

Comprehensive Annual Financial Report



CITY OF FARMINGTON NEW MEXICO
JULY 1, 2008 - JUNE 30, 2009

**CITY OF FARMINGTON
NEW MEXICO
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For The Year Ended June 30, 2009

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Baby Dinos

INTRODUCTORY SECTION



December 1, 2009

To the Honorable Mayor, City Council Members, and Citizens of the City of Farmington, New Mexico:

State law requires that all general-purpose local governments publish, within five months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Farmington for the fiscal year ended June 30, 2009.

This report consists of management's representations concerning the finances of the City of Farmington. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Farmington has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City of Farmington's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Farmington's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

David Berry, CPA, PC has audited the City of Farmington's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Farmington, for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Farmington's financial statements, for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Farmington was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with

legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. This information is presented in the Single Audit section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Farmington's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Farmington is located in the northwest corner of the State of New Mexico in what is commonly called the Four Corners Area (see map on page xi). The City was originally incorporated in 1901 and has a current land area of 32 square miles and serves a population of 42,637. The government is empowered to levy a property tax on both real and personal property located within its boundaries. However, the majority of City revenue is generated by a local option and state shared Gross Receipts Tax (GRT) collected by the New Mexico Taxation and Revenue Department on most business services and sales of tangible personal property. A portion of the State's share of this tax (1.225%) plus local municipal option components are then distributed back to the municipality by the Department on a monthly basis.

The current total in-city GRT rate is 7.0% and includes the City's local option taxes in the amount of 1.1875%. Together with the 1.225% State share, the City's tax rate amounts to 2.4125%. Another 1.125% in local option tax authority is available to the City, but to date has not been imposed.

The City of Farmington has operated under the council/manager form of government since 1965. Policy-making and legislative authority are vested in a governing council consisting of the mayor and four council members. The City Council is responsible, among other things, for adopting ordinances, adopting the budget, appointing committees, and appointing the City Manager, City Clerk, and the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City, and appointing directors of the various departments. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with two Council members elected every two years. The Mayor is elected to serve a four-year term. The four Council members are elected by district and the Mayor is elected at large.

The City of Farmington provides a full range of services including police and fire protection; the construction, operation, and maintenance of electric, water, and wastewater systems; the construction and maintenance of highways, streets, parks, and other infrastructure; and recreational activities, libraries, museums and cultural events.

The annual budget serves as the foundation for the City of Farmington's financial planning and control. All departments of the City of Farmington are required to submit requests for appropriation to the City Manager on or before the last day in March each year. The City Manager evaluates department requests and subsequently develops a proposed budget. The City Manager presents the proposed budget to the Council for review prior to May 10. The City Council is required to hold public hearings on the

proposed budget and to adopt a preliminary budget by June 1 and a final budget no later than July 31 of each year. The City of Farmington's fiscal year begins July 1 of each year and ends on June 30. The appropriated budget is prepared according to fund, function (e.g. public safety), and department (e.g. police). Department directors may make transfers of appropriations within a fund and between their divisions. Transfers of appropriations between funds, however, require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 20 as part of the basic financial statements for the governmental funds. Budget to actual comparisons for all other funds are presented in the non-major governmental funds, internal service fund, and enterprise funds sections of this report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when considered from the broader perspective of the specific environment within which the City of Farmington operates.

Local economy. The local economy has historically been based on the natural resource extractive industry, two large coal-fired electric generating stations, and Farmington's geographical position as a regional retail center catering to a regional population base of more than 225,000. Historically, the local economy has fluctuated in cycles that correspond to the price of oil and particularly natural gas. The last five years continued this trend as the economy remained strong as the price of natural gas remained on the high end of the historical spectrum. However, in the fall of 2008, with the national economy in recession, declining natural gas prices led to a weakening in the local economy. Although starting the year in a positive manner, gross receipts tax (GRT) in FY2009 increased only 2% from the prior fiscal year. In the spring of 2009, and during the budget process for FY2010, it was apparent that the economy would continue to stagnate and adjustments were made to maintain both revenue and expenditures for FY2010 at the same level as FY2009. For the year ending June 30, 2009, the financial condition of the City remained strong, as general fund expenditures were held in check to adjust to flattening revenue levels. FY2009 expenditures in the general fund totaled 1.9% less as compared to FY2008 expenditures. Local economic conditions will continue to be closely monitored in FY2010 to ensure that spending remains in line with available resources. GRT projections for FY2010 are projected at a negative 1.8% growth factor as compared to actual revenue for FY2009. This level will require a careful review of expenditures with a focus towards reducing costs not directly tied to the provision of basic services.

During FY 2004, the U.S. Office of Management and Budget designated Farmington as the central city of the Farmington-San Juan County Metropolitan Statistical Area. This designation qualifies Farmington for various federal entitlement programs and, more importantly, increases the visibility of Farmington in various national economic databases that should highlight the desirability of Farmington as a potential business location.

Having been designated a Metropolitan Statistical Area for several years now, Farmington continues to participate in a national urban cost of living survey. As a participant in this survey, Farmington is compared with about 400 other cities in the

American Chamber of Commerce Researchers Association's Cost of Living Index. This index measures six different cost of living components such as housing, transportation, and utilities and then rates each city in terms of the national average. In a recent survey, Farmington's cost of living index was 100% of the national average.

As our locality and facilities continue to gain recognition, Farmington will host more national and regional events in baseball, softball, soccer, swimming, mountain biking, and off-road rock climbing, as well as numerous conventions. The City of Farmington plays host to the Connie Mack World Series every August. This national tournament for amateur baseball's best 17 and 18 year-olds brings in 10 teams from across the country. The teams hail from regions throughout the contiguous United States as well as Puerto Rico and Canada. It is one of the largest spectator attended events in the State of New Mexico and provides a significant economic boost to the entire region. The World Series began in Farmington in 1965 and continues to be an extremely popular and beneficial event for the local community.

San Juan Regional Medical Center (SJRMC) of Farmington recently completed a \$70 million expansion and renovation project. The East Tower expansion project of SJRMC added 72 private patient rooms, 8 new operating suites, a recovery room, and several day surgery rooms. A new entrance, lobby, and public square are also a part of the new addition. A financing partnership between the hospital and the community is paying for the project, which includes renovation of the existing five-story facility following completion of the East Tower expansion. San Juan County voters approved a \$25-million, one-eighth cent gross receipts tax in 2003 to help pay for the medical center expansion and renovation. SJRMC is funding the remainder of the project. This project is another example of the cooperation between various local governments that the county of San Juan is experiencing.

The City of Farmington has an employed labor force of approximately 54,463, a decrease of 3.2% over last year mostly attributable to a decrease in oil and gas production. The unemployment rate was 7.7% at June 2009 compared to 4.4% for the same period last year. Major employers include the regional medical center, four public school districts, a community college, a coal mining operation, two electrical power generation plants, two Wal-Mart superstores and a Sam's Club. Meanwhile, the weakening of the local economy is also impacting residential growth and creating a slowdown from the 1% per year growth of recent years.

Long-term financial planning. In the fall of 2008 construction of the new Sycamore Park Community Center was completed. This \$4.1 million project was completed without resorting to a bond issue through the use of cash reserves of the City's funds. Future capital projects such as Fire Station #7 and a regional animal shelter have also been through the design phase but have been temporarily put on hold as funding sources continue to be developed. The long-term perspective has recently been considerably shortened as revenue declines have required a focus on the ensuing fiscal year budget in an effort to match projected revenue and expenditures and provide for the City's various service levels.

In FY 2004 the City completed its wastewater treatment plant expansion, which was financed with a 3% \$14.2 million loan from the New Mexico Environment Department (NMED). The first loan payment of \$952,997 was made on July 1, 2007 and the final loan payment will be July, 2026. The treatment plant's capacity has increased by 15% to

meet a projected 6.67 mgd flow rate. In addition, reliability and flexibility have improved through the rehabilitation of the primary clarifiers and sludge drying beds as well as the capacity expansion of the disinfection process.

The wastewater treatment plant's next expansion phase, that will more efficiently treat three million gallons of waste per day, is scheduled for FY 2010. Design work for the project began in the fall of FY 2006. Construction for this expansion project is estimated to cost \$11 million. It is anticipated the City will be able to benefit with another agreement with the NMED on an additional low interest loan through the State Clean Water Revolving Fund Program.

As part of the plan to ensure a secure, reliable, and economical power source for utility customers, the electric utility completed an evaluation of various options for new generation, and, after the successful completion of several bond defeasances, has significantly reduced outstanding debt. In FY 2004, the electric utility initiated construction of a new \$59 million, 60 megawatt, gas-fired electric power plant with construction funded from existing cash reserves. The new plant went into operation in May, 2005.

In FY 2005, the City issued \$5,725,000 of Series 2005 Sales Tax Revenue Bonds to construct, furnish, equip and improve fire-fighting facilities, and acquire and rehabilitate fire-fighting equipment. Fire Station 6, completed in July, 2006, provides much-needed response and emergency service coverage to the west side of the city. In addition to the new state-of-the-art fire station, the bond proceeds purchased two new 95 foot platform ladder trucks and three 75 foot aerial ladder trucks.

Other long-term financial planning is incorporated into the City of Farmington's Comprehensive Plan approved by the City Council in October, 2002. This plan was developed in a multi-stage process and provides the vision, goals, objectives, and actions necessary to direct the City's progress over the next twenty years. It is an official public document that will serve as the guide for policy decisions relating to the physical, social, and economic growth of the community. In addition to providing goals and objectives, the plan assesses the opportunities and challenges facing the City and sets priorities for an implementation program that outlines specific actions and practical results. This document will serve as a planning guide for future financial capital investments. It is also currently serving as the springboard for development of a Metropolitan Redevelopment Area (MRA) covering all three downtown neighborhoods.

ARRA Funding

The City has made application for funding to various programs included in the **American Recovery and Reinvestment Act of 2009 (ARRA)**. ARRA is an economic stimulus package enacted by the 111th United States Congress in February 2009. The Act of Congress is intended to provide a stimulus to the U.S. economy in the wake of the economic downturn. As of June 30, the city had submitted applications totaling more than \$47 million and received notice of awards in the amount of \$3.4 million. The largest application totals \$27 million and would fund the construction of a bridge across the Animas River and provide a critical link on the east side of the City by connecting those areas on the north and south side of the River.

Awards and Acknowledgements.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Farmington for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the fifteenth consecutive year that the City of Farmington received this prestigious award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Farmington also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for FY 2009. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Division. We would like to express our appreciation to all members of the Division who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Farmington's finances.

Respectfully submitted,



Robert Mayes
City Manager



H. Andrew Mason
Administrative Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Farmington
New Mexico

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

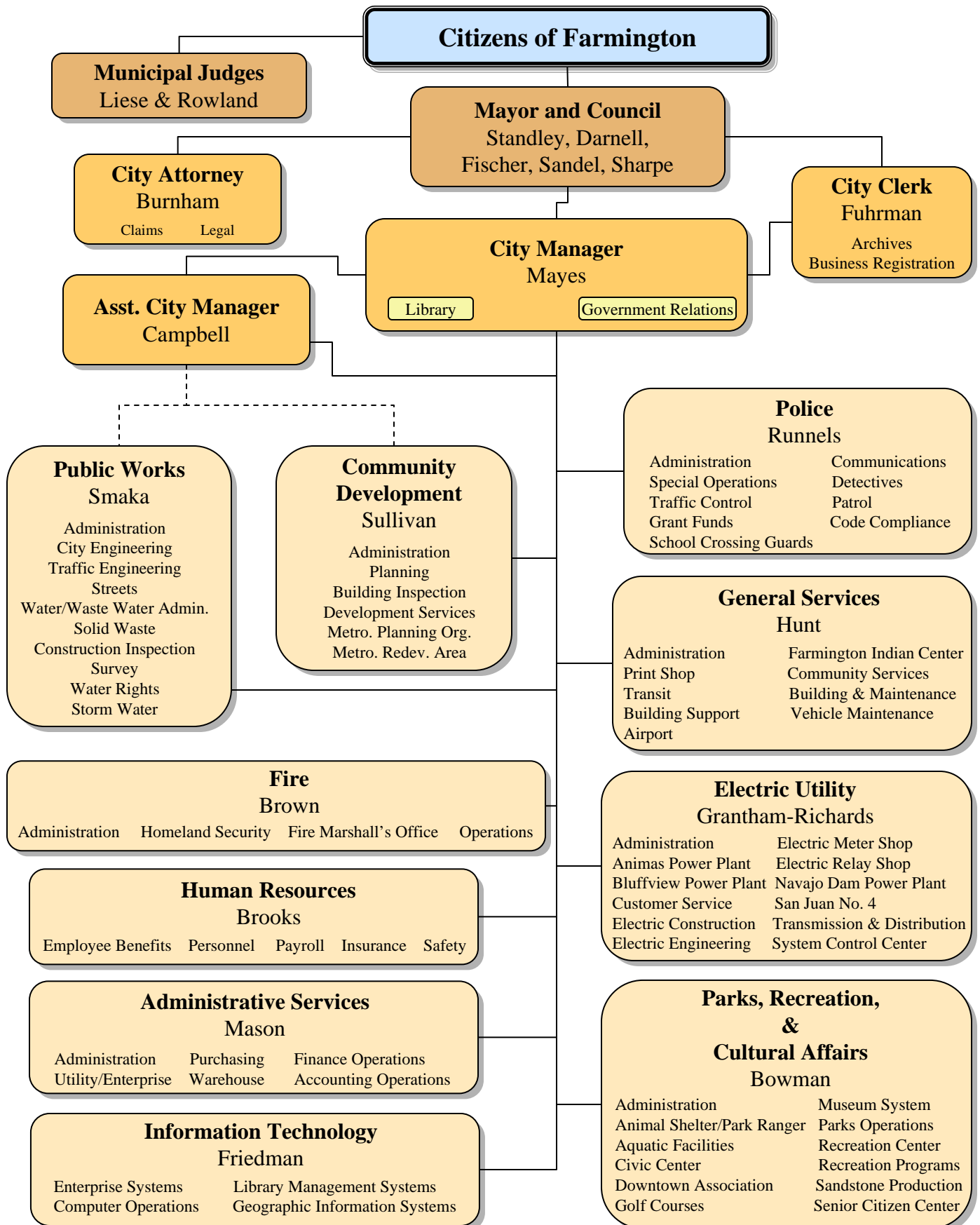


President

Executive Director

City of Farmington – Organizational Chart

July 2008



CITY OF FARMINGTON

Principal Officials

June 30, 2009

MAYOR

William Standley

CITY COUNCIL

Mary M. Fischer

George Sharpe

Dan Darnell

Jason Sandel

CITY MANAGER

Robert Mayes

ASSISTANT CITY MANAGER

Robert Campbell

ADMINISTRATIVE SERVICES DIRECTOR

H. Andrew Mason

COMMUNITY DEVELOPMENT

Michael Sullivan

ELECTRIC UTILITY DIRECTOR

Maude Grantham-Richards

FIRE

Troy Brown

GENERAL SERVICES

Rodney Hunt

HUMAN RESOURCES

Donna Brooks

INFORMATION TECHNOLOGY

Richard Friedman

PARKS & RECREATION

Jeffrey Bowman

POLICE

James Runnels

PUBLIC WORKS

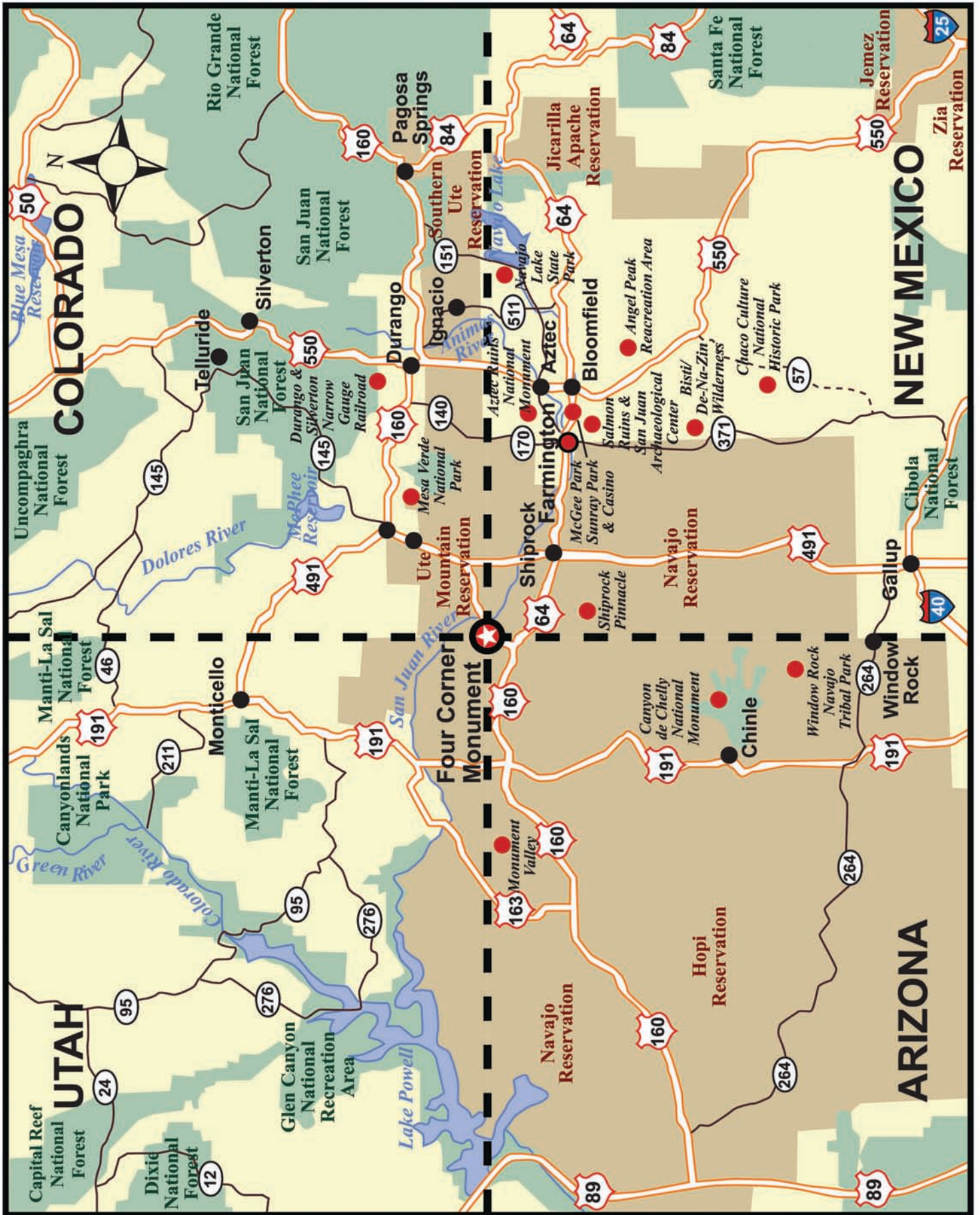
Jeffrey Smaka

CONTROLLER

Eric D. Schlotthauer



x MAP COURTESY OF FARMINGTON CONVENTION & VISITORS BUREAU



MAP COURTESY OF FARMINGTON CONVENTION & VISITORS BUREAU



Connie Mack Parade

FINANCIAL SECTION

Independent Auditor's Report

City of Farmington
Farmington, New Mexico
Honorable Mayor and City Council
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmington, New Mexico (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental, enterprise, and internal service funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, enterprise, and internal service fund of the City, as of June 30, 2009, and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major debt service fund, nonmajor governmental funds and business-type funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2009, 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 Audit Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 14 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The information included in the accompanying introductory section and statistical section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subject to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "David Berry, CPA, PC". The signature is written in a cursive, flowing style.

Farmington, New Mexico
November 12, 2009

Management Discussion and Analysis

**Management
Discussion and
Analysis**

Management's Discussion and Analysis

As management of the City of Farmington, we offer readers of the City of Farmington's financial statements this narrative overview and analysis of the financial activities of the City of Farmington for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which starts on page i of this report.

Financial Highlights

- The assets of the City of Farmington exceeded its liabilities at the close of FY2009 by \$459,864,356 (net assets). Of this amount, \$79,307,936 (unrestricted net assets) may be used to meet the City's ongoing obligations.
- As of June 30, 2009, the City of Farmington's governmental funds reported combined ending fund balances of \$26,274,996, a decrease of \$1,562,603, or 5.6% in comparison with the prior year. A total of \$22,032,741 (unreserved fund balance) is available for spending at the City's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$7,311,344, or 14.2 % of the total general fund expenditures.
- The City's total net debt decreased by \$7,124,785, or 14% during the current fiscal year.

Overview of Financial Statements

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

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

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

The *statement of activities* presents information showing how the City of Farmington's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses

are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave, etc).

Both government-wide financial statements distinguish functions of the City of Farmington 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 of Farmington include general government, police, fire, parks, recreation, cultural affairs, community development, public works, highways, and streets. The business-type activities of the City of Farmington include electric, water, wastewater, sanitation, golf, and airport operations. The government-wide financial statements can be found on pages 15-16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Farmington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Farmington can be divided into two categories: (1) governmental funds and (2) proprietary 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 Farmington maintains seventeen (17) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and gross receipts tax streets fund, both of which are considered to be major funds. Data from the other fifteen (15) governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of *combining statements* (pages 53-60).

The City of Farmington adopts an annual appropriated budget for each of its funds. Budgetary comparative statements have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 17-21 of this report.

Proprietary funds. The City of Farmington maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Farmington uses enterprise funds to account for its electric, water, wastewater, sanitation, golf, and airport operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Farmington's various functions. The City of Farmington uses an internal service fund to account for its self-funded health insurance operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water, wastewater, sanitation, golf, and airport operations and are found on pages 79-84 of this report. Fund data for the internal service fund is provided on page 78 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-50 of this report.

Government-wide Financial Analysis

As noted earlier, over time net assets may serve as a useful indicator of a government's financial position. In the case of the City of Farmington, assets exceeded liabilities by \$459,864,356 at the close of FY 2009.

The largest portion of the City of Farmington's net assets (81%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City of Farmington uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Farmington's investment in its capital assets is reported net of related debt, it should be noted that the resources required to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Farmington's Net Assets						
	Governmental Activities		Business-type Activities		Total	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
		Restated				Restated
Current and other assets	\$ 32,305,445	\$ 33,952,594	\$ 84,701,255	\$ 86,936,461	\$ 117,006,700	\$ 120,889,055
Capital assets	92,033,392	84,688,311	325,426,688	305,186,410	417,460,080	389,874,721
Total assets	124,338,837	118,640,905	410,127,943	392,122,871	534,466,780	510,763,776
Long-term liabilities outstanding	12,671,932	13,682,527	36,100,767	42,301,854	48,772,699	55,984,381
Other liabilities	4,784,654	4,743,066	21,045,071	28,617,428	25,829,725	33,360,494
Total liabilities	17,456,586	18,425,593	57,145,838	70,919,282	74,602,424	89,344,875
Net assets:						
Invested in capital assets, net of related debt	82,658,924	74,066,951	290,372,838	263,888,952	373,031,762	337,955,903
Restricted	4,085,917	4,599,840	3,438,741	3,139,945	7,524,658	7,739,785
Unrestricted	20,137,410	21,548,521	59,170,526	54,174,692	79,307,936	75,723,213
Total net assets	\$ 106,882,251	\$ 100,215,312	\$ 352,982,105	\$ 321,203,589	\$ 459,864,356	\$ 421,418,901

Another portion of the City of Farmington's net assets (1.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$79,307,936) may be used to meet the City's ongoing obligations.

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

The City of Farmington's net assets increased \$38,445,455 during the current fiscal year. Almost all of this increase represents the degree to which increases in ongoing revenues have exceeded similar increases in ongoing expenses, most attributable to the utility systems.

Governmental activities. Governmental activities increased the City of Farmington's net assets by \$6,666,939. Key elements of the change in net assets are as follows:

City of Farmington's Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Revenues:		Restated				Restated
Program revenues:						
Charges for services	\$ 8,856,502	\$ 9,294,233	\$ 121,492,238	\$ 125,132,885	\$ 130,348,740	\$ 134,427,118
Operating grants and Contributions	4,242,763	3,623,209	5,826,268	1,585,215	10,069,031	5,208,424
Capital grants and Contributions	-	-	1,050,875	2,617,273	1,050,875	2,617,273
General revenues:						
Property taxes	1,550,503	1,330,285	-	-	1,550,503	1,330,285
GRT taxes	52,406,771	54,401,730	-	-	52,406,771	54,401,730
Other taxes	2,857,535	3,116,431	-	-	2,857,535	3,116,431
Other	1,109,007	2,348,690	1,115,516	2,800,336	2,224,523	5,149,026
Total revenues	71,023,081	74,114,578	129,484,897	132,135,709	200,507,978	206,250,287
Expenses:						
General Government	30,738,756	24,773,909	-	-	30,738,756	24,773,909
Police	14,551,370	16,405,749	-	-	14,551,370	16,405,749
Fire	9,461,309	8,702,072	-	-	9,461,309	8,702,072
Parks, rec & cultural affairs	8,959,793	15,479,059	-	-	8,959,793	15,479,059
Community development	2,144,831	11,857,265	-	-	2,144,831	11,857,265
Electric	-	-	75,669,922	79,473,997	75,669,922	79,473,997
Water	-	-	7,670,708	6,854,699	7,670,708	6,854,699
Wastewater	-	-	5,066,171	5,227,357	5,066,171	5,227,357
Sanitation	-	-	4,404,269	4,130,295	4,404,269	4,130,295
Golf	-	-	1,331,765	1,312,463	1,331,765	1,312,463
Airport	-	-	1,639,916	1,557,946	1,639,916	1,557,946
Other	423,713	468,360	-	-	423,713	468,360
Total expenses	66,279,772	77,686,414	95,782,751	98,556,757	162,062,523	176,243,171
Increase in net assets before transfers	4,743,309	(3,571,836)	33,702,146	33,578,952	38,445,455	30,007,116
Transfers	1,923,630	1,420,720	(1,923,630)	(1,420,720)	-	-
Increase in net assets	6,666,939	(2,151,116)	31,778,516	32,158,232	38,445,455	30,007,116
Net assets - 7/01/08 - restated	100,215,312	102,366,428	321,203,589	289,045,357	421,418,901	391,411,785
Net assets - 6/30/09	\$ 106,882,251	\$ 100,215,312	\$ 352,982,105	\$ 321,203,589	\$ 459,864,356	\$ 421,418,901

A large portion of the increase in net assets was due to two prior period adjustments which decreased the prior year's net assets by (\$3,906,441). Details on these adjustments are found in the notes on page 50.

Total accrued gross receipts tax (GRT) decreased by \$1,994,959 or 3.7%. This was due to an overall decline in receipts from the retail trade and manufacturing sectors.

Operating grants and contributions increased \$619,554 or 17% during the year. This was due to: increases in region II funding (\$101,009), increases in fire grants

(\$321,891), and additional grant funding from the state for street improvements (\$290,000). Other highway grants received were slightly less than in the prior year.

Total expenses decreased \$11,406,642 or 15% during the year due mainly to increased expenses in the prior year for projects such as the Sycamore Center and various road improvements. The major funding of these projects occurred in FY2008 so the overall expense for construction projects was much lower in FY2009.

Business-type activities. Business-type activities increased the City of Farmington's net assets by \$31,778,516, accounting for 83% of the total growth in the government's net assets. Key financial elements of the past fiscal year are as follows:

- Operating expenses are 77.5% of operating revenues, resulting in \$27,320,492 in operating income.
- Total electric revenue decreased \$5.6 million or 5.4%. Electric sales were down \$5.2 million, which consisted of an overall decrease of sales to customers by \$1.6 million and investment earnings decreased 22.7% or \$528,938. Surplus energy sales decreased \$1.9 million but were offset with reduced expenses of \$3.8 million for purchased power and fuel. The power cost adjustment (PCA) decreased a net total of \$1.7 million. Billed revenues for the PCA increased \$6.7 million but per FASB 71 revenues were reduced by \$8.4 million for the regulatory asset. In FY2009, electric transferred \$2.4 million to the water fund to improve the Auburn waterline, which benefited the Bluffview Power Plant.
- Total water revenue increased \$711,387 or 6.2% due mainly to an increase in water rates, increases in renewal and replacement fees for water infrastructure improvements and grants received from the Bureau of Reclamation and the State of New Mexico.
- Total wastewater revenue increased by \$588,619 or 9% during the year due to increases in wastewater rates and increases in renewal and replacement fees for wastewater infrastructure improvements.
- Total sanitation revenue increased \$543,870 or 12.8% mainly due to higher demand for sanitation services.
- Investment earnings for business-type activities were \$2,128,575, a 24% decrease over FY2008 due to an overall decrease in interest rates.

Financial Analysis of the Government's Funds

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

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

As of June 30, 2009, the City of Farmington's governmental funds reported combined ending fund balances of \$26,274,996, a decrease of \$1,562,603 in comparison with the prior year. Approximately 84% of this total amount or \$22,032,741 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for debt service (\$81,902), prepaid items (\$156,338), and statutory reserves (\$4,004,015).

The general fund is the chief operating fund of the City of Farmington. At the end of the current fiscal year, unreserved fund balance of the general fund was \$7,311,344, while total fund balance was \$11,471,697. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14% of total general fund expenditures, while total fund balance represents 22% of that same amount. The fund balance of the City of Farmington's general fund decreased \$1,155,567 or 9% during the current fiscal year.

The total decrease in general fund revenue was \$1,216,603. This is due in part by a \$1,314,898 decrease in GRT caused by a decline in retail sales attributed to an overall decline in the local economy. Franchise fees are down \$126,704 or 13% mainly due to a decrease in natural gas prices which affects the revenue from both our local gas company and the City's oil and gas royalties. License and permit revenue is down \$121,109 or 17% due to an overall decline in building permits. Investment earnings in the general fund decreased \$179,839 or 40% due to interest rates being lower than last year. This is mainly attributed to the federal funds rate being low affecting the major investments of the City which are securities and certificates of deposits. Property tax revenues increased \$110,439 or 8% during FY2009 due to increases in the assessed value of local properties. Intergovernmental revenues increased \$361,305 or 33% during FY2009 mainly due to increases in: fire fighting grants (\$217,272), MPO grants (\$20,237) police reimbursements (\$20,563), and an MRA grant (\$70,000).

Total general fund expenditures decreased \$605,856 or 1% over the prior year. Key elements of this change were: a reduction in vehicle purchases (\$785,842), the elimination of the police holding facility (\$448,616), decreased costs in building repair (\$229,891) due to increased costs in FY2008 for a major roof repair, decreases in police administration costs (\$124,307) due to a computer upgrade in FY2008, increased jail costs (\$782,128) due to an increase in per inmate costs billed from San Juan County, and an increase for staffing the new Sycamore Park Community Center (\$177,209).

Total revenue from transfers in the general fund increased by \$3,194,461. A large transfer out (\$3,529,885) was made to the 408 general capital projects fund in

FY2008 but no transfers were made to this fund during FY2009 due to a reduction in general capital projects. Transfers to the airport fund decreased by \$349,892.

Transfers for PILT increased \$153,018 during FY2009. Funding for the 501 debt service fund was moved from a direct revenue in the debt service fund to a revenue transfer in the general fund resulting in an increase in transfers out of \$828,334.

Other key governmental-type funds include the streets GRT fund and parks GRT fund. Both of these funds are funded primarily with gross receipt tax revenue earmarked specifically for streets, public works, and parks activities. Revenues in the streets GRT fund increased \$2,473,957 and revenues in the parks GRT fund decreased \$2,593,092 due to the separating of revenue designated for street improvements from what was last year called the parks and public works GRT fund. This fund has been renamed the parks GRT fund and accounts for GRT dedicated to park improvements. The total revenue decrease in both of these funds combined amounted to \$119,135 or 1%.

Total operating revenues in the governmental funds (not including the general fund) decreased \$1,111,107 or 6%. This is mainly due to reclassifying the debt service fund GRT from a revenue to a transfer which resulted in a decrease in operating revenue of \$1,272,910. The parks, recreation, and gifts fund saw an increase of \$90,534 or 9% due mainly to increases in donations. Revenue in the region II narcotics fund increased \$78,114 or 22% due to an increase in federal grant funding. The state fire fund's revenue increased \$105,292 or 25% during the year attributable to an increase in state grant funding.

Expenditures in the governmental funds (not including the general fund) increased \$1,209,917 or 7% during FY2009. Key elements of this increase are: an increase in region II fund spending (\$105,862) due to an increase in grant proceeds, increased spending on Pinon Hills Bridge (\$276,199) due to an increase in grant funding, increases in construction cost in the general capital projects fund (\$1,310,673) due to construction costs for the Sycamore Community Center, decreases in spending in the streets and parks GRT funds (\$620,728) due mainly to a reduction in capital projects in these funds, and an increase in contributions to the convention and visitor's bureau (\$173,850) due to increased advertising costs for local events.

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

Unrestricted net assets at the end of the year amounted to \$50,144,129 in the electric utility system, \$3,418,426 in the water utility system, \$4,488,614 in the wastewater utility system, and \$1,119,357 in combined net assets for the other propriety funds (sanitation, golf course, and airport). The total growth in net assets was \$23,836,763 in the electric fund, \$6,392,592 in the water fund, \$1,764,854 in the wastewater fund, and a decline of \$215,693 in the other funds combined. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Farmington's business-type activities.

Budgetary Highlights

FY2009 was a mixed year for general fund revenue as GRT proceeds started the year strong but ended the year with a decrease of \$1,314,898 or 3.1% from the prior year. This level reflects the first decline in GRT revenue since FY2003. This level is also significantly below the twenty-five year average growth trend of 9%. With the considerable drop in natural gas prices the result for FY2009 is probably a strong indication that the local economy is beginning to suffer some of the same setbacks as the national economy. For this reason the budget for FY2010 will be set at essentially the same level as the actual results for FY2009. With a higher degree of uncertainty as to actual revenue levels the budget for FY2010 will be even more closely monitored than in prior years.

On the expenditure side, the original general fund budget of \$53,392,061 was increased by \$189,800 to \$53,581,861 during FY2009. This adjustment was made to reflect certain grants received by the City during the year. With the decrease in actual revenue from budgeted revenue, expenditures were carefully monitored to insure against spending in excess of resources available. Although difficult to accomplish, this effort resulted in actual FY2009 expenditures being held to \$605,856 less than the prior year. This resulted in a favorable ending cash balance of \$7,763,626, essentially the same as the prior year. The fact that a cash balance equaling 15% of expenditures was maintained, even in light of declining revenue, will be very important for the upcoming year as the economy continues to remain sluggish.

During the year, only two separate revisions were made to the original FY2009 budget. These adjustments totaled \$6,235,904 and equaled 2.7% of the original total budget. Budget revisions in the general fund between the original and final budget for revenue and expenditures amounted to an increase of 0.3% and an increase of 0.3% respectively. In the governmental funds, the largest percentage increase in expenditures was in the general government capital projects fund. This was a result of an encumbrance carryover for the construction of the Sycamore Park Community Center. The electric enterprise fund also had a significant increase from original to final budget. This increase was necessary to facilitate the carryover of encumbrances from the prior year for various capital construction projects that were in progress.

In FY2009, the general fund budget had two main issues to be addressed. The first issue involved the planning for the hiring of personnel to staff the Sycamore Park Community Center. The second issue was the need to create a balanced budget. The balanced budget issue was addressed first by adjusting the expenditures to the projected level of revenue. Several budget reviews were necessary to contain expenditures within revenue projections. Part of this process involved transferring all general fund capital projects to the governmental capital projects fund on a funds available basis when a project was ready to be started. Consequently, expenditures could be controlled by not initiating capital projects unless revenue was received at, or above, projected levels and operating expenditures were under budget. In fact, this strategy worked well, because even though revenues were below projections, expenditures also came in below projections at the same ratio. As a result of this expenditure control strategy, the original projected ending cash balance budget of \$7,012,639 was exceeded by over \$700,000.

Due to growth in the northeast sector of the City, an additional fire station will be needed in the next few years. Another community project, the Regional Animal Shelter is in the design phase. For FY2010, both of these projects have some funding allocated. However, additional funds will be required for the completion of both projects and the source for operating funds to staff both facilities is as yet undetermined. Another capital project in the planning stage is a bridge over the Animas river which will connect north and south on the eastside of the city.

The budget for FY2009 also continued the implementation of previously adopted water and wastewater rates. Red Oak Consulting recommended the need to develop a revenue rate structure that would provide for the renewal and replacement of water and wastewater infrastructure. The rate adjustment was implemented and plans were made to start replacing the oldest and most deteriorated lines. This effort will continue in future years as the city upgrades its aging infrastructure and expands the system to new customers. A list of priority projects will be developed for FY2010.

The most favorable budget highlight for the year was the revenue/expenditure actual to actual comparison for the general fund at the end of the year. With actual revenue for the year under budget by \$1,871,756 and actual expenditures under budget by \$1,604,764, actual results were extremely close to what was budgeted. These results left the cash balance in the general fund at \$7,763,626 which is equal to 14.5% of the FY2010 beginning expenditure budget. This balance provides additional flexibility for the FY2010 budget and creates a significant "cushion" that allows for potential revenue shortfalls without creating negative financial consequences.

Capital Asset and Debt Administration

Capital Assets. The City of Farmington's investment in capital assets for governmental and business type activities as of June 30, 2009 was \$417,460,080 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, utility systems, machinery and equipment, park facilities, roads, highways, and bridges. The business-type capital assets accounted for \$325,426,688 or 78% of the total City of Farmington capital assets. The total increase in the business-type investment in capital assets for the current fiscal year was \$20,240,278 or 7%. The governmental activities investment in capital assets accounted for \$92,033,392 or 22% of all capital assets owned by the City. The total increase in governmental activities investment in capital assets for the current year was \$7,345,081 or 9%.

Major capital asset investment activities during the current fiscal year included the following:

City of Farmington's Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	(restated)				(restated)	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Land	\$ 25,914,018	\$ 25,780,126	\$ 4,841,604	\$ 4,884,635	\$ 30,755,622	\$ 30,664,761
Buildings and system	24,975,115	24,670,030	65,635,046	61,542,321	90,610,161	86,212,351
Improvements	5,574,601	6,682,447	58,184,753	55,567,185	63,759,354	62,249,632
Machinery & equipment	10,011,255	11,231,367	146,754,256	138,448,030	156,765,511	149,679,397
Infrastructure	12,032,706	11,978,654	-	-	12,032,706	11,978,654
Construction in progress	13,525,697	4,345,687	50,011,029	44,744,239	63,536,726	49,089,926
Total	\$ 92,033,392	\$ 84,688,311	\$ 325,426,688	\$ 305,186,410	\$ 417,460,080	\$ 389,874,721

Capital expenditures for the electric utility system will average approximately \$34,471,700 per year over the next five fiscal years. Some large projects included in the FY2010 capital budget are a fiber optics project (\$1,475,000), automated meter reading improvements (\$2,500,000), the zero discharge project for the Bluffview plant (\$3,500,000) and the Animas plant (\$1,500,000), and the photovoltaic project for the Municipal Operations Center. The City expects to fund these projects from electric customer-generated revenues.

Capital expenditures for the water utility system scheduled in the current five-year capital improvements plan principally include upgrades and replacements of existing facilities to maintain the existing system and meet future demand requirements. Capital expenditures average \$28,977,500 per year, totaling \$5,795,500 for fiscal years 2010 through 2014. During FY2009, the City of Farmington implemented the 3rd of five planned annual rate increases including a renewal and replacement fee, plus a water rights acquisition fee to generate revenues for capital projects and ensure adequate water sources for the future.

Pursuant to the Wastewater System Master Plan, in FY2004 the City placed in service a new wastewater treatment plant. Funding came from a \$14,178,191 loan obtained from the New Mexico Environment Department (NMED). Capital expenditures for FY2010 are budgeted at \$1,601,325 for treatment and \$1,520,000 for the collection system. During FY2009, the wastewater fund implemented the 3rd of five planned annual rate increases including a renewal and replacement fee to generate additional revenues for capital projects. Additional information on the City of Farmington's capital assets can be found in Note C on pages 38-39 of this report.

Long-term debt. At the end of the current fiscal year, the City of Farmington had total bonded debt outstanding of \$30,735,000. Of this amount, \$9,265,000 constitutes special, limited obligations of the City government, payable solely from the City's existing 1.225% State-shared gross receipts tax. This tax is collected by the State and distributed monthly to the City. Per the bond ordinance, interest may be earned on cash balances held by the City until debt payments are made. The bonds are not an indebtedness of the City within any constitutional or statutory provision or limitation and are not general obligations of the City. Consequently, the registered owners cannot look to the general fund or other fund for any payment that becomes

due on the bonds other than the special funds that are specifically pledged for their payment under the terms of the bond ordinance. The remainder of the City's debt is secured solely by specified revenue sources. The City of Farmington's total net debt decreased \$7,124,785 or 14% during FY2009.

City of Farmington's Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Sales tax bonds	\$ 9,265,000	\$ 10,490,000	\$ -	\$ -	\$ 9,265,000	\$ 10,490,000
NMED loan	-	-	12,547,273	13,107,058	12,547,273	13,107,058
Revenue bonds	-	-	21,470,000	26,810,000	21,470,000	26,810,000
Total	\$ 9,265,000	\$ 10,490,000	\$ 34,017,273	\$ 39,917,058	\$ 43,282,273	\$ 50,407,058

Category	FY2008	FY2009
Governmental	10.49	9.265
Business-type	39.917	34.017

Credit ratings. Standard & Poor's Rating Group and Moody's Investors Service have assigned the most recent bond issuance the insured ratings of AAA and Aaa, respectively. The underlying ratings, however, are AA- and A1, respectively. These ratings have not changed significantly in comparison to prior ratings.

Debt limitation. Article IX, Section 13 of the State Constitution limits the powers of the City to incur general obligation debt in 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 City may, however, contract debt in excess of such limitation for the construction or purchase of a system for supplying water or a sewer system for the City. Based on the 2008 assessed valuation of \$1,021,758,481, the City's general obligation debt limit is \$40,870,339. The City presently has no general obligation bonds outstanding. For more detailed information on the City's debt, see pages 42-45 in the Notes to the Financial Statements.

Requests for Information

This financial report is designed to provide a general overview of the City of Farmington's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Controller, 800 Municipal Drive, Farmington, NM 87401.

Basic Financial Statements

CITY OF FARMINGTON, NEW MEXICO
Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 20,356,828	\$ 46,918,735	\$ 67,275,563
Receivables (net, where applicable, of allowances for uncollectibles):	268,193	6,098,886	6,367,079
Accrued unbilled revenues	-	5,432,033	5,432,033
Special assessments	13,428	-	13,428
Intergovernmental receivable	11,013,237	304,164	11,317,401
Regulatory Asset	-	2,219,645	2,219,645
Inventories	237,072	5,922,633	6,159,705
Prepays	156,338	118,330	274,668
Deferred charges	112,981	195,864	308,845
Restricted reserve investment account	147,368	466,666	614,034
Restricted assets			
Temporarily restricted:			
Cash and equivalents	-	17,024,299	17,024,299
Capital assets (not being depreciated):			
Land and land rights	25,914,018	4,841,604	30,755,622
Construction in progress	13,525,697	50,011,029	63,536,726
Capital assets (net of accumulated depreciation):			
Buildings and system	24,975,115	65,635,046	90,610,161
Improvements other than buildings	5,574,601	58,184,753	63,759,354
Machinery and equipment	10,011,255	146,754,256	156,765,511
Infrastructure	12,032,706	-	12,032,706
Total assets	<u>124,338,837</u>	<u>410,127,943</u>	<u>534,466,780</u>
LIABILITIES			
Accounts payable and other current liabilities	1,344,252	5,380,532	6,724,784
Wages and benefits payable	1,223,934	368,448	1,592,382
Other accrued liabilities	32,920	1,447,018	1,479,938
Accrued claims liabilities	2,091,845	134,500	2,226,345
Retainage deposits payable	75,898	-	75,898
Unearned revenue	-	389	389
Accrued interest payable	15,805	128,626	144,431
Customer deposits	-	13,585,558	13,585,558
Non-current liabilities:			
Due within one year	1,456,766	7,021,327	8,478,093
Due in more than one year	11,215,166	29,079,440	40,294,606
Total liabilities	<u>17,456,586</u>	<u>57,145,838</u>	<u>74,602,424</u>
NET ASSETS			
Invested in capital assets, net of related debt	82,658,924	290,372,838	373,031,762
Restricted for:			
Debt service	81,902	3,438,741	3,520,643
Statutory reserve	4,004,015	-	4,004,015
Unrestricted	20,137,410	59,170,526	79,307,936
Total net assets	<u>\$ 106,882,251</u>	<u>\$ 352,982,105</u>	<u>\$ 459,864,356</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 30,738,756	\$ 6,420,991	\$ 1,526,130	\$ -	\$ (22,791,635)	\$ -	\$ (22,791,635)
Police	14,551,370	1,483,251	604,614	-	(12,463,505)	-	(12,463,505)
Fire	9,461,309	-	513,807	-	(8,947,502)	-	(8,947,502)
Parks, recreation, cultural affairs	8,959,793	884,964	46,587	-	(8,028,242)	-	(8,028,242)
Community development	2,144,831	67,296	1,551,625	-	(525,910)	-	(525,910)
Interest on long-term debt	423,713	-	-	-	(423,713)	-	(423,713)
Total governmental activities	<u>66,279,772</u>	<u>8,856,502</u>	<u>4,242,763</u>	<u>-</u>	<u>(53,180,507)</u>	<u>-</u>	<u>(53,180,507)</u>
Business-type activities:							
Electric	75,669,922	97,122,636	4,800,451	-	-	26,253,165	26,253,165
Water	7,670,708	11,052,694	1,010,179	-	-	4,392,165	4,392,165
Wastewater	5,066,171	6,910,478	15,638	-	-	1,859,945	1,859,945
Sanitation	4,404,269	4,774,637	-	-	-	370,368	370,368
Golf	1,331,765	1,167,456	-	-	-	(164,309)	(164,309)
Airport	1,639,916	464,337	-	1,050,875	-	(124,704)	(124,704)
Total business-type activities	<u>95,782,751</u>	<u>121,492,238</u>	<u>5,826,268</u>	<u>1,050,875</u>	<u>-</u>	<u>32,586,630</u>	<u>32,586,630</u>
Total government	<u>\$ 162,062,523</u>	<u>\$ 130,348,740</u>	<u>\$ 10,069,031</u>	<u>\$ 1,050,875</u>	<u>(53,180,507)</u>	<u>32,586,630</u>	<u>(20,593,877)</u>
General revenues:							
Property taxes					1,550,503	-	1,550,503
Sales taxes					52,406,771	-	52,406,771
Franchise taxes					865,346	-	865,346
Gasoline taxes					767,159	-	767,159
Cigarette taxes					35,054	-	35,054
Lodger's taxes					1,189,976	-	1,189,976
Miscellaneous					1,789,230	-	1,789,230
Unrestricted investment earnings					701,039	-	701,039
Loss on disposition of capital assets					(1,381,262)	-	(1,381,262)
Transfers					1,923,630	(1,923,630)	-
Total general revenues and transfers					<u>59,847,446</u>	<u>(808,114)</u>	<u>59,039,332</u>
Change in net assets					6,666,939	31,778,516	38,445,455
Net assets - beginning (restated)					100,215,312	321,203,589	421,418,901
Net assets - ending					<u>\$ 106,882,251</u>	<u>\$ 352,982,105</u>	<u>\$ 459,864,356</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO

**Balance Sheet
Governmental Funds
June 30, 2009**

	<u>General</u>	<u>Gross Receipts Tax Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Pooled cash and investments	\$ 7,616,258	\$ 8,921,928	\$ 3,777,367	\$ 20,315,553
Receivables (net, where applicable, of allowances for uncollectibles):	43,164	65,372	-	108,536
Special assessments	13,428	-	-	13,428
Inventories, at cost	237,072	-	-	237,072
Prepaid items	156,338	-	-	156,338
Restricted reserve investment account	147,368	-	-	147,368
Intergovernmental	8,355,853	1,378,463	1,278,921	11,013,237
Total assets	<u>16,569,481</u>	<u>10,365,763</u>	<u>5,056,288</u>	<u>31,991,532</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	862,364	161,559	297,123	1,321,046
Wages and benefits payable	1,168,290	629	55,015	1,223,934
Other accrued expenditures	32,920	-	-	32,920
Accrued claims payable	1,243,342	-	-	1,243,342
Retainage/deposits payable	75,898	-	-	75,898
Deferred revenue	1,714,970	38,358	66,068	1,819,396
Total liabilities	<u>5,097,784</u>	<u>200,546</u>	<u>418,206</u>	<u>5,716,536</u>
Fund Balances:				
Reserved for:				
Debt service	-	-	81,902	81,902
Prepays	156,338	-	-	156,338
Subsequent year's statutory reserve	4,004,015	-	-	4,004,015
Unreserved, reported in:				
Designated for debt service	2,000,000	-	-	2,000,000
General fund	5,311,344	-	-	5,311,344
Special revenue funds	-	10,165,217	2,839,012	13,004,229
Capital project funds	-	-	1,717,168	1,717,168
Total fund balances	<u>11,471,697</u>	<u>10,165,217</u>	<u>4,638,082</u>	<u>26,274,996</u>
Total liabilities and fund balances	\$ <u>16,569,481</u>	\$ <u>10,365,763</u>	\$ <u>5,056,288</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	92,033,392
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,819,396
Internal service funds are used by management to charge the costs of healthcare to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(670,777)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(12,574,756)</u>
Net assets of governmental activities	\$ <u>106,882,251</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	<u>General</u>	<u>Gross Receipts Tax Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes:				
Property	\$ 1,440,724	\$ -	\$ -	\$ 1,440,724
Gross receipts	41,322,155	8,291,233	2,793,383	52,406,771
Franchise	865,346	-	-	865,346
Gasoline	-	767,159	-	767,159
Cigarette	-	-	35,054	35,054
Lodger's	-	-	1,189,976	1,189,976
Licenses and permits	610,454	-	8,423	618,877
Intergovernmental	1,450,588	-	2,792,175	4,242,763
Charges for services	1,603,591	-	145,443	1,749,034
Fines	1,229,707	-	202,011	1,431,718
Special assessments	6,667	-	-	6,667
Investment earnings	265,648	150,741	284,650	701,039
Miscellaneous	574,792	65,510	1,148,928	1,789,230
Total revenues	<u>49,369,672</u>	<u>9,274,643</u>	<u>8,600,043</u>	<u>67,244,358</u>
EXPENDITURES:				
Current:				
General government	18,766,806	-	-	18,766,806
Police	13,695,557	-	941,010	14,636,567
Fire	8,247,716	-	407,282	8,654,998
Parks, recreation and cultural affairs	8,135,884	-	5,693,079	13,828,963
Community development	1,336,120	-	-	1,336,120
Public works	1,049,097	-	-	1,049,097
Debt service:				
Principal	-	-	1,225,000	1,225,000
Interest	-	-	425,643	425,643
Capital outlay:				
General government	-	4,296,048	2,074,346	6,370,394
Highways and streets	349,355	2,008,681	2,078,967	4,437,003
Total expenditures	<u>51,580,535</u>	<u>6,304,729</u>	<u>12,845,327</u>	<u>70,730,591</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,210,863)</u>	<u>2,969,914</u>	<u>(4,245,284)</u>	<u>(3,486,233)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,608,769	3,903,405	1,422,918	7,935,092
Transfers out	(1,553,473)	(444,584)	(4,013,405)	(6,011,462)
Total other financing sources (uses)	<u>1,055,296</u>	<u>3,458,821</u>	<u>(2,590,487)</u>	<u>1,923,630</u>
Net change in fund balances	(1,155,567)	6,428,735	(6,835,771)	(1,562,603)
Fund balances-beginning	12,627,264	3,736,482	11,473,853	27,837,599
Fund balances- ending	<u>\$ 11,471,697</u>	<u>\$ 10,165,217</u>	<u>\$ 4,638,082</u>	<u>\$ 26,274,996</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
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, 2009

Amounts reported for governmental activities in the statement of activities (page 16) are different because:

Net change in fund balances-total governmental funds (page 18)	\$ (1,562,603)
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. This is the amount by which capital outlays exceeded depreciation in the current period.	7,345,081
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	109,780
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.	989,929
The net revenue/expense of certain activities of internal service funds is reported with governmental activities.	<u>(215,248)</u>
Change in net assets of governmental activities (page 16)	<u>\$ 6,666,939</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Taxes:				
Property taxes	\$ 1,283,848	\$ 1,283,848	\$ 1,444,908	\$ 161,060
Gross receipts tax	44,028,215	44,028,215	42,864,088	(1,164,127)
Franchise taxes	750,000	750,000	731,132	(18,868)
Licenses and permits	775,500	775,500	610,454	(165,046)
Intergovernmental	1,922,025	2,092,025	1,402,544	(689,481)
Charges for services	1,875,136	1,875,136	1,581,812	(293,324)
Fines	1,073,800	1,073,800	1,226,338	152,538
Special assessments	10,500	10,500	6,667	(3,833)
Investment earnings	320,000	320,000	247,078	(72,922)
Miscellaneous	373,200	393,000	549,905	156,905
Total revenues	52,412,224	52,602,024	50,664,926	(1,937,098)
EXPENDITURES:				
Current:				
General government:				
Council	329,408	329,349	315,491	13,858
Municipal court	2,122,453	2,122,453	2,653,150	(530,697)
Administrative	10,914,609	10,631,938	9,260,297	1,371,641
Legal	1,192,023	1,190,524	1,176,265	14,259
Administrative services	771,620	768,073	713,386	54,687
General services	4,975,933	4,977,834	4,598,647	379,187
Community Development	1,615,802	1,649,752	1,315,664	334,088
Total general government	21,921,848	21,669,923	20,032,900	1,637,023
Public safety:				
Police	13,345,307	13,516,632	13,661,119	(144,487)
Fire	7,719,693	7,914,468	8,265,547	(351,079)
Total public safety	21,065,000	21,431,100	21,926,666	(495,566)
Public works:				
Streets	367,505	367,505	343,327	24,178
Other-unclassified	1,351,681	1,352,181	1,057,176	295,005
Total public works	1,719,186	1,719,686	1,400,503	319,183
Parks, recreation and cultural affairs	8,686,027	8,761,152	8,161,151	600,001
Total expenditures	53,392,061	53,581,861	51,521,220	2,060,641
Excess of revenues over expenditures	(979,837)	(979,837)	(856,294)	123,543
OTHER FINANCING SOURCES (USES):				
Transfers in	2,688,976	2,688,976	2,608,769	(80,207)
Transfers out	(1,709,139)	(1,719,139)	(1,553,473)	165,666
Total other financing sources and uses	979,837	969,837	1,055,296	85,459
Net change in fund balances	-	(10,000)	199,002	\$ 209,002
RECONCILIATION TO GAAP BASIS:				
Change in receivables			(1,313,824)	
Change in intergovernmental			18,570	
Change in accrued payables			(59,315)	
			(1,354,569)	
GAAP BASIS CHANGE IN FUND BALANCES:			(1,155,567)	
Fund balances-beginning	12,627,264	12,627,264	12,627,264	
Fund balances-ending	\$ 12,627,264	\$ 12,617,264	\$ 11,471,697	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Gross Receipts Tax Streets Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Gross receipts taxes	\$ 8,924,638	\$ 8,924,638	\$ 8,573,657	\$ (350,981)
Gasoline taxes	850,000	850,000	773,102	(76,898)
Investment earnings	68,500	68,500	150,741	82,241
Miscellaneous	-	-	72,807	72,807
Total revenues	<u>9,843,138</u>	<u>9,843,138</u>	<u>9,570,307</u>	<u>(272,831)</u>
EXPENDITURES:				
Current:				
Community development	6,378,010	6,829,390	4,338,705	2,490,685
Capital Outlay:				
Highways and streets	<u>6,435,000</u>	<u>6,435,000</u>	<u>2,008,681</u>	<u>4,426,319</u>
Total expenditures	<u>12,813,010</u>	<u>13,264,390</u>	<u>6,347,386</u>	<u>6,917,004</u>
Excess (deficiency) of revenues over (under) expenditures	(2,969,872)	(3,421,252)	3,222,921	6,644,173
OTHER FINANCING SOURCES (USES):				
Transfers in	-	3,903,405	3,903,405	-
Transfers out	<u>(533,500)</u>	<u>(533,500)</u>	<u>(444,584)</u>	<u>88,916</u>
Total other financing sources and uses	<u>(533,500)</u>	<u>3,369,905</u>	<u>3,458,821</u>	<u>88,916</u>
Net change in fund balances	(3,503,372)	(51,347)	6,681,742	<u>\$ 6,733,089</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(304,013)	
Change in accounts payable			43,286	
Change in deferred revenue			8,349	
Change in accrued wages payable			<u>(629)</u>	
			<u>(253,007)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			6,428,735	
Fund balances-beginning	<u>3,736,482</u>	<u>3,736,482</u>	<u>3,736,482</u>	
Fund balances-ending	<u>\$ 233,110</u>	<u>\$ 3,685,135</u>	<u>\$ 10,165,217</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities Enterprise Funds							Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport	Totals	
ASSETS								
Current assets:								
Pooled cash and investments	\$ 39,253,987	\$ 2,213,778	\$ 4,161,045	\$ 987,502	\$ 227,771	\$ 74,652	\$ 46,918,735	\$ 41,275
Accounts receivable (net of allowance for doubtful accounts)	4,288,925	950,045	568,484	289,770	1,402	260	6,098,886	159,657
Accrued unbilled revenues	4,529,262	522,107	197,049	183,615	-	-	5,432,033	-
Intergovernmental receivable	-	266,857	-	-	-	37,307	304,164	-
Regulatory asset	2,219,645	-	-	-	-	-	2,219,645	-
Inventories	5,803,536	111,456	7,641	-	-	-	5,922,633	-
Prepaid items	79,471	11,454	15,288	-	3,130	8,987	118,330	-
Restricted reserve investment account	466,666	-	-	-	-	-	466,666	-
Restricted cash, cash equivalents and investments	15,433,748	685,598	904,953	-	-	-	17,024,299	-
Total current assets	<u>72,075,240</u>	<u>4,761,295</u>	<u>5,854,460</u>	<u>1,460,887</u>	<u>232,303</u>	<u>121,206</u>	<u>84,505,391</u>	<u>200,932</u>
Noncurrent assets:								
Deferred charges:								
Capital assets:	156,529	33,777	5,558	-	-	-	195,864	-
Land and land rights	3,546,554	1,654,753	479,388	23,341	100,000	879,968	6,684,004	-
Building and system	62,903,945	14,008,573	22,411,891	80,640	730,000	5,382,661	105,517,710	-
Improvements other than buildings	50,649,752	31,111,263	12,192,580	14,839	2,456,048	4,659,102	101,083,584	-
Machinery and equipment	249,263,570	8,555,493	2,335,013	101,099	959,996	1,629,421	262,844,592	-
Construction in progress	35,088,316	6,847,959	4,112,243	-	-	3,962,511	50,011,029	-
Less accumulated depreciation	<u>(148,071,346)</u>	<u>(28,201,322)</u>	<u>(15,046,879)</u>	<u>(172,097)</u>	<u>(2,004,080)</u>	<u>(7,218,507)</u>	<u>(200,714,231)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>253,380,791</u>	<u>33,976,719</u>	<u>26,484,236</u>	<u>47,822</u>	<u>2,241,964</u>	<u>9,295,156</u>	<u>325,426,688</u>	<u>-</u>
Total noncurrent assets	<u>253,537,320</u>	<u>34,010,496</u>	<u>26,489,794</u>	<u>47,822</u>	<u>2,241,964</u>	<u>9,295,156</u>	<u>325,622,552</u>	<u>-</u>
Total assets	<u>\$ 325,612,560</u>	<u>\$ 38,771,791</u>	<u>\$ 32,344,254</u>	<u>\$ 1,508,709</u>	<u>\$ 2,474,267</u>	<u>\$ 9,416,362</u>	<u>\$ 410,127,943</u>	<u>\$ 200,932</u>

CITY OF FARMINGTON, NEW MEXICO
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport	
LIABILITIES							
Current liabilities:							
Current liabilities payable from unrestricted assets:							
Accounts payable	\$ 4,229,694	\$ 512,020	\$ 407,844	\$ 538,848	\$ 35,761	\$ 24,813	\$ 5,748,980
Compensated absences	519,197	4,432	4,432	-	12,201	13,327	553,589
Other accrued expenses	1,302,442	111,147	4,647	70	28,712	-	1,447,018
Accrued claims payable	58,500	35,000	40,000	-	1,000	-	134,500
Deferred revenue	-	389	-	-	-	-	389
Capital lease payable - current	-	-	-	-	136,302	-	136,302
Accrued interest payable	102,794	22,182	3,650	-	-	-	128,626
Revenue bonds payable	4,599,123	992,430	163,304	-	-	-	5,754,857
NMED loan	-	-	576,579	-	-	-	576,579
Total current liabilities payable from unrestricted assets	10,811,750	1,677,600	1,200,456	538,918	213,976	38,140	14,480,840
Current liabilities payable from restricted assets	13,349,676	235,882	-	-	-	-	13,585,558
Total current liabilities	24,161,426	1,913,482	1,200,456	538,918	213,976	38,140	28,066,398
Noncurrent liabilities:							
(net of unamortized discounts)							
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	13,278,586	2,865,343	471,489	-	-	-	16,615,418
NMED loan	-	-	11,970,694	-	-	-	11,970,694
Compensated absences	441,265	5,878	5,878	-	30,558	9,749	493,328
Total noncurrent liabilities	13,719,851	2,871,221	12,448,061	-	30,558	9,749	29,079,440
Total liabilities	37,881,277	4,784,703	13,648,517	538,918	244,534	47,889	57,145,838
NET ASSETS							
Invested in capital assets, net of related debt	235,503,082	30,118,946	13,302,170	47,822	2,105,662	9,295,156	290,372,838
Restricted for debt service	2,084,072	449,716	904,953	-	-	-	3,438,741
Unrestricted	50,144,129	3,418,426	4,488,614	921,969	124,071	73,317	59,170,526
Total net assets	\$ 287,731,283	\$ 33,987,088	\$ 18,695,737	\$ 969,791	\$ 2,229,733	\$ 9,368,473	\$ 352,982,105

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities							Governmental Activities
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport	Totals	
Operating revenues:								
Charges for sales and services:								
Electric	\$ 96,357,610	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,357,610	\$ -
Water	-	11,038,457	-	-	-	-	11,038,457	-
Wastewater	-	-	6,909,378	-	-	-	6,909,378	-
Sanitation	-	-	-	4,688,722	-	-	4,688,722	-
Golf course	-	-	-	-	1,165,801	-	1,165,801	-
Airport	-	-	-	-	-	464,337	464,337	-
Health	-	-	-	-	-	-	-	5,050,206
Other revenues	765,026	14,237	1,100	85,915	1,655	-	867,933	-
Total operating revenues	<u>97,122,636</u>	<u>11,052,694</u>	<u>6,910,478</u>	<u>4,774,637</u>	<u>1,167,456</u>	<u>464,337</u>	<u>121,492,238</u>	<u>5,050,206</u>
Operating expenses:								
Salaries and fringe benefits	9,558,746	467,448	282,420	1,659	689,747	379,694	11,379,714	-
Purchased power, fuel and chemicals	45,123,973	-	-	-	-	-	45,123,973	-
Other operating expenses	9,567,359	5,507,145	3,181,423	4,397,801	463,861	501,901	23,619,490	5,265,454
Depreciation and amortization	10,446,907	1,485,099	1,175,276	4,809	178,157	758,321	14,048,569	-
Total operating expenses	<u>74,696,985</u>	<u>7,459,692</u>	<u>4,639,119</u>	<u>4,404,269</u>	<u>1,331,765</u>	<u>1,639,916</u>	<u>94,171,746</u>	<u>5,265,454</u>
Operating income (loss)	<u>22,425,651</u>	<u>3,593,002</u>	<u>2,271,359</u>	<u>370,368</u>	<u>(164,309)</u>	<u>(1,175,579)</u>	<u>27,320,492</u>	<u>(215,248)</u>
Nonoperating revenues (expenses):								
Investment earnings	1,804,175	115,053	178,475	24,844	4,964	1,064	2,128,575	-
Revenue from grants	-	1,007,229	15,638	-	-	-	1,022,867	-
Interest expense	(972,937)	(211,016)	(427,052)	-	-	-	(1,611,005)	-
Loss on disposition of capital assets	-	-	-	-	-	(1,013,059)	(1,013,059)	-
Total nonoperating revenues (expenses)	<u>831,238</u>	<u>911,266</u>	<u>(232,939)</u>	<u>24,844</u>	<u>4,964</u>	<u>(1,011,995)</u>	<u>527,378</u>	<u>-</u>
Income (loss) before transfers	<u>23,256,889</u>	<u>4,504,268</u>	<u>2,038,420</u>	<u>395,212</u>	<u>(159,345)</u>	<u>(2,187,574)</u>	<u>27,847,870</u>	<u>(215,248)</u>
Capital contributions	4,800,451	2,950	-	-	-	1,050,875	5,854,276	-
Transfers in	-	2,431,433	-	-	-	685,139	3,116,572	-
Transfers out	(4,220,577)	(546,059)	(273,566)	-	-	-	(5,040,202)	-
Change in net assets	<u>23,836,763</u>	<u>6,392,592</u>	<u>1,764,854</u>	<u>395,212</u>	<u>(159,345)</u>	<u>(451,560)</u>	<u>31,778,516</u>	<u>(215,248)</u>
Total net assets-beginning	<u>263,894,520</u>	<u>27,594,496</u>	<u>16,930,883</u>	<u>574,579</u>	<u>2,389,078</u>	<u>9,820,033</u>	<u>321,203,589</u>	<u>(455,529)</u>
Total net assets-ending	<u>\$ 287,731,283</u>	<u>\$ 33,987,088</u>	<u>\$ 18,695,737</u>	<u>\$ 969,791</u>	<u>\$ 2,229,733</u>	<u>\$ 9,368,473</u>	<u>\$ 352,982,105</u>	<u>\$ (670,777)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities Enterprise Funds						Totals	Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport		
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers/users	\$ 90,658,088	\$ 11,424,277	\$ 6,912,581	\$ 4,693,278	\$ 1,181,002	\$ 457,641	\$ 115,326,867	\$ 4,890,549
Payments to suppliers	(52,849,032)	(5,399,462)	(2,900,232)	(4,347,651)	(472,222)	(483,603)	(66,452,202)	(4,903,120)
Payments to employees	(9,427,221)	(469,357)	(299,677)	(1,589)	(679,657)	(391,715)	(11,269,216)	-
Net cash provided by operating activities	28,381,835	5,555,458	3,712,672	344,038	29,123	(417,677)	37,605,449	(12,571)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfer to other funds	(4,220,577)	(546,059)	(273,566)	-	-	-	(5,040,202)	-
Transfer from other funds	-	2,431,433	-	-	-	685,139	3,116,572	-
Operating grants	-	1,007,229	15,638	-	-	-	1,022,867	-
Net cash provided (used) by capital and related financing activities	(4,220,577)	2,892,603	(257,928)	-	-	685,139	(900,763)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Capital contributions	4,800,451	2,950	-	-	-	1,050,875	5,854,276	-
Acquisition and construction of capital assets	(22,224,315)	(7,470,940)	(4,369,197)	-	7,295	(1,244,749)	(35,301,906)	-
Principal paid on capital debt	(4,451,276)	(960,527)	(717,838)	-	-	-	(6,129,641)	-
Interest paid on capital debt	(972,937)	(211,016)	(427,052)	-	-	-	(1,611,005)	-
Capital lease payment	-	-	-	-	(113,967)	-	(113,967)	-
Net cash provided (used) by capital and related financing activities	(22,848,077)	(8,639,533)	(5,514,087)	-	(106,672)	(193,874)	(37,302,243)	-
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest and dividends received	1,804,175	115,053	178,475	24,844	4,964	1,064	2,128,575	-
Restricted reserve investment	(466,666)	-	-	-	-	-	(466,666)	-
Net cash provided (used) by investing activities	1,337,509	115,053	178,475	24,844	4,964	1,064	1,661,909	-
Net increase in cash and cash equivalents	2,650,690	(76,419)	(1,880,868)	368,882	(72,585)	74,652	1,064,352	(12,571)
Cash and cash equivalents, July 1	52,037,045	2,975,795	6,946,866	618,620	300,356	-	62,878,682	53,846
Cash and cash equivalents, June 30, 2009	\$ 54,687,735	\$ 2,899,376	\$ 5,065,998	\$ 987,502	\$ 227,771	\$ 74,652	\$ 63,943,034	\$ 41,275

The notes to the financial statements are an integral part of this statement.

	Business-type Activities Enterprise Funds						Totals	Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport		
	\$ 22,425,651	\$ 3,593,002	\$ 2,271,359	\$ 370,368	\$ (164,309)	\$ (1,175,579)	\$ 27,320,492	\$ (215,248)
Operating income (loss)	10,446,907	1,485,099	1,175,276	4,809	178,157	758,321	14,048,569	-
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	(114,745)	259,057	(3,104)	(69,602)	13,546	(6,696)	78,456	(159,657)
Depreciation and amortization	609,399	80,729	5,207	(11,757)	-	-	683,578	-
(Increase) decrease in accounts receivable	3,680,765	-	-	-	-	-	3,680,765	-
(Increase) decrease in accrued unbilled revenues	(954,732)	203,772	3,710	-	-	-	(747,250)	-
(Increase) decrease in regulatory asset	8,225	1,945	2,704	-	555	7,239	20,668	-
(Increase) decrease in inventories	39,964	7,317	1,419	-	-	-	48,700	-
(Increase) decrease in prepaid items	112,854	(5,938)	(17,920)	70	10,090	(12,021)	87,135	-
(Increase) decrease in other accrued charges	(80,500)	(5,000)	10,000	-	(1,000)	-	(76,500)	339,128
Increase (decrease) in accrued claims payable	(6,959,202)	33,104	-	-	-	-	(6,926,098)	-
Increase (decrease) in customer deposits	(832,751)	(97,629)	264,021	50,150	(7,916)	11,059	(613,066)	23,206
Increase (decrease) in accounts payable	5,956,184	1,962,456	1,441,313	(26,330)	193,432	757,902	10,284,957	202,677
Total adjustments	28,381,835	5,555,458	3,712,672	344,038	29,123	(417,677)	37,605,449	(12,571)
Net cash provided by operating activities								

Reconciliation of operating income to net cash provided (used) by operating activities:

Operating income (loss)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:
Depreciation and amortization
(Increase) decrease in accounts receivable
(Increase) decrease in accrued unbilled revenues
(Increase) decrease in regulatory asset
(Increase) decrease in inventories
(Increase) decrease in prepaid items
(Increase) decrease in deferred charges
Increase (decrease) in other accrued expenses
Increase (decrease) in accrued claims payable
Increase (decrease) in customer deposits
Increase (decrease) in accounts payable
Total adjustments
Net cash provided by operating activities

Notes to the Financial Statements

CITY OF FARMINGTON, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Farmington, (City), New Mexico, which was incorporated in 1901, has a population of 42,637 living within an area of 32 square miles. The City operates under a Council/Manager form of government. Four councilors are elected from designated districts with the Mayor serving at large. This reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City's financial statements to be misleading or incomplete.

The City had no blended or discrete component units during the fiscal year ended June 30, 2009.

B. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect costs are not allocated to functions in the statement of activities. *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. 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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Derived tax revenues (gross receipts taxes, cigarette taxes and gas taxes) are recognized when the underlying transaction takes place. 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 City.

The City reports the following major governmental funds:

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

The *debt service* fund accounts for the servicing of general long term debt not being financed by proprietary funds.

The government reports the following major proprietary funds:

The *electric fund* accounts for the activities of the City's electric utility.

The *water fund* accounts for the activities of the City's water utility.

The *wastewater fund* accounts for the activities of the City's wastewater utility.

The *sanitation fund* accounts for the activities of the City's sanitation utility.

The *golf fund* accounts for the activities of the City's two golf courses.

The *airport fund* accounts for the activities of the City's airport operations.

Additionally, the government reports the following fund type:

The *internal service fund* accounts for health insurance services provided to City employees on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 electric, water, wastewater, 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.

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

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 City's enterprise funds and internal service funds are charges to customers for sales and services. The utilities also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, liabilities and net assets or equity

1. Deposits and investments

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

For purposes of the statement of cash flows for the proprietary funds, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, U.S. Securities, repurchase agreements, Certificates of Deposits, and the State Treasurer's Investment Pool.

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

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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 trade receivables are shown net of an allowance for uncollectibles. Trade accounts in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied and collected by San Juan County. The County remits to the City amounts collected for the applicable portion of the property taxes in the month following the date of receipt. The City recognizes property taxes as revenue on the modified accrual basis. Oil and gas taxes received from the County are recognized as revenue when received by the City.

Property taxes are levied as of January 1st on property values assessed on the same date. The tax levy is payable in two installments, November 10th and May 10th. The property taxes are considered delinquent and subject to lien, penalty, and interest, 30 days after the date on which they are due.

3. Inventories and prepaid items

All inventories are valued at cost using the weighted-average method. Inventories of governmental funds 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 government-wide and fund financial statements.

4. Regulatory Asset

The City's electric utility enterprise fund has regulatory activities whose rates are determined based on cost of service (power cost adjustment - PCA). Revenues are recognized based on the PCA when the costs are incurred but will be billed and collected in the future to recover such costs, and a regulatory asset is recorded. The asset (regulatory asset) is recorded on the statement of net assets (\$2,219,645 as of June 30, 2009) and the related reduction in revenue is recorded on the statement of activities (\$3,680,764 for the year ended June 30, 2009).

5. Restricted assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond renewal, replacement, and contingency" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. Customer deposits, as well as customer overpayments, are also classified as restricted assets. The deposits and overpayments remain the property of the customers, and the restricted account reports these assets separately from current assets available for operations to demonstrate the fiduciary relationship with the customers.

6. 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 City 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. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Such assets, including infrastructure, have higher limits that must be met before they are capitalized. 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. Computer software costs, whether externally purchased or developed in-house, shall be capitalized if the total cost of the software equals or exceeds \$5,000 and has a life of at least two years. Library books are not capitalized.

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

	<u>Threshold</u>	<u>Estimated Useful Life</u>
Buildings and structures	\$ 10,000	7 - 45 years
Improvements other than buildings	\$ 10,000	5 - 75 years
Infrastructure	\$ 50,000	3 - 50 years
Personal property	\$ 5,000	5 - 45 years

7. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Accrued sick leave over 520 hours (728 hours for fire shift personnel) may be converted to vacation time at the conversion ratio of three sick days to one vacation day at any time. A liability for accrued convertible sick leave is reported in the proprietary funds. A liability for these amounts is reported in the governmental funds only if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement). Payments of accrued compensated absences are made upon employee termination and usually are paid from either the general or electric fund.

8. *Long-term obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

9. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation, or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Net Assets

In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. None of the City's net assets are restricted as a result of enabling legislation adopted by the City. Invested in capital assets, net of related debt, represents the City's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

11. 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.

E. Reserved fund balances

The New Mexico Department of Finance and Administration (DFA) requires that 1/12th of the general fund budgeted expenditures (\$4,004,015) be reserved for subsequent year expenditures to maintain an adequate cash flow until the next significant property tax collection.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$12,574,756 difference are as follows:

Bonds payable	\$	9,265,000
Bond premium (to be amortized over the life of the debt)		109,468
Issuance costs (to be amortized over the life of the debt)		(112,981)
Accrued interest payable		15,805
Compensated absences payable		<u>3,297,464</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$	<u>12,574,756</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balance-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." Details of this \$7,345,081 are as follows:

Capital outlay	\$ 15,610,481
Depreciation	(6,884,138)
Loss on disposals and other	(1,381,262)
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 7,345,081</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. Details of this \$989,929 are as follows:

Principal repayments	\$ 1,225,000
Amortization of bond premium	21,893
Amortization of issuance costs	(22,596)
Accrued interest	1,930
Compensated absences	(236,298)
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 989,929</u>

Another element of that reconciliation states that: “the net revenue/expense of certain activities of internal service funds is reported with governmental funds.” The details of this \$215,248 difference are as follows:

Internal service charges for services	\$ 5,050,206
Internal service operating expenses	<u>(5,265,454)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (215,248)</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted for all funds. All budgets are prepared on a basis other than generally accepted accounting principles (Non-GAAP basis), excluding encumbrances. All annual appropriations lapse at fiscal year end. Carryover funds must be appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended by City Council ordinance with approval by the State Department of Finance and Administration. City department heads may make transfers of appropriations within a fund. The legal level of budgetary control is the fund level. Increases or decreases of appropriations between funds require the approval of the governing council.

Because the Non-GAAP basis of accounting is not generally accepted accounting method for governmental and propriety funds, differences result from budgeting for various items. Reconciliations between the budget basis (Non-GAAP) and GAAP basis are provided in the budgetary schedules.

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. In April or May the City Manager submits to the Council a proposed preliminary operating budget for the fiscal year commencing the following July 1st. The budget includes proposed expenditures and the means of financing them. The budget is prepared by fund, department, and function.
2. In late June, after there has been an opportunity for public comment, the City Council adopts the budget as finalized.
3. By the end of July, the Local Government Division of the State Department of Finance and Administration approves the final budget.
4. After the budget is adopted, any supplemental appropriations must be approved by the City Council.

Encumbrance accounting is employed by the City. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are carried forward to the new fiscal year and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

The City had the following encumbrances outstanding at June 30, 2009:

General Fund	\$ 498,053
Gross Receipts Tax Streets Fund	6,330,228
Gross Receipts Tax Parks Fund	100,267
Library Gifts and Grant Fund	102
State Police Protection Fund	7,679
Region II Narcotics Fund	30,699
Governmental Capital Projects Fund	2,216,485
Electric Utility Fund	4,532,760
Water Utility Fund	4,698,889
Wastewater Utility Fund	896,683
Golf Course Fund	5
Airport Fund	135,462
Health Fund	23,625
Total Encumbrances	<u>\$ 19,470,937</u>

B. Excess of expenditures over appropriations

Expenditures for all funds were within budgeted appropriations for FY2009.

C. Deficit Fund Equity

As of June 30, 2009, the health insurance internal service fund had a deficit net asset balance of \$(670,777). This deficit is equal to accrued payables of \$871,709 less cash and receivables totaling \$200,932. The net asset balance decreased by \$215,248 over FY2008. In FY2008, the retirees

participating in the City of Farmington's health plan were transferred to the New Mexico Retiree Health Care Authority. This reduced the amount of actual claims during FY2009 and will have a positive effect on the health insurance fund's net asset balance in the future.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Cash and investments	
Governmental activities	\$ 20,356,828
Business activities	46,918,735
Restricted cash and investments	
Business activities	17,024,299
Reserve investment account	614,034
Total cash and investments	\$ 84,913,896

As of June 30, 2009, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money markets	\$ 2,165,545	0.08
Certificates of deposit	31,101,555	0.93
State treasurer's pool	12,313,702	0.08
State treasurer's pool - reserved	614,034	0.08
Federal agency securities	35,297,401	2.83
Total Fair Value	\$ 81,492,237	
Portfolio weighted average maturity		1.59

Interest rate risk. In accordance with its investment policy, the City manages its exposure to interest rate risk by limiting the duration of investments to three years.

Credit risk. As directed by State Statute 6-10-36, E. and F., excess funds may be invested in securities backed by the full faith and credit of the United States Government, such as treasury notes, bills and bonds; in securities of Agencies that are guaranteed by the United States Government; bonds or negotiable securities of the State of New Mexico or of any county, municipality or school district in the State of New Mexico which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that the bank deposits be 50% collateralized and repurchase agreements be 102% collateralized. As of June 30, 2009, the City was in compliance with state statute. The City's carrying amount of deposits as of June 30, 2009 was \$35,400,627 and the bank balance was \$37,429,344. Of the bank balance, \$1,250,000 was covered by federal depository insurance, \$30,535,530 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and \$5,643,814 was uncollateralized, and subject to custodial credit risk.

Custodial credit risk – investments. In the case of investments, this is the risk that in the event of a failure of the counter-party, the City will not be able to recover the value of the investment or

collateral securities that are in the possession of an outside party. The City does not have any investments at June 30, 2009 that are exposed to custodial credit risk.

Collateral. The following guidelines are used to determine the level of collateral required from each financial institution. These ratios are in agreement with those set by the State Board of Finance for the State of New Mexico. The City Council authorizes the City Manager or his/her designee to set a higher level of collateral required based on criteria other than the ratios below. In no case shall the requirements be less than 50%.

Banking Institutions			
Percentage Level of Collateralization Required			
Ratios	50%	75%	100%
<u>Primary Capital</u> Assets	Above 6%	5% - 6%	Less than 5%
<u>Net Operating Income</u> Total Average Assets	Above .60%	.051% - .60%	Less than .51%
<u>Non-Performing Loans</u> Primary Capital	Under 35%	35% - 49.9%	Above 49.9%
Savings and Loan Institutions			
Percentage Level of Collateralization Required			
Ratios	50%	75%	100%
<u>Net Worth</u> Average Assets	Above 3%	2% - 3%	Less than 2%
4 Qtrs Avg Net <u>Income Before Tax</u> 4 Qtrs Avg Assets	Above .3%	.2% - .3%	Less than .2%
2 Consecutive Quarters of After Tax Losses		Yes	
3 Consecutive Quarters of After Tax Losses			Yes

Only securities backed by the full faith and credit of the United States Government will be accepted as collateral. The City may make an exception and accept as collateral securities from a governmental entity within the State of New Mexico as described by State Statute 6-10-16, B. All securities pledged as collateral shall be held by a third-party financial institution approved by the City Manager or his/her designee. Any change in the institution holding the collateral must have prior approval of the City Manager or his/her designee.

The City has investments in the State Treasurer external investment pool (the Local Government Investment Pool). The investments are valued at fair value based on quoted market prices as of June 30, 2009. The State Treasurer Local Government Investment Pool (LGIP) is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the local government investment pool is voluntary. The LGIP has been rated by Standard & Poor's and has received an AAAM rating.

A portion of the City's investment in the State Treasurer's pool (\$614,034) is shown as restricted on the City's financial statements. The LGIP was invested in the Reserve Primary Fund at September 15, 2008. On September 16, 2008, the Reserve Primary Fund's net assets fell below \$1.00 and holdings in the fund were frozen. Since that date 92% of the City's investment in the Reserve Primary Fund has been returned. We anticipate receiving the balance of these funds but since a portion of these funds are being held for pending litigation we cannot accurately estimate the full amount to be returned.

B. Receivables

Receivables as of June 30, 2009 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:				
Accounts Receivable	\$ 43,164	\$ 65,372	\$ 6,817,589	\$ 6,926,125
Unbilled Revenue	-	-	5,432,033	5,432,033
Special Assessments	13,428	-	-	13,428
Intergovernmental	8,355,853	2,657,384	304,164	11,317,401
Gross Receivables	<u>8,412,445</u>	<u>2,722,756</u>	<u>12,553,786</u>	<u>23,688,987</u>
Less: Allowance for Uncollectibles	-	-	(718,703)	(718,703)
Net Total Receivables:	<u>\$ 8,412,445</u>	<u>\$ 2,722,756</u>	<u>\$ 11,835,083</u>	<u>\$ 22,970,284</u>

Intergovernmental receivables are made up of the following amounts in the general, special revenue and capital project funds: gross receipts taxes \$8,009,258, property taxes \$1,701,353, federal and state grants \$791,194, franchise taxes \$144,770, lodger's taxes \$251,250 and other taxes \$115,412. In the internal service health fund there is \$159,657 in accounts receivable for a stop loss payment due.

Revenues of the utilities are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to electric sales	\$ 117,538
Uncollectibles related to water sales	18,711
Uncollectibles related to wastewater charges	9,856
Uncollectibles related to sanitation charges	<u>7,758</u>
Total uncollectibles of the current fiscal year	<u>\$ 153,863</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The City reported no unearned revenue during the year. At the end of the current fiscal year, *deferred revenue* reported in the governmental funds was as follows:

	<u>Unavailable</u>
Taxes	<u>\$ 1,819,396</u>

C. Capital assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008 Restated	Transfers	Additions	Deletions	Balance June 30, 2009
<u>Governmental activities</u>					
Non-Depreciable Assets:					
Land	\$ 25,780,126	\$ -	\$ 133,892	\$ -	\$ 25,914,018
Construction in progress	4,345,687	-	10,064,316	(884,306)	13,525,697
Total Non-Depreciable Assets	<u>30,125,813</u>	<u>-</u>	<u>10,198,208</u>	<u>(884,306)</u>	<u>39,439,715</u>
Depreciable Assets:					
Buildings	50,794,982	-	2,370,650	(663,040)	52,502,592
Improvements other than buildings	11,981,907	-	142,297	(634,570)	11,489,634
Equipment	27,957,822	12,000	1,708,601	(3,167,473)	26,510,950
Infrastructure	60,906,249	-	2,075,031	(13,093,474)	49,887,806
Total Depreciable Assets	<u>151,640,960</u>	<u>12,000</u>	<u>6,296,579</u>	<u>(17,558,557)</u>	<u>140,390,982</u>
Total Governmental Assets	<u>181,766,773</u>	<u>12,000</u>	<u>16,494,787</u>	<u>(18,442,863)</u>	<u>179,830,697</u>
Accumulated Depreciation:					
Buildings	(26,124,952)	-	(1,817,920)	415,395	(27,527,477)
Improvements other than buildings	(5,299,460)	-	(876,697)	261,124	(5,915,033)
Equipment	(16,726,455)	(12,000)	(2,293,261)	2,532,021	(16,499,695)
Infrastructure	(48,927,595)	-	(1,896,260)	12,968,755	(37,855,100)
Total Accumulated Depreciation	<u>(97,078,462)</u>	<u>(12,000)</u>	<u>(6,884,138)</u>	<u>16,177,295</u>	<u>(87,797,305)</u>
Net Governmental Assets	<u>\$ 84,688,311</u>	<u>\$ -</u>	<u>\$ 9,610,649</u>	<u>\$ (2,265,568)</u>	<u>\$ 92,033,392</u>
	Balance July 1, 2008	Transfers	Additions	Deletions	Balance June 30, 2009
<u>Business-type activities</u>					
Non-Depreciable Assets:					
Land	\$ 4,884,635	\$ (51,907)	\$ 8,876	\$ -	\$ 4,841,604
Construction in progress	44,744,239	-	33,612,991	(28,346,201)	50,011,029
Total Non-Depreciable Assets	<u>49,628,874</u>	<u>(51,907)</u>	<u>33,621,867</u>	<u>(28,346,201)</u>	<u>54,852,633</u>
Depreciable Assets:					
Land Rights	1,761,891	51,907	28,602	-	1,842,400
Buildings	96,820,175	2,270,441	7,255,499	(828,405)	105,517,710
Improvements other than buildings	107,732,185	(2,270,441)	6,743,896	(11,122,056)	101,083,584
Equipment	247,614,722	(12,000)	16,313,353	(1,071,483)	262,844,592
Total Depreciable Assets	<u>453,928,973</u>	<u>39,907</u>	<u>30,341,350</u>	<u>(13,021,944)</u>	<u>471,288,286</u>
Total Business-type Assets	<u>503,557,847</u>	<u>(12,000)</u>	<u>63,963,217</u>	<u>(41,368,145)</u>	<u>526,140,919</u>
Accumulated Depreciation:					
Land Rights	(730,323)	-	(44,865)	-	(775,188)
Buildings	(36,309,421)	(1,795,263)	(2,918,303)	73,111	(40,949,876)
Improvements other than buildings	(52,165,001)	1,795,263	(3,265,815)	10,736,722	(42,898,831)
Equipment	(109,166,692)	12,000	(7,999,436)	1,063,792	(116,090,336)
Total Accumulated Depreciation	<u>(198,371,437)</u>	<u>12,000</u>	<u>(14,228,419)</u>	<u>11,873,625</u>	<u>(200,714,231)</u>
Net Business-type Assets	<u>\$ 305,186,410</u>	<u>\$ -</u>	<u>\$ 49,734,798</u>	<u>\$ (29,494,520)</u>	<u>\$ 325,426,688</u>

Enterprise Assets – by fund

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>	<u>Golf</u>	<u>Airport</u>
Land and land Rights	\$ 3,546,554	\$ 1,654,753	\$ 479,388	\$ 23,341	\$ 100,000	\$ 879,968
Buildings and Structures	62,903,945	14,008,573	22,411,891	80,640	730,000	5,382,661
Improvements other Than buildings	50,649,752	31,111,263	12,192,580	14,839	2,456,048	4,659,102
Equipment	<u>249,263,570</u>	<u>8,555,493</u>	<u>2,335,013</u>	<u>101,099</u>	<u>959,996</u>	<u>1,629,421</u>
Total	366,363,821	55,330,082	37,418,872	219,919	4,246,044	12,551,152
Less accumulated Depreciation	(148,071,346)	(28,201,322)	(15,046,879)	(172,097)	(2,004,080)	(7,218,507)
Construction in progress	<u>35,088,316</u>	<u>6,847,959</u>	<u>4,112,243</u>	-	-	<u>3,962,511</u>
Net Assets	<u>\$ 253,380,791</u>	<u>\$ 33,976,719</u>	<u>\$ 26,484,236</u>	<u>\$ 47,822</u>	<u>\$ 2,241,964</u>	<u>\$ 9,295,156</u>

In 1988, the City entered into a lease agreement to lease land for the Pinon Hills Golf Course from San Juan College for \$10. The lease expires in the year 2087, at which time the land, including improvements, will be returned to San Juan College.

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

Governmental activities:

General government	\$ 906,538
Police	576,993
Fire	698,576
Parks, recreation, cultural affairs	2,459,519
Public works/Community development	242,470
Highways and streets	<u>2,000,042</u>
Total depreciation expense - governmental activities	\$ <u>6,884,138</u>

Business-type activities:

Electric	\$ 10,590,638
Water	1,516,114
Wastewater	1,180,380
Sanitation	4,809
Golf	178,157
Airport	<u>758,321</u>
Total depreciation expense - business-type activities	\$ <u>14,228,419</u>

Construction commitments

The City has two active material construction projects as of June 30, 2009; the Animas waterline project and the Wildflower widening project. At year end, the City's commitment with contractors was as follows:

<u>Project</u>	<u>To Date</u>	<u>Commitment</u>
Animas waterline	\$ 12,378	\$ 2,100,000
Wildflower widening	110,228	1,162,000
	<u>\$ 122,606</u>	<u>\$ 3,262,000</u>

D. Interfund receivables, payables and transfers

The composition of accrued claims and other accrued liabilities as of June 30, 2009 is as follows:

<u>Accrued Claims Payable</u>	<u>Governmental Funds</u>	<u>Health Fund</u>	<u>Total</u>
Health/WorkComp/Liability Claims	\$ 1,243,342	\$ 848,503	\$ 2,091,845
<u>Other Accrued Liabilities</u>			
Taxes	418	-	418
Intergovernmental	1,262	-	1,262
Court collections	13,057	-	13,057
Salaries and Benefits	18,183	-	18,183
	<u>32,920</u>	<u>-</u>	<u>32,920</u>
Total	\$ 1,276,262	\$ 848,503	\$ 2,124,765

The composition of other accrued expenses as of June 30, 2009 is as follows:

<u>Other Accrued Expenses</u>	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>	<u>Golf</u>	<u>Total</u>
Wages & benefits	\$ 335,168	\$ 6,488	\$ 4,391	\$ 70	\$ 22,331	\$ 368,448
Gross receipts taxes	454,116	87,900	-	-	6,381	548,397
Water conservation fee	-	16,759	-	-	-	16,759
Mainline extension/impact fee	-	-	256	-	-	256
Compensating taxes	17,065	-	-	-	-	17,065
Ad valorem taxes	265,000	-	-	-	-	265,000
Franchise taxes	196,424	-	-	-	-	196,424
PNM deferred credits	20,391	-	-	-	-	20,391
Billed customer deposits	14,278	-	-	-	-	14,278
Total	\$ 1,302,442	\$ 111,147	\$ 4,647	\$ 70	\$ 28,712	\$ 1,447,018

The composition of interfund balances as of June 30, 2009 is as follows:

Transfers		
Governmental Funds	In	Out
General fund – operating transfer to airport fund	\$ -	\$ 685,139
General fund – operating transfer to debt service fund	-	828,334
General fund – operating transfer to parks and recreation gifts & grants fund	-	10,000
General fund – operating transfer to region II fund	-	30,000
General fund – operating transfer (pilt) from electric/water/ww	2,608,769	-
GRT streets fund – operating transfer to debt service fund	-	444,584
GRT streets fund – operating transfer from GRT parks fund	3,903,405	-
GRT parks fund – operating transfer to GRT streets fund	-	3,903,405
Parks and recreation gifts & grants fund – operating transfer from general fund	10,000	-
Region II fund – matching funds for grant from general fund	30,000	-
State fire grant fund – matching funds for fire station to debt	-	110,000
Debt service fund – operating transfer from GRT streets fund	444,584	-
Debt service fund – operating transfer from general fund	828,334	-
Debt service fund – operating transfer from state fire fund	110,000	-
	<hr/>	<hr/>
Total governmental funds transfers	7,935,092	\$ 6,011,462
	<hr/>	<hr/>
Net governmental funds transfers	\$ 1,923,630	
	<hr/> <hr/>	
Business-type funds		
Electric utility fund – operating transfer (pilt) to general fund	\$ -	\$ 1,789,144
Electric utility fund – nonoperating transfer to water utility fund	-	2,431,433
Water utility fund – nonoperating transfer from electric utility fund	2,431,433	-
Water utility fund – operating transfer (pilt) to general fund	-	546,059
Wastewater utility fund – operating transfer (pilt) to general fund	-	273,566
Airport fund – operating transfer from general fund	685,139	-
	<hr/>	<hr/>
Total business-type funds transfers	\$ 3,116,572	5,040,202
	<hr/>	<hr/>
Net business-type transfers		\$ 1,923,630
		<hr/> <hr/>

E. Leases

Operating Leases

The City leases equipment under noncancelable operating leases. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30, 2009</u>		<u>Amount</u>
2010	\$	142,776
2011		128,376
2012		128,376
Total	\$	<u><u>399,528</u></u>

Capital Leases

The City has entered into two lease agreements for golf carts and turf equipment for the golf courses. The golf carts are valued at \$198,305 and the turf equipment is valued at \$ 381,092. Both of these agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through this capital lease are as follows:

<u>Asset</u>		<u>Business Activities</u>
Machinery and equipment	\$	579,397
Less: accumulated depreciation		<u>(521,457)</u>
Total	\$	<u><u>57,940</u></u>

The future minimum lease obligation and the net present value of those minimum lease payments as of June 30, 2009 were as follows:

<u>Year Ending</u>	<u>Golf Carts</u>	<u>Golf Course Turf Equipment</u>
June 30, 2010	\$ <u>76,351</u>	\$ <u>61,709</u>
Total minimum lease payments	76,351	61,709
Less: amount representing interest payments	<u>(427)</u>	<u>(1,331)</u>
	<u><u>\$ 75,924</u></u>	<u><u>\$ 60,378</u></u>

F. Long-term debt

General Obligation bonds

The City has the capacity to issue general obligation bonds to provide funds for the acquisition and/or construction of major capital projects, but as of June 30, 2009 no general obligation bonds had been issued.

Revenue bonds

The City also has the capacity and has issued Sales Tax Revenue Bonds whereby the City has pledged income derived from the Gross Receipts Tax to pay the required debt service on the bonds.

During FY 2002, the City redeemed the outstanding balance on the 1993 Sales Tax Revenue Bond issue in the amount of \$395,000. With the issuance of the 2001 Sales Tax Revenue Improvement and Refunding Bonds the City provided for the refunding of the previously issued 1994 Sales Tax Revenue Bonds and issued an additional \$11 million dollars for the purpose of completing construction of a new library and several major street projects.

In FY 2005, the City issued \$5,725,000 of Series 2005 Sales Tax Revenue Bonds to provide funds to construct, furnish, equip and improve fire-fighting facilities and acquire and rehabilitate fire-fighting equipment.

On December 17, 2002 the City issued \$44,390,000 of 2002A utility revenue bonds and \$2,280,000 of 2002B utility revenue bonds to refund \$47,150,000 of 1992 utility revenue bonds. The estimated present value benefit of refunding the 1992 bonds is \$6,342,865. The transaction resulted in an accounting loss of \$2,959,014.

Revenue bonds outstanding as of June 30, 2009 are as follows:

	Interest Rates	Interest					Total
		General Govt	Electric	Water	Wastewater		
Governmental Activities							
Sales Tax Bonds 2001	4.00 - 5.00%	\$ 4,875,000	\$ -	\$ -	\$ -	\$ -	\$ 4,875,000
Sales Tax Bonds 2005	3.25 - 4.00%	4,390,000	-	-	-	-	4,390,000
Business Activities							
Serial Bonds 2002	3.50 - 5.00%	-	17,158,234	3,702,521	609,245		21,470,000
Total		\$ 9,265,000	\$17,158,234	\$ 3,702,521	\$ 609,245		\$30,735,000

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30	General Govt.		Electric		Water		Wastewater	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2010	\$ 1,270,000	\$ 379,342	\$ 4,415,428	\$ 822,352	\$ 952,791	\$ 177,453	\$ 156,781
2011	1,315,000	330,393	4,639,197	601,581	1,001,077	129,813	164,726	21,361
2012	1,370,000	279,692	4,870,957	369,621	1,051,088	79,759	172,955	13,124
2013	1,420,000	225,680	3,232,652	126,073	697,565	27,205	114,783	4,477
2014	1,485,000	158,780	-	-	-	-	-	-
2015	445,000	96,200	-	-	-	-	-	-
2016	460,000	78,400	-	-	-	-	-	-
2017	480,000	60,000	-	-	-	-	-	-
2018	500,000	40,800	-	-	-	-	-	-
2019	520,000	20,800	-	-	-	-	-	-
Total	\$ 9,265,000	\$ 1,670,087	\$ 17,158,234	\$ 1,919,627	\$ 3,702,521	\$ 414,230	\$ 609,245	\$ 68,162

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond proceeds are reported as other 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.

For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount, whereas issuance costs are reported as deferred charges. Deferred amounts on refunding (the difference between the reacquisition price and the net carrying amount of the old debt) are amortized as a component of interest expense. The unamortized portion of the deferred amount is reported as a deduction from revenue bonds payable.

The 2002A Utility Revenue bonds are secured by and are payable solely from the net revenues derived by the City from the utility system (electric, water and wastewater utility funds), after payment of operating and maintenance expenses. Payment is also secured by an insurance policy issued by Financial Guaranty Insurance Company. The Policy is non-cancelable, and the premium was paid at the time of delivery of the bonds. There are a number of limitations and restrictions contained in the bond indenture. As of June 30, 2009, the City was in compliance with all significant limitations and restrictions.

New Mexico Environment Department Loan. In FY2007, the City entered into a loan agreement with the New Mexico Environment Department for a \$14.1 million, 3% loan for expansion of the wastewater treatment plant.

The NMED loan repayment schedule is as follows:

Year Ending June 30	Principal	Interest
2010	\$ 576,579	\$ 376,418
2011	593,876	359,121
2012	611,693	341,305
2013	630,043	322,954
2014	648,945	304,052
2015-2019	3,548,695	1,216,290
2020-2024	4,113,911	651,075
2025-2026	1,823,531	82,463
Total	\$ 12,547,273	\$ 3,653,678

Defeasance of Prior Debt. In prior years, the City defeased certain outstanding revenue bonds by placing the proceeds of new bonds and additional funds from their respective funds in an irrevocable trust to provide for all future debt service payments on the old bonds. All debt service payments made for the year ended June 30, 2009 were made as scheduled from the trust funds. The trust accounts and the defeased bonds are not included in the City's financial statements. As of June 30, 2009, the following outstanding bonds are considered defeased (amounts in thousands):

	Series 1992
Original issue amount	\$ 49,205
Retired prior to fiscal year	(22,325)
Retired during the year ended 2009	<u>(6,445)</u>
Balance of principal remaining	\$ <u>20,435</u>
Interest payments made during year ended June 30, 2009	\$ <u>1,545</u>

Changes in Long-term Liabilities

During the year ended June 30, 2009, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:	as restated				
Bonds payable:					
2001 Sales tax revenue bonds	\$ 5,740,000	\$ -	\$ (865,000)	\$ 4,875,000	\$ 900,000
2005 Sales tax revenue bonds	4,750,000	-	(360,000)	4,390,000	370,000
Premium on bonds	131,361	-	(21,893)	109,468	21,893
Total bonds payable	<u>10,621,361</u>	-	<u>(1,246,893)</u>	<u>9,374,468</u>	<u>1,291,893</u>
Compensated absences - restated	3,061,166	2,047,934	(1,811,636)	3,297,464	164,873
Total long-term liabilities Governmental activities	<u>\$ 13,682,527</u>	<u>\$ 2,047,934</u>	<u>\$ (3,058,529)</u>	<u>\$ 12,671,932</u>	<u>\$ 1,456,766</u>
Business-type activities:					
Bonds payable:					
Series 2002A	\$ 26,810,000	\$ -	\$ (5,340,000)	\$ 21,470,000	\$ 5,525,000
Premium on bonds	1,130,131	-	(229,856)	900,275	229,857
Total bonds payable	<u>27,940,131</u>	-	<u>(5,569,856)</u>	<u>22,370,275</u>	<u>5,754,857</u>
NMED loan	13,107,058	-	(559,785)	12,547,273	576,579
Capital leases	250,269	-	(113,967)	136,302	136,302
Compensated absences	1,004,396	596,110	(553,589)	1,046,917	553,589
Total long-term liabilities Business-type activities	<u>\$ 42,301,854</u>	<u>\$ 596,110</u>	<u>\$ (6,797,197)</u>	<u>\$ 36,100,767</u>	<u>\$ 7,021,327</u>

G. Restricted Assets

The following is a summary of restricted assets as of June 30, 2009:

Enterprise Funds

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Revenue bond current debt service	\$ 457,332	\$ 98,687	\$ 16,239	\$ 572,258
NMED loan debt service reserves	-	-	830,953	830,953
Revenue bond renewal, replacement and contingency account	1,626,740	351,029	57,761	2,035,530
Customer deposits/overpayments	<u>13,349,676</u>	<u>235,882</u>	-	<u>13,585,558</u>
Total restricted assets	<u>\$ 15,433,748</u>	<u>\$ 685,598</u>	<u>\$ 904,953</u>	<u>\$ 17,024,299</u>

V. OTHER INFORMATION

A. Risk Management

The government is exposed to various risks of loss related to torts, theft, property damage, errors and omissions, and natural disasters for which the government has designed a self insurance program in conjunction with commercial insurance coverage. The amount of settlement has not exceeded insurance coverage for the past three fiscal years. The self insured retention for excess liability coverage is \$500,000.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payments, and other economic and social factors. Changes in the balances of claims liabilities during the past three years are as follows:

	<u>June 30, 2007</u>		<u>June 30, 2008</u>		<u>June 30, 2009</u>	
	<u>Health</u>	<u>Risk Mgmt</u>	<u>Health</u>	<u>Risk Mgmt</u>	<u>Health</u>	<u>Risk Mgmt</u>
Unpaid claims, beginning of fiscal year	\$ 502,427	\$ 1,075,404	\$ 492,511	\$ 1,486,607	\$ 509,375	\$ 1,784,247
Incurred claims and changes in estimate	4,206,951	822,406	3,770,657	595,287	4,183,212	351,715
Claim payments	<u>(4,216,867)</u>	<u>(411,203)</u>	<u>(3,753,793)</u>	<u>(297,647)</u>	<u>(3,844,084)</u>	<u>(892,620)</u>
Unpaid claims, end of fiscal year	<u>\$ 492,511</u>	<u>\$ 1,486,607</u>	<u>\$ 509,375</u>	<u>\$ 1,784,247</u>	<u>\$ 848,503</u>	<u>\$ 1,243,342</u>

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial. The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

C. Jointly governed organizations

Joint Powers Agreement for Consolidated Communications Authority. The City is a participant with San Juan County, the City of Aztec and the City of Bloomfield in a joint powers agreement to build, maintain, and operate a centralized communications system for dispatch and emergency response. The City was obligated to contribute \$55,000 per year until the Capital Equipment Fund reached a balance of \$250,000. Thereafter, the City is obligated to contribute 44% of an amount necessary to maintain that balance. During FY2009, no contribution from the City was made to the Authority. Complete financial statements for the Consolidated Communications Authority can be obtained from San Juan County, New Mexico.

Joint Powers Agreement for the San Juan Water Commission. The City is a participant with the cities of Aztec and Bloomfield, the County of San Juan, and the San Juan Rural Waters Users Association in a joint powers agreement to create a countywide entity responsible for water planning and use. Much of the impetus to form the Commission came from the Animas La Plata water project and the subsequent need to develop methods to equitably share the related costs and benefits. In addition to this specific project the Commission is also authorized to acquire additional water rights and provide for the equitable distribution of such water. The Commission is financed by a San Juan County mill levy on real and personal property of approximately 3 mills. During FY2009 the City did not make any financial contribution to the Commission. Complete financial statements may be obtained by contacting the San Juan Water Commission.

D. Employee Retirement Systems and Plans

Pension Plan – Public Employees Retirement Association

Plan Description. Substantially all of the City of Farmington'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 from 9.15% to 16.30%, depending upon the plan (i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City of Farmington is required to contribute from 9.15% to 21.25% (depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City of Farmington are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City of Farmington's

contributions to PERA for the fiscal years ending June 30, 2009, 2008, and 2007 were \$8,916,669, \$8,556,921, and \$7,805,193, respectively, which equal the amount of the required contributions for each fiscal year.

E. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. The City of Farmington, at the beginning of FY2008, began contributions 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 Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

The 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.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the NMRHCA based on one of two formulas at agreed-upon intervals. In June of 2007, the City remitted \$1,638,662 in employer surplus contributions. The NMRHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the NMRHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. The City of Farmington's contributions to the NMRHCA for the year ended June 30, 2009 were \$512,664 which equals the required contributions for the year.

F. Undivided Interest in San Juan Unit No. 4.

On November 17, 1981, the City acquired an 8.475% undivided interest in Unit No. 4 of the San Juan Electric Generating Station located in San Juan County, New Mexico. Unit No. 4 is owned 8.475% by the City and 91.525% by the Public Service Company of New Mexico ("PNM") and others. The unit became operational April 27, 1982.

Unit No. 4 provides electricity to the co-owners and to other unrelated parties. The City's pro rata portions of the operations are reported in the accompanying statement of revenues and expenses of the electric utility fund. The operating agreement between the City and PNM provides that PNM and other owners are entitled to receive energy from the Unit on a pro rata basis. Maintenance and operating costs, other than fuel costs, are also shared on a pro rata basis. Fuel costs are paid by PNM and the other owners, including the City, in proportion to their share of monthly energy scheduled and produced from the Unit.

PNM has an option to purchase up to 50% of the City's capacity entitlement and associated energy in Unit No. 4. PNM must give eight years notice of its intent to purchase (no notice has been given). The investment is reported at the amount of the City's equity in the underlying net assets of the unit and is included in the electric utility capital assets.

In 1992, a study was conducted by an engineering firm to estimate the cost of decommissioning the plant. This study was updated in 2003 and agreed to the previous estimate. The City is analyzing the effect of this study on its financial statements.

G. Contracted Water and Wastewater Services.

In January, 2008, the City entered into an agreement with CH2M Hill-OMI to provide water and wastewater services to the City of Farmington. The company operates and maintains the water and wastewater facilities. The contract expires in December, 2015. The company is responsible for operating expenditures, as well as repairs and replacements up to \$2,000. The City paid approximately \$5.3 million for contracted services for the year ended June 30, 2009.

H. Conduit Debt

Conduit debt has been defined by GAAP as "certain limited-obligation revenue bonds or similar debt instruments issued by a local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity." The City has not reported any conduit debt or the related asset on the financial statements. The aggregate amount of all conduit debt obligations as of June 30, 2009 was \$1,383,025,000. This debt will never constitute an indebtedness of the City of Farmington within the meaning of any constitutional or statutory provision of the state of New Mexico and will never constitute or give rise to a pecuniary liability of the City of Farmington or a charge against its general or taxing powers.

I. Prior Period Adjustment

In previous years, the City under-reported accumulated depreciation by \$2,320,652 in the General fund. Constructed assets remained in construction in progress rather than being capitalized and depreciated. This error was discovered in FY2009 resulting in a prior period adjustment. In FY2009, the assets were transferred to the appropriate depreciable asset category and the prior amount of accumulated depreciation was calculated.

In FY2008, the City under-reported accrued compensated absences by \$1,585,789 for the General fund. The entity-wide financial statements included only a portion (\$1,475,377) of the accrued compensated absences for the governmental activities, resulting in an understatement

of liabilities and an overstatement of net assets as of June 30, 2008. This error was discovered in FY2009 resulting in a prior period adjustment.

The restatements of net assets is as follows:

	(As Reported)	Correction	(As Restated)
<u>Governmental activities</u>			
Accumulated Depreciation:			
Buildings	\$ (25,576,341)	\$ (548,611)	\$ (26,124,952)
Improvements other than buildings	(5,285,950)	(13,510)	(5,299,460)
Equipment	(16,727,111)	656	(16,726,455)
Infrastructure	(47,168,408)	(1,759,187)	(48,927,595)
Total Depreciable Assets	<u>\$ (94,757,810)</u>	<u>\$ (2,320,652)</u>	<u>\$ (97,078,462)</u>
Compensated Absences	<u>\$ (1,475,377)</u>	<u>\$ (1,585,789)</u>	<u>\$ (3,061,166)</u>
Total Net Assets	<u>\$ 104,121,753</u>	<u>\$ (3,906,441)</u>	<u>\$ 100,215,312</u>

J. Subsequent Events

At the beginning of FY2010, the Airport operations will be moved into the General Fund. After the events of September 11, 2001, the Airport began to experience a decline in revenue due both to a decline in the number of passengers and in restaurant usage. Since the revenue collected cannot support the operations of the airport, management determined that this activity no longer met the criteria of being an enterprise fund.

K. Subsequent Accounting Standard Pronouncements

In February 2009, the GASB adopted Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010. This statement establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The City is analyzing the effect that this statement will have on its financial statements.

Nonmajor Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes, or to facilitate the management of financial resources internally "designated" for specific purposes. Special revenue funds are authorized by the City Council.

Gross Receipts Tax Parks Fund- City Ordinance 81-702 established this fund to account for the City's 1/4% share of gross receipts tax that is legally restricted to the maintenance of parks.

Parks Development Fees Fund - City Council Resolutions 887, dedication of recreation space, and 910, land subdivision regulations - recreation space, established this fund to account for fees collected from developers for the purchase of land and development of parks.

Recreation Fund - City management established this fund to account for the City's share of a state cigarette tax legally restricted for parks and recreation expenditures (approved by City Council Resolution # 2001-1013).

Library Gifts and Grants Fund - City management established this fund to account for state and county gifts and grants restricted for the purchase of library books and other educational library needs.

Parks/Recreation Gifts and Grants Fund - City management established this fund to account for state grants restricted to expenditures for local beautification purposes and expenditures for leisure activities of senior citizens.

Museum Gifts and Grants Fund - City management established this fund to account for state grants restricted to expenditures for museum purposes.

Lodgers Tax Fund - State statute 3-38-15N.M.S.A. and City Ordinance 480 established this fund to account for the City-imposed tax restricted for tourism and promotion. One-fourth of the revenues are restricted to tourism and promotion and three-fourths of the revenues are restricted for promotional facilities.

State Police Protection Fund - City management established this fund to account for state grants restricted for the purchase of police equipment and other approved police needs.

Region II Narcotics Grant Fund- City management established this fund to account for federal grants restricted to expenditures for approved police needs.

Law Enforcement Block Grant Fund - City management established this fund to account for federal grants restricted to expenditures for approved police needs (City Council Resolution # 2001-1013)

State Fire Grant Fund - City management established this fund to account for state grants restricted for the purchase of fire fighting equipment and other approved fire department needs.

Penalty Assessment Fund - City management established this fund to account for traffic fine revenues and disbursements according to City Code 19-84.

Capital Projects Funds

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

Community Development Grant Projects Fund - This fund is used to account for community improvements throughout the City.

Governmental Capital Projects Fund – This fund is used to account for capital projects that are funded with transfers from the general fund.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources and payment of revenue bond principal and interest from gross receipts tax sources.

CITY OF FARMINGTON, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue			
	Gross Receipts Tax Parks	Park Development Fees	Recreation	Library Gifts and Grants
ASSETS:				
Pooled cash and investments	\$ 681,462	\$ 330,360	\$ -	\$ 144,417
Intergovernmental receivable	424,005	-	1,485	-
Total assets	1,105,467	330,360	1,485	144,417
 LIABILITIES:				
Accounts payable	5,264	-	-	-
Deferred revenue	-	-	-	-
Accrued wages payable	38,967	-	-	-
Total liabilities	44,231	-	-	-
 FUND BALANCES:				
Reserved - debt service	-	-	-	-
Unreserved - designated for subsequent years	1,061,236	330,360	1,485	144,417
Unreserved	-	-	-	-
Total fund balances	1,061,236	330,360	1,485	144,417
Total liabilities and fund balances	\$ 1,105,467	\$ 330,360	\$ 1,485	\$ 144,417

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue				
	Parks/ Recreation Gifts and Grants	Museum Gifts and Grants	Lodgers Tax	State Police Protection Grant	Region II Narcotics Grant
ASSETS:					
Pooled cash and investments	\$ 125,397	\$ 128,971	\$ 374,970	\$ 19,998	\$ 160,258
Intergovernmental receivable	309,922	-	251,250	-	33,452
Total assets	435,319	128,971	626,220	19,998	193,710
LIABILITIES:					
Accounts payable	-	394	-	-	37,627
Deferred revenue	-	-	59,499	-	-
Accrued wages payable	503	-	6,451	-	7,278
Total liabilities	503	394	65,950	-	44,905
FUND BALANCES:					
Reserved - debt service	-	-	-	-	-
Unreserved - designated for subsequent years	434,816	128,577	560,270	19,998	148,805
Unreserved	-	-	-	-	-
Total fund balances	434,816	128,577	560,270	19,998	148,805
Total liabilities and fund balances	\$ 435,319	\$ 128,971	\$ 626,220	\$ 19,998	\$ 193,710

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue			
	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	Total Special Revenue
ASSETS:				
Pooled cash and investments	\$ 9,703	\$ 5,703	\$ 36,297	\$ 2,017,536
Intergovernmental receivable	211	-	-	1,020,325
Total assets	9,914	5,703	36,297	3,037,861
LIABILITIES:				
Accounts payable	-	-	36,297	79,582
Deferred revenue	6,569	-	-	66,068
Accrued wages payable	-	-	-	53,199
Total liabilities	6,569	-	36,297	198,849
FUND BALANCES:				
Reserved - debt service	-	-	-	-
Unreserved - designated for subsequent years	3,345	5,703	-	2,839,012
Unreserved	-	-	-	-
Total fund balances	3,345	5,703	-	2,839,012
Total liabilities and fund balances	\$ 9,914	\$ 5,703	\$ 36,297	\$ 3,037,861

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

Capital Projects

	Community Development Grant Projects	Governmental Capital Projects	Total Capital Projects	Debt Service	Total Nonmajor Governmental Funds
ASSETS:					
Pooled cash and investments	\$ 1,379,378	\$ 298,551	\$ 1,677,929	\$ 81,902	\$ 3,777,367
Intergovernmental receivable	<u>252,571</u>	<u>6,025</u>	<u>258,596</u>	<u>-</u>	<u>1,278,921</u>
Total assets	<u><u>1,631,949</u></u>	<u><u>304,576</u></u>	<u><u>1,936,525</u></u>	<u><u>81,902</u></u>	<u><u>5,056,288</u></u>
LIABILITIES:					
Accounts payable	217,541	-	217,541	-	297,123
Deferred revenue	-	-	-	-	66,068
Accrued wages payable	<u>1,816</u>	<u>-</u>	<u>1,816</u>	<u>-</u>	<u>55,015</u>
Total liabilities	<u><u>219,357</u></u>	<u><u>-</u></u>	<u><u>219,357</u></u>	<u><u>-</u></u>	<u><u>418,206</u></u>
FUND BALANCES:					
Reserved - debt service	-	-	-	81,902	81,902
Unreserved - designated for special revenue purposes	-	-	-	-	2,839,012
Unreserved - designated for capital projects	<u>1,412,592</u>	<u>304,576</u>	<u>1,717,168</u>	<u>-</u>	<u>1,717,168</u>
Total fund balances	<u><u>1,412,592</u></u>	<u><u>304,576</u></u>	<u><u>1,717,168</u></u>	<u><u>81,902</u></u>	<u><u>4,638,082</u></u>
Total liabilities and fund balances	<u><u>\$ 1,631,949</u></u>	<u><u>\$ 304,576</u></u>	<u><u>\$ 1,936,525</u></u>	<u><u>\$ 81,902</u></u>	<u><u>\$ 5,056,288</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	<u>Special Revenue</u>			
	<u>Gross Receipts Tax Parks</u>	<u>Park Development Fees</u>	<u>Recreation</u>	<u>Library Gifts and Grants</u>
REVENUES:				
Taxes:				
Gross receipts tax	\$ 2,793,383	\$ -	\$ -	\$ -
Cigarette taxes	-	-	35,054	-
Lodger's taxes	-	-	-	-
Licenses and permits	-	8,423	-	-
Intergovernmental	-	-	-	75,542
Charges for services	-	-	-	-
Fines	-	-	-	-
Investment earnings	138,134	11,286	-	4,791
Donations	-	-	-	27,518
Miscellaneous	7,574	93	-	357
Total revenues	<u>2,939,091</u>	<u>19,802</u>	<u>35,054</u>	<u>108,208</u>
EXPENDITURES:				
Current:				
Police operations	-	-	-	-
Fire operations	-	-	-	-
Parks, recreation and cultural affairs	2,964,808	48,806	37,768	91,772
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
Highways and streets	-	-	-	-
Total expenditures	<u>2,964,808</u>	<u>48,806</u>	<u>37,768</u>	<u>91,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,717)</u>	<u>(29,004)</u>	<u>(2,714)</u>	<u>16,436</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(3,903,405)	-	-	-
Total other financing sources (uses)	<u>(3,903,405)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(3,929,122)	(29,004)	(2,714)	16,436
Fund balances-beginning	4,990,358	359,364	4,199	127,981
Fund balances-ending	<u>\$ 1,061,236</u>	<u>\$ 330,360</u>	<u>\$ 1,485</u>	<u>\$ 144,417</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

Special Revenue

	Parks/ Recreation Gifts and Grants	Museum Gifts and Grants	Lodgers Tax	State Police Protection Grant	Region II Narcotics Grant
REVENUES:					
Taxes:					
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -
Cigarette taxes	-	-	-	-	-
Lodger's taxes	-	-	1,189,976	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	24,760	21,827	-	105,600	419,759
Charges for services	-	145,443	-	-	-
Fines	-	-	-	-	-
Investment earnings	7,534	3,358	13,979	-	1,555
Donations	824,694	7,003	-	-	-
Miscellaneous	181,777	581	1,124	1,333	13,375
Total revenues	<u>1,038,765</u>	<u>178,212</u>	<u>1,205,079</u>	<u>106,933</u>	<u>434,689</u>
EXPENDITURES:					
Current:					
Police operations	-	-	-	103,937	554,603
Fire operations	-	-	-	-	-
Parks, recreation and cultural affairs	999,572	120,867	1,429,486	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
Highways and streets	-	-	-	-	-
Total expenditures	<u>999,572</u>	<u>120,867</u>	<u>1,429,486</u>	<u>103,937</u>	<u>554,603</u>
Excess (deficiency) of revenues over (under) expenditures	<u>39,193</u>	<u>57,345</u>	<u>(224,407)</u>	<u>2,996</u>	<u>(119,914)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	10,000	-	-	-	30,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Net change in fund balances	49,193	57,345	(224,407)	2,996	(89,914)
Fund balances-beginning	385,623	71,232	784,677	17,002	238,719
Fund balances-ending	<u>\$ 434,816</u>	<u>\$ 128,577</u>	<u>\$ 560,270</u>	<u>\$ 19,998</u>	<u>\$ 148,805</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	<u>Special Revenue</u>			<u>Total Special Revenue</u>
	<u>Law Enforcement Block Grant</u>	<u>State Fire Grant</u>	<u>Penalty Assessment</u>	
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	2,793,383
Cigarette taxes	-	-	-	35,054
Lodger's taxes	-	-	-	1,189,976
Licenses and permits	-	-	-	8,423
Intergovernmental	79,255	513,807	-	1,240,550
Charges for services	-	-	-	145,443
Fines	-	-	202,011	202,011
Investment earnings	971	7,662	-	189,270
Donations	-	275	-	859,490
Miscellaneous	-	1,241	992	208,447
Total revenues	<u>80,226</u>	<u>522,985</u>	<u>203,003</u>	<u>6,872,047</u>
EXPENDITURES:				
Current:				
Police operations	79,461	-	203,009	941,010
Fire operations	-	407,282	-	407,282
Parks, recreation and cultural affairs	-	-	-	5,693,079
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
Highways and streets	-	-	-	-
Total expenditures	<u>79,461</u>	<u>407,282</u>	<u>203,009</u>	<u>7,041,371</u>
Excess (deficiency) of revenues over (under) expenditures	<u>765</u>	<u>115,703</u>	<u>(6)</u>	<u>(169,324)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	40,000
Transfers out	-	(110,000)	-	(4,013,405)
Total other financing sources (uses)	<u>-</u>	<u>(110,000)</u>	<u>-</u>	<u>(3,973,405)</u>
Net change in fund balances	765	5,703	(6)	(4,142,729)
Fund balances-beginning	2,580	-	6	6,981,741
Fund balances-ending	<u>\$ 3,345</u>	<u>\$ 5,703</u>	<u>\$ -</u>	<u>\$ 2,839,012</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	<u>Capital Projects</u>				
	<u>Community Development Grant Projects</u>	<u>Governmental Capital Projects</u>	<u>Total Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES:					
Taxes:					
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	2,793,383
Cigarette taxes	-	-	-	-	35,054
Lodger's taxes	-	-	-	-	1,189,976
Licenses and permits	-	-	-	-	8,423
Intergovernmental	1,551,625	-	1,551,625	-	2,792,175
Charges for services	-	-	-	-	145,443
Fines	-	-	-	-	202,011
Investment earnings	50,859	23,369	74,228	21,152	284,650
Donations	-	-	-	-	859,490
Miscellaneous	67,432	13,559	80,991	-	289,438
Total revenues	<u>1,669,916</u>	<u>36,928</u>	<u>1,706,844</u>	<u>21,152</u>	<u>8,600,043</u>
EXPENDITURES:					
Current:					
Police operations	-	-	-	-	941,010
Fire operations	-	-	-	-	407,282
Parks, recreation and cultural affairs	-	-	-	-	5,693,079
Debt Service:					
Principal	-	-	-	1,225,000	1,225,000
Interest	-	-	-	425,643	425,643
Capital outlay:					
General government	-	2,071,131	2,071,131	-	2,071,131
Fire operations	3,215	-	3,215	-	3,215
Highways and streets	2,078,967	-	2,078,967	-	2,078,967
Total expenditures	<u>2,082,182</u>	<u>2,071,131</u>	<u>4,153,313</u>	<u>1,650,643</u>	<u>12,845,327</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(412,266)</u>	<u>(2,034,203)</u>	<u>(2,446,469)</u>	<u>(1,629,491)</u>	<u>(4,245,284)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	1,382,918	1,422,918
Transfers out	-	-	-	-	(4,013,405)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,382,918</u>	<u>(2,590,487)</u>
Net change in fund balances	(412,266)	(2,034,203)	(2,446,469)	(246,573)	(6,835,771)
Fund balances-beginning	1,824,858	2,338,779	4,163,637	328,475	11,473,853
Fund balances-ending	<u>\$ 1,412,592</u>	<u>\$ 304,576</u>	<u>\$ 1,717,168</u>	<u>\$ 81,902</u>	<u>\$ 4,638,082</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Gross Receipts Tax Parks
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Gross receipts taxes	\$ 2,974,880	\$ 2,974,880	\$ 2,887,524	\$ (87,356)
Investment earnings	87,000	87,000	138,134	51,134
Miscellaneous	-	-	7,574	7,574
Total revenues	<u>3,061,880</u>	<u>3,061,880</u>	<u>3,033,232</u>	<u>(28,648)</u>
EXPENDITURES:				
Current:				
Parks, Recreation and Cultural Affairs	<u>3,559,098</u>	<u>3,574,453</u>	<u>2,893,860</u>	<u>680,593</u>
Excess (deficiency) of revenues over (under) expenditures	(497,218)	(512,573)	139,372	651,945
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>-</u>	<u>(3,903,405)</u>	<u>(3,903,405)</u>	<u>-</u>
Net change in fund balances	(497,218)	(4,415,978)	<u>(3,764,033)</u>	<u>\$ 651,945</u>
ADJUSTMENTS TO GAAP:				
Change in inventory			(57,987)	
Change in intergovernmental receivable			(94,141)	
Change in accounts payable			(5,260)	
Change in accrued wages payable			(7,701)	
			<u>(165,089)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(3,929,122)	
Fund balances-beginning	<u>4,990,358</u>	<u>4,990,358</u>	<u>4,990,358</u>	
Fund balances-ending	<u>\$ 4,493,140</u>	<u>\$ 574,380</u>	<u>\$ 1,061,236</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Park Development Fees Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Licenses and permits	\$ 60,000	\$ 60,000	\$ 8,423	\$ (51,577)
Investment earnings	14,000	14,000	11,286	(2,714)
Miscellaneous	-	-	93	93
Total revenues	<u>74,000</u>	<u>74,000</u>	<u>19,802</u>	<u>(54,198)</u>
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	<u>120,000</u>	<u>120,000</u>	<u>48,806</u>	<u>71,194</u>
Excess (deficiency) of revenues over (under) expenditures	(46,000)	(46,000)	(29,004)	<u>\$ 16,996</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			<u>-</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(29,004)	
Fund balances-beginning	<u>359,364</u>	<u>359,364</u>	<u>359,364</u>	
Fund balances-ending	<u>\$ 313,364</u>	<u>\$ 313,364</u>	<u>\$ 330,360</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Recreation Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Cigarette taxes	\$ 51,100	\$ 51,100	\$ 37,768	\$ (13,332)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	51,100	51,100	37,768	13,332
Excess (deficiency) of revenues over (under) expenditures	-	-	-	\$ -
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(2,714)	
GAAP BASIS CHANGE IN FUND BALANCES			(2,714)	
Fund balances-beginning	4,199	4,199	4,199	
Fund balances-ending	\$ 4,199	\$ 4,199	\$ 1,485	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Library Gifts and Grants Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 110,000	\$ 110,000	\$ 75,542	\$ (34,458)
Investment earnings	6,000	6,000	4,791	(1,209)
Donations	30,000	30,000	27,518	(2,482)
Miscellaneous	4,000	4,000	357	(3,643)
Total revenues	150,000	150,000	108,208	(41,792)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	92,000	92,019	91,772	247
Excess (deficiency) of revenues over (under) expenditures	58,000	57,981	16,436	\$ <u><u>(41,545)</u></u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			-	
GAAP BASIS CHANGE IN FUND BALANCES			16,436	
Fund balances-beginning	127,981	127,981	127,981	
Fund balances-ending	\$ 185,981	\$ 185,962	\$ 144,417	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Parks/Recreation Gifts and Grants Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 1,010,103	\$ 1,025,103	\$ 24,760	\$ (1,000,343)
Investment earnings	14,000	14,000	7,534	(6,466)
Donations	272,100	272,100	824,694	552,594
Miscellaneous	128,850	128,850	181,777	52,927
Total revenues	<u>1,425,053</u>	<u>1,440,053</u>	<u>1,038,765</u>	<u>(401,288)</u>
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	<u>1,393,722</u>	<u>1,537,499</u>	<u>1,001,654</u>	<u>535,845</u>
Excess (deficiency) of revenues over (under) expenditures	31,331	(97,446)	37,111	134,557
OTHER FINANCING SOURCES:				
Transfers in	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net change in fund balances	31,331	(87,446)	<u>47,111</u>	<u>\$ 134,557</u>
ADJUSTMENTS TO GAAP:				
Change in accounts payable			265	
Change in accrued wages payable			<u>1,817</u>	
			<u>2,082</u>	
GAAP BASIS CHANGE IN FUND BALANCES			49,193	
Fund balances-beginning	<u>385,623</u>	<u>385,623</u>	<u>385,623</u>	
Fund balances-ending	<u>\$ 448,285</u>	<u>\$ 210,731</u>	<u>\$ 434,816</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Museum Gifts and Grants Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 24,000	\$ 24,000	\$ 26,705	\$ 2,705
Charges for Services	71,600	91,600	145,443	53,843
Investment earnings	2,000	2,000	3,358	1,358
Donations	35,000	35,000	7,003	(27,997)
Miscellaneous	-	-	581	581
Total revenues	<u>132,600</u>	<u>152,600</u>	<u>183,090</u>	<u>30,490</u>
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	<u>111,000</u>	<u>131,000</u>	<u>120,919</u>	<u>10,081</u>
Excess (deficiency) of revenues over (under) expenditures	21,600	21,600	62,171	\$ <u><u>40,571</u></u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(4,878)	
Change in accounts payable			<u>52</u>	
			<u>(4,826)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			57,345	
Fund balances-beginning	<u>71,232</u>	<u>71,232</u>	<u>71,232</u>	
Fund balances-ending	\$ <u><u>92,832</u></u>	\$ <u><u>92,832</u></u>	\$ <u><u>128,577</u></u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Lodgers Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Lodger's taxes	\$ 1,175,000	\$ 1,220,000	\$ 1,220,797	\$ 797
Investment earnings	18,000	18,000	13,979	(4,021)
Miscellaneous	-	-	1,124	1,124
Total revenues	<u>1,193,000</u>	<u>1,238,000</u>	<u>1,235,900</u>	<u>(2,100)</u>
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	<u>1,164,365</u>	<u>1,469,992</u>	<u>1,425,284</u>	<u>44,708</u>
Excess (deficiency) of revenues over (under) expenditures	28,635	(231,992)	(189,384) \$	<u><u>42,608</u></u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(32,159)	
Change in deferred revenue			1,338	
Change in accrued wages payable			<u>(4,202)</u>	
			<u>(35,023)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(224,407)	
Fund balances-beginning	<u>784,677</u>	<u>784,677</u>	<u>784,677</u>	
Fund balances-ending	<u>\$ 813,312</u>	<u>\$ 552,685</u>	<u>\$ 560,270</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
State Police Protection Grant Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 96,000	\$ 112,000	\$ 105,600	\$ (6,400)
Miscellaneous	-	-	1,333	1,333
Total revenues	<u>96,000</u>	<u>112,000</u>	<u>106,933</u>	<u>(5,067)</u>
EXPENDITURES:				
Current:				
Police operations	<u>96,000</u>	<u>112,000</u>	<u>103,937</u>	<u>8,063</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	2,996	<u>\$ 2,996</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			<u>-</u>	
GAAP BASIS CHANGE IN FUND BALANCES			2,996	
Fund balances-beginning	<u>17,002</u>	<u>17,002</u>	<u>17,002</u>	
Fund balances-ending	<u>\$ 17,002</u>	<u>\$ 17,002</u>	<u>\$ 19,998</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Region II Narcotics Grant Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 493,095	\$ 573,095	\$ 505,436	\$ (67,659)
Investment earnings	-	-	1,555	1,555
Miscellaneous	3,500	3,500	13,375	9,875
Total revenues	<u>496,595</u>	<u>576,595</u>	<u>520,366</u>	<u>(56,229)</u>
EXPENDITURES:				
Current:				
Public safety	<u>576,595</u>	<u>665,504</u>	<u>592,549</u>	<u>72,955</u>
Excess (deficiency) of revenues over (under) expenditures	(80,000)	(88,909)	(72,183)	16,726
OTHER FINANCING SOURCES:				
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	(50,000)	(58,909)	<u>(42,183)</u>	<u>\$ 16,726</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(85,677)	
Change in accounts payable			38,741	
Change in accrued wages payable			(795)	
			<u>(47,731)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(89,914)	
Fund balances-beginning	<u>238,719</u>	<u>238,719</u>	<u>238,719</u>	
Fund balances-ending	<u>\$ 188,719</u>	<u>\$ 179,810</u>	<u>\$ 148,805</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Law Enforcement Block Grant Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 78,000	\$ 24,000	\$ 22,766	\$ (1,234)
Investment earnings	1,000	1,000	971	(29)
Total revenues	<u>79,000</u>	<u>25,000</u>	<u>23,737</u>	<u>(1,263)</u>
EXPENDITURES:				
Current:				
Public safety	<u>79,000</u>	<u>80,000</u>	<u>79,461</u>	<u>539</u>
Excess (deficiency) of revenues over (under) expenditures	-	(55,000)	(55,724)	<u>\$ (724)</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			211	
Change in deferred revenue			<u>56,278</u>	
			<u>56,489</u>	
GAAP BASIS CHANGE IN FUND BALANCES			765	
Fund balances-beginning	<u>2,580</u>	<u>2,580</u>	<u>2,580</u>	
Fund balances-ending	<u>\$ 2,580</u>	<u>\$ (52,420)</u>	<u>\$ 3,345</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
State Fire Grant Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 400,988	\$ 515,988	\$ 513,807	\$ (2,181)
Investment earnings	8,200	8,200	7,662	(538)
Donations	-	-	275	275
Miscellaneous	-	-	1,241	1,241
Total revenues	<u>409,188</u>	<u>524,188</u>	<u>522,985</u>	<u>(1,203)</u>
EXPENDITURES:				
Current:				
Fire operations	<u>299,188</u>	<u>414,188</u>	<u>407,282</u>	<u>6,906</u>
Excess (deficiency) of revenues over (under) expenditures	110,000	110,000	115,703	5,703
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(110,000)</u>	<u>(110,000)</u>	<u>(110,000)</u>	<u>-</u>
Net change in fund balances	-	-	<u>5,703</u>	<u>\$ 5,703</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			<u>-</u>	
GAAP BASIS CHANGE IN FUND BALANCES			5,703	
Fund balances-beginning	-	-	-	
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,703</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Penalty Assessment Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Fines	\$ 168,000	\$ 253,000	\$ 202,011	\$ (50,989)
Miscellaneous	-	-	992	992
Total Revenues	168,000	253,000	203,003	(49,997)
EXPENDITURES:				
Current:				
Public safety	168,000	253,000	204,795	48,205
Excess (deficiency) of revenues over (under) expenditures	-	-	(1,792)	\$ (1,792)
ADJUSTMENTS TO GAAP:				
Change in accounts payable			1,786	
GAAP BASIS CHANGE IN FUND BALANCES			(6)	
Fund balances-beginning	6	6	6	
Fund balances-ending	\$ 6	\$ 6	\$ -	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Community Development Grant Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 2,677,000	\$ 2,677,000	\$ 1,299,054	\$ (1,377,946)
Investment earnings	20,000	20,000	50,859	30,859
Miscellaneous	-	-	67,432	67,432
Total revenues	<u>2,697,000</u>	<u>2,697,000</u>	<u>1,417,345</u>	<u>(1,279,655)</u>
EXPENDITURES:				
Capital Outlay:				
Fire Operations	325,000	325,000	3,215	321,785
Highways and Streets	2,852,000	2,886,824	1,861,165	1,025,659
Total expenditures	<u>3,177,000</u>	<u>3,211,824</u>	<u>1,864,380</u>	<u>1,347,444</u>
Excess (deficiency) of revenues over (under) expenditures	(480,000)	(514,824)	(447,035)	\$ <u><u>67,789</u></u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			252,571	
Change in accounts payable			(217,541)	
Change in accrued wages payable			(261)	
			<u>34,769</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(412,266)	
Fund balances-beginning	<u>1,824,858</u>	<u>1,824,858</u>	<u>1,824,858</u>	
Fund balances-ending	<u>\$ 1,344,858</u>	<u>\$ 1,310,034</u>	<u>\$ 1,412,592</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Governmental Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment earnings	\$ 8,400	\$ 8,400	\$ 23,369	\$ 14,969
Miscellaneous	-	-	7,534	7,534
Total revenues	<u>8,400</u>	<u>8,400</u>	<u>30,903</u>	<u>22,503</u>
EXPENDITURES:				
Capital Outlay:				
General Government	<u>1,508,400</u>	<u>2,783,773</u>	<u>2,516,560</u>	<u>267,213</u>
Excess (deficiency) of revenues over (under) expenditures	(1,500,000)	(2,775,373)	(2,485,657)	<u>\$ 289,716</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			6,025	
Change in accounts payable			<u>445,429</u>	
			<u>451,454</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(2,034,203)	
Fund balances-beginning	<u>2,338,779</u>	<u>2,338,779</u>	<u>2,338,779</u>	
Fund balances-ending	<u>\$ 838,779</u>	<u>\$ (436,594)</u>	<u>\$ 304,576</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Gross receipts taxes	\$ -	\$ -	\$ 254,582	\$ 254,582
Investment earnings	18,700	18,700	21,152	2,452
Total revenues	<u>18,700</u>	<u>18,700</u>	<u>275,734</u>	<u>257,034</u>
EXPENDITURES:				
Debt Service:				
Principal	1,180,000	1,225,000	1,225,000	-
Interest	470,217	426,050	425,643	407
Total expenditures	<u>1,650,217</u>	<u>1,651,050</u>	<u>1,650,643</u>	<u>407</u>
Excess (deficiency) of revenues over (under) expenditures	(1,631,517)	(1,632,350)	(1,374,909)	257,441
OTHER FINANCING SOURCES:				
Transfers in	<u>1,637,500</u>	<u>1,637,500</u>	<u>1,382,918</u>	<u>(254,582)</u>
Net change in fund balances	5,983	5,150	<u>8,009</u>	<u>\$ 2,859</u>
ADJUSTMENTS TO GAAP:				
Change in receivables			<u>(254,582)</u>	
			<u>(254,582)</u>	
GAAP BASIS CHANGE IN FUND BALANCES:				
			(246,573)	
Fund balances-beginning	<u>328,475</u>	<u>328,475</u>	<u>328,475</u>	
Fund balances-ending	<u>\$ 334,458</u>	<u>\$ 333,625</u>	<u>\$ 81,902</u>	

The notes to the financial statements are an integral part of this statement.



Renaissance Faire

Internal Service Fund

Internal Service Fund

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

Health Insurance Fund - This fund is used to account for the City's self insurance for employee health insurance claims.

CITY OF FARMINGTON, NEW MEXICO
Health Insurance
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 5,050,866	\$ 5,370,866	\$ 5,048,468	\$ (322,398)
Investment earnings	3,000	3,000	1,738	(1,262)
Total operating revenues	<u>5,053,866</u>	<u>5,373,866</u>	<u>5,050,206</u>	<u>(323,660)</u>
Operating expenses:				
Costs of services	<u>4,733,087</u>	<u>5,425,911</u>	<u>5,062,777</u>	<u>363,134</u>
Operating income (loss)	320,779	(52,045)	(12,571)	<u>\$ 39,474</u>
RECONCILIATION TO GAAP BASIS:				
Change in accounts receivable			159,657	
Change in accounts payable			(23,206)	
Change in accrued claims payable			(339,128)	
			<u>(202,677)</u>	
GAAP BASIS CHANGE IN NET ASSETS			(215,248)	
Total net assets-beginning	<u>(455,529)</u>	<u>(455,529)</u>	<u>(455,529)</u>	
Total net assets-ending	<u>\$ (134,750)</u>	<u>\$ (507,574)</u>	<u>\$ (670,777)</u>	

The notes to the financial statements are an integral part of this statement.

Enterprise Funds

CITY OF FARMINGTON, NEW MEXICO
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual
Non-GAAP Budgetary Basis
Electric Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Electric	\$ 103,771,877	\$ 103,771,877	\$ 96,357,610	\$ (7,414,267)
Other revenues	405,000	405,000	765,026	360,026
Total operating revenues	104,176,877	104,176,877	97,122,636	(7,054,241)
Operating expenses:				
Salaries and fringe benefits	10,839,680	10,839,680	9,558,746	1,280,934
Purchased power, fuel and chemicals	44,948,876	44,948,876	45,123,973	(175,097)
Other operating expenses	10,081,642	10,160,675	9,567,359	593,316
Capital outlay	33,961,283	33,121,030	22,792,843	10,328,187
Total operating expenses	99,831,481	99,070,261	87,042,921	12,027,340
Operating income	4,345,396	5,106,616	10,079,715	4,973,099
Nonoperating revenues (expenses):				
Investment earnings	2,132,000	2,132,000	1,804,175	(327,825)
Interest expense	(982,218)	(982,218)	(972,937)	9,281
Principal on debt service	(4,267,581)	(4,267,581)	(4,267,581)	-
Total nonoperating revenues (expenses)	(3,117,799)	(3,117,799)	(3,436,343)	(318,544)
Income (loss) before operating transfers	1,227,597	1,988,817	6,643,372	4,654,555
Capital contributions	2,000,000	2,000,000	4,800,451	2,800,451
Transfers out	(1,817,248)	(4,417,248)	(4,220,577)	196,671
Change in net assets	1,410,349	(428,431)	7,223,246	\$ 7,651,677
ADJUSTMENTS TO GAAP				
Depreciation			(10,590,638)	
Amortization			143,731	
Capital outlay capitalized			22,792,843	
Principal on debt service			4,267,581	
			16,613,517	
GAAP BASIS CHANGE IN NET ASSETS			23,836,763	
Total net assets-beginning	263,894,520	263,894,520	263,894,520	
Total net assets-ending	\$ 265,304,869	\$ 263,466,089	\$ 287,731,283	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual
Non-GAAP Budgetary Basis
Water Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Water	\$ 11,898,419	\$ 11,898,419	\$ 11,038,457	\$ (859,962)
Other revenues	-	-	14,237	14,237
Total operating revenues	11,898,419	11,898,419	11,052,694	(845,725)
Operating expenses:				
Salaries and fringe benefits	625,879	625,879	467,448	158,431
Other operating expenses	6,050,797	6,065,849	5,507,145	558,704
Capital outlay	6,620,456	6,883,044	5,553,730	1,329,314
Total operating expenses	13,297,132	13,574,772	11,528,323	2,046,449
Operating income	(1,398,713)	(1,676,353)	(475,629)	1,200,724
Nonoperating revenues (expenses):				
Investment earnings	121,300	121,300	115,053	(6,247)
Revenue from operating grants	3,000,000	3,000,000	1,007,229	(1,992,771)
Interest expense	(214,684)	(214,684)	(211,016)	3,668
Principal on debt service	(920,888)	(920,888)	(920,888)	-
Total nonoperating revenues (expenses)	1,985,728	1,985,728	(9,622)	(1,995,350)
Income (loss) before operating transfers	587,015	309,375	(485,251)	(794,626)
Capital contributions	-	-	2,950	2,950
Transfer in	-	-	2,431,433	2,431,433
Transfers out	(587,015)	(587,015)	(546,059)	40,956
Change in net assets	-	(277,640)	1,403,073	\$ 1,680,713
ADJUSTMENTS TO GAAP				
Depreciation			(1,516,114)	
Amortization			31,015	
Capital outlay capitalized			5,553,730	
Principal on debt service			920,888	
			4,989,519	
GAAP BASIS CHANGE IN NET ASSETS			6,392,592	
Total net assets-beginning	27,594,496	27,594,496	27,594,496	
Total net assets-ending	\$ 27,594,496	\$ 27,316,856	\$ 33,987,088	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual
Non-GAAP Budgetary Basis
Wastewater Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Wastewater	\$ 5,422,541	\$ 5,422,541	\$ 5,512,845	\$ 90,304
Environmental tax	1,487,440	1,487,440	1,396,533	(90,907)
Other revenues	2,000	2,000	1,100	(900)
Total operating revenues	6,911,981	6,911,981	6,910,478	(1,503)
Operating expenses:				
Salaries and fringe benefits	327,695	327,695	282,420	45,275
Other operating expenses	3,635,097	3,670,134	3,181,423	488,711
Capital outlay	3,967,097	4,215,766	3,980,501	235,265
Total operating expenses	7,929,889	8,213,595	7,444,344	769,251
Operating income	(1,017,908)	(1,301,614)	(533,866)	767,748
Nonoperating revenues (expenses):				
Investment earnings	279,000	279,000	178,475	(100,525)
Revenue from operating grants	-	-	15,638	15,638
Interest expense	(444,019)	(444,019)	(427,052)	16,967
Principal on debt service	(696,057)	(696,057)	(711,316)	(15,259)
Total nonoperating revenues (expenses)	(861,076)	(861,076)	(944,255)	(83,179)
Income (loss) before operating transfers	(1,878,984)	(2,162,690)	(1,478,121)	684,569
Capital contributions	-	-	-	-
Transfers out	(284,713)	(284,713)	(273,566)	11,147
Change in net assets	(2,163,697)	(2,447,403)	(1,751,687)	\$ 695,716
ADJUSTMENTS TO GAAP				
Depreciation			(1,180,380)	
Amortization			5,104	
Capital outlay capitalized			3,980,501	
Principal on debt service			711,316	
			3,516,541	
GAAP BASIS CHANGE IN NET ASSETS			1,764,854	
Total net assets-beginning	16,930,883	16,930,883	16,930,883	
Total net assets-ending	\$ 14,767,186	\$ 14,483,480	\$ 18,695,737	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual
Non-GAAP Budgetary Basis
Sanitation Fund
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for sales and services:				
Sanitation	\$ 4,275,369	\$ 4,675,369	\$ 4,688,722	\$ 13,353
Other revenues	83,079	83,079	85,915	2,836
Total operating revenues	<u>4,358,448</u>	<u>4,758,448</u>	<u>4,774,637</u>	<u>16,189</u>
Operating expenses:				
Salaries and fringe benefits	2,379	2,379	1,659	720
Other operating expenses	4,334,655	4,734,655	4,397,801	336,854
Capital outlay	<u>10,000</u>	<u>10,000</u>	-	<u>10,000</u>
Total operating expenses	<u>4,347,034</u>	<u>4,747,034</u>	<u>4,399,460</u>	<u>347,574</u>
Operating income	11,414	11,414	375,177	363,763
Nonoperating revenues (expenses):				
Investment earnings	<u>28,384</u>	<u>28,384</u>	<u>24,844</u>	<u>(3,540)</u>
Change in net assets	39,798	39,798	<u>400,021</u>	<u>\$ 360,223</u>
ADJUSTMENTS TO GAAP				
Depreciation			<u>(4,809)</u>	
GAAP BASIS CHANGE IN NET ASSETS			395,212	
Total net assets-beginning	574,579	574,579	574,579	
Total net assets-ending	<u>\$ 614,377</u>	<u>\$ 614,377</u>	<u>\$ 969,791</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual
Non-GAAP Budgetary Basis
Golf Fund
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for sales and services:				
Golf	\$ 1,315,931	\$ 1,315,931	\$ 1,165,801	\$ (150,130)
Other revenues	-	-	1,655	1,655
Total operating revenues	<u>1,315,931</u>	<u>1,315,931</u>	<u>1,167,456</u>	<u>(148,475)</u>
Operating expenses:				
Salaries and fringe benefits	676,210	676,210	689,747	(13,537)
Other operating expenses	521,825	522,715	463,861	58,854
Capital outlay	<u>133,000</u>	<u>133,000</u>	<u>113,967</u>	<u>19,033</u>
Total operating expenses	<u>1,331,035</u>	<u>1,331,925</u>	<u>1,267,575</u>	<u>64,350</u>
Operating income	(15,104)	(15,994)	(100,119)	(84,125)
Nonoperating revenues (expenses):				
Investment earnings	<u>18,000</u>	<u>18,000</u>	<u>4,964</u>	<u>(13,036)</u>
Change in net assets	2,896	2,006	<u>(95,155)</u>	<u>\$ (97,161)</u>
ADJUSTMENTS TO GAAP				
Depreciation			(178,157)	
Capital outlay capitalized			<u>113,967</u>	
			<u>(64,190)</u>	
GAAP BASIS CHANGE IN NET ASSETS			(159,345)	
Total net assets-beginning	<u>2,389,078</u>	<u>2,389,078</u>	<u>2,389,078</u>	
Total net assets-ending	<u>\$ 2,391,974</u>	<u>\$ 2,391,084</u>	<u>\$ 2,229,733</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF FARMINGTON, NEW MEXICO
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual
Non-GAAP Budgetary Basis
Airport Fund
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for sales and services:				
Airport	\$ 588,605	\$ 588,605	\$ 398,439	\$ (190,166)
Other revenues	500	500	65,898	65,398
Total operating revenues	<u>589,105</u>	<u>589,105</u>	<u>464,337</u>	<u>(124,768)</u>
Operating expenses:				
Salaries and fringe benefits	382,105	382,105	379,694	2,411
Other operating expenses	1,438,139	1,438,139	501,901	936,238
Capital outlay	1,586,000	1,586,000	1,103,127	482,873
Total operating expenses	<u>3,406,244</u>	<u>3,406,244</u>	<u>1,984,722</u>	<u>1,421,522</u>
Operating income (loss)	<u>(2,817,139)</u>	<u>(2,817,139)</u>	<u>(1,520,385)</u>	<u>1,296,754</u>
Nonoperating revenues (expenses):				
Investment earnings	3,000	3,000	1,064	(1,936)
Loss on disposition of capital assets	-	-	(1,013,059)	(1,013,059)
Total nonoperating revenues (expenses)	<u>3,000</u>	<u>3,000</u>	<u>(1,011,995)</u>	<u>(1,014,995)</u>
Income (loss) before operating transfers	(2,814,139)	(2,814,139)	(2,532,380)	281,759
Capital Contributions	2,129,000	2,129,000	1,050,875	(1,078,125)
Operating transfers, in	<u>685,139</u>	<u>685,139</u>	<u>685,139</u>	<u>-</u>
Change in net assets	-	-	<u>(796,366)</u>	<u>\$ (796,366)</u>
ADJUSTMENTS TO GAAP				
Depreciation			(758,321)	
Capital outlay capitalized			1,103,127	
			<u>344,806</u>	
GAAP BASIS CHANGE IN NET ASSETS			(451,560)	
Total net assets-beginning	<u>9,820,033</u>	<u>9,820,033</u>	<u>9,820,033</u>	
Total net assets-ending	<u>\$ 9,820,033</u>	<u>\$ 9,820,033</u>	<u>\$ 9,368,473</u>	

The notes to the financial statements are an integral part of this statement.

Capital Assets- Governmental Funds

CITY OF FARMINGTON, NEW MEXICO
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
June 30, 2008 and 2009

	2009	2008
Governmental funds capital assets:		
Land	\$ 25,914,018	\$ 25,780,126
Buildings	52,502,592	50,794,982
Improvements other than buildings	11,489,634	11,981,907
Machinery and equipment	26,510,950	27,957,822
Infrastructure	49,887,806	60,906,249
Construction In Progress	13,525,697	4,345,687
Total governmental funds capital assets	\$ 179,830,697	\$ 181,766,773
Investments in governmental funds capital assets by source:		
General fund	\$ 60,239,519	\$ 53,372,756
Special revenue fund	94,754,774	104,798,367
Capital projects funds	22,795,716	22,027,018
Donations	2,040,688	1,568,632
Total governmental funds capital assets	\$ 179,830,697	\$ 181,766,773

CITY OF FARMINGTON, NEW MEXICO
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
For the Year Ended June 30, 2009

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction In Progress	Total
GENERAL GOVERNMENT:							
Legislative	\$ 4,000	\$ -	\$ -	\$ 33,693	\$ -	\$ 18,835	\$ 56,528
Judicial	-	-	-	140,032	-	-	140,032
Operations center	-	-	-	489,471	-	-	489,471
Fleet maintenance	-	-	-	722,974	-	-	722,974
Stores	-	14,261	270,135	254,787	-	-	539,183
Finance administration	-	-	-	6,520	-	-	6,520
Personnel administration	-	-	-	279,553	-	-	279,553
Purchasing	-	-	-	54,365	-	-	54,365
Law enforcement	-	-	-	39,411	-	-	39,411
Administrative services	1,283,560	10,967,378	21,855	793,293	-	2,179	13,068,265
Planning and zoning	-	-	-	24,822	-	-	24,822
Data processing	-	50,347	-	821,940	-	-	872,287
Total general government	<u>1,287,560</u>	<u>11,031,986</u>	<u>291,990</u>	<u>3,660,861</u>	<u>-</u>	<u>21,014</u>	<u>16,293,411</u>
PUBLIC SAFETY:							
Police	399,869	3,605,748	77,532	5,587,726	-	20,699	9,691,574
Fire	60,098	3,388,064	-	7,136,087	-	8,313	10,592,562
Inspection	-	-	-	188,791	-	-	188,791
Traffic	-	-	-	501,165	2,123,057	455,431	3,079,653
Total public safety	<u>459,967</u>	<u>6,993,812</u>	<u>77,532</u>	<u>13,413,769</u>	<u>2,123,057</u>	<u>484,443</u>	<u>23,552,580</u>
PUBLIC WORKS/COMMUNITY DEVELOPMENT:							
Streets	16,057,038	21,850	575,876	2,276,370	34,799,457	7,260,046	60,990,637
Bridges & Storm Drains	-	-	-	-	12,474,524	118,758	12,593,282
Administration	1,092,506	637,347	413,785	49,302	490,768	41,439	2,725,147
Survey	-	-	-	110,912	-	-	110,912
Engineering	-	-	-	144,729	-	-	144,729
Total public works/community development	<u>17,149,544</u>	<u>659,197</u>	<u>989,661</u>	<u>2,581,313</u>	<u>47,764,749</u>	<u>7,420,243</u>	<u>76,564,707</u>
CULTURE AND RECREATION:							
Parks and recreation	4,288,227	16,142,026	9,935,138	4,984,665	-	5,135,878	40,485,934
Civic center	92,174	3,088,559	-	339,740	-	-	3,520,473
Senior citizens center	141,497	908,693	37,161	186,201	-	-	1,273,552
Museum	970,988	4,710,226	52,152	153,218	-	20,255	5,906,839
Animal shelter	132,393	281,599	-	264,311	-	443,864	1,122,167
Total culture and recreation	<u>5,625,279</u>	<u>25,131,103</u>	<u>10,024,451</u>	<u>5,928,135</u>	<u>-</u>	<u>5,599,997</u>	<u>52,308,965</u>
LIBRARIES							
	<u>1,391,668</u>	<u>8,686,494</u>	<u>106,000</u>	<u>926,872</u>	<u>-</u>	<u>-</u>	<u>11,111,034</u>
Total governmental funds capital assets	<u>\$ 25,914,018</u>	<u>\$ 52,502,592</u>	<u>\$ 11,489,634</u>	<u>\$ 26,510,950</u>	<u>\$ 49,887,806</u>	<u>\$ 13,525,697</u>	<u>\$ 179,830,697</u>

This schedule presents the capital asset balances related to governmental funds.
There are no capital assets for the internal service funds.

CITY OF FARMINGTON, NEW MEXICO
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the fiscal year ended June 30, 2009

Function and Activity	Capital Assets June 30, 2008 Restated	Additions	Deductions	Net Transfers	Capital Assets June 30, 2009
GENERAL GOVERNMENT:					
Legislative	\$ 44,639	\$ -	\$ (6,946)	\$ -	\$ 37,693
Judicial	159,018	-	(18,986)	-	140,032
Operations center	525,585	-	(156,865)	5,057	373,777
Fleet maintenance	826,526	8,895	(442,263)	284,587	677,745
Stores	743,244	-	(35,088)	(78,208)	629,948
Finance administration	36,724	-	(16,937)	(13,267)	6,520
Personnel administration	154,244	-	(21,983)	-	132,261
Purchasing	79,970	-	(25,605)	-	54,365
Law enforcement	54,774	-	(2,397)	-	52,377
Administrative services	10,982,277	84,568	(298,638)	(64,514)	10,703,693
Planning and zoning	76,512	-	(7,187)	-	69,325
Data processing	819,577	619,436	(560,087)	(27,118)	851,808
Total general government	<u>14,503,090</u>	<u>712,899</u>	<u>(1,592,982)</u>	<u>106,537</u>	<u>13,729,544</u>
PUBLIC SAFETY:					
Police	9,832,398	617,422	(769,128)	44,768	9,725,460
Fire	11,436,713	31,104	(711,702)	(138,839)	10,617,276
Inspection	207,700	-	(2,042)	-	205,658
Traffic	2,636,784	109,578	(275,683)	-	2,470,679
Total public safety	<u>24,113,595</u>	<u>758,104</u>	<u>(1,758,555)</u>	<u>(94,071)</u>	<u>23,019,073</u>
PUBLIC WORKS/ COMMUNITY DEVELOPMENT					
Streets	67,078,300	5,985,303	(13,380,638)	(7,138)	59,675,827
Bridges and storm drains	11,490,554	1,671,540	(153,721)	-	13,008,373
Administration	4,348,923	67,861	(35,274)	(59,126)	4,322,384
Survey	112,912	-	(2,000)	-	110,912
Engineering	154,509	4,957	(39,988)	31,232	150,710
Total public works/ community development	<u>83,185,198</u>	<u>7,729,661</u>	<u>(13,611,621)</u>	<u>(35,032)</u>	<u>77,268,206</u>
CULTURE AND RECREATION:					
Parks and recreation	37,497,470	6,446,577	(827,985)	(26,545)	43,089,517
Civic center	3,660,648	-	(140,219)	-	3,520,429
Senior citizens center	1,226,745	270,660	(223,855)	-	1,273,550
Museum	5,979,607	4,255	(77,023)	-	5,906,839
Animal Shelter	365,483	565,589	(18,567)	-	912,505
Total culture and recreation	<u>48,729,953</u>	<u>7,287,081</u>	<u>(1,287,649)</u>	<u>(26,545)</u>	<u>54,702,840</u>
LIBRARIES					
	<u>11,234,937</u>	<u>7,042</u>	<u>(192,056)</u>	<u>61,111</u>	<u>11,111,034</u>
Total general fixed assets	<u>\$ 181,766,773</u>	<u>\$ 16,494,787</u>	<u>\$ (18,442,863)</u>	<u>\$ 12,000</u>	<u>\$ 179,830,697</u>
Accumulated depreciation	<u>\$ 97,078,462</u>	<u>\$ 6,884,138</u>	<u>\$ (16,177,295)</u>	<u>\$ 12,000</u>	<u>\$ 87,797,305</u>



Summer Terrace

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Farmington’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

<i>Financial Trends</i>	<u>Page</u>
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	90
<i>Revenue Capacity</i>	
These schedules contain information to help the reader assess the City’s most significant revenue sources - gross receipts tax and electricity sales. Also included are property tax schedules.	95
<i>Debt Capacity</i>	
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	106
<i>Demographic and Economic Information</i>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	110
<i>Operating Information</i>	
The schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	112

**City of Farmington
Net Assets by Component
Last Eight Fiscal Years**
(accrual basis of accounting)

	Fiscal Year							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
						Restated	Restated	
Governmental activities								
Invested in capital assets, net of related debt	\$ 55,674,508	\$ 63,961,010	\$ 64,779,550	\$ 66,265,472	\$ 74,339,304	\$ 75,000,933	\$ 74,066,951	\$ 82,658,924
Restricted	2,689,505	2,678,373	2,422,104	3,514,726	4,219,427	4,491,602	4,599,840	4,085,917
Unrestricted	28,039,208	20,619,682	20,610,228	25,149,317	24,559,417	22,873,893	21,548,521	20,137,410
Total governmental activities net assets	\$ 86,403,221	\$ 87,259,065	\$ 87,811,882	\$ 94,929,515	\$ 103,118,148	\$ 102,366,428	\$ 100,215,312	\$ 106,882,251
Business-type activities								
Invested in capital assets, net of related debt	\$ 145,695,695	\$ 151,976,725	\$ 194,430,074	\$ 215,390,130	\$ 227,625,271	\$ 240,380,428	\$ 263,888,952	\$ 290,372,838
Restricted	3,450,823	2,643,773	2,648,557	2,564,255	2,615,937	2,914,976	3,139,945	3,438,741
Unrestricted	33,466,317	41,559,635	18,361,816	16,535,576	30,290,166	45,749,953	54,174,692	59,170,526
Total business-type activities net assets	\$ 182,612,835	\$ 196,180,133	\$ 215,440,447	\$ 234,489,961	\$ 260,531,374	\$ 289,045,357	\$ 321,203,589	\$ 352,982,105
Primary government								
Invested in capital assets, net of related debt	\$ 201,370,203	\$ 215,937,735	\$ 259,209,624	\$ 281,655,602	\$ 301,964,575	\$ 315,532,250	\$ 340,276,555	\$ 373,031,762
Restricted	6,140,328	5,322,146	5,070,661	6,078,981	6,835,364	7,406,578	7,739,785	7,524,658
Unrestricted	61,505,525	62,179,317	38,972,044	41,684,893	54,849,583	68,623,846	77,309,002	79,307,936
Total primary government net assets	\$ 269,016,056	\$ 283,439,198	\$ 303,252,329	\$ 329,419,476	\$ 363,649,522	\$ 391,411,785	\$ 421,418,901	\$ 459,864,356

Source: City of Farmington CAFRs

Note: The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2002.

In 2007, a prior period adjustment was made to adjust capital outlay in the Airport fund.

In 2008, a prior period adjustment was made to adjust general fund accumulated depreciation and accrued compensated absences. See Notes (pg 49-50) for more detail.

City of Farmington
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Expenses								
Governmental activities:								
General government	\$ 17,921,350	\$ 17,191,605	\$ 23,996,456	\$ 21,153,411	\$ 21,649,221	\$ 24,470,791	\$ 24,773,909	\$ 30,738,756
Police	9,137,433	10,251,979	10,341,396	11,351,590	12,356,592	15,029,695	16,405,749	14,551,370
Fire	4,661,223	4,906,661	5,468,824	5,470,572	6,466,886	7,606,467	8,702,072	9,461,309
Parks, recreation, cultural affairs	9,232,612	8,392,730	9,284,623	9,497,875	11,105,380	13,769,347	15,479,059	8,959,793
Community development	7,359,539	7,395,603	5,727,834	7,481,297	8,511,853	10,776,798	11,857,265	2,144,831
Interest on long term debt	378,265	560,368	483,230	421,480	588,521	511,126	468,360	423,713
Total governmental activities expenses	48,690,422	48,698,946	55,302,363	55,376,225	60,678,453	72,164,224	77,686,414	66,279,772
Business-type activities:								
Electric	63,434,816	68,903,423	65,214,544	72,914,727	65,152,992	66,341,885	79,473,997	75,669,922
Water	6,096,326	7,180,833	6,785,002	6,944,219	6,992,577	7,207,259	6,854,699	7,670,708
Wastewater	3,203,574	3,488,296	4,127,386	4,983,626	4,690,385	5,274,284	5,227,357	5,066,171
Sanitation	3,345,147	3,358,430	3,493,487	3,625,722	3,815,728	4,002,806	4,130,295	4,404,269
Golf	1,076,241	1,060,103	1,198,867	1,209,293	1,217,011	1,164,683	1,312,463	1,331,765
Airport	1,422,951	1,563,162	2,008,715	1,871,508	1,812,263	1,604,506	1,557,946	1,639,916
Total business-type activities expenses	78,579,055	85,554,247	82,828,001	91,549,095	83,680,956	85,595,423	98,556,757	95,782,751
Total primary government expenses	127,269,477	134,253,193	138,130,364	146,925,320	144,359,409	157,759,647	176,243,171	162,062,523
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 4,315,068	\$ 4,892,278	\$ 5,085,210	\$ 5,019,839	\$ 5,379,345	\$ 6,906,273	\$ 7,008,648	\$ 6,420,991
Police	14,457	15,132	74,215	198,017	39,903	1,266,550	1,366,974	1,483,251
Parks, recreation, cultural affairs	546,488	530,669	552,114	545,461	703,731	888,618	831,845	884,964
Community development	69,040	68,155	77,390	75,116	101,605	95,485	86,766	67,296
Operating grants and contributions	1,526,052	1,276,299	2,674,803	2,238,291	2,929,307	2,600,396	3,623,209	4,242,763
Total governmental activities program revenues	6,471,105	6,782,533	8,463,732	8,076,824	9,153,891	11,757,322	12,917,442	13,099,265
Business-type activities:								
Charges for services:								
Electric	78,835,548	79,130,644	84,158,287	91,152,321	89,801,858	91,704,560	102,193,403	97,122,636
Water	7,997,027	7,073,545	7,515,514	7,338,869	7,991,740	8,688,421	10,783,517	11,052,694
Wastewater	3,824,407	4,239,721	4,489,948	4,751,802	5,071,951	5,214,261	6,240,272	6,910,478
Sanitation	3,350,941	3,392,079	3,538,632	3,692,937	3,889,876	4,051,998	4,228,681	4,774,637
Golf	859,042	933,981	1,042,176	1,088,137	1,121,313	1,113,328	1,146,652	1,167,456
Airport	541,523	564,237	596,765	599,306	594,199	601,675	540,360	464,337
Operating grants and contributions	4,207,905	1,151,196	916,477	880,654	927,492	1,227,869	1,585,218	5,826,268
Capital grants and contributions	1,211,547	1,025,342	154,309	625,693	794,531	495,436	2,617,273	1,050,875
Total business-type activities program revenues	100,827,940	97,510,745	102,412,108	110,129,719	110,192,960	113,097,548	129,335,373	128,369,381
Total primary government program revenues	107,299,045	104,293,278	110,875,840	118,206,543	119,546,851	124,854,870	142,252,815	141,468,646

Source: City of Farmington CAFRS

Note: The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2002. In 2007, a prior period adjustment was made to adjust capital outlay in the Airport fund. In 2008, a prior period adjustment was made to adjust general fund accumulated depreciation and accrued compensated absences. See Notes (pg 49-50) for more detail.

City of Farmington
Changes in Net Assets
Last Eight Fiscal Years
 (accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
						Restated	Restated	
Net (Expenses)/Revenues								
Governmental activities	\$ (42,219,317)	\$ (41,916,413)	\$ (46,838,631)	\$ (47,299,401)	\$ (51,524,562)	\$ (60,406,902)	\$ (64,768,972)	\$ (53,180,507)
Business-type activities	22,248,885	11,956,498	19,584,107	18,580,624	26,512,004	27,502,125	30,778,616	32,586,630
Total primary governmental activities expenses	\$ (19,970,432)	\$ (29,959,915)	\$ (27,254,524)	\$ (28,718,777)	\$ (25,012,558)	\$ (32,904,777)	\$ (33,990,356)	\$ (20,593,877)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Gross receipts taxes	\$ 35,922,137	\$ 35,146,693	\$ 38,351,092	\$ 43,134,352	\$ 49,274,220	\$ 51,818,982	\$ 54,401,730	\$ 52,406,771
Property taxes	922,002	930,112	985,836	1,043,064	1,121,723	1,235,064	1,330,285	1,550,503
Franchise taxes	2,551,995	2,601,794	715,022	720,748	1,594,098	1,045,698	992,050	865,346
Other taxes	1,716,477	1,724,672	1,884,994	1,873,736	1,942,024	1,944,810	2,124,381	1,992,189
Other revenue	3,010,951	3,769,728	3,584,543	3,507,135	2,996,953	1,199,675	1,386,242	1,789,230
Unrestricted investment earnings	963,133	635,745	429,108	471,993	858,611	1,064,838	962,448	701,039
Loss on disposition	(1,902,219)	(1,904,487)	-	-	-	-	-	(1,381,262)
Transfers	415	(132,000)	1,440,853	1,754,818	1,925,566	1,346,115	1,420,720	1,923,630
Total governmental activities	43,184,891	42,772,257	47,391,448	52,505,846	59,713,195	59,655,182	62,617,856	59,847,446
Business-type activities:								
Unrestricted investment earnings	1,435,925	1,478,800	1,117,060	790,027	1,454,975	2,357,973	2,800,336	2,128,575
Loss on disposition	-	-	-	-	-	-	-	(1,013,059)
Transfers	(415)	132,000	(1,440,853)	(1,754,818)	(1,925,566)	(1,346,115)	(1,420,720)	(1,923,630)
Total business-type activities	1,435,510	1,610,800	(323,793)	(964,791)	(470,591)	1,011,858	1,379,616	(808,114)
Total primary government	\$ 44,620,401	\$ 44,383,057	\$ 47,067,655	\$ 51,541,055	\$ 59,242,604	\$ 60,667,040	\$ 63,997,472	\$ 59,039,332
Change in Net Assets								
Governmental activities	\$ 965,574	\$ 855,844	\$ 552,817	\$ 5,206,445	\$ 8,188,633	\$ (751,720)	\$ (2,151,116)	\$ 6,666,939
Business-type activities	23,684,395	13,567,298	19,260,314	17,615,833	26,041,413	28,513,983	32,158,232	31,778,516
Total primary government	\$ 24,649,969	\$ 14,423,142	\$ 19,813,131	\$ 22,822,278	\$ 34,230,046	\$ 27,762,263	\$ 30,007,116	\$ 38,445,455

Source: City of Farmington CAFRs

Note: The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2002.

In 2007, a prior period adjustment was made to adjust capital outlay in the Airport fund.

In 2008, a prior period adjustment was made to adjust general fund accumulated depreciation and accrued compensated absences. See Notes (pg 49-50) for more detail.

**City of Farmington
Fund Balances, Governmental Funds
Last Ten Fiscal Years**
(modified accrual basis of accounting)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 283,314	\$ 229,464	\$ 2,282,737	\$ 2,256,852	\$ 2,000,000	\$ 3,393,756	\$ 4,138,050	\$ 4,386,101	\$ 4,439,851	\$ 4,160,353
Unreserved	15,117,685	12,733,806	11,618,472	11,452,345	12,126,852	13,069,276	14,594,072	12,808,778	8,187,413	7,311,344
Total general fund	\$ 15,400,999	\$ 12,963,270	\$ 13,901,209	\$ 13,709,197	\$ 14,126,852	\$ 16,463,032	\$ 18,732,122	\$ 17,194,879	\$ 12,627,264	\$ 11,471,697
All Other Governmental Funds										
Reserved	\$ 1,109,110	\$ 1,096,449	\$ 406,768	\$ 421,521	\$ 422,104	\$ 283,833	\$ 287,735	\$ 310,848	\$ 328,475	\$ 81,902
Debt service funds										
Unreserved, reported in	2,998,790	2,870,143	2,872,194	3,129,017	5,227,200	6,952,568	9,199,148	9,331,067	10,719,223	13,004,229
Special revenue funds	407,657	3,781,016	12,602,816	5,196,626	3,256,176	5,462,764	914,420	962,881	4,163,637	1,717,168
Capital projects funds										
Total all other governmental funds	\$ 4,515,557	\$ 7,747,608	\$ 15,881,778	\$ 8,747,164	\$ 8,905,480	\$ 12,699,165	\$ 10,401,303	\$ 10,604,796	\$ 15,210,335	\$ 14,803,299

Source: City of Farmington CAFRs

**City of Farmington
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years**
(modified accrual basis of accounting)

Fiscal Year

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes	\$ 36,336,066	\$ 38,862,323	\$ 41,112,611	\$ 40,403,271	\$ 41,936,943	\$ 46,771,900	\$ 53,932,065	\$ 56,044,554	\$ 58,848,446	\$ 56,705,030
Licenses and permits	541,787	605,528	556,573	605,478	602,971	819,869	951,280	765,694	794,169	618,877
Intergovernmental	4,684,185	3,083,418	1,761,181	1,869,860	2,674,803	2,238,291	2,929,307	2,600,396	3,623,207	4,242,763
Charges for services	591,993	599,326	852,738	978,022	1,170,531	1,365,408	1,840,336	1,637,437	1,769,334	1,749,034
Fines	923,530	1,069,025	1,265,848	1,403,928	1,602,721	1,418,646	1,133,053	1,222,171	1,341,297	1,431,718
Special assessments	180,097	92,337	77,800	72,337	61,327	46,859	36,370	39,943	18,591	6,667
Investment earnings	966,600	1,052,525	960,773	634,552	425,731	469,012	858,611	1,064,838	962,448	701,039
Miscellaneous	746,565	688,425	875,603	1,341,924	1,317,524	1,221,761	876,250	1,199,675	1,386,242	1,789,230
Total revenues	44,970,823	46,062,907	47,463,127	47,309,372	49,792,551	54,351,746	62,557,272	64,574,708	68,743,734	67,244,358
Expenditures										
Current										
General government	9,594,926	12,033,658	12,937,208	12,757,384	13,801,711	15,247,239	18,478,746	18,715,493	18,153,620	18,766,806
Police	9,680,015	9,861,647	9,499,112	10,359,890	10,690,905	10,647,826	12,606,701	14,678,179	15,536,666	14,636,567
Fire	4,245,944	4,426,573	4,491,634	4,719,878	5,416,395	5,097,630	5,872,350	7,265,724	8,298,829	8,654,998
Parks, recreation and cultural affairs	12,583,544	9,549,436	10,917,165	15,061,168	10,285,641	10,482,092	11,128,612	12,765,857	14,551,969	13,828,963
Community development	6,877,761	7,703,717	7,946,575	7,116,935	6,357,491	7,186,770	7,182,068	7,262,150	7,147,609	1,336,120
Public works [a]	-	-	-	-	-	-	-	-	-	1,049,097
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	865,000	955,000	1,360,000	1,815,000	1,900,000	1,965,000	1,060,000	1,130,000	1,180,000	1,225,000
Interest	393,364	284,653	378,265	560,368	483,230	421,480	588,521	512,905	470,217	425,643
Arbitrage rebate	-	-	34,387	-	-	-	-	-	-	-
Bond issuance costs	-	-	70,733	-	-	-	-	-	-	-
Capital outlay	4,081,929	574,043	1,579,147	1,505,876	1,722,060	4,653,660	6,844,613	4,924,265	4,787,620	10,807,397
Total expenditures	48,322,483	45,388,727	49,214,226	53,896,499	50,657,433	55,701,697	63,761,611	67,254,573	70,126,530	70,730,591
Excess of revenues over (under) expenditures	(3,351,660)	664,180	(1,751,099)	(6,587,127)	(864,882)	(1,349,951)	(1,204,339)	(2,679,865)	(1,382,796)	(3,486,233)
Other Financing Sources (Uses)										
Operating transfers in	3,088,479	5,540,599	960,119	104,810	2,539,337	2,856,182	3,000,104	3,288,811	7,168,448	7,935,092
Operating transfers out	(3,669,441)	(5,603,991)	(1,220,341)	(844,310)	(1,098,484)	(1,101,365)	(1,824,537)	(1,942,696)	(5,747,728)	(6,011,462)
Refunding bonds issued	-	-	15,076,862	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	(4,412,245)	-	-	-	-	-	-	-
Sale tax debt issuance	-	-	-	-	-	5,725,000	-	-	-	-
Total other financing sources and uses	(580,962)	(63,392)	10,404,395	(739,500)	1,440,853	7,479,817	1,175,567	1,346,115	1,420,720	1,923,630
Net change in fund balance	(3,932,622)	\$ 600,788	\$ 8,653,296	\$ (7,326,627)	\$ 575,971	\$ 6,129,866	\$ (28,772)	\$ (1,333,750)	\$ 37,924	\$ (1,562,603)
Debt service as a percentage of noncapital expenditures	3.2%	3.4%	4.5%	5.8%	5.4%	5.1%	3.3%	2.7%	2.6%	2.6%

Source: City of Farmington CAFRs
Notes: [a] In 2009, the city separated public works from community development

Schedule 5

City of Farmington
Electric Kilowatt Sales and Revenue
Last Ten Fiscal Years

Fiscal Year	* Industrial		* Commercial		* Residential		Total	
	kWh	Revenue	kWh	Revenue	kWh	Revenue		
2000	400,249,210	\$ 16,457,718	326,087,085	\$ 25,457,923	190,427,304	\$ 15,216,300	916,763,599	\$ 57,131,941
2001	403,347,040	17,905,181	337,853,574	26,941,811	200,550,981	16,332,643	941,751,595	61,179,635
2002	437,063,198	21,206,468	342,471,521	29,184,137	204,910,713	17,762,166	984,445,432	68,152,771
2003	490,068,660	24,593,325	351,385,467	30,891,854	213,197,135	18,692,226	1,054,651,262	74,177,405
2004	504,889,336	28,194,450	362,458,230	31,193,172	221,192,493	18,937,000	1,088,540,059	78,324,622
2005	498,093,821	28,445,687	378,001,503	33,376,202	223,336,276	19,829,050	1,099,431,600	81,650,939
2006	537,362,745	26,418,370	415,275,503	34,213,205	236,844,321	19,789,570	1,189,482,569	80,421,145
2007	551,421,402	27,422,114	429,127,945	36,550,017	248,119,606	21,419,197	1,228,668,953	85,391,328
2008	512,182,632	28,575,487	439,341,791	39,610,098	262,763,630	23,886,685	1,214,288,053	92,072,270
2009	490,347,580	\$ 30,035,752	441,145,350	\$ 42,395,101	264,384,359	\$ 25,663,036	1,195,877,289	\$ 98,093,889
Change 2000-2009	22.5%	82.5%	35.3%	66.5%	38.8%	68.7%	30.4%	71.7%

Source: Farmington Electric Utility System

* Totals changed due to corrections made for classifications.

Residential included Street Lighting, which should be included with Commercial.

Industrial included Wholesale but was taken out. Wholesale is not included in any of the totals.

Type of Customer

Industrial

- \$7.00/kW for demand charge
- \$0.040/kWh first 500 per kW of billing demand is the energy charge
- \$0.0310/kWh for all energy in excess of 500 per kW of billing demand

Commercial

General Service

- \$4.50 Customer charge
- \$0.0875/kWh first 400 kWh
- \$0.0865/kWh additional kWh

Large General Service

- \$7.75/kW for demand charge
- \$0.0540/kWh first 500 per kW of billing demand is the energy charge
- \$0.040/kWh for all energy in excess of 500 kWh per kW of billing demand

Residential

- \$3.00 Customer charge
- \$0.08/kWh first 200 kWh
- \$0.0765/kWh additional kWh

Street Lighting

- \$7.75 100 W sodium 7/94
- \$11.75 100 W sodium 8/94
- \$14.00 250 W sodium 7/94
- \$14.75 250 W sodium 8/94
- \$7.75 175 W mercury
- \$14.00 400 W mercury

Source: Farmington Electric Utility System

City of Farmington
 Electric Principal Revenue Payers
 Current Year and Nine Years Ago

Schedule 7

Customer	2009			2000		
	Revenue	Rank	Percentage of Revenue	Revenue	Rank	Percentage of Revenue
Enterprise Field Services/EPFS	\$ 21,857,582	1	22.28%	\$ -	-	-
Transwestern Pipeline/Paragon/Enron	4,940,462	2	5.04%	-	-	-
Val Verde Gas Gathering, LP	2,572,358	3	2.62%	-	-	-
Western Refining Southwest, Inc.	2,557,494	4	2.61%	1,947,928	3	3.41%
Praxair, Inc.	1,856,637	5	1.89%	-	-	-
San Juan Regional Medical Center	1,534,995	6	1.56%	782,960	5	1.37%
Wal-Mart/Sam's Club	1,124,114	7	1.15%	414,254	8	0.73%
San Juan College	1,042,859	8	1.06%	549,781	6	0.96%
Animas Valley Mall	526,198	9	0.54%	425,549	7	0.74%
Western Gas Resources	309,073	10	0.32%	232,403	9	0.41%
El Paso Field Services	-	-	-	10,430,107	1	18.26%
Burlington Resources Oil & Gas	-	-	-	4,378,386	2	7.66%
Enron Capital & Trade	-	-	-	1,163,940	4	2.04%
Smith's Food & Drug	-	-	-	226,603	10	0.40%
Total	<u>\$ 38,321,772</u>		<u>39.07%</u>	<u>\$ 20,551,911</u>		<u>35.97%</u>

Source: Farmington Electric Utility System

**City of Farmington
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years**

Schedule 8

Fiscal Year	Gross Receipts Tax	Property Tax	Franchise Tax	Other Taxes	Total Taxes
2000	\$ 31,039,545	\$ 831,478	\$ 2,893,504	\$ 1,571,539	\$ 36,336,066
2001	33,213,633	883,140	3,177,912	1,587,638	38,862,323
2002	35,922,137	922,002	2,551,995	1,716,477	41,112,611
2003	35,146,693	930,112	2,601,794	1,724,672	40,403,271
2004	38,351,091	985,836	715,022	1,884,994	41,936,943
2005	43,134,352	1,043,064	720,748	1,873,736	46,771,900
2006	49,274,220	1,121,723	1,594,098	1,942,024	53,932,065
2007	51,818,982	1,235,064	1,045,698	1,944,810	56,044,554
2008	54,401,730	1,330,285	992,050	2,124,381	58,848,446
2009	52,406,771	1,440,724	865,346	1,992,189	56,705,030
Change 2000-2009	68.8%	73.3%	-70.1%	26.8%	56.1%

Source: City of Farmington CAFRs

Note: Prior to 2004, Payment in Lieu of Taxes (PILT) was reported in the Franchise Tax category. PILT is currently reported as an interfund transfer.

City of Farmington
Taxable Gross Receipts by Industry
Last Ten Fiscal Years
 (in thousands)

Ending 6/30	(e)									
	2000	(c) 2001		2002	2003	(d) 2004	2005	2006	2007	2008
Agriculture	\$ 2,199	\$ 12	\$ 208	\$ 2,002	\$ 2,461	\$ 2,726	\$ 2,769	\$ 3,325	\$ 3,284	\$ (2,519)
Mining	100,802	117,792	125,093	108,454	122,936	133,973	192,806	222,893	185,838	163,216
Construction	96,788	74,984	97,131	98,292	90,069	118,025	142,174	124,428	121,996	157,749
Manufacturing	31,951	32,266	40,120	27,001	33,015	50,656	78,377	69,509	86,755	79,094
Trans/Comm/Utility	42,428	59,034	48,676	24,178	15,481	20,096	33,026	26,547	32,545	30,259
Wholesale Trade	84,959	101,477	103,921	76,836	85,158	113,951	160,468	197,225	164,098	163,014
Retail Trade	630,252	620,126	667,453	668,134	653,535	673,785	634,152	717,121	753,122	772,111
Information and Cultural	-	-	-	-	25,225	44,094	43,293	51,774	51,018	53,838
Finance/Ins/Real Estate	22,326	23,176	22,102	21,467	20,539	21,001	26,338	30,878	34,686	33,594
Services	298,995	302,388	365,188	365,245	464,410	507,610	506,892	537,818	580,933	601,162
Government	-	-	-	-	2,240	1,920	-	-	-	-
Unclassified	-	-	84	75,713	35,955	40,682	39,669	1,486	14,923	8,359
Undisclosed (a)	-	24,620	24,705	33,493	30,835	28,708	26,503	26,258	28,647	31,054
Total (b)	\$ 1,310,700	\$ 1,355,875	\$ 1,494,681	\$ 1,500,815	\$ 1,581,859	\$ 1,757,227	\$ 1,886,467	\$ 2,009,262	\$ 2,057,845	\$ 2,090,931
City Direct Sales Tax Rate	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%

Source: State of New Mexico Department of Taxation & Revenue monthly distribution reports

(a) Data has been suppressed for purposes of taxpayer confidentiality. Information is suppressed when too few taxpayers are included in a category.

(b) Although the figures in the table have been derived from "NM_FR003-500 Local Gov't Distribution Summary" issued monthly by the State, the State suppresses revenue information in certain categories, if release of the information would compromise the confidentiality of an individual taxpayer. Accordingly, the "Taxable Gross Receipts Tax" totals in this table will differ from those in other tables.

(c) Beginning with FY 2001, the Gross Receipts Tax information is derived from the NM_FR003-500 Local Gov't Distribution Summary. Prior year history stems from the previously used Report 080-Analysis of Gross Receipts.

(d) Beginning with the 1st Quarter of FY 2004, the State changed the gross receipts tax classification system in the report NM_FR003-500 Local Gov't Distribution Summary, from the Standard Industrial Classification format to the North American Industrial Classification format.

(e) Effective January 2005, state legislation removed the state and local options gross receipts tax (GRT) from the sales of food and most health care services, by allowing retail food outlets and medical service providers to deduct qualifying food and health services from gross receipts reported to the NM Taxation and Revenue Department. However, municipalities and counties are "held harmless" and are reimbursed the local option GRT on these nontaxable items from the State of New Mexico. The financing of this reimbursement is provided by an increase State GRT of .5%. Although the "taxable gross receipts" column does not include food sales and health care services, the amounts reported as GRT collected by the City does include these items.

City of Farmington
Direct and Overlapping Gross Receipts Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Schedule 10

Fiscal Year	State GRT	City Share of State GRT	City Direct Rate	San Juan County	Total City GRT
2000	3.2750%	1.2250%	1.1875%	0.3750%	6.0625%
2001	3.2750%	1.2250%	1.1875%	0.3750%	6.0625%
2002	3.2750%	1.2250%	1.1875%	0.3750%	6.0625%
2003	3.2750%	1.2250%	1.1875%	0.3750%	6.0625%
2004	3.2750%	1.2250%	1.1875%	0.6875%	6.3750%
2005	3.7750%	1.2250%	1.1875%	0.6875%	6.8750%
2006	3.7750%	1.2250%	1.1875%	0.8125%	7.0000%
2007	3.7750%	1.2250%	1.1875%	0.8125%	7.0000%
2008	3.7750%	1.2250%	1.1875%	0.8125%	7.0000%
2009	3.7750%	1.2250%	1.1875%	0.8125%	7.0000%

Source: State of New Mexico Taxation and Revenue

Note: The Local Option Gross Receipts can be increased by enacting a City Ordinance. An increase to Gross Receipts Tax by either raising the Municipal Infrastructure Tax or implementing the Municipal Capital Outlay Tax requires an election.

City of Farmington
 Taxable Gross Receipts Payers by Industry
 Current Year and Nine Years Ago

	Fiscal Year 2009 (c)			Fiscal Year 2000		
	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (d) (thousands)	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (d) (thousands)
Agriculture	7	0.25%	\$ (2,519)	-	0.00%	\$ 2,199
Mining	64	2.28%	163,216	46	2.08%	100,802
Construction	283	10.10%	157,749	204	9.23%	96,788
Manufacturing	105	3.75%	79,094	67	3.03%	31,951
Trans/Comm/Utility	39	1.39%	30,259	95	4.30%	42,428
Wholesale Trade	192	6.85%	163,014	148	6.70%	84,959
Retail Trade	646	23.05%	772,111	626	28.34%	630,252
Information and Cultural	78	2.78%	53,838	-	0.00%	-
Finance/Ins/Real Estate	118	4.21%	33,594	73	3.30%	22,326
Services	1,236	44.11%	601,162	943	42.69%	298,995
Government	-	0.00%	-	-	0.00%	-
Unclassified	31	1.11%	8,359	-	0.00%	-
Undisclosed (a)	3	0.11%	31,054	7	0.32%	-
Total (b)	2,802	100.00%	\$ 2,090,931	2,209	100.00%	\$ 1,310,700

Source: State of New Mexico Department of Taxation & Revenue monthly/quarterly distribution reports

Notes: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the city's revenue.

Beginning with FY2001, the Gross Receipts Tax information is derived from the NM_FR003-500 Local Gov't Distribution Summary. Prior year history stems from the previously used NM Report 080-Analysis of Gross Receipts.

(a) Data has been suppressed for purposes of taxpayer confidentiality. Information is suppressed when too few taxpayers are included in a category.

(b) Although the figures in the table have been derived from "NM_FR003-500 Local Gov't Distribution Summary" issued monthly by the state, the state suppresses revenue information in certain categories if the release of information would compromise the confidentiality of an individual taxpayer. Accordingly, the "Taxable Gross Receipts Tax" totals in this table will differ from those in other tables.

(c) Beginning with the 1st Quarter of FY 2004, the State changed the gross receipts tax classification system in the report NM_FR003-500 Local Gov't Distribution Summary from the Standard Industrial Classification format to the North American Industrial Classification format.

(d) Effective January 2005, state legislation removed state gross receipts tax from groceries and healthcare, and held municipal gross receipts tax "harmless".

City of Farmington
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year	Residential Property		Nonresidential		Personal		Less: Tax-Exempt Property		Total Taxable Assessed Value		Total Direct Residential Tax Rate		Total Direct Non Residential Tax Rate		Estimated Actual Taxable Value		Taxable Assessed Value as a Percentage of Actual Taxable Value	
2000	\$ 305,827,139	\$ 238,899,699	\$ 52,732,381	\$ 57,201,892	\$ 540,257,327	1.539	1.916	\$ 1,622,394,375	33.3%									
2001	315,605,501	242,149,847	56,231,225	54,407,855	559,578,718	1.582	1.935	1,680,416,571	33.3%									
2002	301,906,840	266,855,420	61,117,936	53,434,815	576,445,381	1.584	1.905	1,731,067,210	33.3%									
2003	355,058,558	270,933,390	65,556,230	56,984,789	634,563,389	1.510	1.806	1,905,595,763	33.3%									
2004	373,904,326	279,329,944	66,969,671	59,092,903	661,111,038	1.526	1.850	1,985,318,432	33.3%									
2005	414,565,770	290,602,457	69,183,296	61,710,344	712,641,179	1.496	1.877	2,140,063,601	33.3%									
2006	449,119,354	300,261,150	72,774,277	61,449,809	760,704,972	1.511	1.877	2,284,399,315	33.3%									
2007	518,861,269	343,707,380	80,889,474	67,559,512	875,898,611	1.434	1.824	2,630,326,159	33.3%									
2008	556,752,058	354,591,302	88,159,370	68,326,659	931,176,071	1.457	1.879	2,796,324,538	33.3%									
2009	593,088,155	431,154,946	86,031,112	88,515,732	1,021,758,481	1.438	1.908	3,068,343,787	33.3%									

Source: San Juan County Assessor's Office

City of Farmington
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (rate per \$1,000 of assessed value)

City of Farmington Residential Direct Rates				Overlapping Rates					Total
Fiscal Year	General Fund	Debt Service Fund	Total Direct Rate	State	County	School District #5	San Juan College	Secondary Vocational	Direct and Overlapping Rates
2000	1.539	-	1.539	1.529	6.096	10.814	3.307	0.600	23.885
2001	1.582	-	1.582	1.765	6.276	10.409	3.405	0.600	24.037
2002	1.584	-	1.584	1.123	6.285	10.346	3.410	0.600	23.348
2003	1.510	-	1.510	1.520	6.050	9.757	3.282	0.600	22.719
2004	1.526	-	1.526	1.028	6.661	9.794	3.342	0.600	22.951
2005	1.496	-	1.496	1.234	6.627	9.751	3.316	0.600	23.024
2006	1.511	-	1.511	1.291	6.737	9.800	3.371	0.600	23.310
2007	1.434	-	1.434	1.221	6.451	9.690	3.228	0.600	22.624
2008	1.457	-	1.457	1.250	6.567	9.725	3.283	0.600	22.882
2009	1.438	-	1.438	1.150	6.312	9.644	3.156	0.600	22.300

City of Farmington Nonresidential Direct Rates				Overlapping Rates					Total
Fiscal Year	General Fund	Debt Service Fund	Total Direct Rate	State	County	School District #5	San Juan College	Secondary Vocational	Direct and Overlapping Rates
2000	1.916	-	1.916	1.529	8.000	11.077	4.500	0.600	27.622
2001	1.935	-	1.935	1.765	8.000	10.637	4.500	0.600	27.437
2002	1.905	-	1.905	1.123	8.000	10.469	4.500	0.600	26.597
2003	1.806	-	1.806	1.520	8.000	9.887	4.500	0.600	26.313
2004	1.850	-	1.850	1.028	8.500	9.943	4.500	0.600	26.421
2005	1.877	-	1.877	1.234	8.500	9.961	4.500	0.600	26.672
2006	1.925	-	1.925	1.291	8.500	9.934	4.500	0.600	26.750
2007	1.824	-	1.824	1.221	8.500	9.853	4.500	0.600	26.498
2008	1.879	-	1.879	1.250	8.500	9.902	4.500	0.600	26.631
2009	1.908	-	1.908	1.150	8.500	9.915	4.500	0.600	26.573

Source: San Juan County Assessor's Office

City of Farmington
Principal Property Tax Payers
Current Year and Nine Years Ago

Schedule 14

<u>Taxpayer</u>	2009			2000		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Transwestern Pipeline Co.	\$ 28,093,628	1	2.7%	\$ -	-	-
Conoco Phillips Company	26,197,231	2	2.6%	-	-	-
Price Development (Animas Mall)	22,038,541	3	2.2%	8,292,529	1	1.5%
Compressor Systems Inc	21,205,282	4	2.1%	-	-	-
Qwest Corporation	17,481,079	5	1.7%	6,946,040	2	1.3%
Burlington Resources Oil and Gas LP.	15,902,399	6	1.6%	3,184,808	4	0.6%
PNM Gas Services	15,596,051	7	1.5%	1,717,797	8	0.3%
Enterprise Field Service, LLC	15,284,365	8	1.5%	-	-	-
Exterran ABS Leasing 2007 LLC	14,924,242	9	1.5%	-	-	-
XTO Energy, Inc	14,924,088	10	1.5%	-	-	-
Wal-Mart/Sam's Club	-	-	-	3,811,650	3	0.7%
Wells Fargo Bank- New Mexico	-	-	-	3,157,066	5	0.6%
Citizens Bank	-	-	-	2,820,484	6	0.5%
Farmington Medical Investors	-	-	-	2,698,708	7	0.5%
El Paso Field Service	-	-	-	1,444,912	9	0.3%
SW Farmington Incorporated (The Inn)	-	-	-	1,223,428	10	0.2%
Total	\$ 191,646,906		18.8%	\$ 35,297,422		6.5%

Source: San Juan County Assessor.

City of Farmington
 Property Tax Levies and Collections
 Last Ten Calendar Years

Calendar Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	\$ 789,988	\$ 782,611	99%	\$ 36,463	\$ 819,074	104%
2000	844,443	826,288	98%	31,365	857,653	102%
2001	899,429	865,899	96%	41,751	907,650	101%
2002	927,021	874,028	94%	38,212	912,240	98%
2003	971,270	926,305	95%	41,402	967,707	100%
2004	1,026,992	982,868	96%	37,284	1,020,152	99%
2005	1,103,523	1,055,826	96%	38,894	1,094,720	99%
2006	1,197,589	1,158,836	97%	43,328	1,202,164	100%
2007	1,320,436	1,257,590	95%	36,247	1,293,837	98%
2008	1,439,218	1,363,140	95%	41,035	1,404,175	98%

Source: San Juan County Treasurer

Notes: Taxes are levied and collected by the County Treasurer and distributed to all taxing jurisdictions. The tax rate is requested by the City Council and set by the New Mexico Department of Finance and Administration. The State allows the rate to be set at 5% in excess of the requirements to allow for delinquencies.

City of Farmington
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt		Percentage of Actual Taxable Value of Property	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Debt		Sales Tax Revenue Bonds	Utility Revenue Bonds	NMED Loan	Capital Leases					
2000	-	-	N/A	\$ 5,545,000	\$ 80,215,000	\$ -	\$ 203,209	\$ -	\$ 85,963,209	11.5%	\$ 2,123	
2001	-	-	N/A	4,590,000	61,420,000	-	793,067	-	66,803,067	8.7%	1,629	
2002	-	-	N/A	13,815,000	57,040,000	3,466,634	454,081		74,775,715	9.8%	1,869	
2003	-	-	N/A	12,000,000	52,210,000	9,488,786	373,369		74,072,155	9.6%	1,829	
2004	-	-	N/A	10,100,000	47,090,000	12,830,162	192,042		70,212,204	8.2%	1,696	
2005	-	-	N/A	13,860,000	41,620,000	12,830,162	646,958		68,957,120	7.4%	1,630	
2006	-	-	N/A	12,800,000	36,850,000	12,830,162	456,114		62,936,276	6.3%	1,457	
2007	-	-	N/A	11,670,000	31,945,000	13,650,539	356,707		57,622,246	4.5%	1,322	
2008	-	-	N/A	10,490,000	26,810,000	13,107,058	250,269		50,657,327	3.9%	1,194	
2009	-	-	N/A	9,265,000	21,470,000	12,547,273	136,302		43,418,575	3.0%	1,018	

Source: Details regarding the city's outstanding debt can be found in the notes to the financial statements. See Schedule 20 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

**City of Farmington
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2009**

Schedule 17

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
San Juan County	\$ -	30.320%	\$ -
Farmington Public Schools	44,329,265	100.000%	44,329,265
San Juan College	20,240,000	30.322%	<u>6,137,173</u>
Subtotal Overlapping Debt			50,466,438
City direct debt			<u>9,265,000</u>
Total direct and overlapping debt			<u><u>\$ 59,731,438</u></u>

Source: Debt amounts are provided by each governmental unit

City of Farmington
 Legal Debt Margin Information
 Last Ten Fiscal Years

Schedule 18

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Assessed Valuations										
Assessed Value (1)	\$ 483,055,435	\$ 505,170,863	\$ 523,010,566	\$ 577,578,600	\$ 602,018,135	\$ 650,930,835	\$ 699,255,163	\$ 808,339,099	\$ 862,849,412	\$ 933,242,749
Add back - exempt property	57,201,892	54,407,855	53,434,815	56,984,789	59,092,903	61,710,344	61,449,809	67,559,512	68,326,659	88,515,732
Total Assessed Value	540,257,327	559,578,718	576,445,381	634,563,389	661,111,038	712,641,179	760,704,972	875,898,611	931,176,071	1,021,758,481
Legal Debt Margin										
Debt limitation - 4 % of total assessed value	21,610,293	22,387,149	23,057,815	25,382,536	27,134,479	28,505,647	30,428,199	35,035,944	37,247,043	40,870,339
Debt applicable to limitation:										
Total bonded debt	85,760,000	66,010,000	70,855,000	64,210,000	57,190,000	55,480,000	49,650,000	43,615,000	37,300,000	30,735,000
Less: Revenue bonds	(85,760,000)	(66,010,000)	(70,855,000)	(64,210,000)	(57,190,000)	(55,480,000)	(49,650,000)	(43,615,000)	(37,300,000)	(30,735,000)
Total net debt applicable to limitation	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 21,610,293	\$ 22,387,149	\$ 23,057,815	\$ 25,382,536	\$ 27,134,479	\$ 28,505,647	\$ 30,428,199	\$ 35,035,944	\$ 37,247,043	\$ 40,870,339

Source: Details regarding the city's revenue bonds can be found in the notes to the financial statements. See Schedule 12 for assessed valuation amounts.

(1) Excludes centrally assessed property.

City of Farmington
 Pledged-Revenue Coverage
 Last Ten Fiscal Years

Fiscal Year	Utility Revenue Bonds					Sales Tax Revenue bonds				
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Sales Tax Revenue	Principal	Interest	Coverage
2000	\$ 72,162,111	\$41,672,313	\$30,489,798	\$5,120,000	\$ 5,761,169	2.80%	\$ 15,761,881	\$ 340,000	\$ 263,118	26.13%
2001	95,338,525	52,772,478	42,566,047	5,385,000	3,625,288	4.72%	16,685,883	355,000	245,778	27.77%
2002	92,079,901	58,676,235	33,403,666	4,380,000	4,005,058	3.98%	18,241,261	965,000	368,188	13.68%
2003	91,914,248	61,217,128	30,697,120	4,350,000	2,726,755	4.34%	17,847,491	1,815,000	560,368	7.51%
2004	97,272,752	64,101,912	33,170,840	5,120,000	2,291,203	4.48%	19,474,684	1,900,000	483,230	8.17%
2005	104,017,779	73,226,886	30,790,893	5,470,000	2,048,221	4.10%	21,903,624	1,965,000	421,480	9.18%
2006	104,286,825	64,874,653	39,412,172	4,770,000	1,790,605	6.01%	25,021,449	1,060,000	588,522	15.18%
2007	107,924,587	65,220,228	42,704,359	4,905,000	1,647,505	6.52%	26,313,679	1,130,000	512,904	16.02%
2008	121,977,607	77,084,567	44,893,040	5,135,000	1,421,305	6.85%	27,625,198	1,180,000	470,217	16.74%
2009	117,183,511	73,688,514	43,494,997	5,340,000	1,215,905	6.63%	26,612,158	1,225,000	425,643	16.12%

Source: City of Farmington CAFRs and Budgets

City of Farmington
Demographic and Economic Status
Last Ten Calendar Years

Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Percentage		Unemployment Rate
						High School Graduate	Bachelor's Degree	
1999	40,500	\$ 749,250,000	\$ 18,500	30.2	10,375	79.9%	18.4%	7.5%
2000	41,000	768,750,000	18,750	33.6	10,209	83.6%	19.7%	5.8%
2001	40,000	760,000,000	19,000	33.6	10,215	83.6%	19.7%	5.4%
2002	40,500	769,500,000	19,000	33.6	10,126	83.6%	19.7%	6.1%
2003	41,400	852,343,200	20,588	33.6	10,055	83.6%	19.7%	6.8%
2004	42,300	926,327,700	21,899	33.6	10,137	83.6%	19.7%	6.1%
2005	43,100	1,202,015,900	27,889	33.6	10,253	83.6%	19.7%	5.5%
2006	43,600	1,276,390,000	29,275	33.6	10,257	83.6%	19.7%	4.3%
2007	42,425	1,300,368,675	30,651	33.6	10,253	83.6%	19.7%	3.4%
2008	42,637	1,425,354,910	33,430	33.6	10,467	83.6%	19.7%	8.3%

Sources: Statistical information prior to 2003 was obtained from City of Farmington Community Development mid-year staff estimate. Demographic information acquired from Bureau of Business and Economic Research, University of New Mexico, and the 1990 and 2000 Censuses. School enrollment provided by Farmington Municipal Schools as of the 40 day census. Unemployment information obtained from the New Mexico Department of Workforce Solutions.

City of Farmington
Principal Employers
Current Year and Nine Years Ago

Schedule 21

<u>Employer</u>	<u>2009</u>			<u>2000</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
San Juan Regional Medical Center	1,600	1	2.7%	776	4	1.6%
Farmington Public Schools	1,197	2	2.1%	1,090	2	2.2%
Central Consolidated Schools	1,157	3	2.0%	1,128	1	2.3%
BHP Billiton	1,035	4	1.8%	854	3	1.7%
City of Farmington	821	5	1.4%	596	5	1.2%
Aztec Well Service	700	6	1.2%	-	-	-
San Juan County	685	7	1.2%	448	9	0.9%
Conoco Philips	600	8	1.0%	-	-	-
Arizona Public Service	599	9	1.0%	565	7	1.1%
San Juan College	532	10	0.9%	415	10	0.8%
Public Service Company of New Mexico	-	-	-	567	6	1.1%
Bloomfield Municipal Schools	-	-	-	492	8	1.0%
Total	8,926		15.3%	6,931		13.9%

Source: San Juan Economic Development Service and the Farmington Chamber of Commerce

Note: Statistical data is representative of entire county as City data is not available. Earliest accessible information is 2000. In 2009, this schedule was changed to a ten year variance to be in accordance with GASB Statement 44.

City of Farmington
 Full-time-Equivalent City Government Employees by Function/Program
 Last Ten Fiscal Years

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government										
Administration	36.5	36.5	37.5	37.5	37.5	38.5	39.5	40.5	72.5	79.5
Administrative Services	28.0	29.0	30.0	31.0	31.0	31.0	31.0	32.0	31.0	29.0
General Services	30.0	32.0	32.0	38.0	37.0	36.0	36.0	46.0	46.0	50.0
Police	140.5	143.5	147.5	148.5	148.5	148.5	159.5	172.5	174.5	165.5
Fire	73.0	73.0	73.0	73.0	73.0	73.0	82.0	96.0	96.0	95.0
Parks, Recreation and Cultural Affairs	96.5	103.5	107.0	112.0	114.0	114.0	118.0	124.0	104.0	106.0
Community Development	21.0	20.0	20.0	21.0	22.0	24.0	27.0	26.0	26.0	22.0
Public Works [a]	44.0	45.0	47.0	47.0	46.0	46.0	46.0	48.0	49.0	50.0
Electric	130.0	130.0	133.0	135.0	135.0	144.0	146.0	166.0	177.0	178.0
Human Resources	10.0	11.0	10.0	10.0	10.0	10.0	11.0	11.0	12.0	12.0
Water/Wastewater	3.0	3.0	4.0	7.0	7.0	8.0	8.0	8.0	8.0	8.0
Golf	8.0	8.0	8.0	8.0	8.0	8.0	7.0	7.0	7.0	7.0
Airport	5.5	5.5	5.5	5.5	5.5	5.5	6.5	6.5	6.5	8.0
Total Employees	626.0	640.0	654.5	673.5	674.5	686.5	717.5	783.5	809.5	810.0

Source: City of Farmington Program Budget - Staffing Analysis Section, past ten years

Note: Full-time-Equivalent includes all approved budgeted positions.

[a] In 2009, public works was separated from community development. For comparative purposes, the number of full time equivalents for each department was allocated

**Operating Indicators by Function/Program
City of Farmington**
**Operating Indicators by Function/Program
Last Ten Fiscal Years**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government										
Total number of business registration/licenses	2,618	2,515	2,549	2,576	2,730	2,680	2,739	2,839	3,926	4,212
Police										
Police reports	7,462	8,213	8,429	7,177	6,512	6,636	6,254	6,500	6,770	7,723
Arrests	4,913	5,211	5,472	5,118	4,523	4,400	3,814	3,787	4,113	6,882
Traffic citations	27,219	23,898	23,475	26,147	22,274	17,473	16,263	18,982	24,449	24,586
Fire										
Fire alarm responses	938	1,033	886	804	772	700	888	760	927	954
Total responses	3,670	4,167	4,195	4,160	4,746	4,885	5,457	5,825	6,386	6,347
Parks and Recreation										
Parks and recreation participants	340,732	338,043	320,048	310,076	304,701	299,248	309,546	305,279	349,042	271,985
Library										
Library Visits	322,209	307,982	289,280	247,983	327,505	410,690	427,831	436,629	503,148	517,452
Circulation	280,404	271,748	279,452	280,022	392,221	490,717	517,654	468,998	489,126	513,588
Number of Items in Collection [a]	194,222	207,270	165,195	174,689	162,653	174,381	187,431	186,966	183,922	208,474
Museum										
Patrons	60,350	53,544	47,281	57,782	52,314	64,572	75,427	71,332	65,784	97,003
Community Development										
Summary plats	36	54	49	43	38	89	77	71	66	63
Building permits issued	1,797	1,315	1,382	1,339	1,443	1,554	1,494	1,539	1,334	1,225
Permit valuation (in \$)	40,301,508	47,969,286	41,087,054	47,827,308	54,288,877	76,647,366	99,406,673	68,119,054	82,560,865	66,119,298
Asphalt placed (sq.ft.)	81,722	125,456	106,852	96,798	123,514	83,727	132,216	88,582	103,006	129,349
Concrete placed (cu.yd.) [b]	821	762	1,071	1,032	756	698	441	727	574	174
Electric										
Meter connections	7,318	7,262	8,608	9,201	9,478	9,265	9,387	8,769	8,484	7,956
Meter reads	611,911	576,928	567,942	558,859	554,291	561,898	541,090	559,121	510,751	505,471
Water/Wastewater										
Water treated (millions of gallons)	4,011	4,100	4,534	4,452	4,057	3,366	3,842	4,029	4,346	4,512
Effluent treated (millions of gallons)	1,790	1,779	1,772	1,832	1,781	1,858	1,881	2,057	1,906	1,894
New water meter installations	221	191	177	176	205	304	373	342	262	158
Golf										
Golf course participants [c]	70,626	62,274	58,466	54,388	58,399	60,999	71,689	60,455	65,791	53,612
Airport										
Total enplanements	63,403	62,459	39,085	27,160	30,132	35,503	32,575	30,177	26,472	13,617

Source: Provided by various City Departments

Note: Fluctuation in museum patronage is due to special exhibits.

[a] In 2009, Number of Volumes was changed to Number of Items in Collection to better represent the total collection of the Library. This is to include not only books but also electronic media available to the public.

[b] The 2008 concrete placed (cu. yd.) reported has been restated in 2009 to the correct figure.

[c] In 2009, Civitan Golf Course was closed for remodel improvements which resulted in fewer golf course participants when compared to previous years.

City of Farmington
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

Schedule 24

	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	4	3	3	3	3	3	3	3	4	4
Patrol vehicles	151	158	166	170	172	155	170	186	196	206
Fire stations	5	5	5	5	5	5	6	6	6	6
Parks and Recreation										
Developed acres [a]	584	584	584	586	588	588	589	592	594	1,364
Undeveloped acres [b]	1,275	1,275	1,275	1,273	1,282	1,289	1,288	1,285	1,283	309
Number of parks/facilities [c]	70	71	76	77	79	80	80	80	80	87
Baseball/softball diamonds	24	24	24	24	24	25	25	24	24	23
Soccer/football fields	11	11	11	11	11	13	13	14	14	11
Number of golf courses	2	2	2	2	2	2	2	2	2	2
Community Development										
Streets (miles)	N/A	N/A	234	235	238	240	245	253	N/A	268
Highway (miles)	N/A	N/A	17	17	17	17	17	17	17	17
Streetlights [d]	N/A	N/A	3,843	3,871	3,915	3,933	3,971	4,124	4,135	4,238
Traffic Signals	N/A	N/A	73	74	75	76	77	78	79	80
Water										
Water mains (miles)	N/A	N/A	310	318	325	330	336	336	340	340
Fire hydrants	N/A	N/A	1,866	2,010	2,154	2,296	2,360	2,400	2,670	2,500
Storage capacity (thousands of gallons)	N/A	N/A	24,300	24,300	24,300	24,300	24,300	24,300	24,300	24,860
Wastewater										
Sanitary sewers (miles)	N/A	N/A	191	195	199	203	207	275	277	280
Treatment capacity (thousands of gallons)	N/A	N/A	5,800	5,800	6,670	6,670	6,670	6,670	6,670	6,670
Transit - minibuses/vans	N/A	8	8	8	8	8	8	11	11	11

Source: Provided by various City Departments

Note: The city implemented GASB Statement 34 infrastructure information in fiscal year 2002.

[a-b] In 2009, the number developed acres was redefined from previous years to include parks that are partially developed but still maintained by the Parks and Recreation Department. Conversely, this adjustment reduced the amount of undeveloped acres.

[c] In 2009, the number of parks/facilities was redefined to include all facilities maintained by the Parks and Recreation Department City-wide rather than just Parks and Recreation facilities.

[d] In 2009, an audit of the number of streetlights was conducted and the figure was adjusted to actual.

Single Audit Section

**CITY OF FARMINGTON, NEW MEXICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2009

<u>PROGRAM NAME</u>	<u>CFDA Number</u>	<u>Grantor / Pass-through ID Number</u>	<u>Expenditures</u>
DIRECT PROGRAMS			
Airport Improvement Program 2007 Project	20.106	U.S. Department of Transportation	\$ 179,086
Airport Improvement Program 2008 Project	20.106	U.S. Department of Transportation	896,950
Community Development Block Grant (CDBG)	14.228	U.S. Department of Housing and Urban	411,302
Federal Transit - Metropolitan Transit Operations and Capital - Red Apple Transit	20.505	U.S. Department of Transportation	365,045
Federal Transit - Metropolitan Transit Operations MPO	20.505	U.S. Department of Transportation	129,261
Edward Byrne Memorial Justice Assistance Grant Program 2008	16.738	U.S. Department of Justice 2007-DJ-BX-0217	62,847
Edward Byrne Memorial Justice Assistance Grant Program 2008	16.738	U.S. Department of Justice 2008-DJ-BX-0712	26,741
FEMA- Assistance to Firefighters Grant	97.044	Department of Homeland Security	131,400
Science Theater Education Programming System	47.076	National Science Foundation	18,000
Organized Crime Drug Enforcement Task Force	16.999	Drug Enforcement Administration	16,663
HIDTA Grant	16.000	Office of the President I5PSNP572Z	53,864
HIDTA Grant	16.000	Office of the President I7PSNP572Z	10,900
HIDTA Grant	16.000	Office of the President I8PSNP572Z	136,878
PASS THROUGH PROGRAMS			
From the State of New Mexico			
Department of Public Safety			
Region II Narcotics Task Force	16.738	U.S. Department of Justice 05-JAG-REGION II-FY08	51,110
Region II Narcotics Task Force	16.738	U.S. Department of Justice 08-JAG REV-REGION II-FY09	88,236
Region II Narcotics Task Force	16.710	U.S. Department of Justice 08-COPS METH JAG-REGIONII	9,496
From the State of New Mexico			
Environment Department			
Water/Wwater System Improvements	15.510	Bureau of Reclamation SAP 07-3729-STB	844,569
Total Federal Assistance			\$ 3,432,348

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF FARMINGTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

NOTE 1 - SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

All federal grant operations of the City of Farmington (the "City") are included in the scope of the Office of Management and Budget ("OMB") Circular A-133 audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement. Compliance testing of all requirements as described in the Compliance Supplement was performed for the grant programs noted below. These programs represent all federal award programs and other grants with fiscal 2009 cash and non-cash expenditures to ensure coverage of at least 25 percent (low risk auditee) of federally granted funds. Actual coverage is 39% of total cash and non-cash federal award program expenditures.

	<u>Fiscal Year 2009</u> <u>Expenditure</u>
Major Federal Award Program Description	
20.505 – Federal Transit – Metropolitan Transit – All Projects	\$494,306
15.510 – Water/Wastewater System Improvements	844,569

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards includes all federal grants to the City that had activity during the fiscal year ended June 30, 2009. This schedule has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the City has met the qualifications for the respective grants.

Accrued and deferred reimbursements

Various reimbursement procedures are used for Federal awards received by the City. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year-end represent an excess of reimbursable expenditures over receipts to date. Generally, accrued or deferred balances covered by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance With
*Government Auditing Standards***

City of Farmington
Farmington, New Mexico
Honorable Mayor and City Council and
Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the combining and individual funds and all the budgetary comparisons presented as supplemental information of the City of Farmington, New Mexico (City) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 2009-1, 2009-2 and 2009-3.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

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

A handwritten signature in black ink that reads "David Berry, CPA, PC". The signature is written in a cursive style with a large, looped initial "D".

Farmington, New Mexico
November 12, 2009

**Report on Compliance
With Requirements Applicable to Each
Major Program and Internal Control Over
Compliance in Accordance With
OMB Circular A-133**

City of Farmington
Farmington, New Mexico
Honorable Mayor and City Council
and
Hector H. Balderas
New Mexico State Auditor

Compliance

We have audited the compliance of the City of Farmington, New Mexico (City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in black ink that reads "David Berry, CPA, PC". The signature is written in a cursive style with a large, sweeping initial "D".

Farmington, New Mexico
November 12, 2009

**CITY OF FARMINGTON
SCHEDULE OF FINDINGS AND
QUESTIONED COSTS
Year Ended June 30, 2009**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Farmington.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the City are reported in Part C. of this Schedule.
7. The program tested as major programs included:

	<u>Fiscal Year 2009</u> <u>Expenditure</u>
Major Federal Award Program Description	
20.505 – Federal Transit – Metropolitan Transit – All Projects	\$494,306
15.510 – Water/Wastewater System Improvements	844,569

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City was determined to be a low-risk auditee.

**CITY OF FARMINGTON
SCHEDULE OF FINDINGS AND
QUESTIONED COSTS
Year Ended June 30, 2009**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

Prior Year Findings		Status
2007-3	Purchase Card Violation	Cleared and not repeated
2008-1	Actual Expenses Exceeded Final Budget	Cleared and not repeated
2008-2	Professional Service Contracts	Cleared and not repeated

Current Year Findings

2009-1 Grants Receivable

Condition

Two receivables (\$64,840 governmental fund and \$266,857 enterprise fund) were not billed and not recorded on the general ledger as of June 30, 2009.

Criteria

Generally accepted accounting principles for governments require that receivables be billed and recorded on the general ledger on a timely basis.

Cause

The finance division was not notified of the billing and the receivable as of June 30, 2009.

Effect

Assets and revenues were understated by \$64,840 and \$266,857 as of June 30, 2009.

Recommendation

The City should establish policies and procedures to make sure all receivables are billed and recorded on the general ledger on a timely basis.

Management Response

These receivables were discovered in time to be included in the current financial report. Procedures are in place and management will work with all departments to ensure that all outstanding grant receivable amounts are recorded at year end.

2009-2 Capital Asset Acquisitions

Condition

Capital assets (a water line and golf course improvements) were paid for and reported in an incorrect fund.

Criteria

Generally accepted accounting principles for governments require that capital assets be recorded in the fund that uses or benefits from the future use of the capital assets and not from the fund that has resources to pay for the capital asset.

Cause

The expenditure was budgeted in wrong fund.

Effect

Capital assets were recorded as capital expenditures in the wrong funds.

Recommendation

The City should budget for and record capital assets in the fund that uses or benefits from the future use of the capital assets and not from the fund that has resources to pay for the capital asset.

Management Response

The accounting for these assets has been corrected for the current financial report. Management will work closely with all departments to make sure that expenditures for capital asset are budgeted and recorded in the proper fund.

2009-3 Accrued Compensated Absences

Condition

The amount of reported accrued compensated absences was understated as of June 30, 2008 by \$1,585,789. The entity-wide financial statements included only a portion (\$1,475,377) of the accrued compensated absences for the governmental activities.

Criteria

Generally accepted accounting principles for governments require that accrued compensated absences be recorded on the statements of net assets (year-end balance) and activities (change in year-end balances).

Cause

A portion of the accrued compensated absences was incorrectly posted in the general fund. The amount should have been adjusted to the long-term debt group of accounts and then reported on the statements of net assets and activities.

Effect

Liabilities were understated and net assets were overstated by \$1,585,789 on the statement of net assets as of June 30, 2008

Recommendation

The City should change the worksheet format so the total amount of accrued compensated absences can be computed and reconciled to general ledger and statement of net assets.

Management Response

The balance for compensated absences has been corrected in the general ledger. New processes have been put in place to ensure the proper accounting of compensated absences in the future.

**REPORT AND OTHER INFORMATION
REQUIRED BY THE PASSENGER FACILITY
CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES**



Arbor Day

Report on Compliance Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance in Accordance with the Passenger Facility Charge Audit Guide for Public Agencies and on the Schedule of Passenger Facility Charges Revenues and Disbursements

City of Farmington
Farmington, New Mexico
Honorable Mayor and City Council
and
Hector H. Balderas
New Mexico State Auditor

Compliance

We have audited the compliance of the City of Farmington, New Mexico (City) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2009. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. Those standards and the Guide 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 the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its passenger facility program for the year ended June 30, 2009.

Internal Controls over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to its passenger facility charge program. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on its passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with the Guide.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations caused by error or fraud that would be material in relation to the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Passenger Facility Charges

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the combining and individual funds presented as supplemental information of the City of Farmington, New Mexico (City) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 12, 2009. Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. The accompanying schedule of passenger facility charges and disbursements as required by the Federal Aviation Administration's *Passenger Facility Charge Audit Guide for Public Agencies*, is presented for purposes of additional analysis and is not a required part of the financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, City management, the Office of the State Auditor, the New Mexico Legislature, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Farmington, New Mexico
November 12, 2009

PFC Revenue and Disbursement Schedule

Four Corners Regional Airport

FY-09

7/1/08 - 6/30/09

	FY-08 Program Total	Quarter 1 Jul-Sept	Quarter 2 Oct-Dec	Quarter 3 Jan-Mar	Quarter 4 Apr-Jun	FY-09 Total	FY-09 Program Total
Revenue							
Collections	\$ 382,675	\$ 10,617	\$ 11,572	\$ 6,517	\$ 8,721	\$ 37,427	\$ 420,102
Interest	-	-	-	-	-	-	-
Total Revenue	382,675	10,617	11,572	6,517	8,721	37,427	420,102
Disbursements							
Application 01							
Proj. 1-A Runway Improvements	148,596	-	-	-	-	-	148,596
Proj. 1-B Taxiway Improvements	142,672	-	-	-	-	-	142,672
Proj. 1-C Apron Improvements	91,407	10,617	1,572	-	-	12,189	103,596
Proj. 1-D Drainage Improvements	-	-	10,000	6,517	8,721	25,238	25,238
Proj. 1-E Signage Improvements	-	-	-	-	-	-	-
Proj. 1-F Airfield Electrical Improvements	-	-	-	-	-	-	-
Proj. 1-G Security Improvements	-	-	-	-	-	-	-
Proj. 1-H Terminal Improvements	-	-	-	-	-	-	-
Proj. 1-I Non-revenue Parking Improvements	-	-	-	-	-	-	-
Proj. 1-J Acquire Safety Equipment	-	-	-	-	-	-	-
Proj. 1-K Conduct Planning	-	-	-	-	-	-	-
Proj. 1-L Improve Service Roads	-	-	-	-	-	-	-
Proj. 1-M Administrative Costs	-	-	-	-	-	-	-
Total App 01	382,675	10,617	11,572	6,517	8,721	37,427	420,102
Total Disbursements	382,675	10,617	11,572	6,517	8,721	37,427	420,102
Net PFC Revenue (rev-disb.)							
PFC Account Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The schedule is on a cash basis.

CITY OF FARMINGTON
PASSENGER FACILITY CHARGE PROGRAM AUDIT SUMMARY
Year Ended June 30, 2009

1. Type of report issued on PFC financial statements - Unqualified.
2. Type of report on PFC compliance – Unqualified.
3. Quarterly Revenue and Disbursements reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts – Yes.
4. PFC Revenue and Interest is accurately reported on FAA Form 5100-127 – Yes.
5. The Public Agency maintains a separate financial accounting record for each application – Yes.
6. Funds disbursed were for PFC eligible items as identified in the FAA Decision to pay only for allowable costs of the projects – Yes.
7. Monthly carrier receipts were reconciled with quarterly carrier reports – Yes.
8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds – Yes.
9. Serving carriers were notified of PFC program actions/changes approved by the FAA – N/A.
10. Quarterly Reports were transmitted (or available via website) to remitting carriers – Yes.
11. The Public Agency is in compliance with Assurances 5, 6, 7 and 8 – Yes.
12. Project design and implementation is carried out in accordance with Assurance 9 – Yes.
13. Program administration is carried out in accordance with Assurance 10 – Yes.
14. For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence – N/A.

CITY OF FARMINGTON
EXIT CONFERENCE
Year Ended June 30, 2009

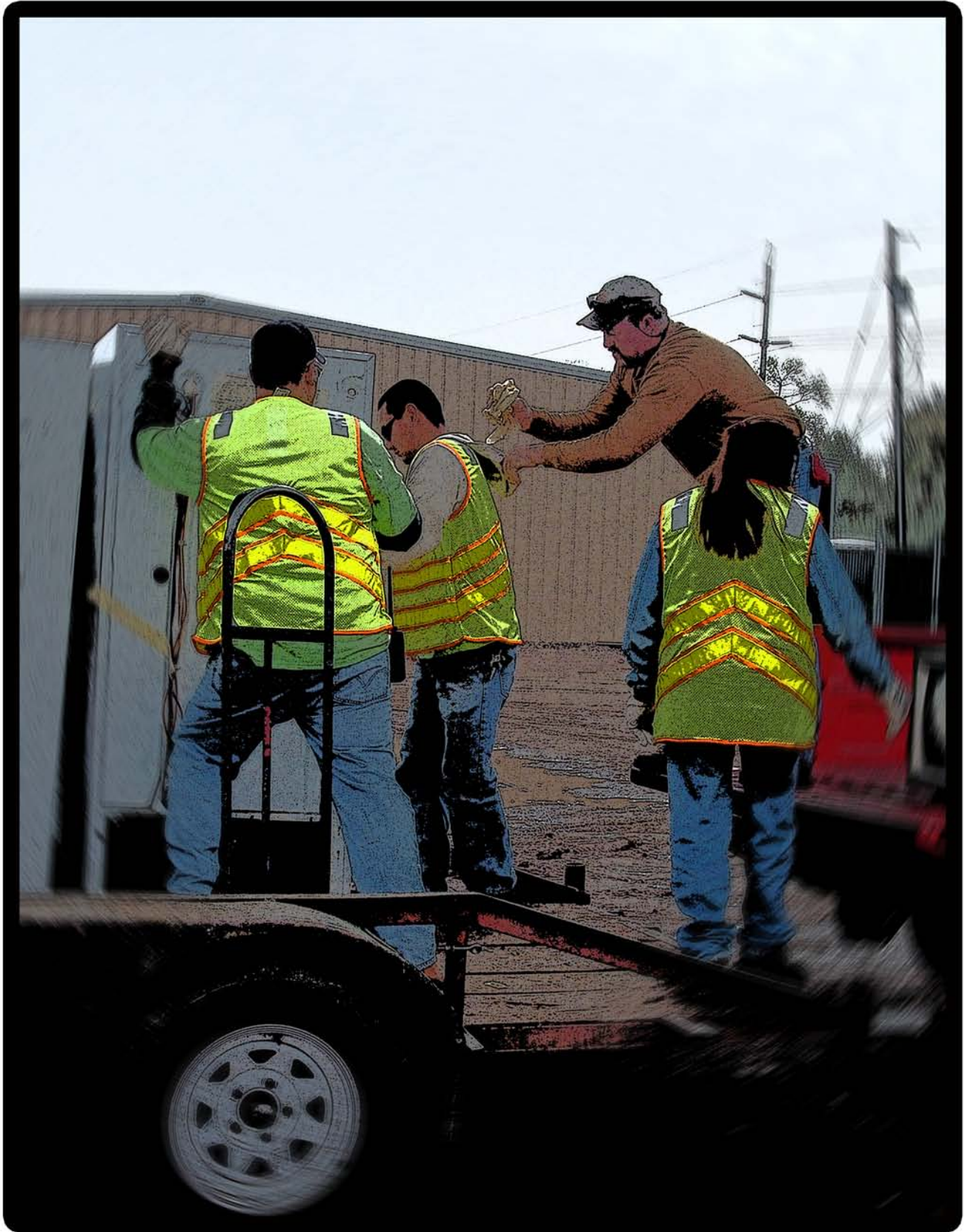
An exit conference was held on November 24, 2009. In attendance were:

For the City of Farmington:

William Standley	Mayor
Rob Mayes	City Manager
Andy Mason	Administrative Services Director
Eric Schlotthauer	Controller
Sheree Wilson	Enterprise Accountant
Sarah Talley	Staff Accountant II
Teresa Emrich	Staff Accountant I

For David Berry, CPA, PC (auditors):

David Berry	CPA
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Dumpster Weekend

OTHER INFORMATION

**CITY OF FARMINGTON, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL**

June 30, 2009

	<u>Bank of America</u>	<u>Citizens Bank of Farmington</u>	<u>Wells Fargo</u>	<u>Vectra Bank</u>
<u>City of Farmington Deposits</u>				
Demand Deposit Accounts	\$ -	\$ 165,202	\$ 2,370,246	\$ -
Overnight Deposits	-	-	3,792,341	-
Certificate of Deposit	<u>2,000,000</u>	<u>12,000,000</u>	<u>8,000,000</u>	<u>9,101,555</u>
Sub-Total	<u>2,000,000</u>	<u>12,165,202</u>	<u>14,162,587</u>	<u>9,101,555</u>
Less FDIC insurance	<u>250,000</u>	<u>250,000</u>	<u>500,000</u>	<u>250,000</u>
Uninsured amount	1,750,000	11,915,202	13,662,587	8,851,555
<u>Pledge Collateral Required</u>				
102 percent - overnight	-	-	3,868,188	-
50 percent - deposits	<u>875,000</u>	<u>5,957,601</u>	<u>4,935,123</u>	<u>4,425,778</u>
Total Pledged Collateral Required	<u>875,000</u>	<u>5,957,601</u>	<u>8,803,311</u>	<u>4,425,778</u>
Pledged collateral	<u>1,351,703</u>	<u>10,686,173</u>	<u>17,453,254</u>	<u>4,835,067</u>
Excess of pledged collateral	\$ <u>476,703</u>	\$ <u>4,728,572</u>	\$ <u>8,649,943</u>	\$ <u>409,290</u>

Pledged collateral (market value) and location of each respective financial institution consists of the following:

Location of collateral	<u>Dallas, TX</u>	<u>Dallas, TX</u>	<u>Los Angeles</u>	<u>San Francisco</u>
Federal Home Loan Bank				
cusip # 31359MSL8 07/17/13	\$	\$ 5,339,050	\$	\$
cusip # 3136F6YL7 12/25/12		2,489,394		
cusip # 31371LPU7 04/01/14		1,281,640		
cusip # 31393APP6 12/25/32		639,625		
cusip # 31394HYD7 05/15/16		936,464		
FHLMC				
cusip # 3128JNVM4 01/01/37				1,083,986
cusip # 3128JL4T3 04/01/34				3,751,081
FNMA				
cusip # 31385XAZO 05/01/33	1,351,703			
FNCL				
cusip # 31385HXE7 11/01/31			8,169	
cusip # 31407HS80 02/01/36			122,578	
cusip # 31407HZN9 05/01/36			10,270,514	
cusip # 31408HBY0 03/01/36			217,727	
cusip # 31409DUS0 04/01/36			1,709,284	
cusip # 31409WAJ0 04/01/36			881,284	
FNCL				
cusip # 31410CW24 06/01/36			726,841	
cusip # 31371MU96 07/01/36			2,947,251	
FHARM				
cusip # 31348T2F8 10/01/20			56,427	
G2SF				
cusip # 36202DUV1 10/20/32			31,224	
GNSF				
cusip # 36225BEK0 05/15/29			411,699	
cusip # 36225BEV6 06/15/29			23,711	
cusip # 36225BKX5 09/15/29			27,510	
cusip # 36225BM39 04/15/31			19,035	
	\$ <u>1,351,703</u>	\$ <u>10,686,173</u>	\$ <u>17,453,254</u>	\$ <u>4,835,067</u>

**CITY OF FARMINGTON, NEW MEXICO
SCHEDULE OF JOINT POWERS AGREEMENTS**

June 30, 2009

Participants (including City of Farmington)	Responsible Party	Description	Dates of Agreement	Total Amount/ City Share	FY09 Amount	Audit Responsibility
Aztec, Bloomfield & San Juan County	San Juan County Communications Authority	Communications	3/31/92 until termination	\$125,000/ up to \$55,000/yr	\$ -	San Juan County Communications Authority
Aztec, Bloomfield & San Juan County	Crime Stoppers	Law enforcement	07/01/05 through 06/30/10	\$23,000/\$11,458	\$ 11,180	City of Aztec
Aztec, Bloomfield, San Juan County San Juan Water Users Assoc.	Water Commission	Water issues	3/5/86 until termination	\$18.2m/32.46%	-	Water Commission
Aztec, Bloomfield, SJ County, NM Dept. of Public Safety San Juan College	San Juan County Criminal Justice Training Authority	Police Training	8/07/96 until termination	\$75,000/\$35,150	\$ 35,150	SJ College
Aztec, Bloomfield & San Juan County	City of Farmington	Recycling Center	11/1/97 until termination	\$90,401/\$90,401	\$ 56,682	Each entity
San Juan County	San Juan County	Septage Station	12/16/94 through 12/16/14	\$200,000/operating	in-kind only	City
Aztec, Bloomfield, B.L.M. San Juan County N.M. Environment Dept.	Trash Force	Illegal dumping	9/26/91 until termination	As needed	in-kind only	City
San Juan County	City of Farmington	Impact Fees	2/15/96 perpetual	Fee for service	-	City
Aztec, Bloomfield, San Juan County	All Participants	Solid Waste	03/25/92	As required	-	City
NM Taxation & Revenue	Tax & Revenue	Taxpayer Identi.	05/17/89 perpetual	Not applicable	-	City
NM Community Development Council and NM Dept of Finance & Admin.	Dept. of Finance	Title 1 Housing	04/12/00 perpetual	Not applicable	-	City
Aztec, Bloomfield, SJ County	City of Farmington	MPO	3/11/03 until terminated	\$ 82,120 / \$ 49,272	\$ 49,272	City
San Juan County	San Juan County	Detention Center	12/16/04 to 6/30/10	\$11,920,951/\$2,181,833	\$2,181,833	San Juan County
San Juan County	San Juan County	DWI Treatment Ctr	04/15/98 until terminated	\$2,983,037 / \$440,000	\$ 440,000	San Juan County
NM Energy, Minerals and Natural Resources Department (NMEMNRD)	NMEMNRD	Wildfire Firefighting	12/12/05 until terminated	\$114,599 / \$114,599	\$ 114,599	NMEMNRD
NMEMNRD	City of Farmington	Wilderness Trails	01/09/06 to 11/30/09	-	\$ -	NMEMNRD