current Liabilities	-	-	-	-	-	-	-	-	-
346	Accrued Liabilities - Other	25,836	-	-	-	-	-	25,836	-	25,836
347	Inter Program - Due To	-	4,027	532	46,663	921	-	52,143	(52,143)	-
348	Loan Liability - Current	-	-	-	-	-	-	-	-	-
310	Total Current Liabilities	141,464	5,352	4,265	46,663	921	-	198,665	(52,143)	146,522

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
FINANCIAL DATA SCHEDULE - BALANCE SHEET
AS OF JUNE 30, 2019

Line Item Number	Description	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	-	-
352	Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-	-
353	Non-current Liabilities - Other	-	-	-	-	-	-	-	-
354	Accrued Compensated Absences - Non Current	33,658	113	-	-	-	33,771	-	33,771
355	Loan Liability - Non Current	-	-	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-	-	-
357	Accrued Pension and OPEB Liabilities	1,269,233	27,432	-	-	-	1,296,665	-	1,296,665
350	Total Non-Current Liabilities	1,302,891	27,545	-	-	-	1,330,436	-	1,330,436
300	Total Liabilities	1,444,355	32,897	4,265	46,663	921	1,529,101	(52,143)	1,476,958
400	Deferred Inflow of Resources	215,244	6,808	-	-	-	222,052	-	222,052
508.4	Net Investment in Capital Assets	7,708,470	75	-	-	-	7,708,545	-	7,708,545
511.4	Restricted Net Position	-	-	-	-	-	-	-	-
512.4	Unrestricted Net Position	(564,477)	40,367	29,587	(46,663)	1,327	(539,859)	-	(539,859)
513	Total Equity - Net Assets / Position	7,143,993	40,442	29,587	(46,663)	1,327	7,168,686	-	7,168,686
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 8,803,592	80,147	33,852	-	2,248	8,919,839	(52,143)	8,867,696

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
FINANCIAL DATA SCHEDULE - STATEMENT OF REVENUES AND EXPENDITURES
AS OF JUNE 30, 2019

Line Item Number	Description	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
70300	Net Tenant Rental Revenue	\$ 810,639	-	-	-	-	810,639	-	810,639
70400	Tenant Revenue - Other	63,124	-	-	-	-	63,124	-	63,124
70500	Total Tenant Revenue	873,763	-	-	-	-	873,763	-	873,763
70600	HUD PHA Operating Grants	1,292,439	193,476	6,461	-	-	1,492,376	-	1,492,376
70610	Capital Grants	422,489	-	-	-	-	422,489	-	422,489
70710	Management Fee	-	-	-	-	-	-	-	-
70720	Asset Management Fee	-	-	-	-	-	-	-	-
70730	Book Keeping Fee	-	-	-	-	-	-	-	-
70740	Front Line Service Fee	-	-	-	-	-	-	-	-
70750	Other Fees	-	-	-	-	-	-	-	-
70700	Total Fee Revenue	-	-	-	-	-	-	-	-
70800	Other Government Grants	-	-	-	-	-	-	-	-
71100	Investment Income - Unrestricted	72	7	3	-	1	83	-	83
71200	Mortgage Interest Income	-	-	-	-	-	-	-	-
71300	Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-	-	-	-
71310	Cost of Sale of Assets	-	-	-	-	-	-	-	-
71400	Fraud Recovery	-	-	-	-	-	-	-	-
71500	Other Revenue	33,803	-	9	-	921	34,733	-	34,733
71600	Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-	-
72000	Investment Income - Restricted	-	-	-	-	-	-	-	-
70000	Total Revenue	2,622,566	193,483	6,473	-	922	2,823,444	-	2,823,444
91100	Administrative Salaries	249,268	13,687	370	-	481	263,806	-	263,806
91200	Auditing Fees	15,620	166	395	-	-	16,181	-	16,181
91300	Management Fee	-	-	-	-	-	-	-	-
91310	Book-keeping Fee	-	-	-	-	-	-	-	-
91400	Advertising and Marketing	13,902	268	7	-	-	14,177	-	14,177
91500	Employee Benefit contributions - Administrative	117,505	5,657	43	-	-	123,205	-	123,205
91600	Office Expenses	92,628	2,244	68	-	-	94,940	-	94,940
91700	Legal Expense	21,776	22	1	-	-	21,799	-	21,799
91800	Travel	4,684	303	8	-	440	5,435	-	5,435
91810	Allocated Overhead	-	-	-	-	-	-	-	-
91900	Other	70,830	2,295	36	-	-	73,161	-	73,161
91000	Total Operating - Administrative	586,213	24,642	928	-	921	612,704	-	612,704
92000	Asset Management Fee	-	-	-	-	-	-	-	-
92100	Tenant Services - Salaries	-	-	-	-	-	-	-	-
92200	Relocation Costs	-	-	-	-	-	-	-	-
92300	Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	-	-
92400	Tenant Services - Other	5,129	-	-	-	-	5,129	-	5,129
92500	Total Tenant Services	5,129	-	-	-	-	5,129	-	5,129
93100	Water	97,301	-	-	-	-	97,301	-	97,301
93200	Electricity	97,985	-	-	-	-	97,985	-	97,985
93300	Gas	64,570	-	-	-	-	64,570	-	64,570
93400	Fuel	-	-	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-	-	-
93600	Sewer	56,509	-	-	-	-	56,509	-	56,509
93700	Employee Benefit Contributions - Utilities	-	-	-	-	-	-	-	-
93800	Other Utilities Expense	16,276	-	-	-	-	16,276	-	16,276
93000	Total Utilities	332,641	-	-	-	-	332,641	-	332,641
94100	Ordinary Maintenance and Operations - Labor	207,234	-	-	-	-	207,234	-	207,234
94200	Ordinary Maintenance and Operations - Materials and Other	194,460	-	-	-	-	194,460	-	194,460
94300	Ordinary Maintenance and Operations Contracts	232,434	-	-	-	-	232,434	-	232,434
94500	Employee Benefit Contributions - Ordinary Maintenance	97,692	-	-	-	-	97,692	-	97,692
94000	Total Maintenance	731,820	-	-	-	-	731,820	-	731,820
95100	Protective Services - Labor	-	-	-	-	-	-	-	-
95200	Protective Services - Other Contract Costs	-	-	-	-	-	-	-	-
95300	Protective Services - Other	-	-	-	-	-	-	-	-
95500	Employee Benefit Contributions - Protective Services	-	-	-	-	-	-	-	-
95000	Total Protective Services	-	-	-	-	-	-	-	-
96110	Property Insurance	53,844	1,098	-	-	-	54,942	-	54,942
96120	Liability Insurance	25,533	521	-	-	-	26,054	-	26,054
96130	Workmen's Compensation	11,160	228	-	-	-	11,388	-	11,388
96140	All Other Insurance	5,539	241	-	-	-	5,780	-	5,780
96100	Total Insurance Premiums	96,076	2,088	-	-	-	98,164	-	98,164
96200	Other General Expenses	-	-	-	-	-	-	-	-
96210	Compensated Absences	37,163	758	-	-	-	37,921	-	37,921
96300	Payments in Lieu of Taxes	-	-	-	-	-	-	-	-
96400	Bad debt - Tenant Rents	60,075	-	-	-	-	60,075	-	60,075
96500	Bad debt - Mortgages	-	-	-	-	-	-	-	-
96600	Bad debt - Other	-	-	-	-	-	-	-	-
96800	Severance Expense	-	-	-	-	-	-	-	-
96000	Total Other General Expenses	97,238	758	-	-	-	97,996	-	97,996

STATE OF NEW MEXICO
GALLUP HOUSING AUTHORITY
A COMPONENT UNIT OF THE CITY OF GALLUP
FINANCIAL DATA SCHEDULE - STATEMENT OF REVENUES AND EXPENDITURES
AS OF JUNE 30, 2019

Line Item Number	Description	Project Total	14.871 Housing Choice Vouchers	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	-	-	-
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-	-
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-	-	-
96700	Total Interest Expense and Amortization Cost	-	-	-	-	-	-	-	-
96900	Total Operating Expenses	1,849,117	27,488	928	-	921	1,878,454	-	1,878,454
97000	Excess of Operating Revenue over Operating Expenses	773,449	165,995	5,545	-	1	944,990	-	944,990
97100	Extraordinary Maintenance	81,433	-	-	-	-	81,433	-	81,433
97200	Casualty Losses - Non-capitalized	-	-	-	-	-	-	-	-
97300	Housing Assistance Payments	-	168,183	2,340	-	-	170,523	-	170,523
97350	HAP Portability-In	-	-	-	-	-	-	-	-
97400	Depreciation Expense	348,246	28	-	-	-	348,274	-	348,274
97500	Fraud Losses	-	-	-	-	-	-	-	-
97600	Capital Outlays - Governmental Funds	-	-	-	-	-	-	-	-
97700	Debt Principal Payment - Governmental Funds	-	-	-	-	-	-	-	-
97800	Dwelling Units Rent Expense	-	-	-	-	-	-	-	-
90000	Total Expenses	2,278,796	195,699	3,268	-	921	2,478,684	-	2,478,684
10010	Operating Transfer In	444,178	-	-	-	-	444,178	(444,178)	-
10020	Operating Transfer Out	(444,178)	-	-	-	-	(444,178)	444,178	-
10030	Operating Transfers from/to Primary Government	-	-	-	-	-	-	-	-
10040	Operating Transfers from/to Component Unit	-	-	-	-	-	-	-	-
10050	Proceeds from Notes, Loans and Bonds	-	-	-	-	-	-	-	-
10060	Proceeds from Property Sales	-	-	-	-	-	-	-	-
10070	Extraordinary Items, Net Gain/Loss	-	-	-	-	-	-	-	-
10080	Special Items (Net Gain/Loss)	-	-	-	-	-	-	-	-
10091	Inter Project Excess Cash Transfer In	-	-	-	-	-	-	-	-
10092	Inter Project Excess Cash Transfer Out	-	-	-	-	-	-	-	-
10093	Transfers between Program and Project - In	-	-	-	-	-	-	-	-
10094	Transfers between Project and Program - Out	-	-	-	-	-	-	-	-
10100	Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	343,770	(2,216)	3,205	-	1	344,760	-	344,760
11020	Required Annual Debt Principal Payments	\$ -	-	-	-	-	-	-	-
11030	Beginning Equity	6,800,223	42,658	26,382	(46,663)	1,326	6,823,926	-	6,823,926
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-	-	-	-
11050	Changes in Compensated Absence Balance	-	-	-	-	-	-	-	-
11060	Changes in Contingent Liability Balance	-	-	-	-	-	-	-	-
11070	Changes in Unrecognized Pension Transition Liability	-	-	-	-	-	-	-	-
11080	Changes in Special Term/Severance Benefits Liability	-	-	-	-	-	-	-	-
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-	-	-	-	-
11100	Changes in Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-
11170	Administrative Fee Equity	-	40,442	-	-	-	40,442	-	40,442
11180	Housing Assistance Payments Equity	-	-	-	-	-	-	-	-
11190	Unit Months Available	3,156	450	48	-	-	3,654	-	3,654
11210	Number of Unit Months Leased	3,057	440	12	-	-	3,509	-	3,509
11270	Excess Cash	\$ 506,011	-	-	-	-	506,011	-	506,011
11610	Land Purchases	-	-	-	-	-	-	-	-
11620	Building Purchases	\$ 422,489	-	-	-	-	422,489	-	422,489
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-	-	-	-	-
11640	Furniture & Equipment - Administrative Purchases	33,848	-	-	-	-	33,848	-	33,848
11650	Leasehold Improvements Purchases	-	-	-	-	-	-	-	-
11660	Infrastructure Purchases	-	-	-	-	-	-	-	-
13510	CFFP Debt Service Payments	-	-	-	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-	-

**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program Title	CFDA Number	Project/ Pass-Through Number	Federal Expenditures
City of Gallup			
U.S. Department of Health and Human Services			
Preventable Alcohol-Related Deaths (PAR D)	93.933	BH18IHS0001-01-00 and BH19IHS0001-01-00	\$ 1,421,302
Passed through State of New Mexico Agency on Aging			
Aging Cluster:			
Title III B	93.044	2018-19-60013	34,524
Title III C1	93.045	2018-19-60013	96,746
Title III C2	93.045	2018-19-60013	12,020
Nutrition Services Incentive Program	93.053	2018-19-60013	57,366
Total Aging Cluster			<u>200,656</u>
Total U.S. Department of Health and Human Services			1,621,958
U.S. Department of Transportation			
Passed through New Mexico Department of Transportation			
Operation DWI	20.608	18-AL-64-PO2	386
ENDWI	20.608	19-AL-64-037	23,864
Operation DWI	20.608	18-AL-64-037	9,835
Passed through New Mexico Department of Homeland Security and Emergency Management			
2017 Hazardous Material Emergency Preparedness (HMEP)	20.703	HM-HMP-0579-16-02	18,481
Total U.S. Department of Transportation			52,566
U.S. Department of the Interior			
Passed through NM Bureau of Land Management			
Navajo-Gallup Water Supply Project	*	11-WC-40-435	3,462,745
Total U.S. Department of the Interior			3,462,745
U.S. Department of Homeland Security			
Passed through New Mexico Department of Homeland Security and Emergency Management			
Emergency Management Performance	97.042	EMT-2018-EP-0006-S01	7,494
Assistance to Firefighters	97.044	EMW-2017-FO-04940	37,800
Assistance to Firefighters	97.067	EMW-2018-SS-0056-S01	99,954
Total U.S. Department of Homeland Security			145,248
U.S. Department of Justice			
Passed through the Office of the Justice Assistance			
FY16 Local JAG Program	16.738	2016-DJ-BX-0901	4,500
FY17 Local JAG Program	16.738	2017-DJ-BX-0341	24,000
Total U.S. Department of Justice			28,500
U.S. Department of Housing and Urban Development			
Passed through New Mexico Department of Finance and Administration			
Sky City Phase IV	14.228	15-C-NR-I-01-G-15	418,889
Passed through Gallup Housing Authority (Component Unit)			
Sky City Phase IV	14.872	NM02P006501-17	150,000
Total U.S. Department of Housing and Urban Development			568,889
National Endowment for the Humanities			
Designs our Town	45.024	17-4292-7085 NEA	81,624
Total National Endowment for the Humanities			81,624
Environmental Protection Agency			
Passed through New Mexico Environment Department			
Clean Water State Revolving Funds (CWSRF)	66.458	CWSRF 605	1,325,341
Total Environmental Protection Agency			1,325,341
Total Federal Financial Assistance - City of Gallup			\$ 7,286,871
Gallup Housing Authority (Component Unit)			
U.S. Department of Housing and Urban Development			
Housing Choice Voucher Program	14.871	N/A	\$ 193,476
Low Rent Public Housing Program	14.850	N/A	840,761
Public Housing Capital Fund Program	*	N/A	874,167
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	N/A	6,461
Total U.S. Department of Housing and Urban Development			1,914,865
Total Federal Financial Assistance - Gallup Housing Authority			\$ 1,914,865

* = Denotes major program

See Independent Auditor's Report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

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

City of Gallup

Federal grant revenue per fund financials	\$	5,961,530
Federal expenditures per SEFA		7,286,871
Difference - due to NMED loan	\$	<u><u>(1,325,341)</u></u>

Gallup Housing Authority (Component Unit)

Federal grant revenue per fund financials	\$	1,914,865
Federal expenditures per SEFA		1,914,865
Difference	\$	<u><u>-</u></u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant expenditure activity for the financial statements of the organization. The schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance.

Note 2 - Non-Cash Federal Assistance

No non-cash federal assistance was received during the year ended June 30, 2019.

Note 3 - Subrecipients of the City of Gallup

The organization provided the following federal awards to subrecipients during the year:

City of Gallup

Subrecipient	CFDA Number	Project Number	Amount Provided
McKinley County	16.738	2016-DJ-BX-0901	\$ 4,500
Total funds provided to subrecipients from the City of Gallup			<u><u>\$ 4,500</u></u>

Gallup Housing Authority (Component Unit)

Subrecipient	CFDA Number	Project Number	Amount Provided
City of Gallup	14.872	NM02P006501-17	\$ 150,000
Total funds provided to subrecipients from the Gallup Housing Authority			<u><u>\$ 150,000</u></u>

Note 4 - Federal Insurance

The organization is re-deemed an employee of the Federal Government for the purposes of malpractice liability protection under the Federal Tort Claims Act (FTCA) during the budget period, for the period this audit report covers.

Note 5 - Indirect Cost Rate

The organization did not use the 10 percent de minimis indirect cost rate.



**INDEPENDENT AUDITOR'S 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**

The Mayor and City Councilors
State of New Mexico, City of Gallup and
Mr. Brian Colón, State Auditor
State of New Mexico, Office of the State Auditor

We have audited, in accordance with the 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 the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, the budgetary comparison of the general fund, of the City of Gallup (City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 2, 2019.

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.

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 entity's financial statements will not be prevented or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

December 2, 2019

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City 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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, P.C.
Albuquerque, NM 87102
December 2, 2019



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Mayor and City Councilors
State of New Mexico, City of Gallup and
Mr. Brian Colón, State Auditor
State of New Mexico, Office of the State Auditor

Report on Compliance for Each Major Federal Program

We have audited the City of Gallup and the Gallup Housing Authority (collectively referred to as the “City” herein) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2019. The City’s major federal programs are identified in the summary of auditor’s 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.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of the City’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 the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City 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 City'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Hinkle + Landers, P.C.
Albuquerque, NM
December 2, 2019

**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued **Unmodified**

Internal control over financial reporting:

- a. Material weakness(es) identified? Yes No
- b. Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes No
- c. Noncompliance material to the financial statements noted? Yes No

Federal Awards

Type of auditor's report issued on compliance for major programs **Unmodified**

Internal control over major programs:

- a. Material weakness(es) identified? Yes No
- b. Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes No

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a) Yes No

Identification of major programs:

CFDA Number	Name of Federal Programs	Funding Source
14.872	Public Housing Capital Fund Program	U.S. Department of Housing and Urban Development
15.552	Navajo-Gallup Water Supply Project	U.S. Department of the Interior

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

**STATE OF NEW MEXICO
CITY OF GALLUP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Reference #</u>	<u>Finding</u>	<u>Status of Current and Prior Year Findings</u>	<u>Type of Finding*</u>
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

PRIOR YEAR FINDINGS

City of Gallup – None

Gallup Housing Authority – None

CURRENT YEAR FINDINGS

City of Gallup – None

Gallup Housing Authority – None

**STATE OF NEW MEXICO
CITY OF GALLUP
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2019**

A. AUDITOR PREPARED FINANCIAL STATEMENTS

The accompanying financial statements are the responsibility of the City and are based on information from the City's financial records. Assistance was provided by Hinkle + Landers, PC to the City in preparing the financial statements.

B. EXIT CONFERENCE

City of Gallup

An exit conference was held in closed session on December 2, 2019, at the City's offices in Gallup New Mexico. The following individuals were in attendance.

City of Gallup Officials

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

Hinkle + Landers, PC

Farley Vener, CPA, CFE, CGMA	President & Managing Shareholder
Katelyn Constantin	Senior Audit Manager

Gallup Housing Authority (A Component Unit of the City)

An exit conference was held in closed session on October 28, 2019 at the Housing Authority's offices in Gallup, New Mexico. In attendance were the following:

Gallup Housing Authority Officials

Richard F. Kontz	Executive Director
Alfred Abeita	Board Chairman
James Roger Morris	Board Vice-Chair
Selina Paradise	Housing Manager
Telisia Montano	Accountant
Michael Burnside	Maintenance Manager
Stephany Skeets	Accounting Assistant

Hinkle + Landers, PC

Farley Vener, CPA, CFE, CGMA	President & Managing Shareholder
Katelyn Constantin	Senior Audit Manager