



Comprehensive Annual Financial Report

CITY OF FARMINGTON NEW MEXICO
JULY 1, 2009 - JUNE 30, 2010

Cover: Navajo rug weaving – Totah Festival, Farmington Civic Center

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

For The Year Ended June 30, 2010

Prepared By:

Administrative Services Department – Finance Division

Eric D. Schlotthauer, Controller

Sheree Wilson, Enterprise Accountant

Sarah Talley, Staff Accountant II

Teresa Emrich, Staff Accountant I

With Special Thanks To:

Steve Ellison, Budget Officer

Molly Bondow, Financial Analyst



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Pictures courtesy of Farmington Convention and Visitors Bureau

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Farmington Public Library

INTRODUCTORY SECTION



December 1, 2010

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, 2010.

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, 2010, 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, 2010, 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 43,412. 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.

As of July 1, 2010, the total in-city GRT rate increased from 7% to 7.125% 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's responsibilities include 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 retail trade market population base of more than 350,000. Historically, the local economy has fluctuated in cycles that correspond to the price of oil and particularly natural gas. From 2003 to 2008, 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. Natural gas prices have continued to remain low during FY2010. Gross receipts tax (GRT) in FY2010 decreased by over 17% from the prior fiscal year. During the budget process for FY2011, it was apparent that the economy would continue to remain depressed and general fund expenditures were budgeted at 3.9% less than FY2010 levels. Expenditure reductions included the elimination of 23 full-time employee positions or 4% of the general fund workforce. Position hirings were also postponed to create additional savings. For the year ending June 30, 2010, the financial condition of the City improved although general fund revenues totaled \$2.5 million under budget. Fortunately, expenditures were reduced to \$2.7 million under budget to offset the flattening revenue levels. FY2010 expenditures in the general fund totaled 8% less as compared to FY2009 expenditures. Local economic conditions will continue to be closely monitored in FY2011 to ensure that spending remains in line with available resources. GRT projections for FY2011 are projected at a negative 7% growth factor as compared to actual revenue for FY2010. Reduced revenue projections will require ongoing scrutiny of expenditures with a focus towards reducing costs not directly tied to the provision of basic services.

During FY2004, 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.

Farmington, NM was the 18th most secure small community in the nation in which to live according to a 2008 study by the Farmers Insurance Group of Companies. The ranking is based on crime statistics, extreme weather, risk of natural disasters, housing depreciation, foreclosures, air quality, life expectancy, and job loss numbers. The survey reveals much about how local governments and citizens work together to make their communities a desirable choice for individuals and families to live, work, and grow. The designation reflects the high quality of life in Farmington that its citizens have come to realize and enjoy.

Residents and visitors in the City of Farmington enjoy 61 parks covering 1,673 acres and strategically located across the community. Farmington boasts numerous recreational facilities including 23 ball parks, 5 soccer complexes, 18 tennis courts, 3 swimming pools that include a state-of-the-art aquatics center, and a recreation center featuring several indoor playing courts. The City's Pinon Hills Golf Course was honored by Golfweek Magazine as the fourth best Municipal Course in the country in 2010. As our locality and facilities continue to gain recognition, Farmington will host more national and regional events in baseball, softball, soccer, swimming, golf, mountain biking, and off-road rock climbing, as well as numerous conventions. Annually, during the month of August, the City of Farmington plays host to the Connie Mack World Series at Ricketts Park stadium which seats 6,300 fans. This national tournament for amateur baseball's best 16 to 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. The tournament, which began in Farmington in 1965, is the 3rd largest spectator - attended event in the state of New Mexico and provides a significant economic boost to the entire region. Additionally, in May, 2010, Ricketts Park stadium was selected by the NCAA as the venue to host the 2010 Division II Central Regional Baseball tournament for teams from New Mexico, Colorado, Nebraska, and Minnesota.

San Juan Regional Medical Center (SJRMC) of Farmington is a 250 licensed-bed acute care hospital and related hospital facilities. SJRMC continues to be the largest employer in the region with 1,500 employees and is a community-governed hospital founded in 1910. As a Level III Trauma Center, SJRMC seeks to meet the healthcare needs of the whole community through a very broad range of medical, surgical and rehabilitation services. In August, 2006, the hospital 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 were also a part of the new addition. Twenty (20) additional private rooms were added in 2008 with the completion of the East Tower's 5th floor. In 2003 San Juan County voters approved a \$25-million, one-eighth cent gross receipts tax to help pay for the medical center expansion and renovation while SJRMC funded the remainder of the project. In 2007, the City of Farmington issued \$12 million in Hospital Revenue Bonds (San Juan Regional Medical Center, Inc. Project) which funded the renovation costs for the first floor of SJRMC and the acquisition of a Linear Accelerator for cancer treatment. By means of a financing partnership between the City and the hospital, SJRMC is obligated to repay the bonded debt. These projects are 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 50,885, a decrease of 7% over last year mostly attributable to a decrease in oil and gas production. The County unemployment rate was 10.1% at June 2010 compared to 7.6% for the same period in FY2009. 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, Sam's Club, and various oil and gas companies. 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.

The precipitous downturn in oil and gas activity in San Juan County in late 2008 has continued to negatively impact many businesses within the region. With natural gas prices reaching economic lows in FY2010, many oil and gas companies believe it is not worth drilling for natural gas in the Farmington region. One local drilling company that employed 850 workers in October, 2008, has reduced its workforce to 350 locally and also moved some of its workers to other more profitable oil and gas regions outside of New Mexico.

Contributing to the local unemployment rate was the layoff of 100 employees in December, 2009, at the Bloomfield Oil and Gas Refinery when Western Refining, Inc., owner of the

processing facility, made cost cuts by transferring all Bloomfield, NM operations to its Gallup, NM facility. Due to a shortage in affordable crude supplies in the region, Western Refining, based out of El Paso, Texas, decided the consolidation of its Four Corners refineries in Bloomfield and Gallup would save the oil and gas company at least \$25 million each year.

Over the past 4 years, the number of building permits has dropped an average of 5.25% per year while the valuation of these building permits has decreased an average of almost \$12.5 million per year or 14%. These statistics reflect the drop in construction activity and the value of the construction slowdown. Gross receipts taxes (GRT) relative to construction dropped 28% in FY2010 compared to the prior year. Retail GRT, the largest industry sector in terms of GRT, decreased by \$2.7 million in FY2010 or a drop of 12.2%. GRT comprises 73% of the City's General Fund total revenue sources.

Long-term financial planning. In the fall of 2008, construction of the City's 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. The design phase for capital projects such as Fire Station #7 and a regional animal shelter have been completed, but are temporarily 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.

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 FY2013. Construction for this expansion project is estimated to cost \$14.5 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 FY2004, 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 FY2005, 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 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 the downtown neighborhoods.

ARRA Funding

The City has received funding for 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, 2010, the city has received awards totaling over \$7.7 million. ARRA projects include the Animas waterline, Wildflower road widening, CDBG sidewalk project, new bus trolleys, efficiency lighting for ballparks, and various police grants.

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, 2009. This was the sixteenth 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 FY2010. 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, 2009

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.



A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

Citizens of Farmington

Municipal Judges
Liese & Rowland

Mayor and Council
Roberts, Darnell,
Fischer, McCulloch, Sandel

City Attorney
Burnham
Claims Legal

City Clerk
Fuhrman
Archives
Business Registration

City Manager
Mayes

Asst. City Manager
Campbell

Library

Government Relations

Public Works
Smaka

Administration
City Engineering
Traffic Engineering
Streets
Water/Waste Water Admin.
Solid Waste
Construction Inspection
Survey
Water Rights
Storm Water

Community Development
Campbell (Acting)

Administration
Planning
Building Inspection
Development Services
Metro. Planning Org.
Metro. Redev. Area

Police
Runnels

Administration Communications
Special Operations Detectives
Traffic Control Patrol
Grant Funds Code Compliance
School Crossing Guards

General Services
Hunt

Administration Farmington Indian Center
Print Shop Community Services
Transit Building & Maintenance
Building Support Vehicle Maintenance
Airport

Fire

Page (Acting)

Administration Homeland Security Fire Marshall's Office Operations

Human Resources
Brooks

Employee Benefits Personnel Payroll Insurance Safety

Administrative Services
Mason

Administration Purchasing Finance Operations
Utility/Enterprise Warehouse Accounting Operations

Information Technology
Friedman

Enterprise Systems Library Management Systems
Computer Operations Geographic Information Systems

**Parks, Recreation,
&
Cultural Affairs**
Bowman

Administration Museum System
Animal Shelter/Park Ranger Parks Operations
Aquatic Facilities Recreation Center
Civic Center Recreation Programs
Downtown Association Sandstone Production
Golf Courses Senior Citizen Center

CITY OF FARMINGTON

Principal Officials

June 30, 2010

MAYOR

Tommy Roberts

CITY COUNCIL

Dan Darnell

Mary M. Fischer

Gayla McCulloch

Jason Sandel

CITY MANAGER

Robert Mayes

ASSISTANT CITY MANAGER

Robert Campbell

ADMINISTRATIVE SERVICES DIRECTOR

H. Andrew Mason

COMMUNITY DEVELOPMENT

Robert Campbell (Acting)

ELECTRIC UTILITY DIRECTOR

Maude Grantham-Richards

FIRE

Terry Page (Acting)

GENERAL SERVICES

Rodney Hunt

HUMAN RESOURCES

Donna Brooks

INFORMATION TECHNOLOGY

Richard Friedman

PARKS & RECREATION

Jeffrey Bowman

POLICE

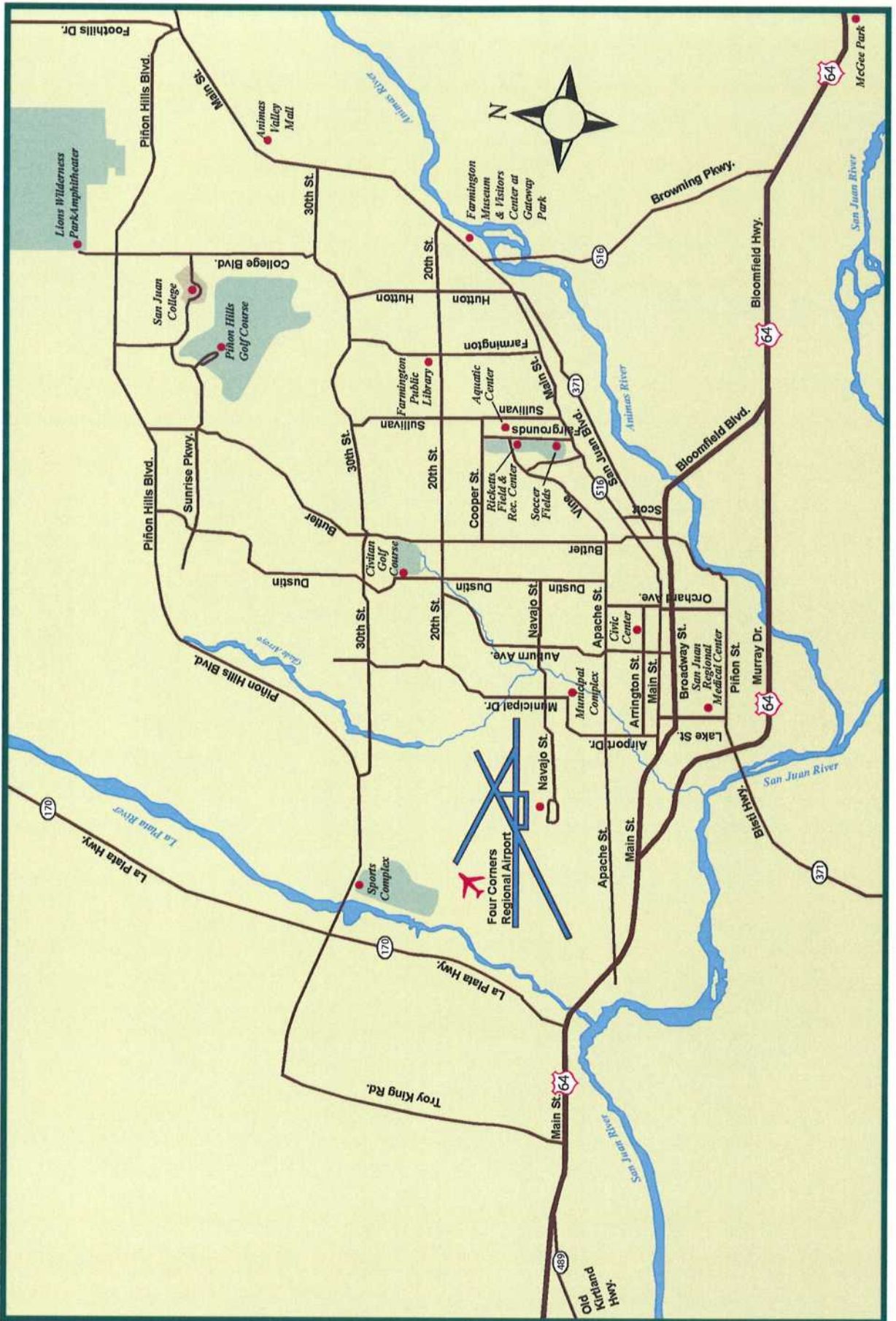
James Runnels

PUBLIC WORKS

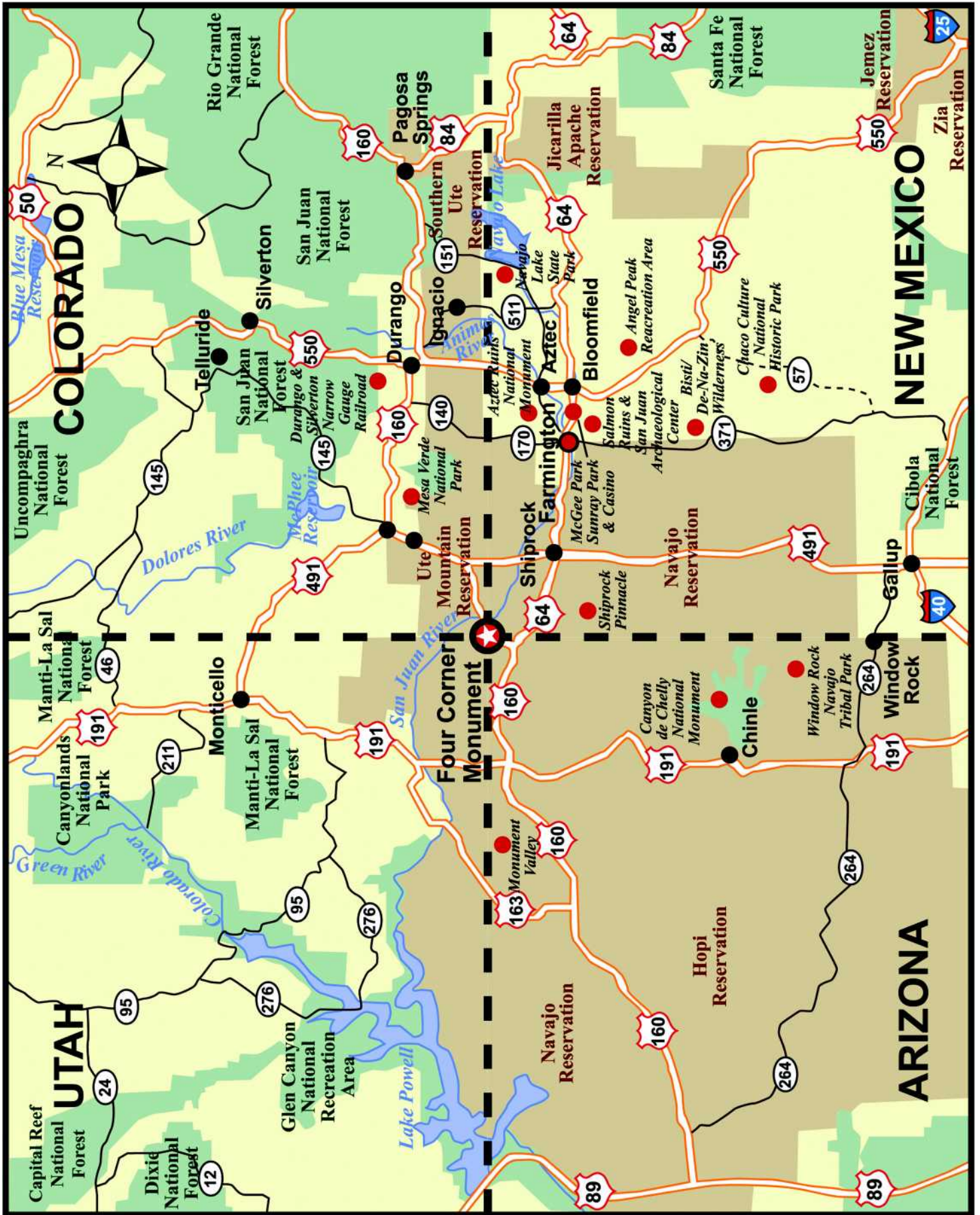
Jeffrey Smaka

CONTROLLER

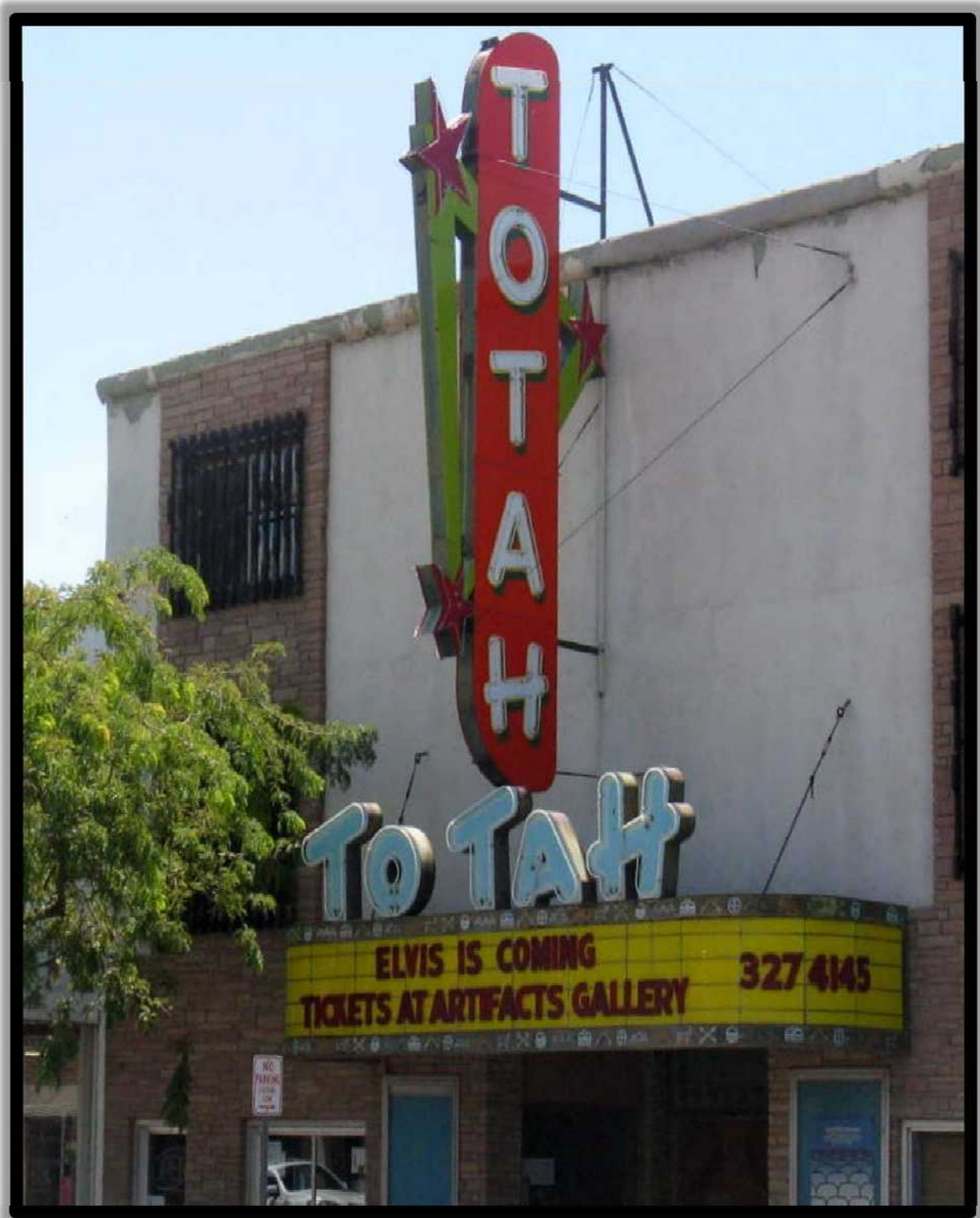
Eric D. Schlotthauer



MAP COURTESY OF FARMINGTON CONVENTION & VISITORS BUREAU



MAP COURTESY OF FARMINGTON CONVENTION & VISITORS BUREAU



Totah Theatre – Downtown Farmington

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund and internal service fund of the City, as of June 30, 2010, and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor governmental funds, all enterprise funds and the internal service fund, 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 22, 2010, 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 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 22, 2010

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, 2010. 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 FY2010 by \$497,751,596 (net assets). Of this amount, \$95,937,489 (unrestricted net assets) may be used to meet the City's ongoing obligations.
- As of June 30, 2010, the City of Farmington's governmental funds reported combined ending fund balances of \$26,265,520, a decrease of \$9,476, or .04% in comparison with the prior year. A total of \$21,873,196 (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 \$8,623,808, or 18.2 % of the total general fund expenditures.
- The City's total net debt decreased by \$7,371,579, or 17% 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, streets and airport operations. The business-type activities of the City of Farmington include electric, water, wastewater, sanitation and golf 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 nineteen (19) 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 seventeen (17) 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 55-62).

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 and golf 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 and golf operations and are found on pages 83-88 of this report. Fund data for the internal service fund is provided on page 82 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 27-51 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 \$497,751,596 at the close of FY2010.

The largest portion of the City of Farmington's net assets (\$393,961,365 or 79.1%) 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	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
		Restated		Restated		Restated
Current and other assets	\$ 32,701,555	\$ 32,305,445	\$ 91,614,776	\$ 84,701,255	\$ 124,316,331	\$ 117,006,700
Capital assets	102,859,288	91,424,668	327,857,607	325,837,114	430,716,895	417,261,782
Total assets	135,560,843	123,730,113	419,472,383	410,538,369	555,033,226	534,268,482
Long-term liabilities outstanding	2,681,022	12,671,932	11,038,472	36,100,767	13,719,494	48,772,699
Other liabilities	13,864,286	4,784,654	29,697,850	21,045,071	43,562,136	25,829,725
Total liabilities	16,545,308	17,456,586	40,736,322	57,145,838	57,281,630	74,602,424
Net assets:						
Invested in capital assets, net of related debt	94,776,714	82,050,200	299,184,651	290,777,764	393,961,365	372,827,964
Restricted	4,195,660	4,085,917	3,657,082	3,438,741	7,852,742	7,524,658
Unrestricted	20,043,161	20,137,410	75,894,328	59,170,526	95,937,489	79,307,936
Total net assets	\$ 119,015,535	\$ 106,273,527	\$ 378,736,061	\$ 353,387,031	\$ 497,751,596	\$ 459,660,558

Another portion of the City of Farmington's net assets (\$7,852,742 or 1.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$95,937,489 or 19.3%) 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 \$38,091,038 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 \$12,742,008. Key elements of the change in net assets are as follows:

City of Farmington's Changes in Net Assets						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Revenues:						
Program revenues:						
Charges for services	\$ 10,424,975	\$ 8,856,502	\$ 120,057,935	\$ 121,492,238	\$ 130,482,910	\$ 130,348,740
Operating grants and Contributions	4,090,058	4,242,763	12,949,631	5,826,268	17,039,689	10,069,031
Capital grants and Contributions	4,228,018	-	-	1,050,875	4,228,018	1,050,875
General revenues:						
Property taxes	1,556,401	1,550,503	-	-	1,556,401	1,550,503
GRT taxes	44,760,879	52,406,771	-	-	44,760,879	52,406,771
Other taxes	2,698,332	2,857,535	-	-	2,698,332	2,857,535
Other	2,188,423	1,109,007	1,324,627	1,115,516	3,513,050	2,224,523
Total revenues	69,947,086	71,023,081	134,332,193	129,484,897	204,279,279	200,507,978
Expenses:						
General Government	25,732,424	30,738,756	-	-	25,732,424	30,738,756
Police	14,918,275	14,551,370	-	-	14,918,275	14,551,370
Fire	8,808,809	9,461,309	-	-	8,808,809	9,461,309
Parks, rec & cultural affairs	13,349,714	9,568,517	-	-	13,349,714	9,568,517
Community development	8,425,359	2,144,831	-	-	8,425,359	2,144,831
Electric	-	-	75,094,411	75,868,220	75,094,411	75,868,220
Water	-	-	8,540,615	7,670,708	8,540,615	7,670,708
Wastewater	-	-	5,263,247	5,066,171	5,263,247	5,066,171
Sanitation	-	-	4,393,018	4,404,269	4,393,018	4,404,269
Golf	-	-	1,285,065	728,541	1,285,065	728,541
Airport	-	-	-	1,639,916	-	1,639,916
Other	377,304	423,713	-	-	377,304	423,713
Total expenses	71,611,885	66,888,496	94,576,356	95,377,825	166,188,241	162,266,321
Increase in net assets before transfers	(1,664,799)	4,134,585	39,755,837	34,107,072	38,091,038	38,241,657
Transfers	14,406,807	1,923,630	(14,406,807)	(1,923,630)	-	-
Increase in net assets	12,742,008	6,058,215	25,349,030	32,183,442	38,091,038	38,241,657
Net assets - 7/01/09 - restated	106,273,527	100,215,312	353,387,031	321,203,589	459,660,558	421,418,901
Net assets - 6/30/10	\$ 119,015,535	\$ 106,273,527	\$ 378,736,061	\$ 353,387,031	\$ 497,751,596	\$ 459,660,558

A large portion (73%) of the increase in net assets was due to the reassignment of airport assets from the business-type activities to the governmental activities which increased governmental net assets by \$9,295,156. Details on this reassignment can be found in the notes on page 42.

Total accrued gross receipts tax (GRT) decreased by \$7,645,892 or 14.6%. This was due to an overall decline in receipts from the retail trade and manufacturing sectors.

Capital grants and contributions increased \$4,228,018 during the year. This was mainly due to increases in federal and state funding for Wildflower Street widening (\$662,969), Red Apple Transit (\$761,836), MPO (\$194,380), various sidewalk projects (\$116,504), TPE projects (\$572,250) and moving the airport capital grant revenue into a governmental fund (\$1,198,699).

Charges for services increased \$1,568,473 or 17.7% due mainly to an increase in Red Apple Transit subsidies (\$640,151) and the addition of airport revenue (\$444,495) in the governmental funds. Transfers increased \$12,483,177 mostly due to the reassignment of airport assets to the governmental funds (\$9,295,156).

Total expenses increased \$4,723,389 or 7.1% during the year due mainly to increased street projects such as North Foothills development (\$2,555,000), San Juan Blvd. improvements (\$585,600), various traffic signal improvements (\$179,700), and various street surfacing (\$1,044,000).

Business-type activities. Business-type activities increased the City of Farmington's net assets by \$25,349,030, accounting for 66.5% of the total growth in the government's net assets. Key financial elements of the past fiscal year are as follows:

- Operating expenses are 77.6% of operating revenues, resulting in \$26,871,017 in operating income.
- Total electric revenue decreased \$2.2 million or 2.1%. Commercial and Industrial sales were down \$4.1 million, combined, both attributed to a decrease in consumption. Residential sales were up \$1.1 million. The power cost adjustment (PCA) decreased a net total of \$540,801. Billed revenues for the PCA decreased \$3.5 million but, per FASB 71, revenues were offset by \$3 million for the regulatory asset. As a result, Electric sales to customers were down \$3.5 million.
- Total water revenue increased \$6.9 million or 57.3%. Water sales to customers increased \$1.2 million due to an increase in water rates and increases in renewal and replacement fees for water infrastructure improvements. A majority of the increase in revenue was due to a \$5.7 million increase in grants received from the Bureau of Reclamation and the State of New Mexico.
- Total wastewater revenue increased by \$432,595 or 6% during the year due to increases in wastewater rates and increases in renewal and replacement fees for wastewater infrastructure improvements.
- Total sanitation revenue increased \$236,178 or 4.9% mainly due to higher demand for sanitation services.
- Investment earnings for business-type activities were \$1,324,627, a 37.8% decrease over FY2009 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, 2010, the City of Farmington's governmental funds reported combined ending fund balances of \$26,265,520, a decrease of \$9,476 in comparison with the prior year. Approximately 83% of this total amount or \$21,873,196 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 (\$84,648), prepaid items (\$196,664), and statutory reserves (\$4,111,012).

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 \$8,623,808, while total fund balance was \$12,931,484. 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 18.2% of total general fund expenditures, while total fund balance represents 27% of that same amount. The fund balance of the City of Farmington's general fund increased \$1,459,787 or 12.7% during the current fiscal year.

The total decrease in general fund revenue was \$3,676,475 or 7%. This is due in part by a \$6,034,025 decrease in GRT caused by a decline in retail sales attributed to an overall decline in the local economy. Franchise fees are down \$215,958 or 25% mainly due to a decrease in natural gas prices which affects the revenue from both our local gas service companies and the City's oil and gas royalties. Investment earnings in the general fund decreased \$116,280 or 44% 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. Intergovernmental revenue increased \$1,300,796 or 90% due to increases in various state and federal grants. Charges for services increased \$828,806 mainly due to the reassignment of the airport operations to the general fund. Revenue for fees increased largely due to a one-time PNM bond refunding fee payment (\$384,387).

Total general fund expenditures decreased \$4,229,194 or 8% over the prior year. Key elements of this change were: decreases in library expenditures (\$968,655) due to reductions in temporary labor, supplies, acquisitions, and purchased services, judicial expenditures decreased \$743,426 due to a decrease in jail fees attributed to less City offenders being sent to the county jail, information technology's enterprise division expenditures were down \$511,746 due to one-time expenditures made in FY2009 for system upgrades, police expenditures declined \$423,300 due to a decrease in

operating costs such as supplies, vehicle costs and overtime and vehicle maintenance costs were down \$300,900 due to the City purchasing less replacement vehicles. Overall, general fund expenditures were down due to management's efforts to balance the budget and reduce expenditures in areas such as travel, training, temporary positions and capital projects.

Total revenue from transfers in the general fund increased by \$2,062,635 mostly due to a one-time adjustment to the cost allocation transfer from the electric fund (\$1,500,000). Transfers for PILT increased \$927,955 during FY2010 mainly due to a 2.5% increase for the electric fund PILT.

Other key governmental-type funds include the GRT streets 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 decreased \$1,160,769 and revenues in the parks GRT fund decreased \$460,524 due to less GRT taxes being collected because of a general decline in the overall economy presumably due to a 10.1% county-wide unemployment rate as of June 30. The total revenue decrease in both of these funds combined amounted to \$1,621,293 or 13%.

Total operating revenues in the governmental funds (not including the general fund) increased \$632,759 or 3.5%. Funds that saw increases were the region II fund (\$129,722), law enforcement block grant fund (\$235,815), state fire fund (\$173,620) and the library gifts and grants fund (\$212,088), mainly due to increases in grant funding at the state and federal level. A new fund, COPS program grant fund, was added due to receiving additional grant funds of \$102,593. One fund that decreased notably was the parks/rec gifts and grant fund which was down \$350,586 mainly due to some large state grants for the animal shelter which were received in FY2009 but not in FY2010.

Expenditures in the governmental funds (not including the general fund) increased \$2,820,372 or 14.7% during FY2010. Key elements of this increase are: GRT streets fund projects such as the North Foothills development \$(2,555,000), library grant fund (\$157,703) due to an increase in grant funding, region II fund (\$89,038) due to increases in grant funding, cops grant (\$102,593) for additional grant funded positions and the law enforcement block grant fund (\$236,061) due to increases in federal stimulus grant funding. The parks/rec gifts and grant fund expenditures were down (\$505,001) due to less grant funding received during FY2010.

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 \$64,010,749 in the electric utility system, \$4,904,211 in the water utility system, \$5,434,746 in the wastewater utility system, and \$1,544,622 in combined net assets for the other propriety funds (sanitation and golf courses). The total growth in net assets was \$22,237,860 in the electric fund, \$10,058,351 in the water fund, \$1,955,004 in the wastewater fund, and a decline of \$8,902,185 in the other funds combined mostly due to the reassignment of airport assets. 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

FY2010 was the first time in twenty-five years that GRT declined by more than 5%. In fact, GRT declined by over 17% which resulted in a decrease of \$9.8 million 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 FY2010 is indicative that the local economy has suffered some of the same setbacks as the national economy. For this reason the budget for FY2011 will be set at essentially the same level as the actual results for FY2005. With a higher degree of uncertainty as to actual revenue levels, the budget for FY2011 will be even more closely monitored than in prior years.

On the expenditure side, the original general fund budget of \$53,350,191 was decreased to \$50,389,415 during FY2010. This adjustment was made to reflect declining revenue throughout the year. As a result of this decrease in actual revenue, an extensive expenditure reduction strategy was put into effect. First, a city-wide pay freeze was instituted. Second, 45 vacant positions were frozen. Third, an across the board 2% reduction in operating costs was instituted. Fourth, a 10% reduction in all hours worked by temporary employees was made. Fifth, all non-essential capital expenditures were postponed until revenue was stabilized. Sixth, transfers from the electric utility were increased. Although difficult to accomplish, this effort resulted in actual FY2010 expenditures being held to \$3.8 million less than the prior year. This resulted in a favorable ending cash balance of \$9,071,107, which was \$1.3 million greater than the prior year. The large cash balance remaining from the prior year provided an adequate cushion to maintain cash flow while expenditures were adjusted to the new lower revenue streams.

During the year, five separate budget revisions were made to the original FY2010 budget. These adjustments totaled \$2,960,776 and equaled 5.5% of the original total budget. The number of revisions is indicative of the ongoing budget process during the year of controlling expenditures to adjust to available revenue.

In the governmental funds, the largest percentage increase in expenditures during the year was in the general government capital projects funds. This increase was a result of Federal Grant awards for construction work on the Pinon Hills Bridge and for the purchase of Red Apple Transit buses. The electric enterprise fund also had a increase of over \$4.5 million 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 FY2010, the general fund budget had two main issues to be addressed. The first issue involved creating an accurate revenue projection in light of declining GRT revenue. The second issue was the need to create a balanced budget. Because the revenue decline started late in FY2009 the preliminary projections were for no increases in revenue. When the historical average was a 6% increase every year this apparent flat line created a serious revenue shortage when compared to projected expenditures. 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. In fact, the preliminary budget was reduced by \$1.4 million on both the revenue and expenditure side as revenue continued to decrease during the budget process. As a result of this process a final FY2010 balanced budget was established.

For FY2010, capital projects took a backseat to maintaining current operations. Both the new animal shelter and Fire Station #7, as well as other capital projects had some funding allocated but were basically put on hold. 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 FY2010 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 FY2011.

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, including transfers, under budget by over \$2.5 million and actual expenditures under budget by \$2.7 million, actual results were extremely close to what was budgeted, albeit at somewhat lower levels. These results left the cash balance in the general fund at over \$9 million, which is equal to 18.2% of the FY2011 beginning expenditure budget. This balance provides additional flexibility for the FY2011 budget and maintains 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, 2010 was \$430,716,895 (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 \$327,857,607 or 76% 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 \$2,020,493 or .6%. The governmental activities investment in capital assets accounted for \$102,859,288 or 24% of all capital assets owned by the City. The total increase in governmental activities investment in capital assets for the current year was \$11,434,620 or 13%. Capital assets totaling \$9,295,156 for the airport fund were transferred from the business-type activities to the governmental activities during FY2010. For more information on this transfer see page 42 on the notes to the financial statements.

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)		(restated)
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Land	\$ 26,893,367	\$ 25,914,018	\$ 3,984,334	\$ 4,841,604	\$ 30,877,701	\$ 30,755,622
Buildings and system	29,575,233	24,975,115	62,888,953	65,635,046	92,464,186	90,610,161
Improvements	11,171,843	5,574,601	63,805,764	58,184,753	74,977,607	63,759,354
Machinery & equipment	10,449,999	10,011,255	150,272,689	146,754,256	160,722,688	156,765,511
Infrastructure	15,601,285	12,032,706	-	-	15,601,285	12,032,706
Construction in progress	9,167,561	12,916,973	46,905,867	50,421,455	56,073,428	63,338,428
Total	\$ 102,859,288	\$ 91,424,668	\$ 327,857,607	\$ 325,837,114	\$ 430,716,895	\$ 417,261,782

Capital expenditures for the electric utility system will average approximately \$37,285,860 per year over the next five fiscal years. Some large projects included in the FY2011 capital budget are the Pine River substation (\$1,366,300), transformer shop addition (\$2,000,000), customer work order system (\$1,687,500) and maintenance for the Bluffview plant (\$4,355,000). 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 \$4,823,990 per year, totaling \$24,119,954 for fiscal years 2011 through 2015. During FY2010, the City of Farmington implemented the 4th 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 FY2011 are budgeted at \$1,544,588 for treatment and \$1,135,000 for the collection system. During FY2010, the wastewater fund implemented the 4th 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 \$23,940,000. Of this amount, \$7,995,000 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 \$7,371,579 or 17% during FY2010.

	Governmental Activities		Business-type Activities		Total	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Sales tax bonds	\$ 7,995,000	\$ 9,265,000	\$ -	\$ -	\$ 7,995,000	\$ 9,265,000
NMED loan	-	-	11,970,694	12,547,273	11,970,694	12,547,273
Revenue bonds	-	-	15,945,000	21,470,000	15,945,000	21,470,000
Total	\$ 7,995,000	\$ 9,265,000	\$ 27,915,694	\$ 34,017,273	\$ 35,910,694	\$ 43,282,273

Activity	FY2009	FY2010
Governmental	9.265	7.995
Business-type	34.017	27.916

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 2009 assessed valuation of \$956,521,834, the City's general obligation debt limit is \$38,260,873. The City presently has no general obligation bonds outstanding. For more detailed information on the City's debt, see pages 43-46 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, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 19,724,410	\$ 65,646,129	\$ 85,370,539
Receivables (net, where applicable, of allowances for uncollectibles):	417,720	5,586,804	6,004,524
Accrued unbilled revenues	-	5,506,459	5,506,459
Special assessments	2,623	-	2,623
Intergovernmental receivable	11,929,514	942,218	12,871,732
Regulatory Asset	-	1,564,358	1,564,358
Inventories	218,019	4,635,042	4,853,061
Prepays	196,664	112,014	308,678
Deferred charges	90,385	145,856	236,241
Restricted reserve investment account	122,220	-	122,220
Restricted assets			
Temporarily restricted:			
Cash and equivalents	-	7,475,896	7,475,896
Capital assets (not being depreciated):			
Land and land rights	26,893,367	3,984,334	30,877,701
Construction in progress	9,167,561	46,905,867	56,073,428
Capital assets (net of accumulated depreciation):			
Buildings and system	29,575,233	62,888,953	92,464,186
Improvements other than buildings	11,171,843	63,805,764	74,977,607
Machinery and equipment	10,449,999	150,272,689	160,722,688
Infrastructure	15,601,285	-	15,601,285
Total assets	<u>135,560,843</u>	<u>419,472,383</u>	<u>555,033,226</u>
LIABILITIES			
Accounts payable and other current liabilities	1,341,058	5,524,228	6,865,286
Wages and benefits payable	1,243,299	412,316	1,655,615
Other accrued liabilities	16,892	1,082,019	1,098,911
Accrued claims liabilities	-	107,000	107,000
Retainage deposits payable	66,006	-	66,006
Unearned revenue	-	-	-
Accrued interest payable	13,767	94,095	107,862
Customer deposits	-	3,818,814	3,818,814
Non-current liabilities:			
Due within one year	3,216,989	7,248,518	10,465,507
Due in more than one year	10,647,297	22,449,332	33,096,629
Total liabilities	<u>16,545,308</u>	<u>40,736,322</u>	<u>57,281,630</u>
NET ASSETS			
Invested in capital assets, net of related debt	94,776,714	299,184,651	393,961,365
Restricted for:			
Debt service	84,648	3,657,082	3,741,730
Statutory reserve	4,111,012	-	4,111,012
Unrestricted	20,043,161	75,894,328	95,937,489
Total net assets	<u>\$ 119,015,535</u>	<u>\$ 378,736,061</u>	<u>\$ 497,751,596</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, 2010

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	\$ 25,732,424	\$ 8,003,589	\$ 2,247,451	\$ 1,960,535	\$ (13,520,849)	\$ -	\$ (13,520,849)
Police	14,918,275	1,518,646	1,044,857	-	(12,354,772)	-	(12,354,772)
Fire	8,808,809	-	684,775	-	(8,124,034)	-	(8,124,034)
Parks, recreation, cultural affairs	13,349,714	844,503	112,975	-	(12,392,236)	-	(12,392,236)
Public works	8,425,359	58,237	-	2,267,483	(6,099,639)	-	(6,099,639)
Interest on long-term debt	377,304	-	-	-	(377,304)	-	(377,304)
Total governmental activities	<u>71,611,885</u>	<u>10,424,975</u>	<u>4,090,058</u>	<u>4,228,018</u>	<u>(52,868,834)</u>	<u>-</u>	<u>(52,868,834)</u>
Business-type activities:							
Electric	75,094,411	94,173,433	6,192,446	-	-	25,271,468	25,271,468
Water	8,540,615	12,324,629	6,757,185	-	-	10,541,199	10,541,199
Wastewater	5,263,247	7,445,521	-	-	-	2,182,274	2,182,274
Sanitation	4,393,018	5,007,853	-	-	-	614,835	614,835
Golf	1,285,065	1,106,499	-	-	-	(178,566)	(178,566)
Total business-type activities	<u>94,576,356</u>	<u>120,057,935</u>	<u>12,949,631</u>	<u>-</u>	<u>-</u>	<u>38,431,210</u>	<u>38,431,210</u>
Total government	<u>\$ 166,188,241</u>	<u>\$ 130,482,910</u>	<u>\$ 17,039,689</u>	<u>\$ 4,228,018</u>	<u>(52,868,834)</u>	<u>\$ 38,431,210</u>	<u>(14,437,624)</u>
General revenues:							
Property taxes					1,556,401	-	1,556,401
Sales taxes					44,760,879	-	44,760,879
Franchise taxes					649,388	-	649,388
Gasoline taxes					858,440	-	858,440
Cigarette taxes					42,908	-	42,908
Lodger's taxes					1,147,596	-	1,147,596
Miscellaneous					1,782,477	-	1,782,477
Unrestricted investment earnings					405,946	1,324,627	1,730,573
Transfers					14,406,807	(14,406,807)	-
Total general revenues and transfers					<u>65,610,842</u>	<u>(13,082,180)</u>	<u>52,528,662</u>
Change in net assets					12,742,008	25,349,030	38,091,038
Net assets - beginning (restated)					106,273,527	353,387,031	459,660,558
Net assets - ending					<u>\$ 119,015,535</u>	<u>\$ 378,736,061</u>	<u>\$ 497,751,596</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, 2010**

	<u>General</u>	<u>Gross Receipts Tax Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Pooled cash and investments	\$ 8,948,887	\$ 6,534,937	\$ 4,172,507	\$ 19,656,331
Receivables (net, where applicable, of allowances for uncollectibles):	41,654	-	13,779	55,433
Special assessments	2,623	-	-	2,623
Due from other funds	177,100	-	-	177,100
Inventories, at cost	218,019	-	-	218,019
Prepaid items	196,664	-	-	196,664
Restricted reserve investment account	122,220	-	-	122,220
Intergovernmental	8,266,684	1,260,063	2,402,767	11,929,514
Total assets	<u>17,973,851</u>	<u>7,795,000</u>	<u>6,589,053</u>	<u>32,357,904</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	662,901	110,156	538,880	1,311,937
Wages and benefits payable	1,168,290	704	74,305	1,243,299
Other accrued expenditures	16,892	-	-	16,892
Accrued claims payable	1,396,987	-	-	1,396,987
Retainage/deposits payable	66,006	-	-	66,006
Deferred revenue	1,731,291	42,922	105,950	1,880,163
Due to other funds	-	-	177,100	177,100
Total liabilities	<u>5,042,367</u>	<u>153,782</u>	<u>896,235</u>	<u>6,092,384</u>
Fund Balances:				
Reserved for:				
Debt service	-	-	84,648	84,648
Prepays	196,664	-	-	196,664
Subsequent year's statutory reserve	4,111,012	-	-	4,111,012
Unreserved, reported in:				
Designated for debt service	2,000,000	-	-	2,000,000
General fund	6,623,808	-	-	6,623,808
Special revenue funds	-	7,641,218	3,617,558	11,258,776
Capital project funds	-	-	1,990,612	1,990,612
Total fund balances	<u>12,931,484</u>	<u>7,641,218</u>	<u>5,692,818</u>	<u>26,265,520</u>
Total liabilities and fund balances	\$ <u>17,973,851</u>	\$ <u>7,795,000</u>	\$ <u>6,589,053</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. 102,859,288

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 1,880,163

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. (655,448)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds (11,333,988)

Net assets of governmental activities \$ 119,015,535

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, 2010

	<u>General</u>	<u>Gross Receipts Tax Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes:				
Property	\$ 1,495,634	\$ -	\$ -	\$ 1,495,634
Gross receipts	35,288,130	7,104,562	2,368,187	44,760,879
Franchise	649,388	-	-	649,388
Gasoline	-	858,440	-	858,440
Cigarette	-	-	42,908	42,908
Lodger's	-	-	1,147,596	1,147,596
Licenses and permits	670,170	-	23,573	693,743
Intergovernmental	2,751,384	-	5,566,692	8,318,076
Charges for services	2,432,397	-	124,795	2,557,192
Fines	1,277,825	-	213,463	1,491,288
Special assessments	600	-	-	600
Investment earnings	149,368	148,453	104,600	402,421
Miscellaneous	978,301	2,419	801,757	1,782,477
Total revenues	<u>45,693,197</u>	<u>8,113,874</u>	<u>10,393,571</u>	<u>64,200,642</u>
EXPENDITURES:				
Current:				
General government	18,070,880	-	-	18,070,880
Police	13,205,055	-	1,382,953	14,588,008
Fire	8,079,490	-	202,203	8,281,693
Parks, recreation and cultural affairs	7,353,746	-	4,442,156	11,795,902
Public works	642,170	4,868,128	-	5,510,298
Debt service:				
Principal	-	-	1,270,000	1,270,000
Interest	-	-	379,342	379,342
Capital outlay:				
General government	-	-	1,131,624	1,131,624
Airport	-	-	1,256,996	1,256,996
Highways and streets	-	5,174,941	1,862,085	7,037,026
Total expenditures	<u>47,351,341</u>	<u>10,043,069</u>	<u>11,927,359</u>	<u>69,321,769</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,658,144)</u>	<u>(1,929,195)</u>	<u>(1,533,788)</u>	<u>(5,121,127)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,099,638	-	2,698,524	7,798,162
Transfers out	<u>(1,981,707)</u>	<u>(594,804)</u>	<u>(110,000)</u>	<u>(2,686,511)</u>
Total other financing sources (uses)	<u>3,117,931</u>	<u>(594,804)</u>	<u>2,588,524</u>	<u>5,111,651</u>
Net change in fund balances	1,459,787	(2,523,999)	1,054,736	(9,476)
Fund balances-beginning	11,471,697	10,165,217	4,638,082	26,274,996
Fund balances- ending	<u>\$ 12,931,484</u>	<u>\$ 7,641,218</u>	<u>\$ 5,692,818</u>	<u>\$ 26,265,520</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, 2010

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)	\$	(9,476)
 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.		2,139,464
 The net effect of the reassignment of capital assets from airport enterprise fund is to increase net assets.		9,295,156
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		60,766
 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.		1,240,769
 The net revenue/expense of certain activities of internal service funds is reported with governmental activities.		<u>15,329</u>
 Change in net assets of governmental activities (page 16)	\$	<u>12,742,008</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Property taxes	\$ 1,403,688	\$ 1,403,688	\$ 1,493,224	\$ 89,536
Gross receipts tax	42,087,000	37,887,000	35,553,104	(2,333,896)
Franchise taxes	925,000	925,000	653,687	(271,313)
Licenses and permits	605,900	605,900	670,170	64,270
Intergovernmental	1,990,900	3,094,464	2,647,774	(446,690)
Charges for services	2,436,156	2,627,156	2,424,605	(202,551)
Fines	1,304,000	1,304,000	1,276,077	(27,923)
Special assessments	-	-	600	600
Investment earnings	200,000	200,000	149,368	(50,632)
Miscellaneous	305,600	305,600	926,409	620,809
Total revenues	<u>51,258,244</u>	<u>48,352,808</u>	<u>45,795,018</u>	<u>(2,557,790)</u>
EXPENDITURES:				
Current:				
General government:				
Council	312,341	294,689	284,810	9,879
Municipal court	2,735,555	2,484,668	2,176,642	308,026
Administrative	9,955,680	9,484,331	8,855,302	629,029
Legal	1,050,343	1,043,526	788,716	254,810
Administrative services	705,662	692,678	599,240	93,438
General services	5,014,052	4,652,167	4,582,307	69,860
Community Development	1,271,197	1,252,784	1,093,557	159,227
Total general government	<u>21,044,830</u>	<u>19,904,843</u>	<u>18,380,574</u>	<u>1,524,269</u>
Public safety:				
Police	13,468,877	13,419,657	13,212,939	206,718
Fire	8,205,043	8,206,773	8,087,317	119,456
Total public safety	<u>21,673,920</u>	<u>21,626,430</u>	<u>21,300,256</u>	<u>326,174</u>
Public works	1,803,405	925,688	642,170	283,518
Parks, recreation and cultural affairs	8,828,036	7,932,454	7,357,199	575,255
Total expenditures	<u>53,350,191</u>	<u>50,389,415</u>	<u>47,680,199</u>	<u>2,709,216</u>
Excess of revenues over expenditures	<u>(2,091,947)</u>	<u>(2,036,607)</u>	<u>(1,885,181)</u>	<u>151,426</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	3,160,694	5,086,546	5,099,638	13,092
Transfers out	<u>(1,049,000)</u>	<u>(2,002,000)</u>	<u>(1,981,707)</u>	<u>20,293</u>
Total other financing sources and uses	<u>2,111,694</u>	<u>3,084,546</u>	<u>3,117,931</u>	<u>33,385</u>
Net change in fund balances	19,747	1,047,939	1,232,750	<u>\$ 184,811</u>
RECONCILIATION TO GAAP BASIS:				
Change in receivables			(205,431)	
Change in intergovernmental			103,610	
Change in accrued payables			328,858	
			<u>227,037</u>	
GAAP BASIS CHANGE IN FUND BALANCES:			1,459,787	
Fund balances-beginning	11,471,697	11,471,697	11,471,697	
Fund balances-ending	<u>\$ 11,491,444</u>	<u>\$ 12,519,636</u>	<u>\$ 12,931,484</u>	

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, 2010

	<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	\$ 8,512,904	\$ 7,661,604	\$ 7,159,437	\$ (502,167)
Gasoline taxes	620,000	620,000	839,426	219,426
Investment earnings	50,000	50,000	148,453	98,453
Miscellaneous	500	500	2,419	1,919
Total revenues	<u>9,183,404</u>	<u>8,332,104</u>	<u>8,149,735</u>	<u>(182,369)</u>
EXPENDITURES:				
Current:				
Public Works	6,438,974	7,988,564	4,867,200	3,121,364
Capital Outlay:				
Highways and streets	4,875,000	8,235,638	5,221,301	3,014,337
Total expenditures	<u>11,313,974</u>	<u>16,224,202</u>	<u>10,088,501</u>	<u>6,135,701</u>
Excess (deficiency) of revenues over (under) expenditures	(2,130,570)	(7,892,098)	(1,938,766)	5,953,332
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(533,500)</u>	<u>(533,500)</u>	<u>(594,804)</u>	<u>(61,304)</u>
Net change in fund balances	(2,664,070)	(8,425,598)	<u>(2,533,570)</u>	<u>\$ 5,892,028</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(35,861)	
Change in accounts payable			45,432	
			<u>9,571</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(2,523,999)	
Fund balances-beginning	10,165,217	10,165,217	10,165,217	
Fund balances-ending	<u>\$ 7,501,147</u>	<u>\$ 1,739,619</u>	<u>\$ 7,641,218</u>	

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

(Continued)

CITY OF FARMINGTON, NEW MEXICO
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport	
ASSETS							
Current assets:							
Pooled cash and investments	\$ 56,155,178	\$ 3,009,076	\$ 4,766,372	\$ 1,592,657	\$ 122,846	\$ -	\$ 65,646,129
Accounts receivable (net of allowance for doubtful accounts)	3,649,639	1,086,797	574,389	268,098	7,881	-	5,586,804
Accrued unbilled revenues	4,475,977	603,094	232,931	194,457	-	-	5,506,459
Intergovernmental receivable	-	942,218	-	-	-	-	942,218
Regulatory asset	1,564,358	-	-	-	-	-	1,564,358
Inventories	4,586,789	40,612	7,641	-	-	-	4,635,042
Prepaid items	81,877	11,619	15,298	-	3,220	-	112,014
Restricted cash, cash equivalents and investments	5,591,884	703,739	1,180,273	-	-	-	7,475,896
Total current assets	76,105,702	6,397,155	6,776,904	2,055,212	133,947	-	91,468,920
Noncurrent assets:							
Deferred charges:							
Capital assets:	116,564	25,153	4,139	-	-	-	145,856
Land and land rights	3,546,554	1,653,833	479,388	23,341	100,000	-	5,803,116
Building and system	62,987,015	14,008,573	23,989,482	80,640	1,045,237	-	102,110,947
Improvements other than buildings	53,536,386	36,366,354	13,903,285	14,839	2,934,615	-	106,755,479
Machinery and equipment	258,337,662	9,152,771	3,454,500	101,099	832,249	-	271,878,281
Construction in progress	35,931,538	10,063,881	885,501	24,947	-	-	46,905,867
Less accumulated depreciation	(157,337,680)	(29,678,444)	(16,234,251)	(176,874)	(2,168,834)	-	(205,596,083)
Total capital assets (net of accumulated depreciation)	257,001,475	41,566,968	26,477,905	67,992	2,743,267	-	327,857,607
Total noncurrent assets	257,118,039	41,592,121	26,482,044	67,992	2,743,267	-	328,003,463
Total assets	\$ 333,223,741	\$ 47,989,276	\$ 33,258,948	\$ 2,123,204	\$ 2,877,214	\$ -	\$ 419,472,383
							\$ 430,366

CITY OF FARMINGTON, NEW MEXICO
Statement of Net Assets
Proprietary Funds
June 30, 2010

Business-type Activities
Enterprise Funds

	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport	Totals	Governmental Activities Internal Service Fund
LIABILITIES								
Current liabilities:								
Current liabilities payable from unrestricted assets:								
Accounts payable	\$ 4,226,522	\$ 632,433	\$ 100,479	\$ 510,694	\$ 54,100	\$ -	\$ 5,524,228	\$ 29,121
Compensated absences	537,642	5,161	-	-	14,582	-	562,546	-
Other accrued expenses	1,341,543	1,17,782	4,959	78	29,973	-	1,494,335	-
Accrued claims payable	26,000	35,000	45,000	-	1,000	-	107,000	1,056,693
Capital lease payable - current	-	-	-	-	57,238	-	57,238	-
Accrued interest payable	75,198	16,227	2,670	-	-	-	94,095	-
Revenue bonds payable	4,822,893	1,040,716	171,249	-	-	-	6,034,858	-
NMED loan	-	-	593,876	-	-	-	593,876	-
Total current liabilities payable from unrestricted assets	11,029,798	1,847,319	923,394	510,772	156,893	-	14,468,176	1,085,814
Current liabilities payable from restricted assets	3,554,678	264,136	-	-	-	-	3,818,814	-
Total current liabilities	14,584,476	2,111,455	923,394	510,772	156,893	-	18,286,990	1,085,814
Noncurrent liabilities:								
(net of unamortized discounts)								
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	8,455,692	1,824,627	300,240	-	-	-	10,580,559	-
NMED loan	-	-	11,376,818	-	-	-	11,376,818	-
Compensated absences	412,728	7,755	-	-	34,110	-	462,348	-
Capital lease payable	-	-	-	-	29,607	-	29,607	-
Total noncurrent liabilities	8,868,420	1,832,382	11,684,813	-	63,717	-	22,449,332	-
Total liabilities	23,452,896	3,943,837	12,608,207	510,772	220,610	-	40,736,322	1,085,814
NET ASSETS								
Invested in capital assets, net of related debt	243,722,890	38,701,625	14,035,722	67,992	2,656,422	-	299,184,651	-
Restricted for debt service	2,037,206	439,603	1,180,273	-	-	-	3,657,082	-
Unrestricted	64,010,749	4,904,211	5,434,746	1,544,440	182	-	75,894,328	(655,448)
Total net assets	\$ 309,770,845	\$ 44,045,439	\$ 20,650,741	\$ 1,612,432	\$ 2,656,604	\$ -	\$ 378,736,061	\$ (655,448)

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, 2010

	Business-type Activities						Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport	
Operating revenues:							
Charges for sales and services:							
Electric	\$ 92,851,595	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,851,595
Water	-	12,175,278	-	-	-	-	12,175,278
Wastewater	-	-	7,415,478	-	-	-	7,415,478
Sanitation	-	-	-	4,913,332	-	-	4,913,332
Golf course	-	-	-	-	1,103,577	-	1,103,577
Health	-	-	-	-	-	-	-
Other revenues	1,321,838	149,351	30,043	94,521	2,922	-	1,598,675
Total operating revenues	<u>94,173,433</u>	<u>12,324,629</u>	<u>7,445,521</u>	<u>5,007,853</u>	<u>1,106,499</u>	<u>-</u>	<u>120,057,935</u>
Operating expenses:							
Salaries and fringe benefits	10,153,657	607,194	348,858	2,615	670,694	-	11,783,018
Purchased power, fuel and chemicals	39,851,509	-	-	-	-	-	39,851,509
Other operating expenses	13,072,719	6,152,016	3,304,076	4,385,626	390,319	-	27,304,756
Depreciation and amortization	11,211,614	1,607,155	1,205,675	4,777	218,414	-	14,247,635
Total operating expenses	<u>74,289,499</u>	<u>8,366,365</u>	<u>4,858,609</u>	<u>4,393,018</u>	<u>1,279,427</u>	<u>-</u>	<u>93,186,918</u>
Operating income (loss)	<u>19,883,934</u>	<u>3,958,264</u>	<u>2,586,912</u>	<u>614,835</u>	<u>(172,928)</u>	<u>-</u>	<u>26,871,017</u>
Nonoperating revenues (expenses):							
Investment earnings	1,128,455	74,488	91,665	27,806	2,213	-	1,324,627
Revenue from grants	143,488	6,757,185	-	-	-	-	6,900,673
Interest expense	(804,912)	(174,250)	(404,638)	-	(5,638)	-	(1,389,438)
Reassignment of capital assets	-	-	-	-	-	(9,295,156)	(9,295,156)
Total nonoperating revenues (expenses)	<u>467,031</u>	<u>6,657,423</u>	<u>(312,973)</u>	<u>27,806</u>	<u>(3,425)</u>	<u>(9,295,156)</u>	<u>(2,459,294)</u>
Income (loss) before transfers	<u>20,350,965</u>	<u>10,615,687</u>	<u>2,273,939</u>	<u>642,641</u>	<u>(176,353)</u>	<u>(9,295,156)</u>	<u>24,411,723</u>
Capital contributions	6,048,958	-	-	-	-	-	6,048,958
Transfers in	-	61,304	-	-	-	-	61,304
Transfers out	(4,162,063)	(618,640)	(318,935)	-	-	(73,317)	(5,172,955)
Change in net assets	22,237,860	10,058,351	1,955,004	642,641	(176,353)	(9,368,473)	25,349,030
Total net assets-beginning (restated)	287,532,985	33,987,088	18,695,737	969,791	2,832,957	9,368,473	353,387,031
Total net assets-ending	<u>\$ 309,770,845</u>	<u>\$ 44,045,439</u>	<u>\$ 20,650,741</u>	<u>\$ 1,612,432</u>	<u>\$ 2,656,604</u>	<u>\$ -</u>	<u>\$ 378,736,061</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, 2010

	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	\$ 85,726,293	\$ 11,459,394	\$ 7,403,734	\$ 5,018,683	\$ 1,100,020	\$ 37,567	\$ 110,745,691	\$ 5,479,522
Payments to suppliers	(51,733,190)	(5,958,255)	(3,606,012)	(4,413,780)	(372,070)	(15,826)	(66,099,133)	(5,456,243)
Payments to employees	(10,124,648)	(597,953)	(345,940)	(2,607)	(663,500)	(23,076)	(11,757,724)	-
Net cash provided by operating activities	<u>23,868,455</u>	<u>4,903,186</u>	<u>3,451,782</u>	<u>602,296</u>	<u>64,450</u>	<u>(1,335)</u>	<u>32,888,834</u>	<u>23,279</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfer to other funds	(4,162,063)	(618,640)	(318,935)	-	-	(73,317)	(5,172,955)	-
Transfer from other funds	-	61,304	-	-	-	-	61,304	-
Operating grants	143,488	6,757,185	-	-	-	-	6,900,673	-
Net cash provided (used) by capital and related financing activities	<u>(4,018,575)</u>	<u>6,199,849</u>	<u>(318,935)</u>	<u>-</u>	<u>-</u>	<u>(73,317)</u>	<u>1,789,022</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Capital contributions	6,048,958	-	-	-	-	-	6,048,958	-
Acquisition and construction of capital assets	(15,030,596)	(9,197,404)	(1,199,344)	(24,947)	(116,493)	-	(25,568,784)	-
Principal paid on capital debt	(4,599,124)	(992,430)	(739,883)	-	-	-	(6,331,437)	-
Interest paid on capital debt	(804,912)	(174,250)	(404,638)	-	-	-	(1,383,800)	-
Capital lease payment	-	-	-	-	(55,095)	-	(55,095)	-
Net cash provided (used) by capital and related financing activities	<u>(14,385,674)</u>	<u>(10,364,084)</u>	<u>(2,343,865)</u>	<u>(24,947)</u>	<u>(171,588)</u>	<u>-</u>	<u>(27,290,158)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest and dividends received	1,128,455	74,488	91,665	27,806	2,213	-	1,324,627	3,525
Restricted reserve investment	466,666	-	-	-	-	-	466,666	-
Net cash provided (used) by investing activities	<u>1,595,121</u>	<u>74,488</u>	<u>91,665</u>	<u>27,806</u>	<u>2,213</u>	<u>-</u>	<u>1,791,293</u>	<u>3,525</u>
Net increase in cash and cash equivalents	7,059,327	813,439	880,647	605,155	(104,925)	(74,652)	9,178,991	26,804
Cash and cash equivalents, July 1	54,687,735	2,899,376	5,065,998	987,502	227,771	74,652	63,943,034	41,275
Cash and cash equivalents, June 30, 2010	<u>\$ 61,747,062</u>	<u>\$ 3,712,815</u>	<u>\$ 5,946,645</u>	<u>\$ 1,592,657</u>	<u>\$ 122,846</u>	<u>\$ -</u>	<u>\$ 73,122,025</u>	<u>\$ 68,079</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, 2010

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport	
	\$ 19,883,934	\$ 3,958,264	\$ 2,586,912	\$ 614,835	\$ (172,928)	\$ -	\$ 26,871,017
							\$ 11,804
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	11,211,614	1,607,155	1,205,675	4,777	218,414	-	14,247,635
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation and amortization	639,286	(812,113)	(5,905)	21,672	(6,479)	37,567	(125,972)
(Increase) decrease in accounts receivable	53,285	(80,987)	(35,882)	(10,842)	-	-	(74,426)
(Increase) decrease in accrued unbilled revenues	655,287	-	-	-	-	-	655,287
(Increase) decrease in regulatory asset	1,216,747	70,844	-	-	-	-	1,287,591
(Increase) decrease in inventories	(2,406)	(165)	(10)	-	(90)	8,987	6,316
(Increase) decrease in prepaid items	39,965	8,235	1,419	-	-	-	49,619
(Increase) decrease in deferred charges	1,413	3,286	1,938	8	7,194	(23,076)	(9,237)
Increase (decrease) in other accrued expenses	(32,500)	-	5,000	-	-	-	(27,500)
Increase (decrease) in accrued claims payable	(9,794,998)	28,254	-	-	-	-	(9,766,744)
Increase (decrease) in customer deposits	(3,172)	120,413	(307,365)	(28,154)	18,339	(24,813)	(224,752)
Increase (decrease) in accounts payable	3,984,521	944,922	864,870	(12,539)	237,378	(1,335)	6,017,817
Total adjustments	23,868,455	4,903,186	3,451,782	602,296	64,450	(1,335)	32,888,834
Net cash provided by operating activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Noncash Activities:							
Reassignment of capital assets						9,295,156	

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

Notes to the Financial Statements

CITY OF FARMINGTON, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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 43,412 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, 2010.

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 *gross receipts tax-streets* fund accounts for the City's share of gross receipts tax that is legally restricted to the maintenance of streets and storm drainage.

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.

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 (\$1,564,358 as of June 30, 2010) and the related reduction in revenue is recorded on the statement of activities (\$655,287 for the year ended June 30, 2010).

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. \$4,111,012 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 (\$4,111,012) 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 \$11,333,988 difference are as follows:

Bonds payable	\$	7,995,000
Bond premium (to be amortized over the life of the debt)		87,574
Issuance costs (to be amortized over the life of the debt)		(90,385)
Accrued interest payable		13,767
Compensated absences payable		<u>3,328,032</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$	<u>11,333,988</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 \$2,139,464 are as follows:

Capital outlay	\$ 9,894,063
Depreciation	(7,731,090)
Loss on disposals and other	(23,509)
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>\$ 2,139,464</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 \$1,240,769 are as follows:

Principal repayments	\$ 1,270,000
Amortization of bond premium	21,894
Amortization of issuance costs	(22,596)
Accrued interest	2,038
Compensated absences	(30,567)
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>\$ 1,240,769</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 \$15,329 difference are as follows:

Internal service charges for services	\$ 5,888,307
Internal service operating expenses	(5,872,978)
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 15,329</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, 2010:

General Fund	\$ 125,615
Gross Receipts Tax Streets Fund	1,927,960
Gross Receipts Tax Parks Fund	3,719
Parks Gifts and Grants Fund	550
State Police Protection Fund	27,468
Region II Narcotics Fund	3
Community Development Capital Projects Fund	1,051,599
Airport Grant Capital Projects Fund	869,812
Electric Utility Fund	2,664,597
Water Utility Fund	4,508,080
Wastewater Utility Fund	1,427,516
Sanitation Utility Fund	10,400
Golf Course Fund	169
Total Encumbrances	<u>\$ 12,617,488</u>

B. Excess of expenditures over appropriations

Expenditures for all funds were within budgeted appropriations for FY2010.

C. Deficit Fund Equity

As of June 30, 2010, the health insurance internal service fund had a deficit net asset balance of \$(655,448). This deficit is equal to accrued payables of \$1,085,814 less cash and receivables totaling \$430,366. The net asset balance increased by \$15,329 over FY2009. 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 FY2010 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	\$ 19,724,410
Business activities	65,646,129
Restricted cash and investments	
Business activities	7,475,896
Reserve investment account	122,220
Total cash and investments	<u>\$ 92,968,655</u>

As of June 30, 2010, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money markets	\$ 1,360,795	0.08
Certificates of deposit	40,102,372	1.16
State treasurer's pool	2,822,383	0.14
State treasurer's pool - reserved	122,220	N/A
Federal agency securities	45,191,626	2.92
Total Fair Value	<u>\$ 89,599,396</u>	
Portfolio weighted average maturity		<u>2.11</u>

Interest rate risk. Interest rate risk is the risk that interest rate variations may adversely affect the fair value of an investment. An acceptable method for reporting interest rate risk is weighted average maturity (WAM). The State Treasurer's Office uses this method for reporting purposes for the Local Government Investment Pool. The weighted average maturity at June 30, 2010 was 50 days for the Local Government Investment Pool.

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than five years.

Concentration of Credit Risk. The City had investments at June 30, 2010, with more than 5 percent of the total in securities of the federal agency securities. These investments represented 50 percent, respectively, of total investments.

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, 2010, the City was in compliance with state statute. The City's carrying amount of deposits as of June 30, 2010 was \$44,545,347 and the bank balance was \$45,006,613. Of the bank balance, \$1,750,000 was covered by federal depository insurance, \$27,426,567 was collateralized

with securities held by the pledging financial institution's trust department or agent in the City's name, and \$15,830,046 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, 2010 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, 2010. 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 (\$122,220) 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 98.7% 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, 2010 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:				
Accounts Receivable	\$ 41,654	\$ 13,779	\$ 6,206,578	\$ 6,262,011
Unbilled Revenue	-	-	5,506,459	5,506,459
Special Assessments	2,623	-	-	2,623
Intergovernmental	8,266,684	3,662,830	942,218	12,871,732
Gross Receivables	<u>8,310,961</u>	<u>3,676,609</u>	<u>12,655,255</u>	<u>24,642,825</u>
Less: Allowance for Uncollectibles	-	-	(619,774)	(619,774)
Net Total Receivables:	<u>\$ 8,310,961</u>	<u>\$ 3,676,609</u>	<u>\$ 12,035,481</u>	<u>\$ 24,023,051</u>

Intergovernmental receivables are made up of the following amounts in the general and special revenue funds: gross receipts taxes \$7,671,118, property taxes \$1,728,479, federal and state grants \$2,059,462, franchise taxes \$140,960, lodger's taxes \$286,573 and other taxes \$42,922. In the internal service health fund there is \$362,287 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	\$ 84,508
Uncollectibles related to water sales	18,144
Uncollectibles related to wastewater charges	10,368
Uncollectibles related to sanitation charges	<u>7,795</u>
Total uncollectibles of the current fiscal year	<u>\$ 120,815</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>\$ 1,880,163</u>

C. Capital assets

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

<u>Governmental activities</u>	Balance July 1, 2009 Restated	Transfers	Additions	Deletions	Balance June 30, 2010
Non-Depreciable Assets:					
Land	\$ 25,914,018	\$ 879,968	\$ 99,381	\$ -	\$ 26,893,367
Construction in progress	12,916,973	3,962,511	7,283,138	(14,995,061)	9,167,561
Total Non-Depreciable Assets	<u>38,830,991</u>	<u>4,842,479</u>	<u>7,382,519</u>	<u>(14,995,061)</u>	<u>36,060,928</u>
Depreciable Assets:					
Buildings	52,502,592	5,257,722	4,764,915	(16,185)	62,509,044
Improvements other than buildings	11,489,634	4,598,962	4,943,839	-	21,032,435
Equipment	26,510,950	1,622,391	2,156,061	(578,721)	29,710,681
Infrastructure	49,887,806	-	5,641,790	(90,761)	55,438,835
Total Depreciable Assets	<u>140,390,982</u>	<u>11,479,075</u>	<u>17,506,605</u>	<u>(685,667)</u>	<u>168,690,995</u>
Total Governmental Assets	<u>179,221,973</u>	<u>16,321,554</u>	<u>24,889,124</u>	<u>(15,680,728)</u>	<u>204,751,923</u>
Accumulated Depreciation:					
Buildings	(27,527,477)	(3,668,254)	(1,748,721)	10,641	(32,933,811)
Improvements other than buildings	(5,915,033)	(2,429,668)	(1,515,891)	-	(9,860,592)
Equipment	(16,499,695)	(928,476)	(2,405,082)	572,571	(19,260,682)
Infrastructure	(37,855,100)	-	(2,061,396)	78,946	(39,837,550)
Total Accumulated Depreciation	<u>(87,797,305)</u>	<u>(7,026,398)</u>	<u>(7,731,090)</u>	<u>662,158</u>	<u>(101,892,635)</u>
Net Governmental Assets	<u>\$ 91,424,668</u>	<u>\$ 9,295,156</u>	<u>\$ 17,158,034</u>	<u>\$ (15,018,570)</u>	<u>\$ 102,859,288</u>
<u>Business-type activities</u>	Balance July 1, 2009 Restated	Transfers	Additions	Deletions	Balance June 30, 2010
Non-Depreciable Assets:					
Land	\$ 4,841,604	\$ (857,270)	\$ -	\$ -	\$ 3,984,334
Construction in progress	50,421,455	(3,962,511)	22,488,310	(22,041,387)	46,905,867
Total Non-Depreciable Assets	<u>55,263,059</u>	<u>(4,819,781)</u>	<u>22,488,310</u>	<u>(22,041,387)</u>	<u>50,890,201</u>
Depreciable Assets:					
Land Rights	1,842,400	(22,698)	1,080	(2,000)	1,818,782
Buildings	105,517,710	(5,257,722)	1,850,959	-	102,110,947
Improvements other than buildings	101,083,584	(4,598,962)	10,488,651	(217,794)	106,755,479
Equipment	262,844,592	(1,622,391)	12,764,130	(2,108,050)	271,878,281
Total Depreciable Assets	<u>471,288,286</u>	<u>(11,501,773)</u>	<u>25,104,820</u>	<u>(2,327,844)</u>	<u>482,563,489</u>
Total Business-type Assets	<u>526,551,345</u>	<u>(16,321,554)</u>	<u>47,593,130</u>	<u>(24,369,231)</u>	<u>533,453,690</u>
Accumulated Depreciation:					
Land Rights	(775,188)	-	(44,864)	1	(820,051)
Buildings	(40,949,876)	3,668,253	(2,939,102)	-	(40,220,725)
Improvements other than buildings	(42,898,831)	2,429,668	(2,966,447)	485,895	(42,949,715)
Equipment	(116,090,336)	928,477	(8,477,072)	2,033,339	(121,605,592)
Total Accumulated Depreciation	<u>(200,714,231)</u>	<u>7,026,398</u>	<u>(14,427,485)</u>	<u>2,519,235</u>	<u>(205,596,083)</u>
Net Business-type Assets	<u>\$ 325,837,114</u>	<u>\$ (9,295,156)</u>	<u>\$ 33,165,645</u>	<u>\$ (21,849,996)</u>	<u>\$ 327,857,607</u>

Enterprise Assets – by fund

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>	<u>Golf</u>
Land and land Rights	\$ 3,546,554	\$ 1,653,833	\$ 479,388	\$ 23,341	\$ 100,000
Buildings and Structures	62,987,015	14,008,573	23,989,482	80,640	1,045,237
Improvements other Than buildings	53,536,386	36,366,354	13,903,285	14,839	2,934,615
Equipment	258,337,662	9,152,771	3,454,500	101,099	832,249
Total	<u>378,407,617</u>	<u>61,181,531</u>	<u>41,826,655</u>	<u>219,919</u>	<u>4,912,101</u>
Less accumulated Depreciation	(157,337,680)	(29,678,444)	(16,234,251)	(176,874)	(2,168,834)
Construction in progress	35,931,538	10,063,881	885,501	24,947	-
Net Assets	<u>\$ 257,001,475</u>	<u>\$ 41,566,968</u>	<u>\$ 26,477,905</u>	<u>\$ 67,992</u>	<u>\$ 2,743,267</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	\$ 973,827
Airport	779,615
Police	568,351
Fire	674,671
Parks, recreation, cultural affairs	2,282,878
Public works/Community development	288,348
Highways and streets	<u>2,163,400</u>

Total depreciation expense - governmental activities \$ 7,731,090

Business-type activities:

Electric	\$ 11,355,345
Water	1,638,170
Wastewater	1,210,779
Sanitation	4,777
Golf	<u>218,414</u>

Total depreciation expense - business-type activities \$ 14,427,485

Construction commitments

The City has two active material construction projects as of June 30, 2010; 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	\$ 982,693	\$ 2,100,000
Wildflower widening	670,229	1,162,000
	<u>\$ 1,652,922</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, 2010 is as follows:

<u>Accrued Claims Payable</u>	<u>Governmental Funds</u>	<u>Health Fund</u>	<u>Total</u>
Health/WorkComp/Liability Claims	\$ 1,396,987	\$ 1,056,693	\$ 2,453,680
<u>Other Accrued Liabilities</u>			
Taxes	547	-	547
Intergovernmental	1,189	-	1,189
Court collections	15,156	-	15,156
	<u>16,892</u>	<u>-</u>	<u>16,892</u>
Total	\$ 1,413,879	\$ 1,056,693	\$ 2,470,572

The composition of other accrued expenses as of June 30, 2010 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	\$ 375,649	\$ 7,308	\$ 4,959	\$ 78	\$ 24,322	\$ 412,316
Gross receipts taxes	412,623	93,258	-	-	5,651	511,532
Water conservation fee	-	17,216	-	-	-	17,216
Compensating taxes	4,637	-	-	-	-	4,637
Ad valorem taxes	305,000	-	-	-	-	305,000
Franchise taxes	200,179	-	-	-	-	200,179
PNM deferred credits	20,874	-	-	-	-	20,874
Billed customer deposits	22,581	-	-	-	-	22,581
Total	\$ 1,341,543	\$ 117,782	\$ 4,959	\$ 78	\$ 29,973	\$ 1,494,335

The composition of interfund balances as of June 30, 2010 is as follows:

Fund Financial Statements – Transfers

Governmental Funds	<u>In</u>	<u>Out</u>
General fund – operating transfer to airport construction grant projects fund	\$ -	\$ 25,000
General fund – operating transfer to debt service fund	-	994,000
General fund – operating transfer to region II fund	-	30,000
General fund – operating transfer to governmental capital projects fund	-	919,917
General fund – operating transfer from electric/water/ww	5,099,638	-
General fund – operating transfer from airport fund	-	12,790
GRT streets fund – operating transfer to debt service fund	-	533,500
GRT streets fund – operating transfer to water utility fund	-	61,304
Region II fund – matching funds for grant from general fund	30,000	-
State fire grant fund – matching funds for fire station to debt service	-	110,000
Governmental capital projects fund – operating transfer from general fund	919,917	-
Airport construction grant projects fund – operating transfer from general fund	25,000	-
Airport construction grant projects fund – operating transfer from airport fund	86,107	-
Debt service fund – operating transfer from GRT streets fund	533,500	-
Debt service fund – operating transfer from general fund	994,000	-
Debt service fund – operating transfer from state fire fund	110,000	-
	<u>7,798,162</u>	<u>\$ 2,686,511</u>
Total governmental funds transfers		
	<u>\$ 5,111,651</u>	
Business-type funds		
Electric utility fund – operating transfer to general fund	\$ -	\$ 4,162,063
Water utility fund – operating transfer from GRT streets fund	61,304	-
Water utility fund – operating transfer to general fund	-	618,640
Wastewater utility fund – operating transfer to general fund	-	318,935
Airport fund – operating transfer to general fund/airport construction grant projects fund	-	73,317
	<u>\$ 61,304</u>	<u>5,172,955</u>
Total business-type funds transfers		
		<u>\$ 5,111,651</u>
Net business-type transfers		
<u>Government-wide Financial Statements – Transfers</u>		
	<u>In</u>	<u>Out</u>
Airport fund – transfer due to reassignment to governmental capital assets	\$ 9,295,156	\$ 9,295,156
Net governmental and business-type transfers	5,111,651	5,111,651
	<u>\$ 14,406,807</u>	<u>\$ 14,406,807</u>

Airport Fund Operations Reassigned to General Fund

At the beginning of FY2010, the Airport operations were 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 could not support the operations of the Airport, management determined that this activity no longer met the criteria of being an enterprise fund. The effect of this transfer was a decrease of (\$12,790) to General Fund fund balance and an increase of \$86,107 to Airport Construction Grant Projects Fund fund balance.

The reassignment of capital assets from the airport fund to governmental activities was recorded as a transfer out on the statement of activities in the amount of \$9,295,156.

The transfers of assets net of liabilities (\$73,317) was recorded as an operating transfer out of (\$12,790) and an operating transfer in of \$86,107 on the fund statements.

E. Leases

Operating Leases

The City leases equipment (police motorcycles and an AS/400 mainframe computer) under noncancelable operating leases. The future minimum lease payments for these leases are as follows:

<u>Year Ending</u>		<u>Amount</u>
2011	\$	210,145
2012		156,553
2013		70,969
2014		5,914
Total	\$	<u>443,581</u>

Capital Leases

The City has entered into a lease agreement for turf equipment for the golf courses. The turf equipment is valued at \$ 492,085. This agreement qualifies as a capital lease for accounting purposes and, therefore, has 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:

Asset		<u>Business Activities</u>
Machinery and equipment	\$	492,085
Less: accumulated depreciation		<u>(436,588)</u>
Total	\$	<u>55,497</u>

The future minimum lease obligation and the net present value of those minimum lease payments as of June 30, 2010 were as follows:

<u>Year Ending</u>	Golf Course Turf Equipment
2011	\$ 63,221
2012	30,477
Total minimum lease payments	<u>93,698</u>
Less: amount representing interest Payments	<u>(6,853)</u>
	<u>\$ 86,845</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, 2010 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 FY2002, 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 FY2005, 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, 2010 are as follows:

	Interest Rates	Interest				Total
		General Govt	Electric	Water	Wastewater	
Governmental Activities						
Sales Tax Bonds 2001	4.00 - 5.00%	\$ 3,975,000	\$ -	\$ -	\$ -	\$ 3,975,000
Sales Tax Bonds 2005	3.50 - 4.00%	4,020,000	-	-	-	4,020,000
Business Activities						
Serial Bonds 2002	3.50 - 5.00%	-	12,742,806	2,749,730	452,464	15,945,000
Total		\$ 7,995,000	\$ 12,742,806	\$ 2,749,730	\$ 452,464	\$ 23,940,000

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
	2011	\$ 1,315,000	\$ 330,393	\$ 4,639,197	\$ 601,581	\$ 1,001,077	\$ 129,813	\$ 164,726
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	\$ 7,995,000	\$ 1,290,745	\$ 12,742,806	\$ 1,097,275	\$ 2,749,730	\$ 236,777	\$ 452,464	\$ 38,962

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, 2010, 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
2011	\$ 593,876	\$ 359,121
2012	611,693	341,305
2013	630,043	322,954
2014	648,945	304,052
2015	668,413	284,584
2016-2020	3,655,156	1,109,829
2021-2025	4,237,328	527,658
2026	925,240	27,757
Total	\$ 11,970,694	\$ 3,277,260

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, 2010 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, 2010, the following outstanding bonds are considered defeased (amounts in thousands):

	Series 1992
Original issue amount	\$ 49,205
Retired prior to fiscal year	(28,770)
Retired during the year ended 2010	<u>(6,780)</u>
Balance of principal remaining	<u>\$ 13,655</u>
Interest payments made during year ended June 30, 2010	\$ <u>1,175</u>

Changes in Long-term Liabilities

During the year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Bonds payable:					
2001 Sales tax revenue bonds	\$ 4,875,000	\$ -	\$ (900,000)	\$ 3,975,000	\$ 935,000
2005 Sales tax revenue bonds	4,390,000	-	(370,000)	4,020,000	380,000
Premium on bonds	109,468	-	(21,894)	87,574	21,894
Total bonds payable	9,374,468	-	(1,291,894)	8,082,574	1,336,894
Claims and judgments	2,091,845	5,412,892	(5,051,057)	2,453,680	1,713,693
Compensated absences	3,297,464	1,964,463	(1,933,895)	3,328,032	166,402
Total long-term liabilities					
Governmental activities	\$ 14,763,777	\$ 7,377,355	\$ (8,276,846)	\$ 13,864,286	\$ 3,216,989
Business-type activities:					
Bonds payable:					
Series 2002A	\$ 21,470,000	\$ -	\$ (5,525,000)	\$ 15,945,000	\$ 5,805,000
Premium on bonds	900,275	-	(229,858)	670,417	229,858
Total bonds payable	22,370,275	-	(5,754,858)	16,615,417	6,034,858
NMED loan	12,547,273	-	(576,579)	11,970,694	593,876
Capital leases	136,302	110,993	(160,450)	86,845	57,238
Compensated absences	1,046,917	540,523	(562,546)	1,024,894	562,546
Total long-term liabilities					
Business-type activities	\$ 36,100,767	\$ 651,516	\$ (7,054,433)	\$ 29,697,850	\$ 7,248,518

G. Restricted Assets

The following is a summary of restricted assets as of June 30, 2010:

Enterprise Funds

	Electric	Water	Wastewater	Total
Revenue bond current debt service	\$ 438,861	\$ 94,701	\$ 15,583	\$ 549,145
NMED loan debt service reserves	-	-	1,107,937	1,107,937
Revenue bond renewal, replacement and contingency account	1,598,345	344,902	56,753	2,000,000
Customer deposits/overpayments	3,554,678	264,136	-	3,818,814
Total restricted assets	\$ 5,591,884	\$ 703,739	\$ 1,180,273	\$ 7,475,896

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 two years are as follows:

	June 30, 2009		June 30, 2010	
	Health	Risk Mgmt	Health	Risk Mgmt
Unpaid claims, beginning of fiscal year	\$ 509,375	\$ 1,784,247	\$ 848,503	\$ 1,243,342
Incurred claims and changes in estimate	4,183,212	351,715	4,212,982	1,199,910
Claim payments	(3,844,084)	(892,620)	(4,004,792)	(1,046,265)
Unpaid claims, end of fiscal year	<u>\$ 848,503</u>	<u>\$ 1,243,342</u>	<u>\$ 1,056,693</u>	<u>\$ 1,396,987</u>
Due within one year			<u>\$ 1,056,693</u>	<u>\$ 657,000</u>

City management's estimates of current portion based on historical data.

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 FY2010, the City contributed

\$22,121 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 FY2010 the City did not make any financial contribution to the Commission. Complete financial statements may be obtained by contacting the San Juan Water Commission.

Natural Gas Purchase Agreement. In November 2009, the City entered into a 30 year natural gas purchase agreement with the New Mexico Municipal Energy Acquisition Authority (NMMEAA) for approximately 85% of its historical requirements. Under this agreement the City will purchase gas at an index price less a discount. The discount is derived from a prepaid gas arrangement between NMMEAA and the Royal Bank of Canada (RBC). The variable discount is derived from the difference between taxable and non-taxable interest rate indices. The City's only obligation is to purchase gas from NMMEAA. The City has no obligation to purchase gas that is not needed, no exposure to any bond risk associated with the transaction between NMMEAA and RBC, and no exposure to paying greater than index for gas. The City anticipates annual savings of approximately \$912,500 per year under this agreement.

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., 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, 2010, 2009, and 2008 were \$8,953,674, \$8,916,669, and \$8,556,921, 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. During the fiscal year ended June 30, 2010, the statute required 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. For employees who are not members of an enhanced retirement plan the contribution rates will be:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY2011	1.666%	.833%
FY2012	1.834%	.917%
FY2013	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) the contribution rates will be:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY2011	2.084%	1.042%
FY2012	2.292%	1.146%
FY2013	2.500%	1.250%

Also, 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.

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, 2010, 2009 and 2008 were \$512,041, 512,664 and 446,992, respectively, 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 \$5.9 million for contracted services for the year ended June 30, 2010.

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, 2010 was \$1,124,025,000. 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 the previous years, the Electric Utility's construction-in-process was over-stated by \$198,298. The amount represents wire that was used for Electric Construction but was considered waste and should have been expensed. This error was discovered in FY2010 and was corrected as a prior period adjustment for prior years.

In FY2009 the Governmental Activities included \$608,724 worth of construction-in-process that was actually for the Golf Fund. In FY2010 this error was discovered and corrected as a prior period adjustment. The capital expenditures should have been in the Golf Fund and not in the Special Revenue Parks Fund.

Also in FY2010 Contributed Capital for the Golf Fund was overstated by \$5,500. As a result a prior period adjustment had to be done to correct the error. The Golf Fund's Nets Assets includes both the Contributed Capital and the Fund Balance combined.

Restatement of net assets – Government-wide:

	Governmental Activities	Business-type Activities	Total
<u>Constuction in progress 6/30/09</u>			
As Reported	\$ 13,525,697	\$ 50,011,029	\$ 63,536,726
Correction - Electric Utility	-	(198,298)	(198,298)
Correction - Golf Fund	(608,724)	608,724	-
As Restated	<u>\$ 12,916,973</u>	<u>\$ 50,421,455</u>	<u>\$ 63,338,428</u>
<u>Total Net Assets 6/30/09</u>			
As Reported	\$ 106,882,251	\$ 352,982,105	\$ 459,864,356
Correction	(608,724)	404,926	(203,798)
As Restated	<u>\$ 106,273,527</u>	<u>\$ 353,387,031</u>	<u>\$ 459,660,558</u>

Restatement of net assets – Proprietary Funds:

	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport	Totals
<u>Construction in progress</u>							
As Reported	\$ 35,088,316	\$ 6,847,959	\$ 4,112,243	\$ -	\$ -	\$ 3,962,511	\$ 50,011,029
Correction - Electric Utility	(198,298)	-	-	-	-	-	(198,298)
Correction - Golf Fund	-	-	-	-	608,724	-	608,724
As Restated (6/30/09)	<u>\$ 34,890,018</u>	<u>\$ 6,847,959</u>	<u>\$ 4,112,243</u>	<u>\$ -</u>	<u>\$ 608,724</u>	<u>\$ 3,962,511</u>	<u>\$ 50,421,455</u>
<u>Total Net Assets</u>							
As Reported	\$ 287,731,283	\$ 33,987,088	\$ 18,695,737	\$ 969,791	\$ 2,229,733	\$ 9,368,473	\$ 352,982,105
Correction - Capital Assets	(198,298)	-	-	-	608,724	-	410,426
Correction - Contributed Capital	-	-	-	-	(5,500)	-	(5,500)
As Restated (06/30/09)	<u>\$ 287,532,985</u>	<u>\$ 33,987,088</u>	<u>\$ 18,695,737</u>	<u>\$ 969,791</u>	<u>\$ 2,832,957</u>	<u>\$ 9,368,473</u>	<u>\$ 353,387,031</u>

J. 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.



Totah Festival – Farmington Civic Center

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.

COPS Program 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 funded primarily by federal and state grants.

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

Airport Construction Grant Projects Fund – This fund is used to account for airport capital projects funded primarily by federal and state grants.

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, 2010

	Special Revenue				
	Gross Receipts Tax Parks	Park Development Fees	Recreation	Library Gifts and Grants	Parks/ Recreation Gifts and Grants
ASSETS:					
Pooled cash and investments	\$ 834,254	\$ 349,998	\$ -	\$ 215,238	\$ 620,949
Accounts receivable	-	-	-	-	-
Intergovernmental receivable	405,714	-	-	-	7,486
Total assets	1,239,968	349,998	-	215,238	628,435
LIABILITIES:					
Accounts payable	26,413	-	-	-	11
Deferred revenue	-	-	-	-	-
Accrued wages payable	36,375	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	62,788	-	-	-	11
FUND BALANCES:					
Reserved - debt service	-	-	-	-	-
Unreserved - designated for subsequent years	1,177,180	349,998	-	215,238	628,424
Unreserved	-	-	-	-	-
Total fund balances	1,177,180	349,998	-	215,238	628,424
Total liabilities and fund balances	\$ 1,239,968	\$ 349,998	\$ -	\$ 215,238	\$ 628,435

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, 2010

	Special Revenue				
	Museum Gifts and Grants	Lodgers Tax	State Police Protection Grant	Region II Narcotics Grant	COPS Program Grant
ASSETS:					
Pooled cash and investments	\$ 166,353	\$ 381,808	\$ 16,098	\$ 110,291	\$ -
Accounts receivable	-	-	-	-	-
Intergovernmental receivable	-	286,573	-	204,262	39,747
Total assets	166,353	668,381	16,098	314,553	39,747
LIABILITIES:					
Accounts payable	356	27,602	-	60,247	-
Deferred revenue	-	51,513	-	-	-
Accrued wages payable	-	18,187	-	11,805	5,573
Due to other funds	-	-	-	142,926	34,174
Total liabilities	356	97,302	-	214,978	39,747
FUND BALANCES:					
Reserved - debt service	-	-	-	-	-
Unreserved - designated for subsequent years	165,997	571,079	16,098	99,575	-
Unreserved	-	-	-	-	-
Total fund balances	165,997	571,079	16,098	99,575	-
Total liabilities and fund balances	\$ 166,353	\$ 668,381	\$ 16,098	\$ 314,553	\$ 39,747

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, 2010

	Special Revenue			
	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	Total Special Revenue
ASSETS:				
Pooled cash and investments	\$ 58,301	\$ 390,105	\$ 38,074	\$ 3,181,469
Accounts receivable	-	-	-	-
Intergovernmental receivable	-	-	-	943,782
Total assets	58,301	390,105	38,074	4,125,251
LIABILITIES:				
Accounts payable	-	-	38,074	152,703
Deferred revenue	54,437	-	-	105,950
Accrued wages payable	-	-	-	71,940
Due to other funds	-	-	-	177,100
Total liabilities	54,437	-	38,074	507,693
FUND BALANCES:				
Reserved - debt service	-	-	-	-
Unreserved - designated for subsequent years	3,864	390,105	-	3,617,558
Unreserved	-	-	-	-
Total fund balances	3,864	390,105	-	3,617,558
Total liabilities and fund balances	\$ 58,301	\$ 390,105	\$ 38,074	\$ 4,125,251

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, 2010

Capital Projects

	<u>Community Development Grant Projects</u>	<u>Governmental Capital Projects</u>	<u>Airport Construction Grant Projects</u>	<u>Total Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS:						
Pooled cash and investments	\$ 706,335	\$ 100,755	\$ 99,300	\$ 906,390	\$ 84,648	\$ 4,172,507
Accounts receivable	6,849	6,930	-	13,779	-	13,779
Intergovernmental receivable	1,127,766	-	331,219	1,458,985	-	2,402,767
Total assets	<u>1,840,950</u>	<u>107,685</u>	<u>430,519</u>	<u>2,379,154</u>	<u>84,648</u>	<u>6,589,053</u>
LIABILITIES:						
Accounts payable	-	9,450	376,727	386,177	-	538,880
Deferred revenue	-	-	-	-	-	105,950
Accrued wages payable	2,365	-	-	2,365	-	74,305
Due to other funds	-	-	-	-	-	177,100
Total liabilities	<u>2,365</u>	<u>9,450</u>	<u>376,727</u>	<u>388,542</u>	<u>-</u>	<u>896,235</u>
FUND BALANCES:						
Reserved - debt service	-	-	-	-	84,648	84,648
Unreserved - designated for special revenue purposes	-	-	-	-	-	3,617,558
Unreserved - designated for capital projects	1,838,585	98,235	53,792	1,990,612	-	1,990,612
Total fund balances	<u>1,838,585</u>	<u>98,235</u>	<u>53,792</u>	<u>1,990,612</u>	<u>84,648</u>	<u>5,692,818</u>
Total liabilities and fund balances	<u>\$ 1,840,950</u>	<u>\$ 107,685</u>	<u>\$ 430,519</u>	<u>\$ 2,379,154</u>	<u>\$ 84,648</u>	<u>\$ 6,589,053</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, 2010

Special Revenue

	Gross Receipts Tax Parks	Park Development Fees	Recreation	Library Gifts and Grants	Parks/ Recreation Gifts and Grants
REVENUES:					
Taxes:					
Gross receipts tax	\$ 2,368,187	\$ -	\$ -	\$ -	\$ -
Cigarette taxes	-	-	42,908	-	-
Lodger's taxes	-	-	-	-	-
Licenses and permits	-	23,573	-	-	-
Intergovernmental	-	-	-	257,903	100,287
Charges for services	-	-	-	-	-
Fines	-	-	-	-	-
Investment earnings	14,417	6,826	-	5,465	11,006
Donations	-	-	-	56,504	273,123
Miscellaneous	95,963	69	-	424	303,763
Total revenues	<u>2,478,567</u>	<u>30,468</u>	<u>42,908</u>	<u>320,296</u>	<u>688,179</u>
EXPENDITURES:					
Current:					
Police operations	-	-	-	-	-
Fire operations	-	-	-	-	-
Parks, recreation and cultural affairs	2,362,623	10,830	44,393	249,475	494,571
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
General government	-	-	-	-	-
Airport	-	-	-	-	-
Highways and streets	-	-	-	-	-
Total expenditures	<u>2,362,623</u>	<u>10,830</u>	<u>44,393</u>	<u>249,475</u>	<u>494,571</u>
Excess (deficiency) of revenues over (under) expenditures	<u>115,944</u>	<u>19,638</u>	<u>(1,485)</u>	<u>70,821</u>	<u>193,608</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	115,944	19,638	(1,485)	70,821	193,608
Fund balances-beginning	1,061,236	330,360	1,485	144,417	434,816
Fund balances-ending	<u>\$ 1,177,180</u>	<u>\$ 349,998</u>	<u>\$ -</u>	<u>\$ 215,238</u>	<u>\$ 628,424</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, 2010

Special Revenue

	Museum Gifts and Grants	Lodgers Tax	State Police Protection Grant	Region II Narcotics Grant	COPS Program Grant
REVENUES:					
Taxes:					
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -
Cigarette taxes	-	-	-	-	-
Lodger's taxes	-	1,147,596	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	12,688	-	102,600	527,276	102,593
Charges for services	124,795	-	-	-	-
Fines	-	-	-	-	-
Investment earnings	2,943	8,231	-	817	-
Donations	25,835	-	-	-	-
Miscellaneous	740	5,665	554	36,318	-
Total revenues	<u>167,001</u>	<u>1,161,492</u>	<u>103,154</u>	<u>564,411</u>	<u>102,593</u>
EXPENDITURES:					
Current:					
Police operations	-	-	107,054	643,641	102,593
Fire operations	-	-	-	-	-
Parks, recreation and cultural affairs	129,581	1,150,683	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
General government	-	-	-	-	-
Airport	-	-	-	-	-
Highways and streets	-	-	-	-	-
Total expenditures	<u>129,581</u>	<u>1,150,683</u>	<u>107,054</u>	<u>643,641</u>	<u>102,593</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,420</u>	<u>10,809</u>	<u>(3,900)</u>	<u>(79,230)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	30,000	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	37,420	10,809	(3,900)	(49,230)	-
Fund balances-beginning	<u>128,577</u>	<u>560,270</u>	<u>19,998</u>	<u>148,805</u>	<u>-</u>
Fund balances-ending	<u>\$ 165,997</u>	<u>\$ 571,079</u>	<u>\$ 16,098</u>	<u>\$ 99,575</u>	<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, 2010

	<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	\$ -	\$ -	\$ -	2,368,187
Cigarette taxes	-	-	-	42,908
Lodger's taxes	-	-	-	1,147,596
Licenses and permits	-	-	-	23,573
Intergovernmental	312,388	684,775	-	2,100,510
Charges for services	-	-	-	124,795
Fines	-	-	213,463	213,463
Investment earnings	3,653	10,343	-	63,701
Donations	-	-	-	355,462
Miscellaneous	-	1,487	680	445,663
Total revenues	<u>316,041</u>	<u>696,605</u>	<u>214,143</u>	<u>6,885,858</u>
EXPENDITURES:				
Current:				
Police operations	315,522	-	214,143	1,382,953
Fire operations	-	202,203	-	202,203
Parks, recreation and cultural affairs	-	-	-	4,442,156
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Airport	-	-	-	-
Highways and streets	-	-	-	-
Total expenditures	<u>315,522</u>	<u>202,203</u>	<u>214,143</u>	<u>6,027,312</u>
Excess (deficiency) of revenues over (under) expenditures	<u>519</u>	<u>494,402</u>	<u>-</u>	<u>858,546</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	30,000
Transfers out	-	(110,000)	-	(110,000)
Total other financing sources (uses)	<u>-</u>	<u>(110,000)</u>	<u>-</u>	<u>(80,000)</u>
Net change in fund balances	519	384,402	-	778,546
Fund balances-beginning	<u>3,345</u>	<u>5,703</u>	<u>-</u>	<u>2,839,012</u>
Fund balances-ending	<u>\$ 3,864</u>	<u>\$ 390,105</u>	<u>\$ -</u>	<u>\$ 3,617,558</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, 2010

	Capital Projects					
	Community Development Grant Projects	Governmental Capital Projects	Airport Construction Grant Projects	Total Capital Projects	Debt Service	Total Nonmajor Governmental Funds
REVENUES:						
Taxes:						
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -	2,368,187
Cigarette taxes	-	-	-	-	-	42,908
Lodger's taxes	-	-	-	-	-	1,147,596
Licenses and permits	-	-	-	-	-	23,573
Intergovernmental	2,267,483	-	1,198,699	3,466,182	-	5,566,692
Charges for services	-	-	-	-	-	124,795
Fines	-	-	-	-	-	213,463
Investment earnings	20,137	5,197	977	26,311	14,588	104,600
Donations	-	-	-	-	-	355,462
Miscellaneous	458	169	5	632	-	446,295
Total revenues	<u>2,288,078</u>	<u>5,366</u>	<u>1,199,681</u>	<u>3,493,125</u>	<u>14,588</u>	<u>10,393,571</u>
EXPENDITURES:						
Current:						
Police operations	-	-	-	-	-	1,382,953
Fire operations	-	-	-	-	-	202,203
Parks, recreation and cultural affairs	-	-	-	-	-	4,442,156
Debt Service:						
Principal	-	-	-	-	1,270,000	1,270,000
Interest	-	-	-	-	379,342	379,342
Capital outlay:						
General government	-	1,131,624	-	1,131,624	-	1,131,624
Airport	-	-	1,256,996	1,256,996	-	1,256,996
Highways and streets	1,862,085	-	-	1,862,085	-	1,862,085
Total expenditures	<u>1,862,085</u>	<u>1,131,624</u>	<u>1,256,996</u>	<u>4,250,705</u>	<u>1,649,342</u>	<u>11,927,359</u>
Excess (deficiency) of revenues over (under) expenditures	<u>425,993</u>	<u>(1,126,258)</u>	<u>(57,315)</u>	<u>(757,580)</u>	<u>(1,634,754)</u>	<u>(1,533,788)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	919,917	111,107	1,031,024	1,637,500	2,698,524
Transfers out	-	-	-	-	-	(110,000)
Total other financing sources (uses)	<u>-</u>	<u>919,917</u>	<u>111,107</u>	<u>1,031,024</u>	<u>1,637,500</u>	<u>2,588,524</u>
Net change in fund balances	425,993	(206,341)	53,792	273,444	2,746	1,054,736
Fund balances-beginning	1,412,592	304,576	-	1,717,168	81,902	4,638,082
Fund balances-ending	<u>\$ 1,838,585</u>	<u>\$ 98,235</u>	<u>\$ 53,792</u>	<u>\$ 1,990,612</u>	<u>\$ 84,648</u>	<u>\$ 5,692,818</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, 2010

	<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	\$ 2,837,635	\$ 2,553,885	\$ 2,386,479	\$ (167,406)
Investment earnings	40,000	40,000	14,417	(25,583)
Miscellaneous	7,000	7,000	95,963	88,963
Total revenues	<u>2,884,635</u>	<u>2,600,885</u>	<u>2,496,859</u>	<u>(104,026)</u>
EXPENDITURES:				
Current:				
Parks, Recreation and Cultural Affairs	<u>3,063,451</u>	<u>3,278,718</u>	<u>2,341,908</u>	<u>936,810</u>
Excess (deficiency) of revenues over (under) expenditures	(178,816)	(677,833)	<u>154,951</u>	<u>\$ 832,784</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(18,292)	
Change in accounts payable			<u>(20,715)</u>	
			<u>(39,007)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			115,944	
Fund balances-beginning	<u>1,061,236</u>	<u>1,061,236</u>	<u>1,061,236</u>	
Fund balances-ending	<u>\$ 882,420</u>	<u>\$ 383,403</u>	<u>\$ 1,177,180</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, 2010

	<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	\$ 15,000	\$ 15,000	\$ 23,573	\$ 8,573
Investment earnings	8,000	8,000	6,826	(1,174)
Miscellaneous	-	-	69	69
Total revenues	<u>23,000</u>	<u>23,000</u>	<u>30,468</u>	<u>7,468</u>
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	<u>100,000</u>	<u>100,000</u>	<u>10,830</u>	<u>89,170</u>
Excess (deficiency) of revenues over (under) expenditures	(77,000)	(77,000)	19,638	<u>\$ 96,638</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			<u>-</u>	
GAAP BASIS CHANGE IN FUND BALANCES			19,638	
Fund balances-beginning	<u>330,360</u>	<u>330,360</u>	<u>330,360</u>	
Fund balances-ending	<u>\$ 253,360</u>	<u>\$ 253,360</u>	<u>\$ 349,998</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Cigarette taxes	\$ 51,100	\$ 51,100	\$ 41,055	\$ (10,045)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	51,100	51,100	41,055	10,045
Excess (deficiency) of revenues over (under) expenditures	-	-	-	\$ -
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			1,853	
Change in accrued wages payable			(3,338)	
			<u>(1,485)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(1,485)	
Fund balances-beginning	1,485	1,485	1,485	
Fund balances-ending	\$ <u>1,485</u>	\$ <u>1,485</u>	\$ -	

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 30,000	\$ 217,000	\$ 257,903	\$ 40,903
Investment earnings	5,000	5,000	5,465	465
Donations	10,000	10,000	56,504	46,504
Miscellaneous	500	500	424	(76)
Total revenues	<u>45,500</u>	<u>232,500</u>	<u>320,296</u>	<u>87,796</u>
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	<u>65,000</u>	<u>252,102</u>	<u>143,517</u>	<u>108,585</u>
Excess (deficiency) of revenues over (under) expenditures	(19,500)	(19,602)	176,779	<u>\$ 196,381</u>
ADJUSTMENTS TO GAAP:				
Change in accounts payable			<u>(105,958)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			70,821	
Fund balances-beginning	<u>144,417</u>	<u>144,417</u>	<u>144,417</u>	
Fund balances-ending	<u>\$ 124,917</u>	<u>\$ 124,815</u>	<u>\$ 215,238</u>	

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 1,213,103	\$ 1,213,103	\$ 99,609	\$ (1,113,494)
Investment earnings	9,000	9,000	11,006	2,006
Donations	180,200	180,200	273,123	92,923
Miscellaneous	133,850	133,850	303,763	169,913
Total revenues	<u>1,536,153</u>	<u>1,536,153</u>	<u>687,501</u>	<u>(848,652)</u>
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	<u>1,495,503</u>	<u>1,495,503</u>	<u>494,571</u>	<u>1,000,932</u>
Excess (deficiency) of revenues over (under) expenditures	40,650	40,650	192,930	152,280
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Net change in fund balances	40,650	50,650	192,930	<u>\$ 142,280</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			<u>678</u>	
GAAP BASIS CHANGE IN FUND BALANCES			193,608	
Fund balances-beginning	434,816	434,816	434,816	
Fund balances-ending	<u>\$ 516,116</u>	<u>\$ 536,116</u>	<u>\$ 628,424</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 34,000	\$ 34,000	\$ 12,688	\$ (21,312)
Charges for Services	71,600	71,600	124,795	53,195
Investment earnings	-	-	2,943	2,943
Donations	35,000	35,000	25,835	(9,165)
Miscellaneous	-	-	740	740
Total revenues	140,600	140,600	167,001	26,401
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	121,384	141,384	129,581	11,803
Excess (deficiency) of revenues over (under) expenditures	19,216	(784)	37,420	\$ <u><u>38,204</u></u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			-	
GAAP BASIS CHANGE IN FUND BALANCES			37,420	
Fund balances-beginning	128,577	128,577	128,577	
Fund balances-ending	\$ 147,793	\$ 127,793	\$ 165,997	

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, 2010

	<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	\$ 1,250,000	\$ 1,250,000	\$ 1,104,655	\$ (145,345)
Investment earnings	10,000	10,000	8,231	(1,769)
Miscellaneous	1,000	1,000	5,665	4,665
Total revenues	<u>1,261,000</u>	<u>1,261,000</u>	<u>1,118,551</u>	<u>(142,449)</u>
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	<u>1,333,215</u>	<u>1,333,215</u>	<u>1,178,041</u>	<u>155,174</u>
Excess (deficiency) of revenues over (under) expenditures	(72,215)	(72,215)	<u>(59,490)</u>	<u>\$ 12,725</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			42,941	
Change in accounts payable			<u>27,358</u>	
			<u>70,299</u>	
GAAP BASIS CHANGE IN FUND BALANCES			10,809	
Fund balances-beginning	<u>560,270</u>	<u>560,270</u>	<u>560,270</u>	
Fund balances-ending	<u>\$ 488,055</u>	<u>\$ 488,055</u>	<u>\$ 571,079</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 102,600	\$ 2,600
Miscellaneous	200	200	554	354
Total revenues	<u>100,200</u>	<u>100,200</u>	<u>103,154</u>	<u>2,954</u>
EXPENDITURES:				
Current:				
Police operations	<u>96,000</u>	<u>120,198</u>	<u>106,579</u>	<u>13,619</u>
Excess (deficiency) of revenues over (under) expenditures	4,200	(19,998)	(3,425)	<u>\$ 16,573</u>
ADJUSTMENTS TO GAAP:				
Change in accounts payable			<u>(475)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(3,900)	
Fund balances-beginning	<u>19,998</u>	<u>19,998</u>	<u>19,998</u>	
Fund balances-ending	<u>\$ 24,198</u>	<u>\$ -</u>	<u>\$ 16,098</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 383,000	\$ 602,920	\$ 383,261	\$ (219,659)
Investment earnings	-	-	817	817
Miscellaneous	500	16,485	36,318	19,833
Total revenues	<u>383,500</u>	<u>619,405</u>	<u>420,396</u>	<u>(199,009)</u>
EXPENDITURES:				
Current:				
Public safety	<u>401,640</u>	<u>668,244</u>	<u>664,465</u>	<u>3,779</u>
Excess (deficiency) of revenues over (under) expenditures	(18,140)	(48,839)	(244,069)	(195,230)
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	11,860	(18,839)	<u>(214,069)</u>	<u>\$ (195,230)</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			144,015	
Change in accounts payable			<u>20,824</u>	
			<u>164,839</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(49,230)	
Fund balances-beginning	<u>148,805</u>	<u>148,805</u>	<u>148,805</u>	
Fund balances-ending	<u>\$ 160,665</u>	<u>\$ 129,966</u>	<u>\$ 99,575</u>	

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

CITY OF FARMINGTON, NEW MEXICO
COPS Program Grant Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ 226,403	\$ 62,846	\$ (163,557)
EXPENDITURES:				
Current:				
Public safety	-	226,403	102,765	123,638
Excess (deficiency) of revenues over (under) expenditures	-	-	(39,919)	\$ (39,919)
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			39,747	
Change in accounts payable			172	
			39,919	
GAAP BASIS CHANGE IN FUND BALANCES			-	
Fund balances-beginning	-	-	-	
Fund balances-ending	\$ -	\$ -	\$ -	

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 291,000	\$ 360,156	\$ 360,256	\$ 100
Investment earnings	250	255	3,653	3,398
Total revenues	<u>291,250</u>	<u>360,411</u>	<u>363,909</u>	<u>3,498</u>
EXPENDITURES:				
Current:				
Public safety	<u>291,000</u>	<u>360,161</u>	<u>315,522</u>	<u>44,639</u>
Excess (deficiency) of revenues over (under) expenditures	250	250	48,387	\$ <u><u>48,137</u></u>
ADJUSTMENTS TO GAAP:				
Change in deferred revenue			<u>(47,868)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			519	
Fund balances-beginning	<u>3,345</u>	<u>3,345</u>	<u>3,345</u>	
Fund balances-ending	<u>\$ 3,595</u>	<u>\$ 3,595</u>	<u>\$ 3,864</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 470,000	\$ 470,000	\$ 684,775	\$ 214,775
Investment earnings	3,000	3,000	10,343	7,343
Donations	200	200	-	(200)
Miscellaneous	300	300	1,487	1,187
Total revenues	<u>473,500</u>	<u>473,500</u>	<u>696,605</u>	<u>223,105</u>
EXPENDITURES:				
Current:				
Fire operations	<u>369,188</u>	<u>369,203</u>	<u>212,203</u>	<u>157,000</u>
Excess (deficiency) of revenues over (under) expenditures	104,312	104,297	484,402	380,105
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	(5,688)	(5,703)	374,402	<u>\$ 380,105</u>
ADJUSTMENTS TO GAAP:				
Change in accounts payable			<u>10,000</u>	
GAAP BASIS CHANGE IN FUND BALANCES			384,402	
Fund balances-beginning	5,703	5,703	5,703	
Fund balances-ending	<u>\$ 15</u>	<u>\$ -</u>	<u>\$ 390,105</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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Fines	\$ 200,000	\$ 215,000	\$ 213,463	\$ (1,537)
Miscellaneous	-	-	680	680
Total Revenues	200,000	215,000	214,143	(857)
EXPENDITURES:				
Current:				
Public safety	200,000	215,000	211,686	3,314
Excess (deficiency) of revenues over (under) expenditures	-	-	2,457	\$ 2,457
ADJUSTMENTS TO GAAP:				
Change in accounts payable			(2,457)	
GAAP BASIS CHANGE IN FUND BALANCES			-	
Fund balances-beginning	-	-	-	
Fund balances-ending	\$ -	\$ -	\$ -	

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 2,596,750	\$ 5,113,254	\$ 1,238,054	\$ (3,875,200)
Investment earnings	10,000	10,000	20,137	10,137
Miscellaneous	-	-	458	458
Total revenues	<u>2,606,750</u>	<u>5,123,254</u>	<u>1,258,649</u>	<u>(3,864,605)</u>
EXPENDITURES:				
Capital Outlay:				
Fire Operations	325,000	325,000	-	325,000
Highways and Streets	2,311,316	5,644,305	2,079,626	3,564,679
Total expenditures	<u>2,636,316</u>	<u>5,969,305</u>	<u>2,079,626</u>	<u>3,889,679</u>
Excess (deficiency) of revenues over (under) expenditures	(29,566)	(846,051)	<u>(820,977)</u>	<u>\$ 25,074</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			1,029,429	
Change in accounts payable			<u>217,541</u>	
			<u>1,246,970</u>	
GAAP BASIS CHANGE IN FUND BALANCES			425,993	
Fund balances-beginning	<u>1,412,592</u>	<u>1,412,592</u>	<u>1,412,592</u>	
Fund balances-ending	<u>\$ 1,383,026</u>	<u>\$ 566,541</u>	<u>\$ 1,838,585</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, 2010

	<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	\$ 5,000	\$ 5,000	\$ 5,197	\$ 197
Miscellaneous	-	-	169	169
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>5,366</u>	<u>366</u>
EXPENDITURES:				
Capital Outlay:				
General Government	-	1,122,500	1,122,174	326
Excess (deficiency) of revenues over (under) expenditures	5,000	(1,117,500)	(1,116,808)	692
OTHER FINANCING SOURCES (USES):				
Transfers in	-	953,000	919,917	(33,083)
Net change in fund balances	5,000	(164,500)	(196,891)	<u><u>\$ (32,391)</u></u>
ADJUSTMENTS TO GAAP:				
Change in accounts payable			(9,450)	
GAAP BASIS CHANGE IN FUND BALANCES			(206,341)	
Fund balances-beginning	304,576	304,576	304,576	
Fund balances-ending	<u>\$ 309,576</u>	<u>\$ 140,076</u>	<u>\$ 98,235</u>	

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

CITY OF FARMINGTON, NEW MEXICO
Airport Construction 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, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental	\$ 975,000	\$ 1,091,628	\$ 953,587	\$ (138,041)
Investment earnings	-	-	977	977
Miscellaneous	-	-	5	5
Total revenues	975,000	1,091,628	954,569	(137,059)
EXPENDITURES:				
Capital Outlay:				
Airport	1,000,000	1,116,628	880,269	236,359
Excess (deficiency) of revenues over (under) expenditures	(25,000)	(25,000)	74,300	99,300
OTHER FINANCING SOURCES (USES):				
Transfers in	25,000	73,800	111,107	37,307
Net change in fund balances	-	48,800	185,407	\$ 136,607
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			245,112	
Change in accounts payable			(376,727)	
			(131,615)	
GAAP BASIS CHANGE IN FUND BALANCES			53,792	
Fund balances-beginning	-	-	-	
Fund balances-ending	\$ -	\$ 48,800	\$ 53,792	

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, 2010

	<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	\$ 10,000	\$ 10,000	\$ 14,588	\$ 4,588
EXPENDITURES:				
Debt Service:				
Principal	1,270,000	1,225,000	1,270,000	(45,000)
Interest	379,500	426,050	379,342	46,708
Total expenditures	<u>1,649,500</u>	<u>1,651,050</u>	<u>1,649,342</u>	<u>1,708</u>
Excess (deficiency) of revenues over (under) expenditures	(1,639,500)	(1,641,050)	(1,634,754)	6,296
OTHER FINANCING SOURCES:				
Transfers in	<u>1,637,500</u>	<u>1,637,500</u>	<u>1,637,500</u>	<u>-</u>
Net change in fund balances	(2,000)	(3,550)	2,746	<u>\$ 6,296</u>
ADJUSTMENTS TO GAAP:				
Change in receivables			<u>-</u>	
GAAP BASIS CHANGE IN FUND BALANCES:				
			2,746	
Fund balances-beginning	81,902	81,902	81,902	
Fund balances-ending	<u>\$ 79,902</u>	<u>\$ 78,352</u>	<u>\$ 84,648</u>	

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



Classic car show – Brookside Park

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 5,919,354	\$ 6,260,854	\$ 5,682,152	\$ (578,702)
Operating expenses:				
Costs of services	5,919,272	6,284,397	5,658,873	625,524
Operating income (loss)	82	(23,543)	23,279	46,822
Nonoperating revenues (expenses):				
Investment earnings	2,500	2,500	3,525	1,025
Change in net assets	2,582	(21,043)	26,804	\$ 47,847
 RECONCILIATION TO GAAP BASIS:				
Change in accounts receivable			202,630	
Change in accounts payable			(5,915)	
Change in accrued claims payable			(208,190)	
			(11,475)	
GAAP BASIS CHANGE IN NET ASSETS			15,329	
Total net assets-beginning	(670,777)	(670,777)	(670,777)	
Total net assets-ending	\$ (668,195)	\$ (691,820)	\$ (655,448)	

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 Utility Enterprise Fund
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Operating revenues:				
Charges for sales and services:				
Electric	\$ 98,734,415	\$ 97,884,415	\$ 92,851,595	\$ (5,032,820)
Other revenues	430,000	430,000	1,321,838	891,838
Total operating revenues	<u>99,164,415</u>	<u>98,314,415</u>	<u>94,173,433</u>	<u>(4,140,982)</u>
Operating expenses:				
Salaries and fringe benefits	11,372,509	11,372,509	10,153,657	1,218,852
Purchased power, fuel and chemicals	44,869,110	44,869,110	39,851,509	5,017,601
Other operating expenses	12,691,363	12,814,881	13,072,719	(257,838)
Capital outlay	34,306,139	38,907,181	15,638,168	23,269,013
Total operating expenses	<u>103,239,121</u>	<u>107,963,681</u>	<u>78,716,053</u>	<u>29,247,628</u>
Operating income	<u>(4,074,706)</u>	<u>(9,649,266)</u>	<u>15,457,380</u>	<u>25,106,646</u>
Nonoperating revenues (expenses):				
Investment earnings	1,103,011	1,103,011	1,128,455	25,444
Revenue from grants	4,150,000	4,341,800	143,488	(4,198,312)
Interest expense	(836,853)	(836,853)	(804,912)	31,941
Principal on debt service	<u>(4,415,428)</u>	<u>(4,415,428)</u>	<u>(4,415,428)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>730</u>	<u>192,530</u>	<u>(3,948,397)</u>	<u>(4,140,927)</u>
Income (loss) before operating transfers	(4,073,976)	(9,456,736)	11,508,983	20,965,719
Capital contributions	1,500,000	1,500,000	6,048,958	4,548,958
Transfers out	<u>(2,240,294)</u>	<u>(4,140,294)</u>	<u>(4,162,063)</u>	<u>(21,769)</u>
Change in net assets	(4,814,270)	(12,097,030)	<u>13,395,878</u>	<u>\$ 25,492,908</u>
ADJUSTMENTS TO GAAP				
Depreciation			(11,355,345)	
Amortization			143,731	
Capital outlay capitalized			15,638,168	
Principal on debt service			<u>4,415,428</u>	
			<u>8,841,982</u>	
GAAP BASIS CHANGE IN NET ASSETS			22,237,860	
Total net assets-beginning (restated)	287,532,985	287,532,985	287,532,985	
Total net assets-ending	<u>\$ 282,718,715</u>	<u>\$ 275,435,955</u>	<u>\$ 309,770,845</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
Water Utility Enterprise Fund
For the Year Ended June 30, 2010

	<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:				
Water	\$ 12,690,819	\$ 12,690,819	\$ 12,175,278	\$ (515,541)
Other revenues	-	-	149,351	149,351
Total operating revenues	<u>12,690,819</u>	<u>12,690,819</u>	<u>12,324,629</u>	<u>(366,190)</u>
Operating expenses:				
Salaries and fringe benefits	766,715	766,715	607,194	159,521
Other operating expenses	6,513,295	6,554,280	6,152,016	402,264
Capital outlay	8,999,550	16,979,142	9,088,523	7,890,619
Total operating expenses	<u>16,279,560</u>	<u>24,300,137</u>	<u>15,847,733</u>	<u>8,452,404</u>
Operating income	<u>(3,588,741)</u>	<u>(11,609,318)</u>	<u>(3,523,104)</u>	<u>8,086,214</u>
Nonoperating revenues (expenses):				
Investment earnings	120,000	120,000	74,488	(45,512)
Revenue from operating grants	4,500,000	10,821,688	6,757,185	(4,064,503)
Interest expense	(182,453)	(182,453)	(174,250)	8,203
Principal on debt service	(952,791)	(952,791)	(952,791)	-
Total nonoperating revenues (expenses)	<u>3,484,756</u>	<u>9,806,444</u>	<u>5,704,632</u>	<u>(4,101,812)</u>
Income (loss) before operating transfers	(103,985)	(1,802,874)	2,181,528	3,984,402
Transfer in	-	-	61,304	61,304
Transfers out	(630,000)	(630,000)	(618,640)	11,360
Change in net assets	(733,985)	(2,432,874)	1,624,192	<u>\$ 4,057,066</u>
ADJUSTMENTS TO GAAP				
Depreciation			(1,638,170)	
Amortization			31,015	
Capital outlay capitalized			9,088,523	
Principal on debt service			952,791	
			<u>8,434,159</u>	
GAAP BASIS CHANGE IN NET ASSETS			10,058,351	
Total net assets-beginning	33,987,088	33,987,088	33,987,088	
Total net assets-ending	<u>\$ 33,253,103</u>	<u>\$ 31,554,214</u>	<u>\$ 44,045,439</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
Wastewater Utility Enterprise Fund
For the Year Ended June 30, 2010

	<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:				
Wastewater	\$ 5,684,647	\$ 5,684,647	\$ 6,231,687	\$ 547,040
Environmental tax	1,418,817	1,276,917	1,183,791	(93,126)
Other revenues	2,000	2,000	30,043	28,043
Total operating revenues	<u>7,105,464</u>	<u>6,963,564</u>	<u>7,445,521</u>	<u>481,957</u>
Operating expenses:				
Salaries and fringe benefits	388,182	388,182	348,858	39,324
Other operating expenses	3,724,592	3,767,639	3,304,076	463,563
Capital outlay	3,231,325	4,615,961	1,549,751	3,066,210
Total operating expenses	<u>7,344,099</u>	<u>8,771,782</u>	<u>5,202,685</u>	<u>3,569,097</u>
Operating income	<u>(238,635)</u>	<u>(1,808,218)</u>	<u>2,242,836</u>	<u>4,051,054</u>
Nonoperating revenues (expenses):				
Investment earnings	254,000	254,000	91,665	(162,335)
Revenue from operating grants	-	531,000	-	(531,000)
Interest expense	(422,412)	(422,412)	(404,638)	17,774
Principal on debt service	(756,566)	(756,566)	(733,360)	23,206
Total nonoperating revenues (expenses)	<u>(924,978)</u>	<u>(393,978)</u>	<u>(1,046,333)</u>	<u>(652,355)</u>
Income (loss) before operating transfers	(1,163,613)	(2,202,196)	1,196,503	3,398,699
Transfers out	<u>(290,400)</u>	<u>(290,400)</u>	<u>(318,935)</u>	<u>(28,535)</u>
Change in net assets	(1,454,013)	(2,492,596)	<u>877,568</u>	<u>\$ 3,370,164</u>
ADJUSTMENTS TO GAAP				
Depreciation			(1,210,779)	
Amortization			5,104	
Capital outlay capitalized			1,549,751	
Principal on debt service			733,360	
			<u>1,077,436</u>	
GAAP BASIS CHANGE IN NET ASSETS			1,955,004	
Total net assets-beginning	18,695,737	18,695,737	18,695,737	
Total net assets-ending	<u>\$ 17,241,724</u>	<u>\$ 16,203,141</u>	<u>\$ 20,650,741</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
Sanitation Enterprise Fund
For the Year Ended June 30, 2010

	<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	\$ 5,066,442	\$ 5,066,442	\$ 4,913,332	\$ (153,110)
Other revenues	83,721	83,721	94,521	10,800
Total operating revenues	<u>5,150,163</u>	<u>5,150,163</u>	<u>5,007,853</u>	<u>(142,310)</u>
Operating expenses:				
Salaries and fringe benefits	2,580	2,580	2,615	(35)
Other operating expenses	4,752,503	4,752,503	4,385,626	366,877
Capital outlay	2,000,000	2,000,000	21,040	1,978,960
Total operating expenses	<u>6,755,083</u>	<u>6,755,083</u>	<u>4,409,281</u>	<u>2,345,802</u>
Operating income	(1,604,920)	(1,604,920)	598,572	2,203,492
Nonoperating revenues (expenses):				
Investment earnings	28,952	28,952	27,806	(1,146)
NMED Loan	3,000,000	3,000,000	-	(3,000,000)
Total nonoperating revenues (expenses)	<u>3,028,952</u>	<u>3,028,952</u>	<u>27,806</u>	<u>(3,001,146)</u>
Change in net assets	1,424,032	1,424,032	626,378	\$ <u>(797,654)</u>
ADJUSTMENTS TO GAAP				
Depreciation			(4,777)	
Capital outlay capitalized			<u>21,040</u>	
			<u>16,263</u>	
GAAP BASIS CHANGE IN NET ASSETS			642,641	
Total net assets-beginning	969,791	969,791	969,791	
Total net assets-ending	<u>\$ 2,393,823</u>	<u>\$ 2,393,823</u>	<u>\$ 1,612,432</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 Courses Enterprise Fund
For the Year Ended June 30, 2010

	<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	\$ 1,421,771	\$ 1,421,771	\$ 1,103,577	\$ (318,194)
Other revenues	-	-	2,922	2,922
Total operating revenues	<u>1,421,771</u>	<u>1,421,771</u>	<u>1,106,499</u>	<u>(315,272)</u>
Operating expenses:				
Salaries and fringe benefits	713,533	713,533	670,694	42,839
Other operating expenses	569,650	569,650	390,319	179,331
Capital outlay	156,000	156,000	-	156,000
Total operating expenses	<u>1,439,183</u>	<u>1,439,183</u>	<u>1,061,013</u>	<u>378,170</u>
Operating income	(17,412)	(17,412)	45,486	62,898
Nonoperating revenues (expenses):				
Investment earnings	18,000	18,000	2,213	(15,787)
Interest expense	-	-	(5,638)	(5,638)
Total nonoperating revenues (expenses)	<u>18,000</u>	<u>18,000</u>	<u>(3,425)</u>	<u>(21,425)</u>
Change in net assets	588	588	42,061	\$ <u><u>41,473</u></u>
ADJUSTMENTS TO GAAP				
Depreciation			<u>(218,414)</u>	
GAAP BASIS CHANGE IN NET ASSETS			(176,353)	
Total net assets-beginning (restated)	<u>2,832,957</u>	<u>2,832,957</u>	<u>2,832,957</u>	
Total net assets-ending	<u>\$ 2,833,545</u>	<u>\$ 2,833,545</u>	<u>\$ 2,656,604</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 Enterprise Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Airport	\$ -	\$ -	\$ -	\$ -
Operating expenses:				
Other operating expenses	-	-	-	-
Operating income (loss)	-	-	-	-
Nonoperating revenues (expenses):				
Investment earnings	-	-	-	-
Income (loss) before operating transfers	-	-	-	-
Transfers out	-	(74,652)	(73,317)	1,335
Change in net assets	-	(74,652)	(73,317)	\$ <u>1,335</u>
ADJUSTMENTS TO GAAP				
Reassignment of capital assets			(9,295,156)	
GAAP BASIS CHANGE IN NET ASSETS			(9,368,473)	
Total net assets-beginning	9,368,473	9,368,473	9,368,473	
Total net assets-ending	\$ <u>9,368,473</u>	\$ <u>9,293,821</u>	\$ <u>-</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, 2009 and 2010

	<u>2010</u>	<u>2009</u> Restated
Governmental funds capital assets:		
Land	\$ 26,893,367	\$ 25,914,018
Buildings	62,509,044	52,502,592
Improvements other than buildings	21,032,435	11,489,634
Machinery and equipment	29,710,681	26,510,950
Infrastructure	55,438,835	49,887,806
Construction In Progress	9,167,561	12,916,973
Total governmental funds capital assets	<u>\$ 204,751,923</u>	<u>\$ 179,221,973</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 69,180,212	\$ 59,630,795
Special revenue fund	100,501,437	94,754,774
Capital projects funds	32,954,728	22,795,716
Donations	2,115,546	2,040,688
Total governmental funds capital assets	<u>\$ 204,751,923</u>	<u>\$ 179,221,973</u>

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, 2010

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction In Progress	Total
GENERAL GOVERNMENT:							
Legislative	\$ 4,000	\$ -	\$ -	\$ 33,693	\$ -	\$ -	\$ 37,693
Judicial	-	-	-	140,032	-	-	140,032
Operations center	-	-	-	466,816	-	-	466,816
Fleet maintenance	-	-	-	921,607	-	-	921,607
Stores	-	38,467	270,135	254,787	-	-	563,389
Finance administration	-	-	-	6,520	-	-	6,520
Personnel administration	-	-	-	279,553	-	-	279,553
Purchasing	-	-	-	67,158	-	-	67,158
Law enforcement	-	-	-	22,210	-	-	22,210
Administrative services	1,283,660	10,932,480	21,855	1,678,239	-	689,532	14,605,766
Planning and zoning	-	-	-	24,822	-	-	24,822
Data processing	-	50,347	-	953,621	-	-	1,003,968
Total general government	<u>1,287,660</u>	<u>11,021,294</u>	<u>291,990</u>	<u>4,849,058</u>	<u>-</u>	<u>689,532</u>	<u>18,139,534</u>
PUBLIC SAFETY:							
Police	532,769	3,632,229	77,532	5,591,344	-	-	9,833,874
Fire	60,098	3,388,063	33,151	7,087,841	-	8,313	10,577,466
Inspection	-	-	-	188,791	-	-	188,791
Traffic	-	-	-	501,165	2,967,806	111,036	3,580,007
Total public safety	<u>592,867</u>	<u>7,020,292</u>	<u>110,683</u>	<u>13,369,141</u>	<u>2,967,806</u>	<u>119,349</u>	<u>24,180,138</u>
PUBLIC WORKS/COMMUNITY DEVELOPMENT:							
Streets	16,156,420	33,970	2,474,577	2,233,280	39,143,536	6,664,803	66,706,586
Bridges & Storm Drains	-	-	-	-	12,836,725	61,592	12,898,317
Administration	1,092,506	637,347	413,785	49,302	490,768	-	2,683,708
Survey	-	-	-	140,975	-	-	140,975
Engineering	-	-	-	125,585	-	-	125,585
Total public works/community development	<u>17,248,926</u>	<u>671,317</u>	<u>2,888,362</u>	<u>2,549,142</u>	<u>52,471,029</u>	<u>6,726,395</u>	<u>82,555,171</u>
CULTURE AND RECREATION:							
Parks and recreation	3,959,105	19,581,561	9,751,563	5,366,831	-	294,683	38,953,743
Civic center	92,174	3,184,154	-	353,596	-	-	3,629,924
Senior citizens center	250,627	1,120,352	37,161	201,633	-	114,901	1,724,674
Museum	1,057,979	4,819,473	134,173	174,664	-	-	6,186,289
Animal shelter	132,393	399,911	-	271,488	-	461,391	1,265,183
Total culture and recreation	<u>5,492,278</u>	<u>29,105,451</u>	<u>9,922,897</u>	<u>6,368,212</u>	<u>-</u>	<u>870,975</u>	<u>51,759,813</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>
AIRPORT	<u>879,968</u>	<u>6,004,196</u>	<u>7,712,503</u>	<u>1,648,256</u>	<u>-</u>	<u>761,310</u>	<u>17,006,233</u>
Total governmental funds capital assets	<u>\$ 26,893,367</u>	<u>\$ 62,509,044</u>	<u>\$ 21,032,435</u>	<u>\$ 29,710,681</u>	<u>\$ 55,438,835</u>	<u>\$ 9,167,561</u>	<u>\$ 204,751,923</u>

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

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.	92
<i>Revenue Capacity</i>	97
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.	
<i>Debt Capacity</i>	108
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.	
<i>Demographic and Economic Information</i>	112
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
<i>Operating Information</i>	114
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.	

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

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 82,050,200	\$ 94,776,714
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	4,195,660
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	20,043,161
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	\$ 106,273,527	\$ 119,015,535
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	\$ 290,777,764	\$ 299,184,651
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	3,657,082
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	75,894,328
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	\$ 353,387,031	\$ 378,736,061
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	\$ 372,827,964	\$ 393,961,365
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	7,852,742
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	95,937,489
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	\$ 459,660,558	\$ 497,751,596

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. In 2009, a prior period adjustment was made to adjust governmental and business-type net assets. See Notes (pg 51) for more detail. In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity. See Notes (pg 42) for more detail.

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

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 25,732,424
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	14,918,275
Fire	4,661,223	4,906,661	5,468,824	5,470,572	6,468,886	7,606,467	8,702,072	9,461,309	8,808,809
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	13,349,714
Community development/Public works [a]	7,359,539	7,395,603	5,727,834	7,481,297	8,511,853	10,776,798	11,857,265	2,144,831	8,425,359
Interest on long term debt	378,265	580,368	483,230	421,480	588,521	511,126	488,360	423,713	377,304
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	71,611,885
Business-type activities:									
Electric	63,434,816	68,903,423	65,214,544	72,914,727	65,152,992	66,341,885	79,473,987	75,669,922	75,094,411
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	8,540,615
Wastewater	3,203,574	3,488,296	4,127,386	4,983,626	4,890,385	5,274,284	5,227,357	5,066,171	5,263,247
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	4,393,018
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	1,285,065
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	91,540,095	83,680,956	85,595,423	98,556,757	95,782,751	94,576,356
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	166,188,241
Program Revenues									
Governmental activities:									
Charges for services:									
General government	\$ 4,315,068	\$ 4,892,278	\$ 5,085,210	\$ 5,019,939	\$ 5,379,345	\$ 6,906,273	\$ 7,008,648	\$ 6,420,991	\$ 8,003,589
Police	14,457	15,132	17,425	198,017	39,903	1,266,550	1,366,974	1,483,251	1,518,646
Parks, recreation, cultural affairs	546,488	530,669	552,114	545,461	703,731	888,618	831,845	884,964	844,503
Community development/Public works [a]	69,040	68,155	77,390	75,116	101,605	95,485	86,766	67,296	58,237
Operating grants and contributions	1,526,052	1,276,299	2,674,803	2,238,291	2,923,307	2,600,396	3,623,209	4,242,763	4,090,058
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	14,515,033
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	94,173,433
Water	7,987,027	7,073,545	7,515,514	7,338,869	7,991,740	8,688,421	10,783,517	11,052,694	12,324,629
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	7,445,521
Sanitation	3,360,941	3,392,079	3,538,632	3,692,937	3,889,876	4,051,998	4,228,681	4,774,637	5,007,853
Golf	859,042	933,981	1,042,176	1,088,137	1,121,313	1,113,328	1,146,652	1,167,456	1,106,499
Airport	541,523	564,237	596,765	599,306	594,199	601,675	540,360	464,337	-
Operating grants and contributions	4,207,905	1,151,136	916,477	880,654	927,492	1,227,869	1,585,215	5,826,268	12,949,631
Capital grants and contributions	1,211,547	1,025,342	154,309	625,693	794,531	495,436	1,291,273	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	133,007,566
Total primary government program revenues	107,299,045	104,293,278	110,875,840	118,206,543	119,346,851	124,854,870	142,252,815	141,468,646	147,522,599

Source: City of Farmington CAFRs

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

In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity. See Notes (pg 42) for more detail.
[a] In 2009, Community Development was separated from Public works. For reporting purposes, Community development expenses and revenues are reported in 2009 and prior years. Beginning in 2010, only Public works expenses and revenues are reported and Community Development data is combined with General government.

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

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
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)	\$ (52,868,894)
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	38,431,210
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)	\$ (14,437,624)
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	\$ 44,760,879
Property taxes	922,002	930,112	985,836	1,043,064	1,121,723	1,235,064	1,330,285	1,550,503	1,556,401
Franchise taxes	2,551,995	2,601,794	715,022	720,748	1,594,098	1,045,698	992,050	865,346	649,388
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	2,048,944
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	1,782,477
Unrestricted investment earnings	963,133	635,745	429,108	471,993	858,611	1,064,838	962,448	701,039	405,946
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	14,406,807
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	65,610,842
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	1,324,627
Loss on disposition	(415)	-	-	-	-	-	-	(1,013,059)	-
Transfers	1,435,510	1,320,000	(1,440,853)	(1,754,818)	(1,925,566)	(1,346,115)	(1,420,720)	(1,923,630)	(14,406,807)
Total business-type activities	\$ 44,620,401	\$ 44,383,057	\$ 47,067,655	\$ 51,541,055	\$ 59,242,604	\$ 60,667,040	\$ 63,997,472	\$ 59,039,332	\$ 52,528,662
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	\$ 12,742,008
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	25,349,030
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	\$ 38,091,038

Source: City of Farmington CAFRs

Note: The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2002. In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity. See Notes (pg 42) for more detail.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 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	\$ 4,307,676
Unreserved	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	8,623,808
Total general fund	\$ 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	\$ 12,931,484
All Other Governmental Funds										
Reserved	\$ 1,096,449	\$ 406,768	\$ 421,521	\$ 422,104	\$ 283,833	\$ 287,735	\$ 310,848	\$ 328,475	\$ 81,902	\$ 84,648
Debt service funds										
Unreserved, reported in										
Special revenue funds	2,870,143	2,872,194	3,129,017	5,227,200	6,952,568	9,199,148	9,331,067	10,718,223	13,004,229	11,258,776
Capital projects funds	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	1,990,612
Total all other governmental funds	\$ 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	\$ 13,334,036

Source: City of Farmington CAFRs

In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity. See Notes (pg 42) for more detail.

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes	\$ 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	\$ 48,954,845
Licenses and permits	605,528	556,573	605,478	602,971	819,869	951,280	765,694	794,169	618,877	693,743
Intergovernmental	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	8,318,076
Charges for services	599,326	852,738	978,022	1,170,531	1,365,408	1,840,336	1,637,437	1,769,334	1,749,034	2,557,192
Fines	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	1,491,288
Special assessments	92,337	77,800	72,337	61,327	46,859	36,370	39,943	18,591	6,667	600
Investment earnings	1,052,525	960,773	634,552	425,731	469,012	858,611	1,064,838	962,448	701,039	402,421
Miscellaneous	688,425	875,603	1,341,924	1,317,524	1,221,761	876,250	1,199,675	1,386,242	1,789,230	1,782,477
Total revenues	46,052,907	47,463,127	47,309,372	49,792,551	54,351,746	62,557,272	64,574,708	68,743,734	67,244,358	64,200,642
Expenditures										
Current										
General government	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	16,970,629
Police	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	14,588,008
Fire	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	8,281,693
Parks, recreation and cultural affairs	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	11,795,902
Community development	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	1,100,251
Public works [a]	-	-	-	-	-	-	-	-	1,049,097	5,510,298
Debt service	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	1,270,000
Principal	284,653	378,265	560,368	483,230	421,480	588,521	512,905	470,217	425,643	379,342
Interest	-	34,387	-	-	-	-	-	-	-	-
Arbitrage rebate	-	70,733	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Capital outlay	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	9,425,646
Total expenditures	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	69,321,769
Excess of revenues over (under) expenditures	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)	(5,121,127)
Other Financing Sources (Uses)										
Operating transfers in	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	7,798,162
Operating transfers out	(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)	(2,686,511)
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	(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	5,111,651
Net change in fund balance	\$ 600,788	\$ 8,653,296	\$ (7,326,627)	\$ 575,971	\$ 6,129,866	\$ (28,772)	\$ (1,333,750)	\$ 37,924	\$ (1,562,603)	\$ (9,476)
Debt service as a percentage of noncapital expenditures	3.4%	4.5%	5.8%	5.4%	5.1%	3.3%	2.7%	2.6%	3.0%	3.7%

Source: City of Farmington CAFRs
 Notes: [a] In 2009, the city separated public works from community development
 In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity. See Notes (pg 42) for more detail.

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	kWh	Revenue
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
2010	417,626,366	\$ 25,322,092	433,338,579	\$ 40,087,647	272,352,709	\$ 25,726,777	1,123,317,654	\$ 91,136,516
Change								
2001-2010	3.5%	41.4%	28.3%	48.8%	35.8%	57.5%	19.3%	49.0%

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. Wholesales 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	2010			2001		
	Revenue	Rank	Percentage of Revenue	Revenue	Rank	Percentage of Revenue
Enterprise Field Services/EPFS	\$ 20,836,030	1	22.86%	\$ -	-	-
Transwestern Pipeline/Paragon/Enron	3,534,306	2	3.88%	-	-	-
Western Refining Southwest, Inc.	2,561,572	3	2.81%	2,209,846	3	3.61%
Val Verde Gas Gathering, LP	2,174,268	4	2.39%	-	-	-
San Juan Regional Medical Center	1,606,641	5	1.76%	818,029	5	1.34%
Praxair, Inc.	1,263,888	6	1.39%	-	-	-
Wal-Mart/Sam's Club	1,045,221	7	1.15%	-	-	-
Farmington Municipal Schools	1,010,989	8	1.11%	676,523	7	1.11%
San Juan College	956,710	9	1.05%	712,112	6	1.16%
Burlington Resources Oil & Gas	929,427	10	1.02%	4,602,711	2	7.52%
El Paso Field Services	-	-	-	12,485,059	1	20.41%
Enron Capital & Trade	-	-	-	1,386,401	4	2.27%
BHP Billiton	-	-	-	462,714	8	0.76%
Wal-Mart Inc	-	-	-	449,089	9	0.73%
Animas Valley Mall	-	-	-	444,887	10	0.73%
Total	\$ 35,919,052		39.41%	\$ 24,247,371		39.63%

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
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
2010	44,760,879	1,495,634	649,388	2,048,944	48,954,845
Change 2001-2010	34.8%	69.4%	-79.6%	29.1%	26.0%

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)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	(c)		(d)		<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Ending 6/30</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>	<u>2010</u>		
Agriculture	\$ 12	\$ 208	\$ 2,002	\$ 2,461	\$ 2,726	\$ 2,769	\$ 3,325	\$ 3,284	\$ (2,519)	\$	\$	609
Mining	117,792	125,093	108,454	122,936	133,973	192,806	222,893	185,838	163,216	113,859	163,216	113,859
Construction	74,984	97,131	98,292	90,069	118,025	142,174	124,428	121,996	157,749	117,169	157,749	117,169
Manufacturing	32,266	40,120	27,001	33,015	50,656	78,377	69,509	86,755	79,094	57,270	79,094	57,270
Trans/Comm/Utility	59,034	48,676	24,178	15,481	20,096	33,026	26,547	32,545	30,259	24,207	30,259	24,207
Wholesale Trade	101,477	103,921	76,836	85,158	113,951	160,468	197,225	164,098	163,014	99,166	163,014	99,166
Retail Trade	620,126	667,453	668,134	653,535	673,785	634,152	717,121	753,122	772,111	675,796	772,111	675,796
Information and Cultural	-	-	-	25,225	44,094	43,293	51,774	51,018	53,838	55,436	53,838	55,436
Finance/Ins/Real Estate	23,176	22,102	21,467	20,539	21,001	26,338	30,878	34,686	33,594	39,232	33,594	39,232
Services	302,388	365,188	365,245	464,410	507,610	506,892	537,818	580,933	601,162	502,840	601,162	502,840
Government	-	-	-	2,240	1,920	-	-	-	-	-	-	-
Unclassified	-	84	75,713	35,955	40,682	39,669	1,486	14,923	8,359	8,883	8,359	8,883
Undisclosed (a)	24,620	24,705	33,493	30,835	28,708	26,503	26,258	28,647	31,054	28,235	31,054	28,235
Total (b)	\$ 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	\$ 1,722,702	\$ 2,090,931	\$ 1,722,702
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%	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 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 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
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%
2010	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 2010 (c)			Fiscal Year 2001		
	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	3	0.11%	\$ 609	-	0.00%	\$ 12
Mining	65	2.37%	113,859	54	2.42%	117,792
Construction	263	9.61%	117,169	194	8.69%	74,984
Manufacturing	96	3.51%	57,270	69	3.09%	32,266
Trans/Comm/Utility	38	1.39%	24,207	104	4.66%	59,034
Wholesale Trade	181	6.61%	99,166	146	6.54%	101,477
Retail Trade	608	22.21%	675,796	622	27.87%	620,126
Information and Cultural	80	2.92%	55,436	-	0.00%	-
Finance/Ins/Real Estate	121	4.42%	39,232	74	3.32%	23,176
Services	1,249	45.63%	502,840	961	43.06%	302,388
Government	-	0.00%	-	-	0.00%	-
Unclassified	30	1.10%	8,883	-	0.00%	-
Undisclosed (a)	3	0.11%	28,235	8	0.36%	24,620
Total (b)	2,737	100.00%	\$ 1,722,702	2,232	100.00%	\$ 1,355,875

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.

(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		Estimated Actual Taxable Value		Taxable Assessed Value as a Percentage of Actual Taxable Value
						Residential Tax Rate	Non Residential Tax Rate	Estimated Taxable Value	Actual Taxable Value	
2001	\$ 315,605,501	\$ 242,149,847	\$ 56,231,225	\$ 54,407,855	\$ 559,578,718	1.582	1.935	\$ 1,680,416,571	\$ 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	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	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	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	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	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	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	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	3,068,343,787	33.3%
2010	597,619,324	368,371,078	82,532,302	92,000,870	956,521,834	1.457	1.950	2,872,437,940	2,872,437,940	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 Direct and Overlapping Rates
Fiscal Year	General Fund	Debt Service Fund	Total Direct Rate	State	County	School District #5	San Juan College	Secondary Vocational	Overlapping Rates	
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	
2010	1.457	-	1.457	1.530	6.425	9.673	3.212	0.600	22.897	

City of Farmington Nonresidential Direct Rates					Overlapping Rates					Total Direct and Overlapping Rates
Fiscal Year	General Fund	Debt Service Fund	Total Direct Rate	State	County	School District #5	San Juan College	Secondary Vocational	Overlapping Rates	
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	
2010	1.950	-	1.950	1.530	8.500	9.921	4.500	0.600	27.001	

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>	2010			2001		
	<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>
Animas Valley Land and Water	\$ 17,202,670	1	1.8%	\$ -	-	-
Animas Valley Mall, LLC	10,424,613	2	1.1%	19,819,989	1	3.5%
San Juan Regional Medical Center	3,781,089	3	0.4%	-	-	-
Plaza Farmington II LLC	3,723,171	4	0.4%	-	-	-
Burlington Resources Oil and Gas LP.	3,422,262	5	0.4%	6,047,748	3	1.1%
San Juan Development Corporation	3,355,576	6	0.4%	5,862,996	4	1.0%
Wal-Mart/Sam's Club	3,346,120	7	0.3%	10,251,570	2	1.8%
Lowe's Home Centers, Inc.	2,714,922	8	0.3%	-	-	-
Dugan Production Corp	2,593,433	9	0.3%	-	-	-
Farmington Hotel Assets	2,589,881	10	0.3%	4,985,352	6	0.9%
SW Farmington Incorporated (The Inn)	-	-	-	5,460,993	5	1.0%
Citizens Bank	-	-	-	4,519,032	7	0.8%
San Juan Associates (San Juan Plaza)	-	-	-	4,301,337	8	0.8%
Target Corporation	-	-	-	3,890,277	9	0.7%
Farmington Medical Investors	-	-	-	3,698,508	10	0.7%
Total	\$ 53,153,737		5.6%	\$ 68,837,802		12.3%

Source: San Juan County Assessor.

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

Schedule 15

Calendar Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy			Total Collections to Date		
		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy	
2000	\$ 844,443	\$ 826,288	98%	\$ 31,365.00	\$ 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%	
2009	1,565,793	1,415,035	90%	45,082	1,460,117	93%	

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						
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
2010	-	-	N/A	7,995,000	15,945,000	11,970,694	86,845				35,997,539	2.5%	829

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, 2010**

Schedule 17

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
San Juan County	\$ -	30.320%	\$ -
Farmington Public Schools	33,467,979	100.000%	33,467,979
San Juan College	18,890,000	30.322%	<u>5,727,826</u>
Subtotal Overlapping Debt			39,195,805
City direct debt			<u>7,995,000</u>
Total direct and overlapping debt			<u><u>\$ 47,190,805</u></u>

Source: Debt amounts are provided by each governmental unit.

City of Farmington
 Legal Debt Margin Information
 Last Ten Fiscal Years

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed Valuations										
Assessed Value (1)	\$ 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	\$ 864,520,964
Add back - exempt property	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	92,000,870
Total Assessed Value	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	956,521,834
Legal Debt Margin										
Debt limitation - 4 % of total assessed value	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	38,260,873
Debt applicable to limitation:										
Total bonded debt	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	23,940,000
Less: Revenue bonds	(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)	(23,940,000)
Total net debt applicable to limitation	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 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	\$ 38,260,873

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	Coverage	Interest	Principal	Sales Tax Revenue	Coverage	
2001	\$ 95,338,525	\$52,772,478	\$42,566,047	\$ 5,385,000	\$ 3,625,288	\$ 355,000	\$ 16,685,883	\$ 245,778	27.77%
2002	92,079,901	58,676,235	33,403,666	4,380,000	4,005,058	965,000	18,241,261	368,188	13.68%
2003	91,914,248	61,217,128	30,697,120	4,350,000	2,726,755	1,815,000	17,847,491	560,368	7.51%
2004	97,272,752	64,101,912	33,170,840	5,120,000	2,291,203	1,900,000	19,474,684	483,230	8.17%
2005	104,017,779	73,226,886	30,790,893	5,470,000	2,048,221	1,965,000	21,903,624	421,480	9.18%
2006	104,286,825	64,874,653	39,412,172	4,770,000	1,790,605	1,060,000	25,021,449	588,522	15.18%
2007	107,924,587	65,220,228	42,704,359	4,905,000	1,647,505	1,130,000	26,313,679	512,904	16.02%
2008	121,977,607	77,084,567	44,893,040	5,135,000	1,421,305	1,180,000	27,625,198	470,217	16.74%
2009	117,183,511	73,688,514	43,494,997	5,340,000	1,215,905	1,225,000	26,612,158	425,643	16.12%
2010	115,238,191	73,490,029	41,748,162	5,525,000	1,029,005	1,270,000	22,729,574	379,342	13.78%

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	
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%	4.0%
2009	43,412	1,441,799,344	33,212	33.6	10,517	85.4%	20.3%	7.6%

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, U.S. Census Bureau, and San Juan Economic Development Services. 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>2010</u>			<u>2001</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	1,500	1	2.6%	776	4	1.5%
Central Consolidated Schools	1,050	2	1.9%	1,128	1	2.2%
BHP Billiton/New Mexico Coal	1,034	3	1.8%	854	3	1.6%
Farmington Public Schools	768	4	1.4%	1,090	2	2.1%
City of Farmington	800	5	1.4%	640	5	1.2%
San Juan County	705	6	1.2%	448	9	0.9%
Conoco Philips	644	7	1.1%	-	-	-
Arizona Public Service	580	8	1.0%	565	7	1.1%
Bloomfield Municipal Schools	495	9	0.9%	492	8	0.9%
San Juan College	484	10	0.9%	-	-	-
Public Service Co of NM	-	-	-	567	6	1.1%
Aztec Schools	-	-	-	415	10	0.8%
Total	8,060		14.2%	6,975		13.5%

Source: San Juan Economic Development Service and the Farmington Chamber of Commerce; City of Farmington Program Budget - Staffing Analysis Section

Note: Statistical data is representative of entire county as City data is not available.
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

	Budgeted Full-Time-Equivalent Employees as of June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Administration	36.5	37.5	37.5	37.5	38.5	39.5	40.5	72.5	79.5	77.5
Administrative Services	29.0	30.0	31.0	31.0	31.0	31.0	32.0	31.0	29.0	29.0
General Services [b]	37.5	37.5	43.5	42.5	41.5	42.5	52.5	52.5	58.0	58.0
Police	143.5	147.5	148.5	148.5	148.5	159.5	172.5	174.5	165.5	165.0
Fire	73.0	73.0	73.0	73.0	73.0	82.0	96.0	96.0	95.0	95.0
Parks, Recreation and Cultural Affairs	103.5	107.0	112.0	114.0	114.0	118.0	124.0	104.0	106.0	106.0
Community Development	20.0	20.0	21.0	22.0	24.0	27.0	26.0	26.0	22.0	20.0
Public Works [a]	45.0	47.0	47.0	46.0	46.0	46.0	48.0	49.0	50.0	50.0
Electric	130.0	133.0	135.0	135.0	144.0	146.0	166.0	177.0	178.0	172.0
Human Resources	11.0	10.0	10.0	10.0	10.0	11.0	11.0	12.0	12.0	12.0
Water/Wastewater	3.0	4.0	7.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0
Golf	8.0	8.0	8.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0
Total Employees	640.0	654.5	673.5	674.5	686.5	717.5	783.5	809.5	810.0	799.5

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 retroactively.

[b] In 2010, airport was combined with general services. For comparative purposes, the number of full time equivalents for each department was allocated retroactively.

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

Schedule 23

	<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>	<u>2010</u>
General Government										
Total number of business registration/licenses	2,515	2,549	2,576	2,730	2,680	2,739	2,839	3,926	4,212	3,848
Police										
Police reports	8,213	8,429	7,177	6,512	6,636	6,254	6,500	6,770	7,723	7,894
Arrests	5,211	5,472	5,118	4,523	4,400	3,814	3,787	4,113	6,882	6,274
Traffic citations	23,898	23,475	26,147	22,274	17,473	16,263	18,982	24,449	24,586	27,372
Fire										
Fire alarm responses	1,033	886	804	772	700	888	760	927	954	991
Total responses	4,167	4,195	4,160	4,746	4,885	5,457	5,825	6,386	6,347	6,058
Parks and Recreation										
Parks and recreation participants [e]	338,043	320,048	310,076	304,701	299,248	309,546	305,279	349,042	438,179	494,845
Library										
Library Visits	307,982	289,280	247,983	327,505	410,690	427,831	436,629	503,148	517,452	530,119
Circulation	271,748	279,452	280,022	392,221	490,717	517,654	468,998	489,126	513,588	530,918
Number of Items in Collection [b]	207,270	165,195	174,689	162,653	174,381	187,431	186,966	183,922	208,474	210,218
Museum										
Patrons [a]	53,544	47,281	57,782	52,314	64,572	75,427	71,332	65,784	97,003	81,366
Community Development										
Summary plats	54	49	43	38	89	77	71	66	63	54
Building permits issued	1,315	1,382	1,339	1,443	1,554	1,494	1,539	1,334	1,225	1,194
Permit valuation (in \$)	47,989,286	41,087,054	47,827,308	54,288,877	76,647,366	99,406,673	68,119,054	82,560,865	66,119,298	49,316,168
Asphalt placed (sq.ft.)	125,456	106,852	96,798	123,514	83,727	132,216	88,582	103,006	129,349	139,464
Concrete placed (cu.yd.) [c]	762	1,071	1,032	756	698	441	727	574	174	438
Electric										
Meter connections	7,262	8,608	9,201	9,478	9,265	9,387	8,769	8,484	7,956	8,329
Meter reads	576,928	567,942	558,859	554,291	561,898	541,090	559,121	510,751	505,471	512,488
Water/Wastewater										
Water treated (millions of gallons)	4,100	4,534	4,452	4,057	3,366	3,842	4,029	4,346	4,512	4,630
Effluent treated (millions of gallons)	1,779	1,772	1,832	1,781	1,858	1,881	2,057	1,906	1,894	1,845
New water meter installations	191	177	176	205	304	373	342	262	158	156
Golf										
Golf course participants [d]	62,274	58,466	54,388	58,399	60,999	71,689	60,455	65,791	53,612	49,009
Airport										
Total enplanements	62,459	39,085	27,160	30,132	35,503	32,575	30,177	26,472	13,617	14,628
Transit										
Total Ridership		12,954	33,364	42,650	43,999	57,043	87,298	109,992	120,298	138,246

Source: Provided by various City Departments

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

[b] 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.

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

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

[e] In 2009, a full 12 months of participants in the newly opened Sycamore Park Community Center were included which resulted in the increase in participants when compared to previous years.

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

Schedule 24

	Fiscal Year									
	<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>	<u>2010</u>
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	3	3	3	3	3	3	3	4	4	4
Patrol vehicles	158	166	170	172	155	170	186	196	206	125
Fire stations	5	5	5	5	5	6	6	6	6	6
Parks and Recreation										
Developed acres [a]	584	584	586	588	588	589	592	594	1,364	1,364
Undeveloped acres [b]	1,275	1,275	1,273	1,282	1,289	1,288	1,285	1,283	309	309
Number of parks/facilities [c]	71	76	77	79	80	80	80	80	87	88
Baseball/softball diamonds	24	24	24	24	25	25	24	24	23	23
Soccer/football fields	11	11	11	11	13	13	14	14	11	11
Number of golf courses	2	2	2	2	2	2	2	2	2	2
Community Development										
Streets (miles)	N/A	234	235	238	240	245	253	N/A	268	270
Highway (miles)	N/A	17	17	17	17	17	17	17	17	17
Streetlights [d]	N/A	3,843	3,871	3,915	3,933	3,971	4,124	4,135	4,238	4,226
Traffic Signals	N/A	73	74	75	76	77	78	79	80	80
Water										
Water mains (miles)	N/A	310	318	325	330	336	336	340	340	340
Fire hydrants	N/A	1,866	2,010	2,154	2,296	2,360	2,400	2,670	2,500	2,511
Storage capacity (thousands of gallons)	N/A	24,300	24,300	24,300	24,300	24,300	24,300	24,300	24,860	24,860
Wastewater										
Sanitary sewers (miles)	N/A	191	195	199	203	207	275	277	280	280
Treatment capacity (thousands of gallons)	N/A	5,800	5,800	6,670	6,670	6,670	6,670	6,670	6,670	6,670
Transit - minibuses/vans	8	8	8	8	8	8	11	11	11	16

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, 2010

Grantor / Pass-through ID Number	CFDA Number	PROGRAM NAME	Expenditures
DIRECT PROGRAMS			
U.S. Department of Housing and Urban	14.218-	Community Development Block Grants/Entitlement Grants	
		CDBG B-01-MC-35-0005	\$ 241,135
	14.253-	Recovery Act-Community Development Block Grants/Entitlement Grants	
		CDBG B-09-MY-35-0005	116,504
Office of the President	16.00-	High Intensity Drug Trafficking Area Grant	
		G09SN0010A	176,208
	16.710-	Recovery Act-Public Safety Partnership and Community Policing Grants	
		COPS Grant - 2009RKWX0641	97,192
	16.738-	Edward Byrne Memorial Justice Assistance Grant Program	
		2008-DJ-BX-0712	6,570
		2009-DJ-BX-1498	95,551
	16.804-	Recovery Act-Edward Byrne Memorial Justice Assistance Grant	
		2009-SB-B9-0036	400,553
Drug Enforcement Administration	16.999		
		Region II Narcotics Task Force	
		Organized Crime Drug Enforcement Task Force	3,337
U.S. Department of Transportation	20.106-	Airport Improvement Program	
		AIP Project No. 3-35-0016-028-2007	108,752
		AIP Project No. 3-35-0016-029-2008	85,400
		AIP Project No. 3-35-0016-030-2009	1,062,844
	20.505-	Metropolitan Transportation Planning	
		Federal Transit - Metropolitan Transit Operations and Capital - Red Apple Transit	435,656
		Federal Transit - Metropolitan Transit Operations and Capital - Trolley	190,309
	20.507-	Recovery Act-Federal Transit Formula Grants	
		NM-96-X002-00	761,836
National Science Foundation	47.076-	Education and Human Resources	
		Science Theater Education Programming System	7,293
Department of Energy	81.128-	Recovery Act-Energy Efficiency and Conservation Block Grant Program	
		EECBG Award- DE-RW0000215	143,488
Department of Homeland Security	97.044-	Assistance to Firefighters Grant	
		FEMA- Assistance to Firefighters Grant	136,636
PASS THROUGH PROGRAMS			
<u>From the State of New Mexico Department of Public Safety</u>			
U.S. Department of Justice	16.710-	Public Safety Partnership and Community Policing Grants	
		Region II Narcotics Task Force	
		08-COPS METH JAG-REGIONII	91,040
	16.738-	Edward Byrne Memorial Justice Assistance Grant Program	
		Region II Narcotics Task Force	
		DPSJAG09REGII	100
		Region II Narcotics Task Force	
		DPSJAG10REGII	207,529
	16.804-	Recovery Act-Edward Byrne Memorial Justice Assistance Grant	
		Region II Narcotics Task Force	
		RA-JAG-Region II SFY10	127,495
<u>From the New Mexico Crime Victims Reparation Commission</u>			
U.S. Department of Justice	16.588-	Recovery Act-Violence Against Women Formula Grant	
		2008-DJ-BX-0712	79,408
<u>From the New Mexico Environmental Department</u>			
Department of Interior	15.510-	Colorado Ute Indian Water Rights Settlement Act	
Bureau of Reclamation		Water/Water System Improvements	
		08-FC-40-2659- Farmington Reach	5,124,557
Environmental Protection Agency	66.468-	Recovery Act-Capitalization Grants for Drinking Water State Revolving Funds	
Office of Water		Water/Water System Improvements	
		Project #2314-ADW-Animas Waterline	947,385
<u>From the New Mexico Department of Transportation</u>			
Federal Transit Authority	20.505-	Metropolitan Transportation Planning	
		Federal Transit - Metropolitan Transit Operations	
		MPO	194,380
Department of Transportation	20.205-	Highway Planning and Construction	
Federal Highway Administration (FHWA)		Control# 5100090-Highway Safety Improvement Program	9,993
		Control #2805-Pedestrian Facilities on San Juan Blvd	405,000
		Control# F100010-East Pinon Hills Blvd	
		Extension over Animas River (bridge)	247,492
Department of Transportation	20.205-	Recovery Act-Highway Planning and Construction	
		Control#ESF1070-Wildflower Widening Project	662,969
Total Federal Assistance			\$ 12,166,612

CITY OF FARMINGTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

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 2010 cash and non-cash expenditures to ensure coverage of at least 25 percent (low risk auditee) of federally granted funds. Actual coverage is 29% of total cash and non-cash federal award program expenditures.

	<u>Fiscal Year</u> <u>2010</u>
Major Federal Award Program Description	<u>Expenditure</u>
20.205 – Recovery Act - Highway Planning and Construction – All Projects	\$1,325,454
20.207 – Recovery Act - Federal Transit – Formula Grants	761,836
16.804 – Recovery Act – Edward Byrne Memorial JAG Program – All Projects	528,048
66.468 – Recovery Act - Capitalization Grants for Drinking Water	947,385

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, 2010. 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, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund, and the combining and individual funds and related budgetary comparison presented as supplemental information of the City of Farmington, New Mexico (City), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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 or other matters that are required to be reported under *Government Auditing Standards*.

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 22, 2010

**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 City of Farmington, New Mexico (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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 Beny, CPA, PC". The signature is written in a cursive style with a large initial "D".

Farmington, New Mexico
November 22, 2010

**CITY OF FARMINGTON
SCHEDULE OF FINDINGS AND
QUESTIONED COSTS
Year Ended June 30, 2010**

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 significant deficiencies and 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 significant deficiencies and 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</u> <u>2010</u>
Major Federal Award Program Description	<u>Expenditure</u>
20.205 – Recovery Act - Highway Planning and Construction – All Projects	\$1,325,454
20.207 – Recovery Act - Federal Transit – Formula Grants	761,836
16.804 – Recovery Act – Edward Byrne Memorial JAG Program – All Projects	528,048
66.468 – Recovery Act - Capitalization Grants for Drinking Water	947,385

8. The threshold for distinguishing Types A and B programs was \$364,998.
9. The City was determined to be a low-risk auditee.

**CITY OF FARMINGTON
SCHEDULE OF FINDINGS AND
QUESTIONED COSTS
Year Ended June 30, 2010**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

Prior Year Findings

2009-1 Grants Receivable
2009-2 Capital Asset Acquisitions
2009-3 Accrued Compensated Absences

Status

Cleared and not repeated
Cleared and not repeated
Cleared and not repeated

Current Year Findings

None

C. FINDINGS – SINGLE AUDIT

Prior Year Findings

None

Current Year Findings

None

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



A lone fox – Pinon Hills Golf Course

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 City of Farmington, New Mexico (City) compliance 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, 2010. Compliance with the requirements of laws, regulations, contracts, and grants 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 compliance requirements referred to above that could have a direct and material effect on its passenger facility program for the year ended June 30, 2010.

Internal Controls 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 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 and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Schedule of Expenditures of Passenger Facility Charges

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund, and the combining and individual funds and related budgetary comparison presented as supplemental information of the City of Farmington, New Mexico (City), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 22, 2010. 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, 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.



Farmington, New Mexico
November 22, 2010

PFC Revenue and Disbursement Schedule

Four Corners Regional Airport

FY-10

7/1/09 - 6/30/10

	FY-09 Program Total	Quarter 1 Jul-Sept	Quarter 2 Oct-Dec	Quarter 3 Jan-Mar	Quarter 4 Apr-Jun	FY-10 Total	FY-10 Program Total
Revenue							
Collections	\$ 420,102	\$ 8,681	\$ 5,534	\$ 8,068	\$ 9,941	\$ 32,224	\$ 452,326
Interest	-	-	-	-	-	-	-
Total Revenue	420,102	8,681	5,534	8,068	9,941	32,224	452,326
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	103,596	-	-	-	-	-	103,596
Proj. 1-D Drainage Improvements	25,238	8,681	5,534	8,068	9,941	32,224	57,462
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	420,102	8,681	5,534	8,068	9,941	32,224	452,326
Total Disbursements	420,102	8,681	5,534	8,068	9,941	32,224	452,326
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, 2010

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, 2010

An exit conference was held on November 29, 2010. In attendance were:

For the City of Farmington:

Tommy Roberts	Mayor
Robert Mayes	City Manager
Andy Mason	Administrative Services Director
Eric Schlotthauer	Controller
Steve Ellison	Budget Officer
Sheree Wilson	Enterprise Accountant
Sarah Talley	Staff Accountant II

For David Berry, CPA, PC (auditors):

David Berry	CPA
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Connie Mack World Series

OTHER INFORMATION

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

June 30, 2010

	Bank of America	Citizens Bank of Farmington	Wells Fargo	Vectra Bank	Four Corners Bank	First Federal Bank
City of Farmington Deposits						
Demand Deposit Accounts	\$ -	\$ 357,637	\$ 1,518,638	\$ -	\$ -	\$ -
Overnight Deposits	-	-	3,027,966	-	-	-
Certificate of Deposit	<u>2,000,000</u>	<u>19,000,000</u>	<u>1,000,000</u>	<u>9,102,372</u>	<u>8,000,000</u>	<u>1,000,000</u>
Sub-Total	2,000,000	19,357,637	5,546,604	9,102,372	8,000,000	1,000,000
Less FDIC insurance	<u>250,000</u>	<u>250,000</u>	<u>500,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Uninsured amount	1,750,000	19,107,637	5,046,604	8,852,372	7,750,000	750,000
Pledge Collateral Required						
102 percent - overnight	-	-	3,088,525	-	-	-
50 percent - deposits	<u>875,000</u>	<u>9,553,819</u>	<u>1,009,319</u>	<u>4,426,186</u>	<u>3,750,000</u>	<u>375,000</u>
Total Pledged Collateral Required	875,000	9,553,819	4,097,844	4,426,186	3,750,000	375,000
Pledged collateral	<u>1,339,058</u>	<u>10,830,888</u>	<u>6,228,436</u>	<u>5,441,805</u>	<u>4,018,212</u>	<u>1,007,992</u>
Excess of pledged collateral	<u>\$ 464,058</u>	<u>\$ 1,277,070</u>	<u>\$ 2,130,592</u>	<u>\$ 1,015,619</u>	<u>\$ 268,212</u>	<u>\$ 632,992</u>

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

Location of collateral	Dallas, TX	Dallas, TX	Los Angeles	San Francisco	Los Angeles	Los Angeles
Federal Home Loan Bank						
cusip # 31359MSL8 07/17/13	\$	\$ 5,461,609	\$	\$	\$	\$
cusip # 3136F6YL7 12/25/12		1,926,787				
cusip # 31371LPU7 04/01/14		865,865				
cusip # 31396YXY3 12/15/20		1,566,601				
cusip # 31393APP6 12/25/32		465,577				
cusip # 31394HYD7 05/15/16		544,449				
FHLMC						
cusip # 3128X85D0 08/03/16					1,003,345	
cusip # 3136FMJZ8 04/12/18					1,010,012	
cusip # 3128X92T6 10/22/18					2,004,855	
cusip # 3128JNV M4 01/01/37				1,080,161		
cusip # 3128JL4T3 04/01/34				2,307,904		
cusip # 3128JPXA3 02/01/39				774,858		
cusip # 31317GAZ0 04/25/17				259,019		
cusip # 31318OAL5 08/25/24				1,019,863		
FNMA						
cusip # 3136FJVZ1 12/17/19						1,007,992
cusip # 31385XAZO 05/01/33						
cusip # 31407HZN9 05/01/36			3,154,021			
FNCL						
cusip # 31409GG23 06/01/36			1,396,215			
cusip # 31407SMW9 09/01/35			1,678,200			
FNCL						
cusip # 31416BLC0 08/01/37		1,339,058				
	<u>\$ 1,339,058</u>	<u>\$ 10,830,888</u>	<u>\$ 6,228,436</u>	<u>\$ 5,441,805</u>	<u>\$ 4,018,212</u>	<u>\$ 1,007,992</u>

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

June 30, 2010

Participants (including City of Farmington)	Responsible Party	Description	Dates of Agreement	Total Amount/ City Share	FY10 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	\$ 22,121	San Juan County Communications Authority
Aztec, Bloomfield & San Juan County	Crime Stoppers	Law enforcement	07/01/05 through 06/30/10	\$37,964/\$14,297	\$ 14,297	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	as needed	\$ 131,900	SJ College
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 ID	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	\$ 34,495 / \$ 20,697	\$ 20,697	City
San Juan County	San Juan County	Detention Center	12/16/04 to 6/30/10	\$11,790,859/\$1,472,119	\$ 1,472,119	San Juan County
San Juan County	San Juan County	DWI Treatment Ctr	04/15/98 until terminated	\$3,616,374 / \$440,000	\$ 440,000	San Juan County
NM Energy, Minerals and Natural Resources Department (NMEMNRD)	NMEMNRD	Wildfire Firefighting	12/12/05 until terminated	\$90,994 / \$90,994	\$ 90,944	NMEMNRD
NMEMNRD	City of Farmington	Wilderness Trails	01/09/06 to 11/30/09	\$54,461 / \$31,105	\$ 591	NMEMNRD
NMMEA and RBC	NMMEAAA	Gas Contract	11/2009 to 11/2039	as needed	\$14,045,250	NMMEAAA