

# Comprehensive Annual Financial Report



For Fiscal Year  
Ended  
June 30, 2013

City of Farmington, New Mexico





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

**For The Year Ended June 30, 2013**

**Prepared By:**

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**With Special Thanks To:**

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Pictures courtesy of the Parks, Recreation, and Cultural Affairs Department and the General Services Department

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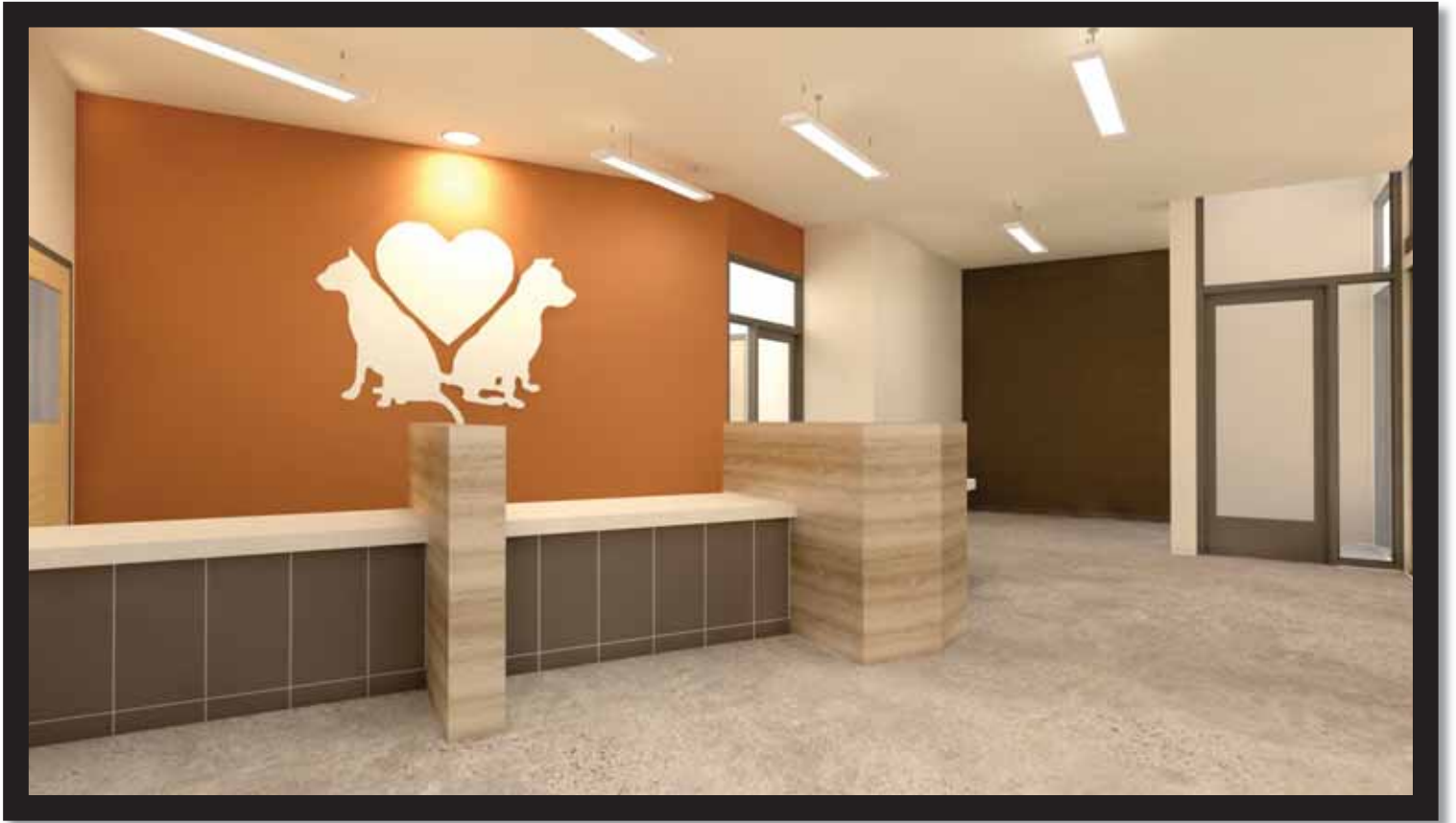
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Farmington Regional Animal Shelter Adoption Lobby

# INTRODUCTORY SECTION



January 13 , 2014

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, 2013.

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.

Moss Adams, LLP, 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, 2013, 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, 2013, 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 xii). The City was originally incorporated in 1901 and has a current land area of 33 square miles and serves a population of 45,854. 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 June 30, 2013, the total in-city GRT rate was 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, City Treasurer, 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 February 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 and gross receipts tax streets fund, this comparison is presented on pages 24 and 25 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 remained low through FY2013 and the local natural gas industry has continued to decline. The continuing decline was reflected in gross receipts tax (GRT) generated by the oil and gas industry which fell 22% in FY2013 as compared to FY2012. In addition, other sectors of the local economy continued to show weakness with gross receipts tax (GRT) in FY2013 decreasing by (3.0%) from FY2012. GRT statistical reports received for FY2013 from the State of New Mexico show the industry sectors for manufacturing and retail dropped (29%) and (3%) respectively when compared to FY2012. The retail sector composes 40% of Farmington's total GRT.

Relative to the FY2013 budget process and because GRT in FY2012 increased 7.8% over the prior year, GRT in FY2013 was budgeted at the same level as the projected actual for FY2012. However, as previously mentioned, the GRT for FY2013 dropped 3% as compared to FY2012. Nevertheless, prudent management of spending in the City's general fund with actual expenditures totaling less than budget by 4% plus other revenue sources totaling greater than budget by 8.8% produced an end of year surplus of more than \$2.4 million. The end of year surplus of \$2.4 million also included a net transfer out of \$4.1 million to the City's general capital projects fund (fund 408). Other notables in FY2013 were all staffing levels were held constant with wage and salary increases of approximately 3% for all regular employees according to the City's adopted pay plan plus a 10% health insurance premium rate increase was authorized.

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 (MSA). 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. As a result of the MSA designation, Farmington continues to participate in a national urban cost of living survey. As a participant in this survey, Farmington is compared with 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 98% of the national average.

There are 366 Metropolitan Statistical Areas in the U.S. that are annually ranked according to economic strength by POLICOM Corporation, an independent economic research firm specializing in analyzing local and state economies. An MSA's economic strength is measured according to earnings, jobs, and wages for all workers, personal income per capita, per capita earnings by residence, etc. For 2013, Farmington was ranked 245 for its relative economic strength when compared to all 366 MSAs.

The Farmington MSA has an employed labor force of approximately 52,303, an increase of 1.3% compared to 2012. The local unemployment rate was 6.8% at June 2013 compared to 7.8% for the same period in FY2012. 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 local economy has impacted residential growth and the latest statistics show a population decrease of 1.2% from 2010 to 2012.

During FY2013, the 1,163 building permits issued were significantly less than FY2012 with a 10.6% decrease while the \$50.4 million valuation of these building permits totaled a \$3.1 million increase or 6.6% over the prior year. Total construction-related gross receipts taxes (GRT) of \$2.8 million considerably increased by 16% in FY2013 as compared to FY2012. Retail GRT, the largest industry sector in terms of GRT, declined marginally by \$543K in FY2013 or 3.0%. Gross receipts tax revenue comprised 66% of the City's FY2013 general fund total revenue sources.

Residents and visitors in the City of Farmington enjoy 88 parks and river properties covering 1,634 acres that are strategically located across the community. Farmington boasts numerous recreational facilities including 23 ball parks, 11 soccer fields, 25 tennis courts, 1 football field, 9.3 miles of river trails, 3 swimming pools that include a state-of-the-art aquatics center, 2 interactive water areas, and a recreation center featuring several indoor playing courts. The City's Piñon Hills Golf Course was recently honored by Golfweek Magazine as the fourth best Municipal Course in the country. 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 draws together 10 teams from across the country. The teams hail from specified 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.

In FY2013 Ricketts Park stadium underwent renovations at a cost of \$620K. Improvements included the redesign and renovation of the entrance area, an updated ticket booth, new admission gates, parking lot updates, new retail space and other access features to bring the ballpark into compliance with the Americans with Disabilities Act. Another goal of the improvements was to make the ballpark more user-friendly such as eliminating ticketing lines standing in parking areas. Almost 90 percent of the renovation funds were raised through donations and reflects the tremendous support of the community and local businesses towards the Connie Mack World Series.

**Long-term financial planning.** In FY2011 the City Council formally adopted a cash reserve policy for the City's general fund whereby funds exceeding a threshold equal to 2½ months of the annual expenditure budget would be transferred to a capital projects fund. In FY2012 and FY2013 surplus amounts of \$3.64 million and \$4.1 million respectively were transferred from the general fund to the governmental capital projects fund (fund 408) with the City Council approving and appropriating funding for a number of specific projects. The projects include replacing a fire engine truck, roof replacement for several city buildings, downtown improvements, paving a municipal parking lot, street paving, fire facilities construction, police facilities improvements, airport taxiway maintenance, upgrading city-wide communication equipment, baseball stadium renovation, vehicle replacements, and constructing fiber optic connectivity to various city facilities. At the conclusion of FY2013 the general fund's cash balance was at a sufficient level that an additional \$2.8 million will be available in FY2014 for transfer to the governmental capital projects fund.

With respect to debt-funded capital projects, in FY2012, \$11.3 million in GRT (sales tax) revenue bonds were issued for the construction of five identified capital projects. Together with \$855K of sinking funds on hand, \$2.2 million of the \$11.3 million bond issue was applied to the refunding of



the City's 2001 outstanding sales tax revenue bonds. Concurrently, net bond proceeds of \$9.1 million were deposited to a new capital projects fund to be used to construct the following projects:

New Animal Shelter	400,000
Civic Center Remodel	1,125,000
Gateway Museum Expansion	2,500,000
Replace Fire Station #1	3,200,000
New Storm Water Detention Pond	1,000,000
Contingencies	900,000

As of June 30, 2013 the Civic Center remodel was essentially completed and converts the exhibit hall into a grand ballroom which divides into three (3) smaller ballrooms or alternately can be divided into five (5) meeting rooms. The renovation allows the Center to host a greater variety of events including wedding receptions and banquets. At the close of FY2013 both the museum expansion and new animal shelter projects were in progress. The animal shelter facility is scheduled for completion in November 2013 and the museum expansion completion in early FY2014. The remaining two projects (fire station and detention pond) were in the design and planning stages.

With regard to the City's water utility debt, bids for water meter improvements to the City's water utility system were in process at the close of FY2013. The City's water utility system includes 16,200 water meters of which 13,800 must be read manually every month. Meter readers must physically open each meter can and record the reading on a handheld device. The remaining 2,400 water meters are equipped with automatic meter reading (AMR) and meter readers walk or drive by the meter and use a handheld device to collect information from the meter via radio frequency. An AMR system provides more frequent, efficient and accurate meter readings. The goal is to replace the 13,800 manually read meters with AMR meters at an estimated cost of \$5.9 million. Financing for this project has been obtained by means of a \$5.9 million loan through the New Mexico Finance Authority (NMFA) Drinking Water State Revolving Loan Fund at a 2% interest rate for 20 years with a 25% forgiveness of the principal. The 25% forgiveness on the loan principal calculates to a net loan repayment of \$5.8 million including interest and fees over the 20 year period. Due to increased revenue from increased accuracy in meter readings and reduced labor to read the meters, the loan could be repaid in approximately 10 years.

In 2004, the City completed its wastewater treatment plant expansion Phases I and II which were financed with a 3%, \$14.2 million, 20 year loan from the New Mexico Environment Department (NMED). Phases I and II were constructed to comply with the EPA's discharge permit requirements and to begin the phasing in of new biological wastewater treatment processes. Phases I and II increased the treatment plant's capacity by 15% to meet a projected 6.67 mgd flow rate. In addition, reliability and flexibility were improved through the rehabilitation of the primary clarifiers and sludge drying beds as well as the capacity expansion of the disinfection process. On the horizon, and with an estimated cost of \$10.0 million, Phase III of continued improvements to treatment processes include constructing a second sludge (MRAS) basin, an additional final clarifier, a new solids handling facility, and a new state of the art ultraviolet (UV) disinfection system. Phase III will add redundancy to the wastewater treatment plant plus reduce chemical costs and the discharge of chemicals into the San Juan River. At the end of FY2013 the City was awaiting approval of its application to the New Mexico Environmental Department (NMED) for a 3% interest, 20 year, \$10.0 million construction loan from the State's Clean Water Revolving Fund (CWSRF) Program.



The Farmington Electric Utility System's municipal structure keeps customer electric rates very reasonable and Farmington customers enjoy the lowest rates in the region. A typical Farmington customer's electric billing will be 39% less than a customer of a nearby electric cooperative who uses the same amount of kilowatt hours. 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 recent years. 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. At the close of FY2013 the electric utility's outside consultants had completed a study and analysis of potential options to construct additional generation facilities for the City's near future. A presentation of the consultant's findings and recommendations will be made in early FY2014.

The City's health insurance program is self-funded and, after running annual deficits for a number of years, the City's health insurance fund concluded FY2013 with a positive \$389K change in net position. A major change impacting the surplus in FY2013 was the contracting with a new third party administrator, Blue Cross/Blue Shield of New Mexico, effective as of July 1, 2012. The change in administrators provided better pricing from local and regional health care providers. With a 10% increase in health insurance premiums, effective July 1, 2012, plus the improved pricing agreements with health care providers, the health insurance fund should continue to build and maintain an adequate cash reserve to cover extraordinary years when health claims are excessive plus higher than average.

Other long-term financial planning is incorporated into the City of Farmington's Comprehensive Plan which was initially approved by the City Council in October, 2002. The City's Comprehensive Plan is the guide to the future of Farmington and was developed by the citizenry through high level community participation and input. The plan was originally developed in a multi-stage process and its foundation is set on core community values and quality of life goals identified into the future. As such, the document serves as the guide for policy decisions relating to the physical, social, and economic growth of the community as well as future financial capital investments. 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. As comprehensive plans require updating every 10 years, an update is anticipated in the near future with funding for the update to be requested in FY2015. In addition, the Comprehensive Plan served as a springboard for the designation of the Metropolitan Redevelopment Area (MRA) which covers the City's downtown area plus guided the development of the MRA Plan which was adopted in 2009. The MRA Plan sets forth the City's priorities, goals, and implementation plans which are specific to the MRA.

#### **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, 2012. This was the 19th 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.

The City of Farmington also received its 16<sup>th</sup> consecutive Distinguished Budget Presentation Award from GFOA for its annual budget document for FY2013. 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.

In addition, the City of Farmington's FY2012 Citizen's Financial Report was judged for the second consecutive year as a recipient of GFOA's Outstanding Achievement in Popular Annual Financial Reporting award. This award represents special recognition for a top-quality annual report specifically designed to be readily accessible and easily understandable to the City's general public and other interested parties without a background in public finance.

In closing, the preparation of this annual financial report would not have been possible without the efficient and dedicated services of the entire staff of the City's 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 Campbell  
Acting City Manager



H. Andrew Mason  
Administrative Services Director



Government Finance Officers Association

**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

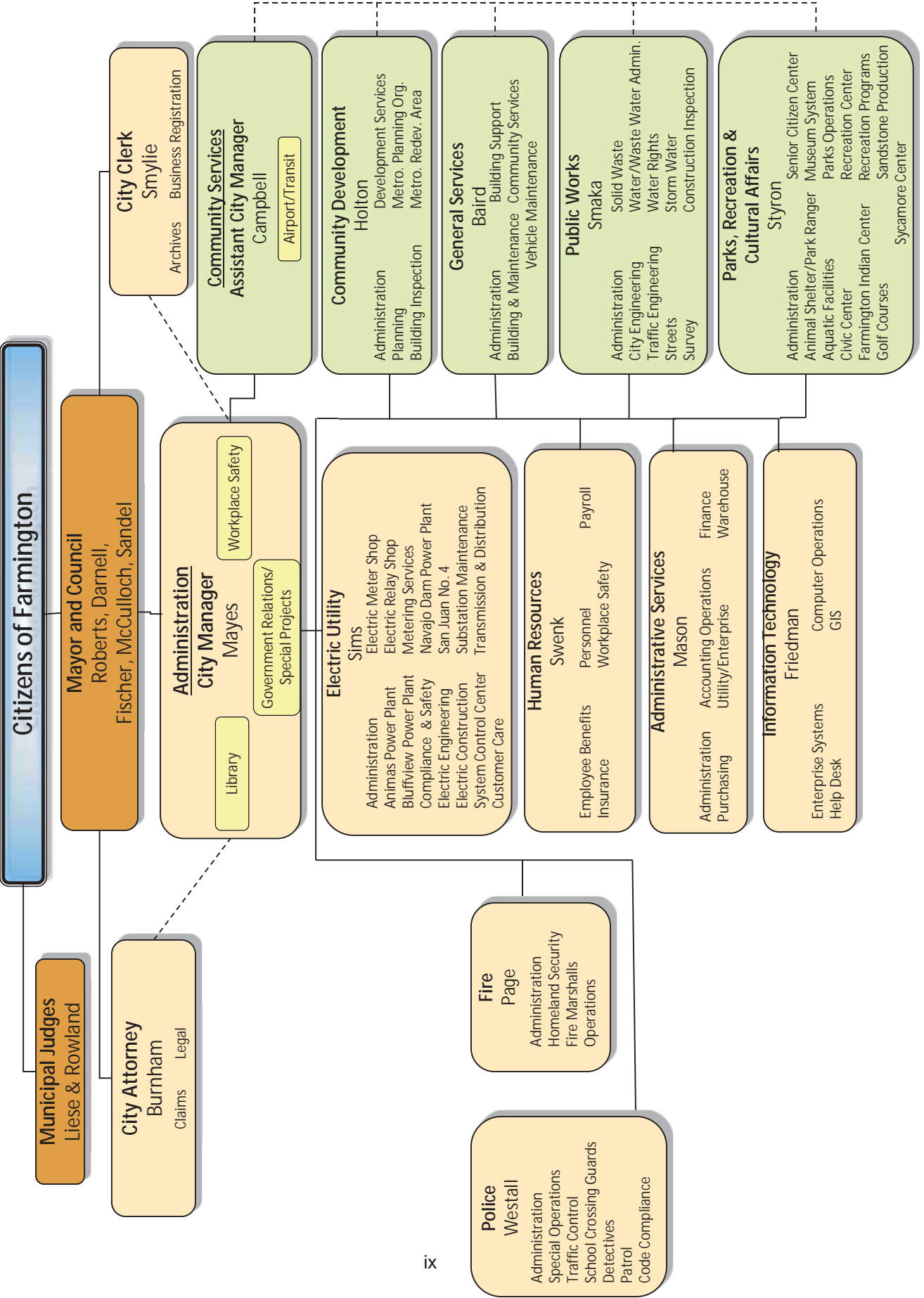
**June 30, 2012**

Executive Director/CEO



# City of Farmington – Organizational Chart

June 30, 2013



# **CITY OF FARMINGTON**

## **Principal Officials**

**June 30, 2013**

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**MAYOR**

Tommy Roberts

**CITY COUNCIL**

Dan Darnell

Mary Fischer

Gayla McCulloch

Jason Sandel

**CITY MANAGER**

Robert Mayes

**ASSISTANT CITY MANAGER**

Robert Campbell

**ADMINISTRATIVE SERVICES DIRECTOR**

H. Andrew Mason

**COMMUNITY DEVELOPMENT DIRECTOR**

Mary Holton

**ELECTRIC UTILITY DIRECTOR**

Mike Sims

**FIRE CHIEF**

Terry Page

**GENERAL SERVICES DIRECTOR**

Julie Baird

**HUMAN RESOURCES DIRECTOR**

Tom Swenk

**INFORMATION TECHNOLOGY DIRECTOR**

Richard Friedman

**PARKS & RECREATION DIRECTOR**

Cory Styron

**POLICE CHIEF**

Kyle Westall

**PUBLIC WORKS DIRECTOR**

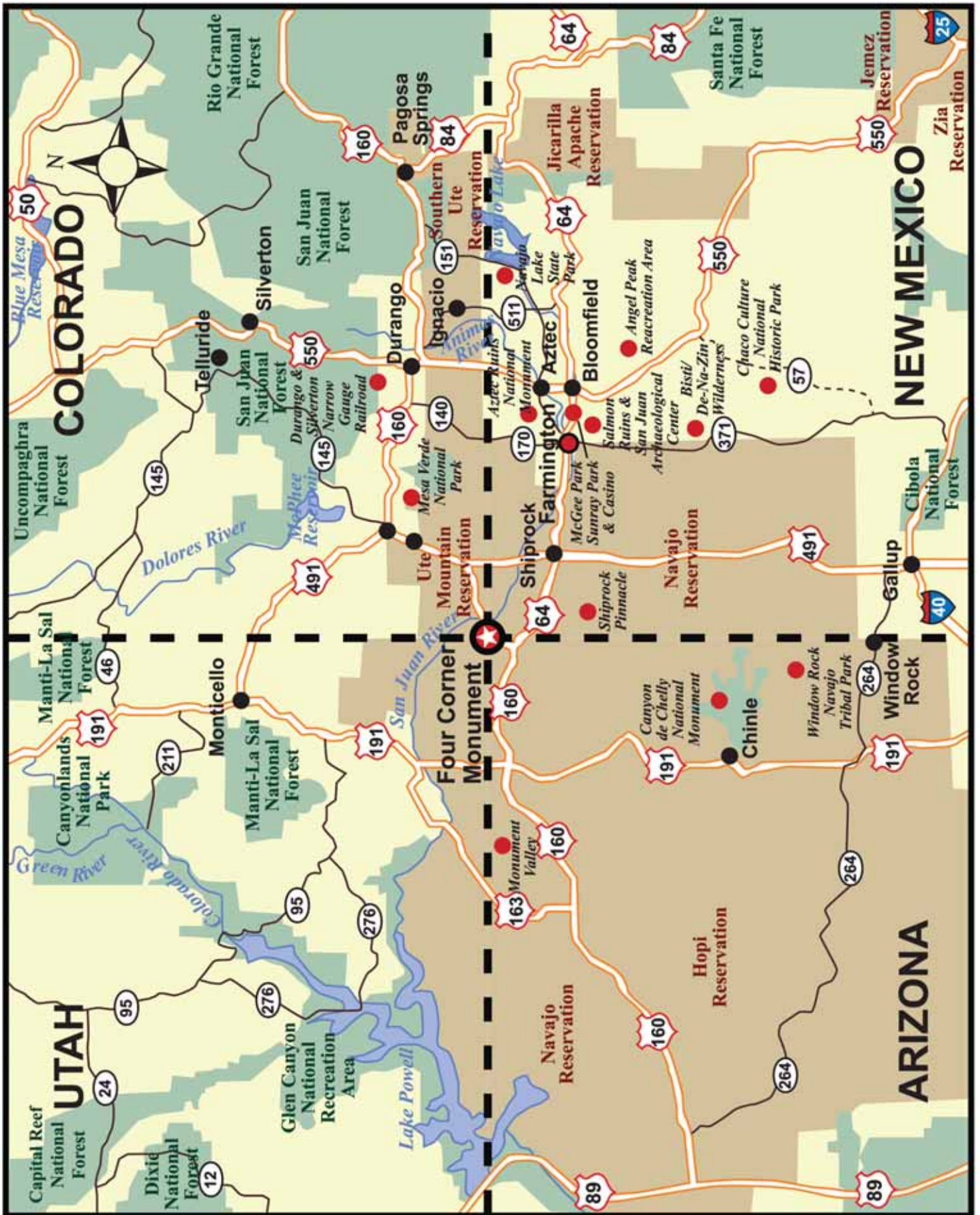
Jeffrey Smaka

**CONTROLLER**

Eric Schlotthauer







MAP COURTESY OF FARMINGTON CONVENTION & VISITORS BUREAU

# FINANCIAL SECTION



## REPORT OF INDEPENDENT AUDITORS

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

### Report on the Financial Statements

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 comparison for the general fund and major special revenue fund of the City of Farmington, New Mexico (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental and internal service fund presented as supplementary information in the accompanying combining and individual fund financial statements and the respective budgetary comparisons for the nonmajor governmental funds, and the internal service fund for the year ended June 30, 2013, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

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

### ***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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to the above present fairly, in all material respects, the financial position of each nonmajor governmental fund and internal service fund of the City, as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparisons for the nonmajor governmental funds, and the internal service fund for the year ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note I. to the financial statements, for the year ended June 30, 2013, the City adopted the following new accounting guidance: GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which resulted in a restatement of previously reported net position for the year ended June 30, 2012; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* which resulted in certain changes to the presentation and the reclassification of certain accounts, also discussed in Note I. Our opinions are not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying schedule of expenditures of federal awards as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of PFC revenues and expenditures as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and the other schedules listed as other information in the table of contents, and the schedule of capital assets used in the operation of governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards, the schedule of PFC revenues and expenditures, the additional schedules listed as other information in the table of contents, and the schedule of capital assets used in the operation of governmental funds are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, the schedule of PFC revenues and expenditures, the additional schedules listed as other information in the table of contents, and the schedule of capital assets used in the operation of governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Farmington's internal control over financial reporting and compliance.

*Mess Adams LLP*

Albuquerque, New Mexico  
January 13, 2014

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# **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, 2013. 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 FY2013 by \$565,470,684 (net position). Of this amount, \$126,174,806 represents unrestricted net position, which may be used to meet the City's ongoing obligations.
- As of June 30, 2013, the City of Farmington's governmental funds reported combined ending fund balances of \$43,672,525, a decrease of \$3,960,840, or 8.3% in comparison with the prior year. A total of \$16,790,815 (unassigned fund balance) is available for spending at the City's discretion.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$16,790,815, or 31.6 % of the total general fund expenditures.
- The City's total net debt decreased by \$5,821,827, or 19.3% 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 position* presents information on all of the City of Farmington's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Farmington is improving or deteriorating.

The *statement of activities* presents information showing how the City of Farmington's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of*

*the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave, 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 19-20 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 59-66).



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 21-25 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 147-151 of this report. Fund data for the internal service fund is provided on page 86 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 31-56 of this report.

## **Government-wide Financial Analysis**

As noted earlier, over time, net position may serve as a useful indicator of a government's financial position. In the case of the City of Farmington, assets exceeded liabilities by \$565,470,684 at the close of FY2013.

The largest portion of the City of Farmington's net position (\$429,380,822 or 75.9%) 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 Position						
	Governmental Activities		Business-type Activities		Total	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
				<b>Restated</b>		<b>Restated</b>
Current and other assets	\$ 52,681,138	\$ 56,740,985	\$ 116,311,709	\$ 116,675,403	\$ 168,992,847	\$ 173,416,388
Capital assets	103,455,279	98,441,750	345,503,912	331,910,164	448,959,191	430,351,914
Total assets	156,136,417	155,182,735	461,815,621	448,585,567	617,952,038	603,768,302
Long-term liabilities outstanding	20,310,020	22,550,251	12,164,636	17,161,831	32,474,656	39,712,082
Other liabilities	4,340,219	3,556,060	15,666,479	16,783,848	20,006,698	20,339,908
Total liabilities	24,650,239	26,106,311	27,831,115	33,945,679	52,481,354	60,051,990
Net position						
Net investment in capital assets	95,018,930	83,813,002	334,361,892	316,889,337	429,380,822	400,702,339
Restricted	8,253,150	10,998,211	1,661,906	4,852,866	9,915,056	15,851,077
Unrestricted	28,214,098	34,265,211	97,960,708	92,897,685	126,174,806	127,162,896
Total net position	\$ 131,486,178	\$ 129,076,424	\$ 433,984,506	\$ 414,639,888	\$ 565,470,684	\$ 543,716,312

Another portion of the City of Farmington's net position, \$9,915,056 or 1.75%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$126,174,806 or 22.3% is unrestricted and 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 position, 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 position increased \$21,754,372 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, mostly attributable to the utility systems.

**Governmental activities.** Governmental activities increased the City of Farmington's net position by \$2,409,754. Key elements of the change in net position are as follows:

City of Farmington's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
				Restated		Restated
Revenues:						
Program revenues:						
Charges for services	\$ 11,669,981	\$ 13,912,099	\$ 128,708,964	\$ 122,710,460	\$ 140,378,945	\$ 136,622,559
Operating grants and Contributions	4,535,975	3,546,860	4,192,656	2,706,388	8,728,631	6,253,248
Capital grants and Contributions	4,136,490	1,298,623	-	-	4,136,490	1,298,623
General revenues:						
Property taxes	1,712,368	1,687,900	-	-	1,712,368	1,687,900
GRT taxes	47,951,282	50,432,706	-	-	47,951,282	50,432,706
Other taxes	4,130,591	4,308,189	1,268,748	1,333,554	5,399,339	5,641,743
Other	1,354,530	1,859,299	186,344	633,005	1,540,874	2,492,304
Total revenues	75,491,217	77,045,676	134,356,712	127,383,407	209,847,929	204,429,083
Expenses:						
General Government	37,156,707	32,642,985	-	-	37,156,707	32,642,985
Police	15,624,298	15,645,349	-	-	15,624,298	15,645,349
Fire	8,804,530	9,595,679	-	-	8,804,530	9,595,679
Parks, rec & cultural affairs	8,345,000	14,251,614	-	-	8,345,000	14,251,614
Public Works	11,068,146	11,044,820	-	-	11,068,146	11,044,820
Electric	-	-	85,104,921	76,465,532	85,104,921	76,465,532
Water	-	-	9,388,141	9,368,428	9,388,141	9,368,428
Wastewater	-	-	5,850,820	5,829,583	5,850,820	5,829,583
Sanitation	-	-	5,081,821	5,100,718	5,081,821	5,100,718
Golf	-	-	1,132,150	1,157,049	1,132,150	1,157,049
Other	537,023	288,476	-	-	537,023	288,476
Total expenses	81,535,704	83,468,923	106,557,853	97,921,310	188,093,557	181,390,233
Increase in net position before transfers	(6,044,487)	(6,423,247)	27,798,859	29,462,097	21,754,372	23,038,850
Transfers	8,454,241	9,721,597	(8,454,241)	(9,721,597)	-	-
Increase in net position	2,409,754	3,298,350	19,344,618	19,740,500	21,754,372	23,038,850
Net position - 7/01/12 (restated)	129,076,424	125,778,074	414,639,888	394,899,388	543,716,312	520,677,462
Net position - 6/30/13	\$ 131,486,178	\$ 129,076,424	\$ 433,984,506	\$ 414,639,888	\$ 565,470,684	\$ 543,716,312

Total accrued gross receipts tax (GRT) decreased by \$2,481,424 or 4.9%. This was due to an overall decrease in receipts from the manufacturing, oil & gas, construction, and wholesale/retail sectors.

Operating grants increased \$989,115 mainly due to an increase in federal funding for public safety (\$613,835), a one-time contribution from the local school system for road improvements for Piedra Vista High School (\$596,682), and a decrease in state grant funding for the library (\$237,852).

Capital grants and contributions increased \$2,837,867 during the year. This was due mainly to an increase in: federal funding for the Community Development Block Grant

(CDBG) (\$190,387), state grants for road improvements (\$494,042) traffic improvements (\$279,483), and the new regional animal shelter (\$1,723,194).

Charges for services decreased \$2,242,118 or 16.1% due mainly to a decrease in stop loss payments (\$1,410,008) attributable to some large stop loss payments in the prior year and a decrease in health premiums (\$977,908) due to a one-time payment in the prior year to shore up the cash balance of the health fund.

Total transfers decreased \$1,267,356 due to a decrease in dividends from the electric utility (\$680,740) caused in part to an increase in purchased power and fuel costs in FY2012 (the year that the current dividend is based upon), and a decrease in assets transfers (\$574,137) due to one of the golf courses being transferred into the general fund in FY2012.

Total expenses decreased \$1,933,219 or 2.3% during the year mainly due to a change in health care administrators which decreased overall health costs for the City. Health costs decreased by \$1,952,880 for health claims and by \$73,309 for pharmacy charges. Administrator charges increased by \$117,352.

**Business-type activities.** Business-type activities increased the City of Farmington's net position by \$19,344,618, accounting for 88.9% of the total growth in the government's net position. Key financial elements of the past fiscal year are as follows:

- Operating expenses are 82.4% of operating revenues, resulting in \$22,622,658 in operating income.
- Total electric revenue increased \$5.5 million or 5.6%. Commercial and industrial sales were down \$2.1 million, combined, whereas the sales for residential customers increased \$1.4 million from last year. The power cost adjustment (PCA) increased a net total of \$7.3 million. Billed revenues for the PCA decreased \$4.6 million and per FASB 71, revenues were increased an additional \$11.9 million for the regulatory asset. As a result, Electric sales to customers were up \$6.7 million. The increase in sales was offset with a decrease in electric contributions, which declined \$476,958 during the year.
- Total water revenue increased \$1.3 million or 8.9%. Water sales to customers decreased \$454,341 due to a decrease in consumption of about 4.5% over last year. There was also an increase of \$2 million in water contributions, which was a one-time construction contribution from Farmington Municipal Schools for a new water line project last year.
- Total wastewater revenue increased by \$220,608 or 2.8%. Wastewater sales to customers were up \$122,368. There was also an increase of \$210,455 in wastewater construction contributions; there was also a one-time construction contribution from Farmington Municipal Schools for a new sewer line project last year.

- Total sanitation revenue slightly increased \$19,348 or 0.36% due to higher demand for sanitation services.
- Investment earnings for business-type activities were \$186,344, a 70.6% decrease over last year due to continued decreases 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, *unassigned 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, 2013, the City of Farmington's governmental funds reported combined ending fund balances of \$43,672,525, a decrease of \$3,960,840 in comparison with the prior year. Approximately 38% of this total amount or \$16,790,815 constitutes *unassigned 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 is *nonspendable* (\$553,745), *restricted* (\$8,253,150), *committed* (\$11,022,449), or *assigned* (\$7,052,366).

The general fund is the chief operating fund of the City of Farmington. At the end of the current fiscal year, unassigned fund balance of the general fund was \$16,790,815, while total fund balance was \$17,344,560. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31.6% of total general fund expenditures, while total fund balance represents 32.6% of that same amount. The fund balance of the City of Farmington's general fund decreased \$1,376,189 or 7.4% during the current fiscal year.

The total decrease in general fund revenue was \$1,496,002 or 2.9%. This is due mainly because of a \$1,963,134 decrease in GRT attributable to a decrease in tax collections from the manufacturing, oil & gas, construction, and wholesale/retail sectors. The GRT decrease was caused by an ongoing slump in the local natural gas industry affected by continued low prices for natural gas. Other factors affecting general fund revenues are increases in intergovernmental revenues for federal grants for police (\$160,306) and MPO (\$149,751), increases in state grants for police and fire (\$60,322), and increases in state shared revenue (\$118,022) mainly due to increased distributions from the state for auto license fees. Subrogation revenue increased \$34,637 due to an increase in damage payments from insurance companies. Airport revenue increased \$53,252 due to increases in restaurant and rental fees. Investment earnings decreased by \$79,385 due to the continued low rates on investments.

Total general fund expenditures decreased \$1,884,511 or 3.4% over the prior year. Key elements of this change were decreases in: vehicle purchases (\$783,965), health insurance premiums due to a one-time payment made in the prior year (\$1,210,910), IBNR (\$872,850) due to higher estimates in the prior year and lower claims in FY2013, and an increase in cost allocations for the streets division which lowered overall costs (\$418,359). Jail fees paid to the County increased \$818,276 during the year as a result of increased daily costs per inmate. Other increases in division expenditures include: pc services (\$77,780) due to increased maintenance and staff costs, finance (\$59,911) due to increased training and decreased cost allocations which increased expenditures, human resources (\$79,056) due to an increase in insurance costs, airport (\$76,555) due mainly to increased maintenance and vehicle costs, police administration operational costs (\$53,408), fire operational costs (\$66,161), traffic (\$41,020) due to increased vehicle maintenance costs, and net wage increases (\$155,948).

Total incoming transfers decreased by \$682,483 or 7.5% due mostly to a decrease in dividends from the electric utility caused by lower net income in FY2012. Total outgoing transfers in the general fund totaled \$5,473,368, an increase of \$753,135 or 15.9% over FY2012. Debt service transfers increased \$195,831. The transfer out to the governmental capital projects fund totals \$4,134,462, an increase of 489,229 or 13.4% over the prior year, and was used to fund such projects as: airport taxiway maintenance, fire truck accessories, new vehicles, and Ricketts Park improvements.

Other key governmental-type funds include the GRT streets fund and GRT parks 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 GRT streets fund increased by \$76,113 due to increases in intergovernmental revenue due to a one-time payment from Farmington Public Schools for road improvements for Piedra Vista High School (\$596,682) and an increase in FEMA funding (\$77,699). Revenues in the GRT streets fund showed decreases in: GRT (\$388,717), investment earnings (\$56,507), and gas tax (\$141,662) due to lower fuel prices. Revenues in the GRT parks fund decreased \$313,568 due to a decrease in GRT (\$129,573), and a sale of property (\$185,295) in FY2012 which increased revenues in that year.

Total operating revenues in the nonmajor governmental funds increased \$1,735,010 or 19.3% due to an increase in state funding for: the new animal shelter (\$1,723,194), Safe Routes to School (\$307,502) and improvements to Pinion Hills Blvd. (\$353,300). Revenues in the nonmajor governmental funds decreased in: federal grant funding for the COPS grant (\$109,833) and state grant funding for fire (\$192,473) and the library (\$248,315). Parks donations decreased (\$135,816) mainly due to large donations in the prior year for the new animal shelter.

Expenditures in the governmental funds (not including the general fund) increased \$5,440,452 or 24.2% during FY2013. Key elements of this increase are increased spending in the GRT streets fund (\$1,208,058) due to increases in: road maintenance (\$146,201), allocated charges from the general fund (\$367,512) and capital expenditures (\$705,010) due to increased street construction and resurfacing. Expenditures in the community development grant fund increased \$449,411 due to an increase in expenditures in the CDBG program for housing (\$127,025) and MAP/TPE/Pinion Hills Bridge (\$322,386). Expenditures increased in the GRT 2012 bond projects fund by \$4,700,465 due to increased spending on projects such as: the new



animal shelter (\$2,693,770), civic center improvements (\$1,183,432), museum expansion (\$486,937), and the fire station #1 remodel (\$284,172). Expenditures in the governmental capital projects fund increased \$1,864,650 due to increased spending for projects such as: the aquatic center roof (\$606,532), a new fire engine (\$497,095), MOC roof (\$160,626), airport runway (\$171,668), PD network upgrades (\$70,264), and IT fiber optic upgrades (\$67,372). Debt service expenditures decreased by \$2,051,550 due to a refunding of the 2001 GRT bonds in FY2012. State and federal grant funding in some areas decreased resulting in decreases in expenditures for public safety (\$889,033).

**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 position at the end of the year amounted to \$79,030,731 in the electric utility system, \$9,443,772 in the water utility system, \$7,736,660 in the wastewater utility system, and \$1,749,545 in combined net assets for the other proprietary funds (sanitation and golf course). The total growth in net position was \$11,563,919 in the electric fund, \$5,586,266 in the water fund, \$1,995,481 in the wastewater fund, and \$198,952 in the other funds combined. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Farmington's business-type activities.

### **Budgetary Highlights**

Approximately 70% of the City of Farmington general fund revenue budget is funded by Gross Receipts Tax (GRT). Any fluctuation to the economy has a direct effect on the GRT and the ability to accomplish budgetary goals. In 2008, Farmington watched as economic disaster struck the nation. As the national housing market collapsed and businesses, banks, and other local governments went bankrupt, Farmington's economy maintained and GRT even boomed in FY2009 to the highest level in Farmington's history. Farmington's economy, however, generally experiences a two-year lag behind the rest of the nation. In FY2010, GRT plummeted 17.3% which brought the level of GRT back to FY2005 levels, almost \$8 million less. FY2011 and FY2012 showed slight improvement with a 4% increase and 7.8% increase, respectively, giving the impression the recession was lifting and hinting at a more optimistic economic outlook. FY2013 dampened that optimistic spirit with GRT dropping 3.0% (cash basis). Although the average unemployment rate was 6.8% for FY2013, the unknown factor is the number of citizens who left the area to find work elsewhere. High levels of natural gas production in the country as a whole have led to decreasing price levels that directly affect the level of activity here in the San Juan Basin. In April 2012, natural gas prices dropped to \$1.95 per 1000 cubic feet (mcf), a rate not seen since 1999. June 2013 showed a substantial increase in natural gas prices to \$3.82 per mcf, a 95.9% increase, but the market remains saturated with ample natural gas supply which stifles production. Oil prices, on the other hand, have all but recovered since the drop in 2012 and the demand for oil remains constant. Many Farmington residents involved in the oil industry have left Farmington for oil rich areas such as Texas and North Dakota. Although there are rumors of oil production in the San Juan Basin, no substantial fluctuations in GRT have been noticed as a result. In addition to the depressed oil and gas industry, it is anticipated that electric power production will be reduced as a result of EPA mandates at the San Juan Generating Station. This looming threat will result in the loss of well-

paying jobs which will have a dramatic effect on the Farmington economy. For these reasons, a conservative approach was taken budgeting the GRT for FY2014 approximately 5% below the actual results for FY2013. With a higher degree of uncertainty as to actual revenue levels, the budget for FY2014 will be even more closely scrutinized than in prior years.

On the expenditure side, the original general fund budget of \$55,315,150 was increased to \$55,610,181 during FY2013. The total cash reserve transfer of \$4.1 million was made in accordance with the Council approved Cash Reserve Transfer Policy to the general governmental capital projects fund. Council adopted the Cash Reserve Policy designating any general fund cash balance greater than 20.8% of the current expenditure budget as available for transfer to the general governmental capital projects fund and to be spent on Council-designated projects. It was estimated in the original FY2013 budget that a \$2.9 million transfer would be made. Due to a favorable revenue and expenditure surplus in FY2012, an additional \$1.3 million was available to be transferred.

During FY2013, a new pay plan was adopted that provided a more structured pay scale and adjusted position pay to market values. Adoption of the new pay plan increased general fund budgeted expenditures by \$317,026. Another large budget adjustment, \$1.3 million, was made to accommodate a change in accounting procedure. Included in the original general fund revenue budget were several transfers to other funds accounted for as a negative revenue. These transfers were reclassified to an expense transfer during the year. The budget was adjusted accordingly to reflect the change in accounting procedure.

During the year, four separate budget revisions were presented to Council for approval to adjust the original FY2013 expenditure budget. For the City as a whole, these adjustments totaled \$13,871,133 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.

The largest percentage increase in budgeted expenditures during the year was in the special revenue and capital funds. The pay plan slightly affected various special revenue funds in addition to new grants awarded throughout the year. The majority of the capital expense budget increase was the result of establishing project budgets for the general government capital projects fund, which is funded by the cash reserve transfer, and the 2012 Series Bond fund. There were also several increases for grant awards that were made during the year and the health fund required an \$854K adjustment as both revenues and expenditures were higher than anticipated.

For FY2013, capital projects took a backseat once again to maintaining current operations. The FY2013 budget was set at essentially the same level as FY2012 actual revenue. Of the \$4.1 million transferred to the general government capital project fund, Council designated \$350K to be invested in vehicle purchases, airport improvements, communication equipment, and Ricketts Park renovations. In FY2012, Sales Tax Revenue Improvement and Refunding Bonds, Series 2012, were issued to refund the Series 2001 bonds and finance several projects. The high-dollar, long-term projects funded with the bond proceeds include the new Regional Animal Shelter, remodel of the

Civic Center Exhibit Hall, Farmington Museum expansion, replacement of Fire Station #1, and the installation of the Lakewood Detention Pond.

The most favorable budget highlight for the year was the revenue/expenditure budget to actual comparison for the general fund at the end of the year. Actual expenses ended up at 97% of budget and actual revenues at 101% of budget. With revenue exceeding budget and expenses less than budget, FY2013 ended up with a \$2.4 million budget versus actual surplus. It is this conservative spending and revenues exceeding expectations that will allow the City of Farmington to transfer an additional \$1.3 million per the Cash Reserve Policy to the general governmental capital projects fund in FY2014 for future capital needs.

### 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, 2013, was \$448,959,191 (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 \$345,503,912 or 77% 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 \$13,593,748 or 4.1%. The governmental activities investment in capital assets accounted for \$103,455,279 or 23% of all capital assets owned by the City. The total increase in governmental activities investment in capital assets for the current year was \$5,013,529 or 5.1%.

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	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
Land	\$ 27,687,091	\$ 27,315,201	\$ 3,884,334	\$ 3,884,334	\$ 31,571,425	\$ 31,199,535
Land rights	-	-	2,018,363	910,884	2,018,363	910,884
Buildings	27,315,853	28,063,978	58,987,858	62,043,760	86,303,711	90,107,738
Improvements	11,338,221	10,597,006	89,577,997	75,033,762	100,916,218	85,630,768
Equipment	9,952,618	9,994,631	159,787,069	158,024,475	169,739,687	168,019,106
Infrastructure	18,052,395	17,447,560	-	-	18,052,395	17,447,560
Construction in progress	9,109,101	5,023,374	31,248,291	32,012,949	40,357,392	37,036,323
<b>Total</b>	<b>\$ 103,455,279</b>	<b>\$ 98,441,750</b>	<b>\$ 345,503,912</b>	<b>\$ 331,910,164</b>	<b>\$ 448,959,191</b>	<b>\$ 430,351,914</b>

Capital expenditures for the electric utility system will average approximately \$13,428,065 per year over the next five fiscal years. Some large projects included in the FY2014 capital budget are the transformer shop addition (\$4,000,000); customer work order system (\$2,015,000) and SCADA replacement (\$1,600,000). The City expects to fund these projects from electric customer-generated revenues.

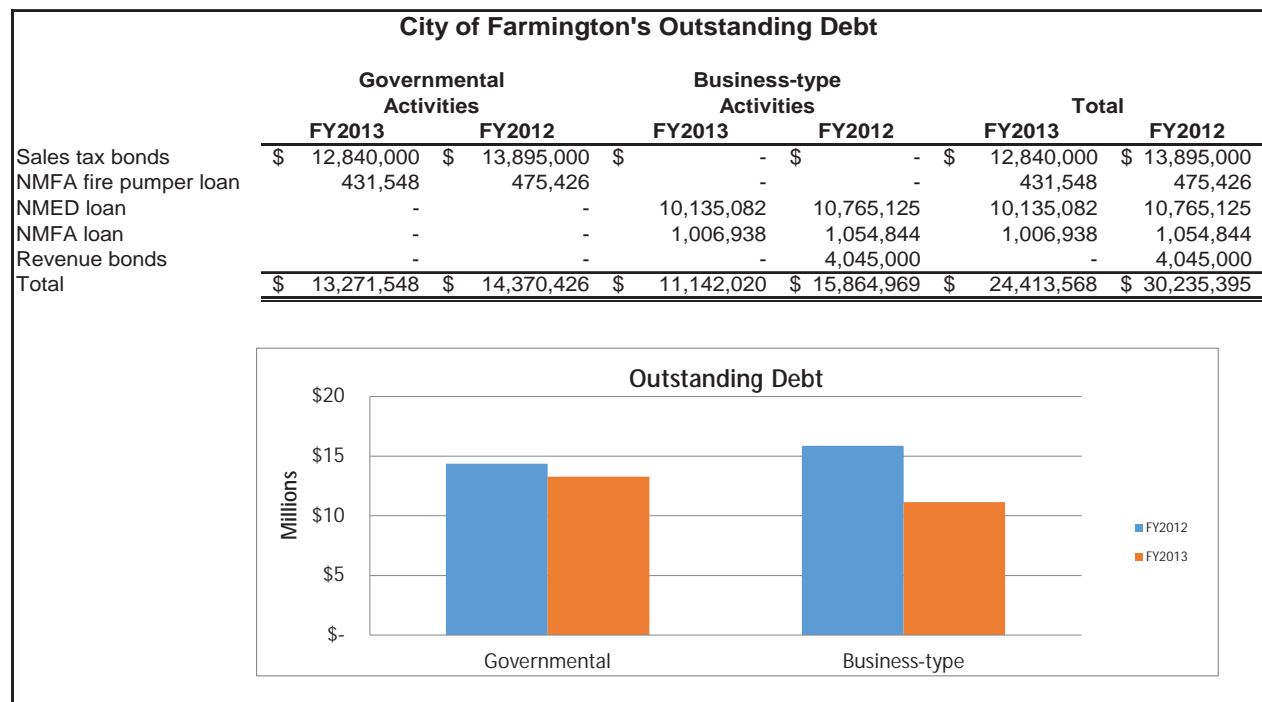


Capital expenditures for the water utility system scheduled in the current five-year capital improvements plan principally include upgrades and replacements of existing facilities to maintain the existing system and meet future demand requirements. Capital expenditures average \$6,275,939 per year, totaling \$31,379,697 for fiscal years 2014 through 2018.

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 FY2014 are budgeted at \$1,436,894 for treatment and \$3,970,000 for the collection system.

Additional information on the City of Farmington's capital assets can be found in Note C on pages 44-45 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Farmington had total bonded debt outstanding of \$12,840,000, all of which 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 \$5,821,827 or 19.3% during FY2013.



**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 2013 assessed valuation of \$1,037,022,078, the City's general obligation debt limit is \$41,480,883. The City presently has no general obligation bonds outstanding. For more detailed information on the City's debt, see pages 48-51 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.

## Farmington Fire Station #1 Remodel



# Basic Financial Statements



**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Net Position**  
**June 30, 2013**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 39,248,905	\$ 78,137,826	\$ 117,386,731
Receivables (net, where applicable, of allowances for uncollectibles):	216,370	5,766,378	5,982,748
Accrued unbilled revenues	-	7,372,553	7,372,553
Intergovernmental receivable	12,409,396	-	12,409,396
Regulatory Asset	-	12,708,728	12,708,728
Internal balances	252,722	(252,722)	-
Inventories	235,099	6,120,014	6,355,113
Prepays	303,137	125,637	428,774
Restricted reserve investment account	15,509	-	15,509
Restricted assets			
Temporarily restricted:			
Cash and cash equivalents	-	6,333,295	6,333,295
Capital assets (not being depreciated):			
Land	27,687,091	3,884,334	31,571,425
Construction in progress	9,109,101	31,248,291	40,357,392
Capital assets (net of accumulated depreciation):			
Land rights	-	2,018,363	2,018,363
Buildings	27,315,853	58,987,858	86,303,711
Improvements other than buildings	11,338,221	89,577,997	100,916,218
Equipment	9,952,618	159,787,069	169,739,687
Infrastructure	18,052,395	-	18,052,395
Total assets	<u>156,136,417</u>	<u>461,815,621</u>	<u>617,952,038</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	3,959,483	8,917,074	12,876,557
Wages and benefits payable	103,514	658,532	762,046
Other accrued liabilities	146,311	1,196,984	1,343,295
Accrued claims liabilities	-	222,500	222,500
Retainage deposits payable	60,470	-	60,470
Unearned revenue	39,150	-	39,150
Accrued interest payable	31,291	-	31,291
Customer deposits	-	4,671,389	4,671,389
Non-current liabilities:			
Due within one year	3,073,520	1,237,277	4,310,797
Due in more than one year	17,236,500	10,927,359	28,163,859
Total liabilities	<u>24,650,239</u>	<u>27,831,115</u>	<u>52,481,354</u>
<b>NET POSITION</b>			
Net investment in capital assets	95,018,930	334,361,892	429,380,822
Restricted for:			
Police	77,146	-	77,146
Fire	108,981	-	108,981
Lodgers promotion	304,631	-	304,631
Capital projects	7,569,963	-	7,569,963
Debt service	192,429	1,661,906	1,854,335
Unrestricted	28,214,098	97,960,708	126,174,806
Total net position	<u>\$ 131,486,178</u>	<u>\$ 433,984,506</u>	<u>\$ 565,470,684</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, 2013**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 37,156,707	\$ 9,195,215	\$ 1,986,408	\$ 1,080,788	\$ (24,894,296)	\$ -	\$ (24,894,296)
Police	15,624,298	1,185,579	658,210	-	(13,780,509)	-	(13,780,509)
Fire	8,804,530	-	1,089,778	-	(7,714,752)	-	(7,714,752)
Parks, recreation, cultural affairs	8,345,000	1,227,346	123,449	1,723,194	(5,271,011)	-	(5,271,011)
Public works	11,068,146	61,841	678,130	1,332,508	(8,995,667)	-	(8,995,667)
Interest on long-term debt	537,023	-	-	-	(537,023)	-	(537,023)
Total governmental activities	81,535,704	11,669,981	4,535,975	4,136,490	(61,193,258)	-	(61,193,258)
Business-type activities:							
Electric	85,104,921	102,124,215	1,847,578	-	-	18,866,872	18,866,872
Water	9,388,141	13,576,405	2,046,702	-	-	6,234,966	6,234,966
Wastewater	5,850,820	6,598,137	298,376	-	-	1,045,693	1,045,693
Sanitation	5,081,821	5,452,441	-	-	-	370,620	370,620
Golf	1,132,150	957,766	-	-	-	(174,384)	(174,384)
Total business-type activities	106,557,853	128,708,964	4,192,656	-	-	26,343,767	26,343,767
Total government	\$ 188,093,557	\$ 140,378,945	\$ 8,728,631	\$ 4,136,490	\$ (61,193,258)	\$ 26,343,767	\$ (34,849,491)
General revenues:							
Property taxes					1,712,368	-	1,712,368
Sales taxes					47,951,282	-	47,951,282
Franchise taxes					2,340,395	-	2,340,395
Gasoline taxes					597,617	-	597,617
Lodgers' taxes					1,192,579	-	1,192,579
Environmental taxes					-	1,268,748	1,268,748
Miscellaneous					1,277,670	-	1,277,670
Unrestricted investment earnings					76,860	186,344	263,204
Transfers					8,454,241	(8,454,241)	-
Total general revenues and transfers					63,603,012	(6,999,149)	56,603,863
Change in net position					2,409,754	19,344,618	21,754,372
Net position - beginning (restated see Note V-1)					129,076,424	414,639,888	543,716,312
Net position - ending					\$ 131,486,178	\$ 433,984,506	\$ 565,470,684

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

**CITY OF FARMINGTON, NEW MEXICO**

**Balance Sheet  
Governmental Funds  
June 30, 2013**

	<b>General</b>	<b>Gross Receipts Tax Streets</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>				
Pooled cash and investments	\$ 14,547,918	\$ 7,780,235	\$ 16,235,409	\$ 38,563,562
Receivables (net, where applicable, of allowances for uncollectibles):				
Due from other funds	162,493	41,555	9,016	213,064
Inventories, at cost	108,462	-	252,722	361,184
Prepaid items	235,099	-	-	235,099
Restricted reserve investment account	303,137	-	-	303,137
Intergovernmental	15,509	-	-	15,509
	8,676,478	1,275,838	2,457,080	12,409,396
<b>Total assets</b>	<b>\$ 24,049,096</b>	<b>\$ 9,097,628</b>	<b>\$ 18,954,227</b>	<b>\$ 52,100,951</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 2,486,719	\$ 183,949	\$ 1,288,815	\$ 3,959,483
Wages and benefits payable	-	984	102,530	103,514
Other accrued liabilities	12,952	-	-	12,952
Accrued claims payable	2,210,492	-	-	2,210,492
Retainage/deposits payable	60,470	-	-	60,470
Unearned revenue	-	-	39,150	39,150
Due to other funds	-	-	108,462	108,462
<b>Total liabilities</b>	<b>4,770,633</b>	<b>184,933</b>	<b>1,538,957</b>	<b>6,494,523</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue - property taxes	1,933,903	-	-	1,933,903
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventories and prepaids	538,236	-	-	538,236
Restricted reserve investment	15,509	-	-	15,509
<b>Restricted to:</b>				
Police	-	-	77,146	77,146
Fire	-	-	108,981	108,981
Lodgers promotion	-	-	304,631	304,631
Capital projects	-	-	7,569,963	7,569,963
Debt service	-	-	192,429	192,429
<b>Committed to:</b>				
Police	-	-	120,131	120,131
Parks, recreation, cultural affairs	-	-	1,989,623	1,989,623
Public works	-	8,912,695	-	8,912,695
<b>Assigned to:</b>				
Parks, recreation, cultural affairs	-	-	1,118,830	1,118,830
Library	-	-	321,147	321,147
Capital projects	-	-	5,612,389	5,612,389
Unassigned	16,790,815	-	-	16,790,815
<b>Total fund balances</b>	<b>17,344,560</b>	<b>8,912,695</b>	<b>17,415,270</b>	<b>43,672,525</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 24,049,096</b>	<b>\$ 9,097,628</b>	<b>\$ 18,954,227</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	103,455,279
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,933,903
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 position.	(139,235)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(17,436,294)
<b>Net position of governmental activities</b>	<b>\$ 131,486,178</b>

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, 2013**

	<u>General</u>	<u>Gross Receipts Tax Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Taxes:				
Property	\$ 1,771,855	\$ -	\$ -	\$ 1,771,855
Gross receipts	37,800,916	7,612,775	2,537,591	47,951,282
Franchise	2,340,395	-	-	2,340,395
Gasoline	-	597,617	-	597,617
Lodgers'	-	-	1,192,579	1,192,579
Licenses and permits	633,467	-	18,119	651,586
Intergovernmental	1,968,405	678,130	6,025,930	8,672,465
Charges for services	2,585,270	-	413,338	2,998,608
Fines	1,001,305	-	152,637	1,153,942
Investment earnings	25,618	10,932	40,029	76,579
Miscellaneous	713,789	197,992	365,889	1,277,670
Total revenues	<u>48,841,020</u>	<u>9,097,446</u>	<u>10,746,112</u>	<u>68,684,578</u>
<b>EXPENDITURES:</b>				
Current:				
General government	20,279,557	-	-	20,279,557
Police	14,521,912	-	815,356	15,337,268
Fire	8,589,687	-	565,152	9,154,839
Parks, recreation and cultural affairs	8,820,170	-	3,761,021	12,581,191
Public works	1,007,756	7,339,398	-	8,347,154
Debt service:				
Principal	-	-	1,098,878	1,098,878
Interest	-	-	547,717	547,717
Capital outlay:				
General government	-	-	8,426,054	8,426,054
Airport	-	-	1,099,204	1,099,204
Highways and streets	-	3,105,556	1,122,241	4,227,797
Total expenditures	<u>53,219,082</u>	<u>10,444,954</u>	<u>17,435,623</u>	<u>81,099,659</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,378,062)</u>	<u>(1,347,508)</u>	<u>(6,689,511)</u>	<u>(12,415,081)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	8,475,241	-	6,076,632	14,551,873
Transfers out	<u>(5,473,368)</u>	<u>(307,158)</u>	<u>(317,106)</u>	<u>(6,097,632)</u>
Total other financing sources (uses)	<u>3,001,873</u>	<u>(307,158)</u>	<u>5,759,526</u>	<u>8,454,241</u>
Net change in fund balances	(1,376,189)	(1,654,666)	(929,985)	(3,960,840)
Fund balances-beginning	18,720,749	10,567,361	18,345,255	47,633,365
Fund balances-ending	<u>\$ 17,344,560</u>	<u>\$ 8,912,695</u>	<u>\$ 17,415,270</u>	<u>\$ 43,672,525</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, 2013**

Amounts reported for governmental activities in the statement of activities (page 20) are different because:

Net change in fund balances-total governmental funds (page 22)	\$ (3,960,840)
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.	5,013,529
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(59,487)
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.	1,027,481
The net revenue/expense of certain activities of internal service funds is reported with governmental activities.	<u>389,071</u>
Change in net position of governmental activities (page 20)	\$ <u><u>2,409,754</u></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**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 1,675,599	\$ 1,692,371	\$ 1,771,855	\$ 79,484
Gross receipts tax	39,319,868	39,319,868	37,800,916	(1,518,952)
Franchise taxes	2,352,474	2,352,474	2,340,395	(12,079)
Licenses and permits	680,250	680,250	633,467	(46,783)
Intergovernmental	1,762,100	1,762,100	1,968,405	206,305
Charges for services	2,593,350	2,593,350	2,585,270	(8,080)
Fines	1,135,400	1,135,400	1,001,305	(134,095)
Investment earnings	103,000	103,000	25,618	(77,382)
Miscellaneous	391,340	391,340	713,789	322,449
Total revenues	50,013,381	50,030,153	48,841,020	(1,189,133)
<b>EXPENDITURES:</b>				
Current:				
General government:				
Council	272,375	275,209	278,095	(2,886)
Municipal court	2,307,846	2,315,648	3,161,498	(845,850)
Administrative	10,235,829	10,037,707	9,118,067	919,640
Legal	1,070,346	1,078,784	604,791	473,993
Administrative services	697,789	703,639	632,401	71,238
General services	5,613,159	5,797,423	5,285,395	512,028
Community Development	1,374,241	1,376,104	1,199,310	176,794
Total general government	21,571,585	21,584,514	20,279,557	1,304,957
Public safety:				
Police	14,773,601	14,879,856	14,521,912	357,944
Fire	8,463,782	8,548,721	8,589,687	(40,966)
Total public safety	23,237,383	23,428,577	23,111,599	316,978
Public works	1,426,750	1,436,906	1,007,756	429,150
Parks, recreation and cultural affairs	9,079,432	9,160,184	8,820,170	340,014
Total expenditures	55,315,150	55,610,181	53,219,082	2,391,099
Excess (deficiency) of revenues over (under) expenditures	(5,301,769)	(5,580,028)	(4,378,062)	1,201,966
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	6,888,637	6,909,637	8,475,241	1,565,604
Transfers out	(4,175,638)	(5,473,368)	(5,473,368)	-
Total other financing sources and uses	2,712,999	1,436,269	3,001,873	1,565,604
Net change in fund balances	(2,588,770)	(4,143,759)	(1,376,189) \$	2,767,570
Fund balances-beginning	18,720,749	18,720,749	18,720,749	
Fund balances-ending	\$ 16,131,979	\$ 14,576,990	\$ 17,344,560	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Gross Receipts Tax Streets Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Gross receipts taxes	\$ 7,908,892	\$ 7,908,892	\$ 7,612,775	\$ (296,117)
Intergovernmental	-	119,910	678,130	558,220
Gasoline taxes	775,000	775,000	597,617	(177,383)
Investment earnings	110,000	110,000	10,932	(99,068)
Miscellaneous	500	196,625	197,992	1,367
Total revenues	<u>8,794,392</u>	<u>9,110,427</u>	<u>9,097,446</u>	<u>(12,981)</u>
<b>EXPENDITURES:</b>				
Current:				
Public Works	7,822,900	8,907,552	7,339,398	1,568,154
Capital Outlay:				
Highways and streets	6,450,000	5,932,383	3,105,556	2,826,827
Total expenditures	<u>14,272,900</u>	<u>14,839,935</u>	<u>10,444,954</u>	<u>4,394,981</u>
Excess (deficiency) of revenues over (under) expenditures	(5,478,508)	(5,729,508)	(1,347,508)	4,382,000
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(307,158)</u>	<u>(307,158)</u>	<u>(307,158)</u>	<u>-</u>
Net change in fund balances	(5,785,666)	(6,036,666)	(1,654,666) \$	<u><u>4,382,000</u></u>
Fund balances-beginning	<u>10,567,361</u>	<u>10,567,361</u>	<u>10,567,361</u>	
Fund balances-ending	<u>\$ 4,781,695</u>	<u>\$ 4,530,695</u>	<u>\$ 8,912,695</u>	

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

(Continued)

**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	Business-type Activities						Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Course	Totals	
<b>ASSETS</b>							
Current assets:							
Pooled cash and investments	\$ 59,829,896	\$ 8,498,496	\$ 7,577,556	\$ 2,204,448	\$ 27,430	\$ 78,137,826	\$ 685,343
Accounts receivable (net of allowance for doubtful accounts)	3,765,932	1,084,697	616,447	273,069	26,233	5,766,378	3,306
Accrued unbilled revenues	5,983,575	830,026	318,874	240,078	-	7,372,553	-
Regulatory asset	12,708,728	-	-	-	-	12,708,728	-
Inventories	6,111,955	8,059	-	-	-	6,120,014	-
Prepaid items	95,879	12,106	13,887	-	3,765	125,637	-
Restricted cash, cash equivalents and investments	4,279,156	392,233	1,661,906	-	-	6,333,295	-
Total current assets	92,775,121	10,825,617	10,188,670	2,717,595	57,428	116,564,431	688,649
Noncurrent assets:							
Capital assets:							
Land and land rights	3,546,554	2,799,243	479,388	23,341	-	6,848,526	-
Building and system improvements other than buildings	69,752,444	14,008,573	23,998,987	80,640	854,940	108,695,584	-
Machinery and equipment	68,277,783	56,051,385	15,532,530	14,839	2,516,188	142,392,725	-
Construction in progress	291,918,311	10,545,456	4,588,780	101,099	793,084	307,946,730	-
Less accumulated depreciation	25,683,737	2,721,243	2,843,311	-	-	31,248,291	-
Total capital assets (net of accumulated depreciation)	(193,352,763)	(35,391,760)	(20,398,953)	(191,100)	(2,293,368)	(251,627,944)	-
Total noncurrent assets	265,826,066	50,734,140	27,044,043	28,819	1,870,844	345,503,912	-
Total assets	265,826,066	50,734,140	27,044,043	28,819	1,870,844	345,503,912	-
	\$ 358,601,187	\$ 61,559,757	\$ 37,232,713	\$ 2,746,414	\$ 1,928,272	\$ 462,068,343	\$ 688,649



**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	Business-type Activities						Governmental Activities
	Enterprise Funds						
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Course	Totals	Internal Service Fund
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ 6,700,792	\$ 806,787	\$ 720,758	\$ 627,117	\$ 61,620	\$ 8,917,074	\$ -
Accrued liabilities	1,689,222	125,279	6,800	109	34,106	1,855,516	133,359
Compensated absences	515,563	5,546	-	-	13,292	539,947	-
Due to other funds	-	-	-	-	252,722	252,722	-
Accrued claims payable	137,500	40,000	45,000	-	-	222,500	694,525
Liabilities payable - restricted assets	4,279,156	392,233	-	-	-	4,671,389	-
NMED loan	-	-	648,945	-	-	648,945	-
NMIFA loan	-	48,385	-	-	-	48,385	-
Total current liabilities	13,322,233	1,418,230	1,427,049	627,226	361,740	17,156,478	827,884
Noncurrent liabilities:							
Compensated absences	422,157	12,000	12,000	-	36,512	482,669	-
NMED loan	-	-	9,486,137	-	-	9,486,137	-
NMIFA loan	-	958,553	-	-	-	958,553	-
Total noncurrent liabilities	422,157	970,553	9,498,137	-	36,512	10,927,359	-
Total liabilities	13,744,390	2,388,783	10,925,186	627,226	398,252	28,083,837	827,884
<b>NET POSITION</b>							
Net investment in capital assets	265,826,066	49,727,202	16,908,961	28,819	1,870,844	334,361,892	-
Restricted for debt service	-	-	1,661,906	-	-	1,661,906	-
Unrestricted	79,030,731	9,443,772	7,736,660	2,090,369	(340,824)	97,960,708	(139,235)
Total net position	\$ 344,856,797	\$ 59,170,974	\$ 26,307,527	\$ 2,119,188	\$ 1,530,020	\$ 433,984,506	\$ (139,235)

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 Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

	Business-type Activities Enterprise Funds					Totals	Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Course		
Operating revenues:							
Charges for sales and services:							
Electric	\$ 101,347,114	\$ -	\$ -	\$ -	\$ -	\$ 101,347,114	\$ -
Water	-	13,551,276	-	-	-	13,551,276	-
Wastewater	-	-	6,597,792	-	-	6,597,792	-
Sanitation	-	-	-	5,374,955	-	5,374,955	-
Golf course	-	-	-	-	955,183	955,183	-
Health	-	-	-	-	-	-	6,865,845
Other revenues	777,101	25,129	345	77,486	2,583	882,644	-
Total operating revenues	<u>102,124,215</u>	<u>13,576,405</u>	<u>6,598,137</u>	<u>5,452,441</u>	<u>957,766</u>	<u>128,708,964</u>	<u>6,865,845</u>
Operating expenses:							
Salaries and fringe benefits	11,142,868	650,077	285,132	2,822	597,614	12,678,513	-
Purchased power, fuel and chemicals	43,329,021	-	-	-	-	43,329,021	-
Other operating expenses	16,203,782	6,594,387	3,810,036	5,074,259	474,249	32,156,713	6,477,055
Depreciation and amortization	14,318,929	2,109,322	1,428,781	4,740	60,287	17,922,059	-
Total operating expenses	<u>84,994,600</u>	<u>9,353,786</u>	<u>5,523,949</u>	<u>5,081,821</u>	<u>1,132,150</u>	<u>106,086,306</u>	<u>6,477,055</u>
Operating income (loss)	<u>17,129,615</u>	<u>4,222,619</u>	<u>1,074,188</u>	<u>370,620</u>	<u>(174,384)</u>	<u>22,622,658</u>	<u>388,790</u>
Nonoperating revenues (expenses):							
Intergovernmental-environmental tax	-	-	1,268,748	-	-	1,268,748	-
Investment earnings	156,693	19,207	7,728	2,705	11	186,344	281
Revenue from grants	-	2,510	-	-	-	2,510	-
Interest expense	(110,321)	(34,355)	(326,871)	-	-	(471,547)	-
Total nonoperating revenues (expenses)	<u>46,372</u>	<u>(12,638)</u>	<u>949,605</u>	<u>2,705</u>	<u>11</u>	<u>986,055</u>	<u>281</u>
Income (loss) before transfers	17,175,987	4,209,981	2,023,793	373,325	(174,373)	23,608,713	389,071
Capital contributions	1,847,578	2,044,192	298,376	-	-	4,190,146	-
Transfers out	(7,459,646)	(667,907)	(326,888)	-	-	(8,454,241)	-
Change in net position	11,563,919	5,586,266	1,995,481	373,325	(174,373)	19,344,618	389,071
Net position - beginning (restated see Note V-I)	333,292,878	53,584,708	24,312,046	1,745,863	1,704,393	414,639,888	(528,306)
Net position - ending	<u>\$ 344,856,797</u>	<u>\$ 59,170,974</u>	<u>\$ 26,307,527</u>	<u>\$ 2,119,188</u>	<u>\$ 1,530,020</u>	<u>\$ 433,984,506</u>	<u>\$ (139,235)</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, 2013**

	Business-type Activities Enterprise Funds					Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Course	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers/users	\$ 92,221,546	\$ 13,620,616	\$ 6,549,758	\$ 5,421,072	\$ 954,515	\$ 118,767,507
Payments to suppliers	(58,980,067)	(6,227,924)	(3,225,751)	(5,052,349)	(478,010)	(73,964,101)
Payments to employees	(11,080,171)	(650,943)	(281,759)	(2,817)	(590,566)	(12,606,256)
Net cash provided (used) by operating activities	22,161,308	6,741,749	3,042,248	365,906	(114,061)	32,197,150
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfer to other funds	(7,459,646)	(667,907)	(326,688)	-	-	(8,454,241)
Advances from other funds	-	-	-	-	140,230	140,230
Operating grants	-	2,510	-	-	-	2,510
Intergovernmental-environmental tax	-	-	1,268,748	-	-	1,268,748
Net cash provided (used) by capital and related financing activities	(7,459,646)	(665,397)	942,060	-	140,230	(7,042,753)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital contributions	1,847,578	2,044,192	298,376	-	-	4,190,146
Acquisition and construction of capital assets	(23,631,222)	(5,783,371)	(2,101,214)	-	-	(31,515,807)
Principal paid on capital debt	(3,401,041)	(781,805)	(750,805)	-	-	(4,933,651)
Interest paid on capital debt	(110,321)	(34,355)	(326,871)	-	-	(471,547)
Net cash provided (used) by capital and related financing activities	(25,295,006)	(4,555,339)	(2,880,514)	-	-	(32,730,859)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest and dividends received	156,693	19,207	7,728	2,705	11	186,344
Net increase (decrease) in cash and cash equivalents	(10,436,651)	1,540,220	1,111,522	368,611	26,180	(7,390,118)
Cash and cash equivalents - beginning	74,545,703	7,350,509	8,127,940	1,835,837	1,250	91,861,239
Cash and cash equivalents - ending	\$ 64,109,052	\$ 8,890,729	\$ 9,239,462	\$ 2,204,448	\$ 27,430	\$ 84,471,121

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, 2013**

	Business-type Activities Enterprise Funds					Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Course	
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 17,129,615	\$ 4,222,619	\$ 1,074,188	\$ 370,620	\$ (174,384)	\$ 22,622,658
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization	14,318,929	2,109,322	1,428,781	4,740	60,287	17,922,059
(Increase) decrease in accounts receivable	(406,521)	26,945	(6,647)	(11,978)	(3,251)	(401,452)
(Increase) decrease in accrued unbilled revenues	(1,041,888)	(22,140)	(41,732)	(19,391)	-	(1,125,151)
(Increase) decrease in regulatory asset	(8,807,154)	-	-	-	-	(8,807,154)
(Increase) decrease in inventories	(924,147)	-	1,494	-	-	(922,653)
(Increase) decrease in prepaid items	(9,164)	(757)	(496)	-	(2,065)	(12,482)
Increase (decrease) in other accrued expenses	83,572	3,638	4,114	5	7,048	98,377
Increase (decrease) in accrued claims payable	59,500	(9,000)	(10,125)	-	(750)	39,625
Increase (decrease) in customer deposits	352,894	39,406	-	-	-	392,300
Increase (decrease) in accounts payable	1,405,672	371,716	592,671	21,910	(946)	2,391,023
Total adjustments	5,031,693	2,519,130	1,968,060	(4,714)	60,323	9,574,492
Net cash provided (used) by operating activities	\$ 22,161,308	\$ 6,741,749	\$ 3,042,248	\$ 365,906	\$ (114,061)	\$ 32,197,150
						\$ 388,790

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 THE FINANCIAL STATEMENTS**

**June 30, 2013**

**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 45,854 living within an area of 33 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, 2013.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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 Pinon Hills golf course.

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.

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. 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, deferred outflows/inflows or resources, and net position/fund balance**

### ***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 Assets***

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 liability/asset is recorded. The PCA regulatory asset is recorded on the statement of net position (\$6,342,351 as of June 30, 2013) and the related additional revenue is part of electric charges for services recorded on the statement of activities (\$10,399,287 for the year ended June 30, 2013).

The City's electric utility incurs large maintenance costs for their two generation plants, Bluffview and Animas Power Plants. The electric utility has the ability to charge rates that are intended to produce revenue to recover these maintenance costs. The City intends to include these allowable costs in periods other than just the current period and for FY2013 a regulatory asset was created and will be amortized to recover the cost of providing electric service now and in future periods. The amount recorded for this regulatory asset was \$6,366,377 as of June 30, 2013.

### ***5. Restricted assets***

Certain resources of enterprise funds are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants or other restrictions. The NMED debt service reserve and replacement reserve accounts are used to segregate resources accumulated for future debt service payments. The amount paid to the San Juan Coal Company trust for reclamation costs is also classified as a restricted asset. 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. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental

funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

### **9. Net Position**

In the government-wide financial statements and proprietary fund financial statements, net position is reported in three categories: net investment in capital assets, restricted net position; and unrestricted net position. Restricted net position represents restrictions by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments). The City's restricted net position in the government-wide financial statements are \$9,915,056 as of June 30, 2013.

### **10. Net position flow assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

### **11. Fund balance flow assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### **12. Fund balance policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

*Nonspendable* — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved by City Council.

*Assigned* — amounts that are constrained by the City's intent to use them for a specific purpose, but are neither restricted or committed. The City has not established a policy regarding the assignment of funds, so this category of fund balance represents the residual amounts not otherwise reported as unspendable, restricted, or committed in governmental funds outside of the general fund.

*Unassigned* — all other spendable amounts.

As of June 30, 2013, fund balances are composed of the following:

	<b>General Fund</b>	<b>Gross Receipts Tax Streets Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable:				
Inventories/prepays	\$ 538,236	\$ -	\$ -	\$ 538,236
Restricted reserve investment	15,509	-	-	15,509
Restricted:				
Police	-	-	77,146	77,146
Fire	-	-	108,981	108,981
Lodgers' promotion	-	-	304,631	304,631
Capital projects	-	-	7,569,963	7,569,963
Debt service	-	-	192,429	192,429
Committed:				
Police	-	-	120,131	120,131
Parks, rec, cultural affairs	-	-	1,989,623	1,989,623
Public Works	-	8,912,695	-	8,912,695
Assigned:				
Parks, rec, cultural affairs	-	-	1,118,830	1,118,830
Library	-	-	321,147	321,147
Capital projects	-	-	5,612,389	5,612,389
Unassigned	16,790,815	-	-	16,790,815
Total fund balances	<u>\$ 17,344,560</u>	<u>\$ 8,912,695</u>	<u>\$ 17,415,270</u>	<u>\$ 43,672,525</u>

### 13. 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.

## 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 position

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. 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 \$17,436,294 difference are as follows:

Bonds payable	\$	12,840,000
Bond premium (to be amortized over the life of the debt)		702,853
Accrued interest payable		31,291
NMFA loan payable		431,548
Compensated absences payable		<u>3,430,602</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$	<u><u>17,436,294</u></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 position 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 \$5,013,529 are as follows:

Capital outlay	\$	13,927,992
Depreciation		<u>(8,914,463)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$	<u><u>5,013,529</u></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 position. 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 \$1,027,481 are as follows:

Principal repayments	\$ 1,098,878
Amortization of bond premium	30,895
Amortization of issuance costs	(197,009)
Accrued interest	10,694
Compensated absences	<u>84,023</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 1,027,481</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 \$389,071 difference are as follows:

Internal service charges for services	\$ 6,866,126
Internal service operating expenses	<u>(6,477,055)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 389,071</u>

### III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary information

Annual budgets are adopted for all funds. All budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at fiscal year end. Carryover funds must be appropriated in the budget of the subsequent fiscal year.

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 City Council.

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, 2013:

General Fund	\$ 145,547
Gross Receipts Tax Streets Fund	596,670
Gross Receipts Tax Parks Fund	3,413
Parks/Rec Gifts and Grants Fund	42,150
Museum Gifts and Grants Fund	409
Lodgers Tax Fund	57,078
Region II Narcotics Grant Fund	219
State Fire Fund	200,054
Community Development Capital Projects Fund	435,830
Gross Receipts Tax 2012 Bond Capital Projects Fund	3,906,468
General Government Capital Projects Fund	108,608
Electric Utility Fund	9,536,301
Water Utility Fund	845,694
Wastewater Utility Fund	1,023,314
Sanitation Fund	5,672
Golf Fund	804
Total Encumbrances	\$ <u><u>16,908,231</u></u>

#### **B. Excess of expenditures over appropriations**

Expenditures for all funds were within budgeted appropriations for FY2013.

#### **C. Deficit Fund Equity**

As of June 30, 2013, the health insurance internal service fund had a deficit net position of (\$139,235). This deficit is equal to accrued payables of \$827,884 less cash and receivables totaling \$688,649. The net position balance increased by \$389,071 over FY2012. Beginning July 1, 2013, a rate increase for health premiums will be implemented in an effort to decrease this deficit net position balance.

### **IV. DETAILED NOTES ON ALL FUNDS**

#### **A. Deposits and investments**

Cash and investments	
Governmental activities	\$ 39,248,905
Business activities	78,137,826
Restricted cash and investments	
Business activities	6,333,295
Reserve investment account	15,509
Total cash and investments	<u><u>\$ 123,735,535</u></u>

As of June 30, 2013, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money markets	\$ 7,119,346	0.08
Certificates of deposit	86,100,000	1.23
State treasurer's pool	3,889,985	0.16
State treasurer's pool - reserved	15,509	N/A
Federal agency securities	26,504,608	4.44
Total Fair Value	\$ <u>123,629,448</u>	
Portfolio weighted average maturity		<u>1.99</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, 2013, was 59 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, 2013, with more than 5% of the total in securities of the federal agency securities. These investments represented 21% of total investments.

**Credit risk.** As per the City's policy and 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. The City's investment policy does not include any credit rating limitations. The City's investments in federal agency securities were rated AA+ by Standard and Poor's and Aaa by Moody's Investment Service.

**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 and state statute require that the bank deposits be 50% collateralized and repurchase agreements be 102% collateralized. As of June 30, 2013, the City was in compliance with state statute. The City's carrying amount of deposits as of June 30, 2013, was \$88,376,847 and the bank balance was \$93,423,929. Of the bank balance, \$1,000,000 was covered by federal depository insurance, \$54,904,740 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and \$37,519,189 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, 2013, 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%.

<b>Banking Institutions</b>			
<b>Percentage Level of Collateralization Required</b>			
<b>Ratios</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>
<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%
<b>Savings and Loan Institutions</b>			
<b>Percentage Level of Collateralization Required</b>			
<b>Ratios</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>
<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, 2013. 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 6-10-10.1 (F) 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 (\$15,509) 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. In June 2012, the State Treasurer's Office made the decision to officially "write down" a portion of the remaining investment held in the Reserve Primary Fund. The City's share of this write down was \$77,077. We anticipate receiving the balance (\$15,509) of these funds which are currently being held for pending litigation but we cannot accurately estimate the full amount to be returned.

## **B. Receivables**

Receivables as of June 30, 2013, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
<b>Receivables:</b>				
Accounts Receivable	\$ 162,493	\$ 50,571	\$ 6,337,167	\$ 6,550,231
Unbilled Revenue	-	-	7,372,553	7,372,553
Intergovernmental	8,676,478	3,732,918	-	12,409,396
Gross Receivables	<u>8,838,971</u>	<u>3,783,489</u>	<u>13,709,720</u>	<u>26,332,180</u>
<b>Less:</b> Allowance for Uncollectibles	-	-	(570,789)	(570,789)
<b>Net Total Receivables:</b>	<u>\$ 8,838,971</u>	<u>\$ 3,783,489</u>	<u>\$ 13,138,931</u>	<u>\$ 25,761,391</u>

Intergovernmental receivables are made up of the following amounts in the general and special revenue funds: gross receipts taxes \$8,030,631, property taxes \$1,933,903, federal and state grants \$2,122,935, franchise taxes \$128,338, lodgers' taxes \$122,153 and other taxes \$71,436.

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	\$ 38,563
Uncollectibles related to water sales	12,321
Uncollectibles related to wastewater charges	7,349
Uncollectibles related to sanitation charges	<u>2,273</u>
Total uncollectibles of the current fiscal year	<u>\$ 60,506</u>

## C. Capital assets

Capital asset activity for the year ended June 30, 2013, was as follows:

<b><u>Governmental activities</u></b>	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 27,315,201	\$ 371,890	\$ -	\$ 27,687,091
Construction in progress	5,023,374	9,481,424	(5,395,697)	9,109,101
<b>Total Non-Depreciable Capital Assets</b>	<b>32,338,575</b>	<b>9,853,314</b>	<b>(5,395,697)</b>	<b>36,796,192</b>
<b>Depreciable Capital Assets:</b>				
Buildings	64,249,610	1,167,169	(271,974)	65,144,805
Improvements other than buildings	24,239,296	2,501,255	-	26,740,551
Equipment	32,766,286	2,540,276	(860,403)	34,446,159
Infrastructure	62,352,844	3,592,960	-	65,945,804
<b>Total Depreciable Capital Assets</b>	<b>183,608,036</b>	<b>9,801,660</b>	<b>(1,132,377)</b>	<b>192,277,319</b>
<b>Total Governmental Capital Assets</b>	<b>215,946,611</b>	<b>19,654,974</b>	<b>(6,528,074)</b>	<b>229,073,511</b>
<b>Accumulated Depreciation:</b>				
Buildings	(36,185,632)	(1,643,320)	-	(37,828,952)
Improvements other than buildings	(13,642,290)	(1,760,040)	-	(15,402,330)
Equipment	(22,771,655)	(2,522,978)	801,092	(24,493,541)
Infrastructure	(44,905,284)	(2,988,125)	-	(47,893,409)
<b>Total Accumulated Depreciation</b>	<b>(117,504,861)</b>	<b>(8,914,463)</b>	<b>801,092</b>	<b>(125,618,232)</b>
<b>Net Governmental Capital Assets</b>	<b>\$ 98,441,750</b>	<b>\$ 10,740,511</b>	<b>\$ (5,726,982)</b>	<b>\$ 103,455,279</b>
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 3,884,334	\$ -	\$ -	\$ 3,884,334
Construction in progress	32,012,949	28,358,196	(29,122,854)	31,248,291
<b>Total Non-Depreciable Capital Assets</b>	<b>35,897,283</b>	<b>28,358,196</b>	<b>(29,122,854)</b>	<b>35,132,625</b>
<b>Depreciable Capital Assets:</b>				
Land Rights	1,819,274	1,144,918	-	2,964,192
Buildings	108,588,444	107,140	-	108,695,584
* Improvements other than buildings	124,490,044	17,978,852	(76,171)	142,392,725
Equipment	297,301,766	11,355,052	(710,088)	307,946,730
<b>Total Depreciable Capital Assets</b>	<b>532,199,528</b>	<b>30,585,962</b>	<b>(786,259)</b>	<b>561,999,231</b>
<b>Total Business-type Capital Assets</b>	<b>568,096,811</b>	<b>58,944,158</b>	<b>(29,909,113)</b>	<b>597,131,856</b>
<b>Accumulated Depreciation:</b>				
Land Rights	(908,390)	(37,439)	-	(945,829)
Buildings	(46,544,684)	(3,163,042)	-	(49,707,726)
* Improvements other than buildings	(49,456,282)	(3,702,389)	343,943	(52,814,728)
Equipment	(139,277,291)	(9,592,458)	710,088	(148,159,661)
<b>Total Accumulated Depreciation</b>	<b>(236,186,647)</b>	<b>(16,495,328)</b>	<b>1,054,031</b>	<b>(251,627,944)</b>
<b>Net Business-type Capital Assets</b>	<b>\$ 331,910,164</b>	<b>\$ 42,448,830</b>	<b>\$ (28,855,082)</b>	<b>\$ 345,503,912</b>

\* According to FERC (Federal Energy Regulatory Commission), a retired Electric asset is fully depreciated, plant-in-service and accumulated depreciation are the same amount. But retirements also include cost of removal, which will increase the total of deletions for accumulated depreciation.



## Enterprise Capital 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	\$ 2,799,243	\$ 479,388	\$ 23,341	\$ -
Buildings and Structures	69,752,444	14,008,573	23,998,987	80,640	854,940
Improvements other than buildings	68,277,783	56,051,385	15,532,530	14,839	2,516,188
Equipment	291,918,311	10,545,456	4,588,780	101,099	793,084
Total	<u>433,495,092</u>	<u>83,404,657</u>	<u>44,599,685</u>	<u>219,919</u>	<u>4,164,212</u>
Less accumulated Depreciation	(193,352,763)	(35,391,760)	(20,398,953)	(191,100)	(2,293,368)
Construction in progress	25,683,737	2,721,243	2,843,311	-	-
Net Enterprise Capital Assets	<u>\$ 265,826,066</u>	<u>\$ 50,734,140</u>	<u>\$ 27,044,043</u>	<u>\$ 28,819</u>	<u>\$ 1,870,844</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	\$ 987,481
Airport	1,046,083
Police	514,709
Fire	852,314
Parks, recreation, cultural affairs	1,942,327
Public works/Community development	157,633
Highways and streets	<u>3,413,916</u>
Total depreciation expense - governmental activities	<u>\$ 8,914,463</u>

### **Business-type activities:**

Electric	\$ 12,859,089
Water	2,137,753
Wastewater	1,433,459
Sanitation	4,740
Golf	<u>60,287</u>
Total depreciation expense - business-type activities	<u>\$ 16,495,328</u>

## **D. Interfund receivables, payables and transfers**

The composition of other accrued liabilities as of June 30, 2013, is as follows:

<u>Other Accrued Liabilities</u>	<u>Governmental Funds</u>
Taxes	\$ 2,011
Intergovernmental	664
Court collections	10,277
<b>Total</b>	<b>\$ <u>12,952</u></b>

The composition of other accrued liabilities as of June 30, 2013, is as follows:

<u>Other Accrued Liabilities</u>	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>	<u>Golf</u>	<u>Total</u>
Wages & benefits	\$ 611,215	\$ 10,044	\$ 6,800	\$ 109	\$ 30,364	\$ 658,532
Gross receipts taxes	443,900	98,570	-	-	3,742	546,212
Water conservation fee	-	16,665	-	-	-	16,665
Compensating taxes	10,529	-	-	-	-	10,529
Ad valorem taxes	355,000	-	-	-	-	355,000
Franchise taxes	225,604	-	-	-	-	225,604
Other PNM liabilities	20,916	-	-	-	-	20,916
Billed customer deposits	22,058	-	-	-	-	22,058
<b>Total</b>	<b>\$ 1,689,222</b>	<b>\$ 125,279</b>	<b>\$ 6,800</b>	<b>\$ 109</b>	<b>\$ 34,106</b>	<b>\$ 1,855,516</b>

The composition of interfund balances as of June 30, 2013, is as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Major Fund:		
General fund	\$ 108,462	\$ -
Nonmajor governmental funds:		
Gross receipts tax parks fund	252,722	-
Region II narcotics grant fund	-	78,748
COPS program grant fund	-	29,714
Major proprietary funds:		
Golf fund	-	252,722
	<b>\$ <u>361,184</u></b>	<b>\$ <u>361,184</u></b>

Federal and state grants (e.g., Region II and COPS grants) are normally reimbursement oriented; therefore, the payable represents the unreimbursed expenditures at year end. All other interfund transactions represent cash transfers for operating purposes. Interfund transfers for the year ended June 30, 2013, are as follows:

**Fund Financial Statements – Transfers**

**Governmental Funds**

	<u>In</u>	<u>Out</u>
General fund – operating transfer to airport construction grant projects fund	\$ -	\$ 115,575
General fund – operating transfer to debt service fund	-	1,168,331
General fund – operating transfer to governmental capital projects fund	-	4,134,462
General fund – operating transfer to region II fund	-	30,000
General fund – operating transfer from electric/water/wastewater utility funds	8,454,241	-
General fund – operating transfer from GRT parks fund	21,000	-
General fund – operating transfer to lodgers' tax fund	-	25,000
GRT parks fund – operating transfer to general fund	-	21,000
GRT streets fund – operating transfer to debt service fund	-	307,158
Lodgers' tax fund – operating transfer from general fund	25,000	-
Lodgers' tax fund – operating transfer to GRT 2012 bond projects fund	-	125,000
Region II fund – matching funds for grant from general fund	30,000	-
State fire grant fund – operating transfer to debt service fund	-	171,106
Governmental capital projects fund – operating transfer from general fund	4,134,462	-
GRT 2012 bond projects fund – capital project transfer from lodgers' tax fund	125,000	-
Airport construction grant projects fund – operating transfer from general fund	115,575	-
Debt service fund – operating transfer from GRT streets fund	307,158	-
Debt service fund – operating transfer from general fund	1,168,331	-
Debt service fund – operating transfer from state fire grant fund	171,106	-
	<hr/>	<hr/>
Total governmental funds transfers	14,551,873	\$ 6,097,632
	<hr/>	<hr/>
<b>Net governmental funds transfers</b>	<b>\$ 8,454,241</b>	
	<hr/>	
<b>Business-type funds</b>		
Electric utility fund – operating transfer to general fund	\$ -	\$ 7,459,646
Water utility fund – operating transfer to general fund	-	667,907
Wastewater utility fund – operating transfer to general fund	-	326,688
	<hr/>	<hr/>
Total business-type funds transfers	\$ -	8,454,241
	<hr/>	<hr/>
<b>Net business-type transfers</b>		<b>\$ 8,454,241</b>
		<hr/>

**E. Leases**

**Operating Leases**

The City leases equipment (police motorcycles) under a noncancelable operating lease. The future minimum lease payment for this lease is as follows:

<u>Year Ending</u>	<u>Amount</u>
2014	\$ 3,659
	<hr/>

## 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, 2013, 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.

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.

In April, 2012, the City issued \$10,655,000 of Series 2012 Sales Tax Refunding and Improvement Revenue Bonds through the New Mexico Finance Authority (NMFA). A portion of the proceeds (\$2,231,667) was used to refund the 2001 Sales Tax Revenue Improvement and Refunding Bonds. The refunding resulted in both a reduction of debt service of \$94,520 over three years and also an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$98,612. The balance of the proceeds are being used to build a new animal shelter, renovate the Civic Center, expand the Gateway Museum, remodel Fire Station 1, and to complete various drainage improvement projects.

Revenue bonds outstanding as of June 30, 2013, are as follows:

	Interest	
	Rates	General Govt
<b>Governmental Activities</b>		
Sales Tax Bonds 2005	4.00%	\$ 2,830,000
Sales Tax Bonds 2012	1.50 - 5.50%	<u>10,010,000</u>
<b>Total</b>		<u><u>\$ 12,840,000</u></u>

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

Year Ending June 30	General Govt.	
	Principal	Interest
2014	\$ 1,145,000	\$ 432,088
2015	1,180,000	400,688
2016	1,235,000	342,463
2017	1,265,000	308,562
2018	1,305,000	277,587
2019	1,355,000	225,387
2020	1,080,000	185,800
2021	1,000,000	158,800
2022	1,055,000	108,800
2023	1,095,000	66,600
2024	1,125,000	33,750
<b>Total</b>	<u><u>\$ 12,840,000</u></u>	<u><u>\$ 2,540,525</u></u>

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.

**New Mexico Environment Department Loan.** In FY2007, the City entered into a loan agreement with the New Mexico Environment Department (NMED) for a \$14.2 million, 3% loan for expansion of the wastewater treatment plant. The NMED loan repayment schedule is as follows:

Year Ending June 30	Principal	Interest
2014	\$ 648,945	\$ 304,052
2015	668,413	284,584
2016	688,465	264,532
2017	709,119	243,878
2018	730,393	222,604
2019-2023	3,994,088	770,898
2024-2026	2,695,659	163,333
<b>Total</b>	<b>\$ 10,135,082</b>	<b>\$ 2,253,881</b>

**New Mexico Finance Authority Loan.** In January 2010, the City entered into a loan and subsidy agreement with the New Mexico Finance Authority (NMFA) for \$2,109,688, for improving approximately 13,900 feet of existing waterline in the City's Water Utility System. Of this amount 50% of the amount is forgiven and the amount repayable is \$1,054,844 at a 1% interest rate (includes 0.25% for administrative fees).

The NMFA loan repayment schedule is as follows:

Year Ending June 30	Principal	Interest	Administrative Fee
2014	\$ 48,385	\$ 7,552	\$ 2,517
2015	48,869	7,189	2,397
2016	49,358	6,823	2,274
2017	49,851	6,452	2,151
2018	50,350	6,079	2,026
2019-2023	259,402	24,652	8,218
2024-2028	272,635	14,728	4,909
2029-2032	228,088	4,298	1,433
<b>Total</b>	<b>\$ 1,006,938</b>	<b>\$ 77,773</b>	<b>\$ 25,925</b>



**NMFA Fire Pumper Loan.** In June 2011, the City also entered into a loan agreement with NMFA for \$475,426 at a 2.775% blended interest rate for the purchase of two new fire pumps. The NMFA loan repayment schedule is as follows:

Year Ending June 30	Principal	Interest
2014	\$ 44,238	\$ 10,967
2015	44,760	10,445
2016	45,467	9,738
2017	46,322	8,883
2018	47,355	7,851
2018-2022	203,406	17,413
<b>Total</b>	<b>\$ 431,548</b>	<b>\$ 65,297</b>

### **Changes in Long-term Liabilities**

During the year ended June 30, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Governmental activities:</b>					
Bonds payable:					
2005 Sales tax revenue bonds	\$ 3,240,000	\$ -	\$ (410,000)	\$ 2,830,000	\$ 425,000
2012 Sales tax revenue bonds	10,655,000	-	(645,000)	10,010,000	720,000
Premium on bonds - 2012 bonds	733,748	-	(30,895)	702,853	30,895
Total bonds payable	14,628,748	-	(1,085,895)	13,542,853	1,175,895
NMFA Fire Pumper Loan	475,426	-	(43,878)	431,548	44,238
Claims and judgments	3,931,452	5,342,929	(6,369,364)	2,905,017	1,681,857
Compensated absences	3,514,625	1,381,430	(1,465,453)	3,430,602	171,530
Total long-term liabilities					
Governmental activities	\$ 22,550,251	\$ 6,724,359	\$ (8,964,590)	\$ 20,310,020	\$ 3,073,520
<b>Business-type activities:</b>					
Bonds payable:					
Series 2002A	\$ 4,045,000	\$ -	\$ (4,045,000)	\$ -	\$ -
Premium on bonds	210,702	-	(210,702)	-	-
Total bonds payable	4,255,702	-	(4,255,702)	-	-
NMED loan	10,765,125	-	(630,043)	10,135,082	648,945
NMFA loan	1,054,844	-	(47,906)	1,006,938	48,385
Compensated absences	1,086,160	476,404	(539,948)	1,022,616	539,947
Total long-term liabilities					
Business-type activities	\$ 17,161,831	\$ 476,404	\$ (5,473,599)	\$ 12,164,636	\$ 1,237,277

The liability for compensated absences will be liquidated by the general fund, electric fund, and golf course fund. The liability for claims and judgments has been historically liquidated by the general and electric funds.

**G. Restricted Assets**

The following is a summary of restricted assets as of June 30, 2013:

***Enterprise Funds***

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
NMED loan debt service reserves	\$ -	\$ -	\$ 1,661,906	\$ 1,661,906
San Juan Coal Co. Coal Reclamation	388,989	-	-	388,989
Customer deposits/overpayments	<u>3,890,167</u>	<u>392,233</u>	-	<u>4,282,400</u>
Total restricted assets	<u>\$ 4,279,156</u>	<u>\$ 392,233</u>	<u>\$ 1,661,906</u>	<u>\$ 6,333,295</u>

**V. OTHER INFORMATION**

**A. Risk Management**

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

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

	<b>FY2012</b>		<b>FY2013</b>	
	<u>Health</u>	<u>Risk Mgmt</u>	<u>Health</u>	<u>Risk Mgmt</u>
Unpaid claims, beginning of fiscal year	\$ 1,004,164	\$ 1,858,463	\$ 1,210,483	\$ 2,720,969
Incurred claims and changes in estimate	7,103,094	2,116,356	4,427,906	915,023
Claim payments	<u>(6,896,775)</u>	<u>(1,253,850)</u>	<u>(4,943,864)</u>	<u>(1,425,500)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,210,483</u>	<u>\$ 2,720,969</u>	<u>\$ 694,525</u>	<u>\$ 2,210,492</u>
Due within one year			<u>\$ 694,525</u>	<u>\$ 987,332</u>

City management's estimates of current portion are 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 Council that resolution of these matters will not have a material adverse effect on the financial condition of the government.

### **San Juan Coal Company Reclamation**

The City acquired an 8.475% undivided interest in Unit #4 of the San Juan Generating Station (SJGS) in 1981 to provide a long term supply of coal-fired base load electricity for its electric utility customers. Other owners in the project include Public Service Company of New Mexico (PNM), Tucson Electric Power Company (TEP), Southern California Public Power Authority, Tri-State Generation and Transmission Association, M-S-R Public Power Agency, the City of Anaheim, the Incorporated County of Los Alamos and Utah Associated Municipal Power Systems. Rights and obligations of plant owners or "Participants" in respect to ownership and operation of the San Juan Project, including reclamation costs, are governed by the Amended and Restated San Juan Project Participation Agreement dated March 23, 2006 (PPA).

Coal for the operation of the project is supplied by San Juan Coal Company (SJCC) and is mined from the San Juan Mine located adjacent to the project. PNM and TEP (Utilities) are parties to an Underground Coal Sales Agreement dated August 31, 2001, (UG-CSA) with SJCC. According to the PPA, all participants acknowledge and recognize the terms of the UG-CSA which was entered into by PNM and TEP on behalf of all the Participants. The Utilities are required by the UG-CSA to compensate SJCC for all reclamation and related liabilities, obligations and costs associated with the disturbance on the SJCC site related to the coal supplied to the San Juan Station. Reclamation costs are considered fixed fuel expenses and allocated to Participants according to their common participant share per the PPA. The City's share is 2.559%.

All Participants have agreed to establish individual trust agreements in accordance with the Mine Reclamation and Trust Funds Agreement Among the San Juan Project Participants dated May 16, 2012, to assure SJCC they will meet their obligation to fully compensate SJCC for all reclamation costs at the surface and underground mine sites. The trust funds will continue until SJCC achieves Reclamation Bond Release, estimated to occur by 2050. Funding of the trust accounts will be according to funding curves provided in the agreement based on estimates for coal reclamation expenses which will be adjusted from time-to-time.

The City entered into a trust agreement with the Bank of Albuquerque, as Trustee for the benefit of SJCC, on May 22, 2012. Funds will be disbursed from the trust only for the City's share of reclamation costs, and for costs and fees associated with the maintenance of the trust account. The City retains no beneficial interest in the funds held in trust, except the right to a return of any funds that may remain in the trust after satisfaction of the Utilities reclamation obligation with SJCC.

Should another SJGS Participant default under the funding agreement prior to the termination of the PPA on July 1, 2022, the City is required by the funding agreement to establish a separate segregated portion of the trust account, a "make-up" trust fund, to provide funding for the City's share of the shortfall created by the defaulting Participant. Funds in the make-up trust fund will only be used for reclamation costs, and trust maintenance costs and fees. Should the defaulting Participant correct their default, funds in the make-up trust will be returned to the City.

Participants other than the Utilities could elect to become “Opt-out” Participants within 75 days of the full execution of the Mine Reclamation and Trust Agreement Among the San Juan Project Participants. This choice meant by having a higher funding curve for their respective trust, these Participants would not be obligated to make up funding for another Participant’s trust fund occurring after the termination of the PPA. The City elected to become an “Opt-out” Participant.

**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 FY2013, the City made \$4,977 in financial contributions 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 FY2013, 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’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](http://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 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 are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2013, 2012, and 2011 were \$9,390,854, \$8,960,484, and \$8,778,923, 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 contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). The NMRHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The NMRHCA 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 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](http://www.nmrhca.state.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and



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

The City's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$904,194, \$739,825, and \$725,751, respectively, which equal the required contributions for each 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. 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 \$6.5 million for contracted services for the year ended June 30, 2013.

#### **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, 2013, was \$993,980,000. This debt will never constitute an indebtedness of the City 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 or a charge against its general or taxing powers.

**I. Change in Accounting Principle**

The accompanying financial statements reflect the implementation of GASB statements Nos. 62, 63, and 65. Significant impacts of GASB Statement No. 62 include the adoption of regulated operations guidance which allows for enterprise funds that are used to account for rate-regulated activities to defer certain expenses and revenues that would otherwise be recognized when incurred, provided that such amounts are being recovered or expected to be recovered or refunded in rates charged to its customers. Significant impacts of GASB statement No. 63 include changing the title of the statement of net assets to the statement of net position and reformatting the statement of net position to add separate sections for deferred inflows of resources and deferred outflows of resources. Significant impacts of GASB Statement No. 65 include reclassifying as deferred inflows of resources and deferred outflows of resources certain balances that were previously reported as assets and liabilities. The retroactive effects of implementing GASB Statement No. 62 resulted in a restatement of beginning net position of the City’s Electric Utility fund as set forth below:

	June 30, 2012 (as reported)	accounting change	June 30, 2012 (as restated)
<u>Business-type activities</u>			
Assets:			
Regulatory Asset	\$ -	\$ 7,957,972	\$ 7,957,972
Net position	<u>\$ 406,681,916</u>	<u>\$ 7,957,972</u>	<u>\$ 414,639,888</u>
<u>Proprietary Fund - Electric</u>			
Current Assets:			
Regulatory Asset	\$ -	\$ 7,957,972	\$ 7,957,972
Electric total net position	<u>\$ 325,334,906</u>	<u>\$ 7,957,972</u>	<u>\$ 333,292,878</u>
Net position	<u>\$ 406,681,916</u>	<u>\$ 7,957,972</u>	<u>\$ 414,639,888</u>

# Nonmajor Governmental Funds

# NONMAJOR GOVERNMENTAL FUNDS

## Special Revenue Funds

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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.

**Park 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.

**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 3-38-15 NMSA 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 Grant 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.

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## Capital Projects Funds

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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.

**Gross Receipts Tax 2012 Bond Projects Fund** – This fund is used to account for capital projects that are funded with proceeds from GRT bonds issued in 2012.

**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.

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## Debt Service Fund

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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, 2013**

	Special Revenue			
	Gross Receipts Tax Parks	Park Development Fees	Library Gifts and Grants	Parks/ Recreation Gifts and Grants
<b>ASSETS:</b>				
Pooled cash and investments	\$ 1,021,095	\$ 352,594	\$ 321,147	\$ 937,541
Accounts receivable	-	-	-	9,016
Intergovernmental receivable	425,279	-	-	14,585
Due from other funds	252,722	-	-	-
Total assets	\$ 1,699,096	\$ 352,594	\$ 321,147	\$ 961,142
<b>LIABILITIES:</b>				
Accounts payable	\$ 9,606	\$ -	\$ -	-
Unearned revenue	-	-	-	6,519
Accrued wages payable	52,461	-	-	1,550
Due to other funds	-	-	-	-
Total liabilities	62,067	-	-	8,069
<b>FUND BALANCES:</b>				
Restricted to:				
Police	-	-	-	-
Fire	-	-	-	-
Lodgers promotion	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Police	-	-	-	-
Parks, recreation, cultural affairs	1,637,029	352,594	-	-
Assigned to:				
Parks, recreation, cultural affairs	-	-	-	953,073
Library	-	-	321,147	-
Capital projects	-	-	-	-
Total fund balances	1,637,029	352,594	321,147	953,073
Total liabilities and fund balances	\$ 1,699,096	\$ 352,594	\$ 321,147	\$ 961,142

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, 2013**

	<b>Special Revenue</b>				
	<b>Museum Gifts and Grants</b>	<b>Lodgers' Tax</b>	<b>State Police Protection Grant</b>	<b>Region II Narcotics Grant</b>	<b>COPS Program Grant</b>
<b>ASSETS:</b>					
Pooled cash and investments	\$ 183,747	\$ 211,140	\$ 83,711	\$ 100,229	\$ -
Accounts receivable	-	-	-	-	-
Intergovernmental receivable	-	122,153	-	128,640	36,288
Due from other funds	-	-	-	-	-
Total assets	\$ 183,747	\$ 333,293	\$ 83,711	\$ 228,869	\$ 36,288
<b>LIABILITIES:</b>					
Accounts payable	\$ 17,990	\$ 480	\$ 6,565	\$ 19,541	\$ -
Unearned revenue	-	-	-	-	-
Accrued wages payable	-	28,182	-	10,449	6,574
Due to other funds	-	-	-	78,748	29,714
Total liabilities	17,990	28,662	6,565	108,738	36,288
<b>FUND BALANCES:</b>					
Restricted to:					
Police	-	-	77,146	-	-
Fire	-	-	-	-	-
Lodgers promotion	-	304,631	-	-	-
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Committed to:					
Police	-	-	-	120,131	-
Parks, recreation, cultural affairs	-	-	-	-	-
Assigned to:					
Parks, recreation, cultural affairs	165,757	-	-	-	-
Library	-	-	-	-	-
Capital projects	-	-	-	-	-
Total fund balances	165,757	304,631	77,146	120,131	-
Total liabilities and fund balances	\$ 183,747	\$ 333,293	\$ 83,711	\$ 228,869	\$ 36,288

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, 2013**

	Special Revenue			
	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	Total Special Revenue
<b>ASSETS:</b>				
Pooled cash and investments	\$ 32,631	\$ 108,981	\$ 11,321	\$ 3,364,137
Accounts receivable	-	-	-	9,016
Intergovernmental receivable	-	-	-	726,945
Due from other funds	-	-	-	252,722
Total assets	\$ 32,631	\$ 108,981	\$ 11,321	\$ 4,352,820
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ -	\$ 11,321	\$ 65,503
Unearned revenue	32,631	-	-	39,150
Accrued wages payable	-	-	-	99,216
Due to other funds	-	-	-	108,462
Total liabilities	32,631	-	11,321	312,331
<b>FUND BALANCES:</b>				
Restricted to:				
Police	-	-	-	77,146
Fire	-	108,981	-	108,981
Lodgers promotion	-	-	-	304,631
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Police	-	-	-	120,131
Parks, recreation, cultural affairs	-	-	-	1,989,623
Assigned to:				
Parks, recreation, cultural affairs	-	-	-	1,118,830
Library	-	-	-	321,147
Capital projects	-	-	-	-
Total fund balances	-	108,981	-	4,040,489
Total liabilities and fund balances	\$ 32,631	\$ 108,981	\$ 11,321	\$ 4,352,820

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, 2013**

**Capital Projects**

	<b>Community Development Grant Projects</b>	<b>Gross Receipts Tax 2012 Bond Projects</b>	<b>Governmental Capital Projects</b>	<b>Airport Construction Grant Projects</b>	<b>Total Capital Projects</b>	<b>Debt Service</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS:</b>							
Pooled cash and investments	\$ 1,384,196	\$ 5,538,052	\$ 5,612,389	\$ 144,206	\$ 12,678,843	\$ 192,429	\$ 16,235,409
Accounts receivable	-	-	-	-	-	-	9,016
Intergovernmental receivable	359,291	1,370,844	-	-	1,730,135	-	2,457,080
Due from other funds	-	-	-	-	-	-	252,722
Total assets	<u>\$ 1,743,487</u>	<u>\$ 6,908,896</u>	<u>\$ 5,612,389</u>	<u>\$ 144,206</u>	<u>\$ 14,408,978</u>	<u>\$ 192,429</u>	<u>\$ 18,954,227</u>
<b>LIABILITIES:</b>							
Accounts payable	\$ 366,557	\$ 856,755	\$ -	\$ -	\$ 1,223,312	\$ -	\$ 1,288,815
Unearned revenue	-	-	-	-	-	-	39,150
Accrued wages payable	3,314	-	-	-	3,314	-	102,530
Due to other funds	-	-	-	-	-	-	108,462
Total liabilities	<u>369,871</u>	<u>856,755</u>	<u>-</u>	<u>-</u>	<u>1,226,626</u>	<u>-</u>	<u>1,538,957</u>
<b>FUND BALANCES:</b>							
Restricted to:							
Police	-	-	-	-	-	-	77,146
Fire	-	-	-	-	-	-	108,981
Lodgers promotion	-	-	-	-	-	-	304,631
Capital projects	1,373,616	6,052,141	-	144,206	7,569,963	-	7,569,963
Debt service	-	-	-	-	-	192,429	192,429
Committed to:							
Police	-	-	-	-	-	-	120,131
Parks, recreation, cultural affairs	-	-	-	-	-	-	1,989,623
Assigned to:							
Parks, recreation, cultural affairs	-	-	-	-	-	-	1,118,830
Library	-	-	-	-	-	-	321,147
Capital projects	-	-	5,612,389	-	5,612,389	-	5,612,389
Total fund balances	<u>1,373,616</u>	<u>6,052,141</u>	<u>5,612,389</u>	<u>144,206</u>	<u>13,182,352</u>	<u>192,429</u>	<u>17,415,270</u>
Total liabilities and fund balances	<u>\$ 1,743,487</u>	<u>\$ 6,908,896</u>	<u>\$ 5,612,389</u>	<u>\$ 144,206</u>	<u>\$ 14,408,978</u>	<u>\$ 192,429</u>	<u>\$ 18,954,227</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2013**

	<u>Special Revenue</u>			
	<u>Gross Receipts Tax Parks</u>	<u>Park Development Fees</u>	<u>Library Gifts and Grants</u>	<u>Parks/ Recreation Gifts and Grants</u>
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ 2,537,591	\$ -	\$ -	\$ -
Lodgers' taxes	-	-	-	-
Licenses and permits	-	18,119	-	-
Intergovernmental	-	-	18,003	123,449
Charges for services	-	-	-	295,751
Fines	-	-	-	-
Investment earnings	3,616	547	159	1,570
Donations	-	-	46,903	199,787
Miscellaneous	19,298	90	1,043	18,649
Total revenues	<u>2,560,505</u>	<u>18,756</u>	<u>66,108</u>	<u>639,206</u>
<b>EXPENDITURES:</b>				
Current:				
Police operations	-	-	-	-
Fire operations	-	-	-	-
Parks, recreation and cultural affairs	1,936,930	4,759	26,067	454,505
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Fire	-	-	-	-
Parks, recreation and cultural affairs	758,351	42,166	-	274,852
Airport	-	-	-	-
Highways and streets	-	-	-	-
Total expenditures	<u>2,695,281</u>	<u>46,925</u>	<u>26,067</u>	<u>729,357</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(134,776)</u>	<u>(28,169)</u>	<u>40,041</u>	<u>(90,151)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	(21,000)	-	-	-
Total other financing sources (uses)	<u>(21,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(155,776)	(28,169)	40,041	(90,151)
Fund balances-beginning	1,792,805	380,763	281,106	1,043,224
Fund balances-ending	<u>\$ 1,637,029</u>	<u>\$ 352,594</u>	<u>\$ 321,147</u>	<u>\$ 953,073</u>

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



**CITY OF FARMINGTON, NEW MEXICO**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2013**

**Special Revenue**

	<b>Museum Gifts and Grants</b>	<b>Lodgers' Tax</b>	<b>State Police Protection Grant</b>	<b>Region II Narcotics Grant</b>	<b>COPS Program Grant</b>
<b>REVENUES:</b>					
Taxes:					
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes	-	1,192,579	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	104,400	312,736	217,422
Charges for services	57,198	60,389	-	-	-
Fines	-	-	-	-	-
Investment earnings	277	1,098	-	369	-
Donations	3,248	-	-	-	-
Miscellaneous	353	1,258	102	68,225	-
Total revenues	<u>61,076</u>	<u>1,255,324</u>	<u>104,502</u>	<u>381,330</u>	<u>217,422</u>
<b>EXPENDITURES:</b>					
Current:					
Police operations	-	-	55,769	365,452	217,422
Fire operations	-	-	-	-	-
Parks, recreation and cultural affairs	75,554	1,263,206	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
General government	-	-	-	-	-
Fire	-	-	-	-	-
Parks, recreation and cultural affairs	-	-	-	-	-
Airport	-	-	-	-	-
Highways and streets	-	-	-	-	-
Total expenditures	<u>75,554</u>	<u>1,263,206</u>	<u>55,769</u>	<u>365,452</u>	<u>217,422</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,478)</u>	<u>(7,882)</u>	<u>48,733</u>	<u>15,878</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	25,000	-	30,000	-
Transfers out	-	(125,000)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	(14,478)	(107,882)	48,733	45,878	-
Fund balances-beginning	180,235	412,513	28,413	74,253	-
Fund balances-ending	<u>\$ 165,757</u>	<u>\$ 304,631</u>	<u>\$ 77,146</u>	<u>\$ 120,131</u>	<u>\$ -</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2013**

	<u>Special Revenue</u>			<u>Total Special Revenue</u>
	<u>Law Enforcement Block Grant</u>	<u>State Fire Grant</u>	<u>Penalty Assessment</u>	
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	2,537,591
Lodgers' taxes	-	-	-	1,192,579
Licenses and permits	-	-	-	18,119
Intergovernmental	23,652	1,089,778	-	1,889,440
Charges for services	-	-	-	413,338
Fines	-	-	152,637	152,637
Investment earnings	279	2,297	33	10,245
Donations	-	-	-	249,938
Miscellaneous	112	2,491	-	111,621
Total revenues	<u>24,043</u>	<u>1,094,566</u>	<u>152,670</u>	<u>6,575,508</u>
<b>EXPENDITURES:</b>				
Current:				
Police operations	24,043	-	152,670	815,356
Fire operations	-	565,152	-	565,152
Parks, recreation and cultural affairs	-	-	-	3,761,021
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Fire	-	479,638	-	479,638
Parks, recreation and cultural affairs	-	-	-	1,075,369
Airport	-	-	-	-
Highways and streets	-	-	-	-
Total expenditures	<u>24,043</u>	<u>1,044,790</u>	<u>152,670</u>	<u>6,696,536</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>49,776</u>	<u>-</u>	<u>(121,028)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	55,000
Transfers out	-	(171,106)	-	(317,106)
Total other financing sources (uses)	<u>-</u>	<u>(171,106)</u>	<u>-</u>	<u>(262,106)</u>
Net change in fund balances	-	(121,330)	-	(383,134)
Fund balances-beginning	-	230,311	-	4,423,623
Fund balances-ending	<u>\$ -</u>	<u>\$ 108,981</u>	<u>\$ -</u>	<u>\$ 4,040,489</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2013**

	<b>Capital Projects</b>						
	<b>Community Development Grant Projects</b>	<b>Gross Receipts Tax 2012 Bond Projects</b>	<b>Governmental Capital Projects</b>	<b>Airport Construction Grant Projects</b>	<b>Total Capital Projects</b>	<b>Debt Service</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES:</b>							
Taxes:							
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,537,591
Lodgers' taxes	-	-	-	-	-	-	1,192,579
Licenses and permits	-	-	-	-	-	-	18,119
Intergovernmental	1,332,508	1,723,194	-	1,080,788	4,136,490	-	6,025,930
Charges for services	-	-	-	-	-	-	413,338
Fines	-	-	-	-	-	-	152,637
Investment earnings	1,364	21,768	3,231	296	26,659	3,125	40,029
Donations	-	-	-	-	-	-	249,938
Miscellaneous	54	-	256	4,020	4,330	-	115,951
Total revenues	<u>1,333,926</u>	<u>1,744,962</u>	<u>3,487</u>	<u>1,085,104</u>	<u>4,167,479</u>	<u>3,125</u>	<u>10,746,112</u>
<b>EXPENDITURES:</b>							
Current:							
Police operations	-	-	-	-	-	-	815,356
Fire operations	-	-	-	-	-	-	565,152
Parks, recreation and cultural affairs	-	-	-	-	-	-	3,761,021
Debt Service:							
Principal	-	-	-	-	-	1,098,878	1,098,878
Interest	-	-	-	-	-	547,717	547,717
Capital outlay:							
General government	-	4,750,829	2,120,218	-	6,871,047	-	6,871,047
Fire operations	-	-	-	-	-	-	479,638
Parks, recreation and cultural affairs	-	-	-	-	-	-	1,075,369
Airport	-	-	-	1,099,204	1,099,204	-	1,099,204
Highways and streets	1,122,241	-	-	-	1,122,241	-	1,122,241
Total expenditures	<u>1,122,241</u>	<u>4,750,829</u>	<u>2,120,218</u>	<u>1,099,204</u>	<u>9,092,492</u>	<u>1,646,595</u>	<u>17,435,623</u>
Excess (deficiency) of revenues over (under) expenditures	<u>211,685</u>	<u>(3,005,867)</u>	<u>(2,116,731)</u>	<u>(14,100)</u>	<u>(4,925,013)</u>	<u>(1,643,470)</u>	<u>(6,689,511)</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	-	125,000	4,134,462	115,575	4,375,037	1,646,595	6,076,632
Transfers out	-	-	-	-	-	-	(317,106)
Total other financing sources (uses)	<u>-</u>	<u>125,000</u>	<u>4,134,462</u>	<u>115,575</u>	<u>4,375,037</u>	<u>1,646,595</u>	<u>5,759,526</u>
Net change in fund balances	211,685	(2,880,867)	2,017,731	101,475	(549,976)	3,125	(929,985)
Fund balances-beginning	1,161,931	8,933,008	3,594,658	42,731	13,732,328	189,304	18,345,255
Fund balances-ending	<u>\$ 1,373,616</u>	<u>\$ 6,052,141</u>	<u>\$ 5,612,389</u>	<u>\$ 144,206</u>	<u>\$ 13,182,352</u>	<u>\$ 192,429</u>	<u>\$ 17,415,270</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Gross Receipts Tax Parks Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Gross receipts taxes	\$ 2,635,964	\$ 2,635,964	\$ 2,537,591	\$ (98,373)
Investment earnings	12,000	12,000	3,616	(8,384)
Miscellaneous	3,000	3,000	19,298	16,298
Total revenues	<u>2,650,964</u>	<u>2,650,964</u>	<u>2,560,505</u>	<u>(90,459)</u>
<b>EXPENDITURES:</b>				
Current:				
Parks, Recreation and Cultural Affairs	2,189,801	2,210,801	1,936,930	273,871
Capital Outlay:				
Park Construction	550,000	942,111	758,351	183,760
Total expenditures	<u>2,739,801</u>	<u>3,152,912</u>	<u>2,695,281</u>	<u>457,631</u>
Excess (deficiency) of revenues over (under) expenditures	(88,837)	(501,948)	(134,776)	367,172
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	-	(21,000)	(21,000)
Net change in fund balances	(88,837)	(501,948)	(155,776)	<u>\$ 346,172</u>
Fund balances-beginning	<u>1,792,805</u>	<u>1,792,805</u>	<u>1,792,805</u>	
Fund balances-ending	<u>\$ 1,703,968</u>	<u>\$ 1,290,857</u>	<u>\$ 1,637,029</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**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Licenses and permits	\$ 40,000	\$ 40,000	\$ 18,119	\$ (21,881)
Investment earnings	8,000	8,000	547	(7,453)
Miscellaneous	-	-	90	90.00
Total revenues	<u>48,000</u>	<u>48,000</u>	<u>18,756</u>	<u>(29,244)</u>
<b>EXPENDITURES:</b>				
Current:				
Parks, Recreation and Cultural Affairs	-	-	4,759	(4,759)
Capital Outlay:				
Park Construction	<u>48,000</u>	<u>48,000</u>	<u>42,166</u>	<u>5,834</u>
Total expenditures	<u>48,000</u>	<u>48,000</u>	<u>46,925</u>	<u>1,075</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(28,169)	\$ <u><u>(28,169)</u></u>
Fund balances-beginning	<u>380,763</u>	<u>380,763</u>	<u>380,763</u>	
Fund balances-ending	<u><u>\$ 380,763</u></u>	<u><u>\$ 380,763</u></u>	<u><u>\$ 352,594</u></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**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 18,003	\$ (41,997)
Investment earnings	2,500	2,500	159	(2,341)
Donations	10,000	10,000	46,903	36,903
Miscellaneous	200	200	1,043	843
Total revenues	<u>72,700</u>	<u>72,700</u>	<u>66,108</u>	<u>(6,592)</u>
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation and cultural affairs	<u>90,500</u>	<u>90,500</u>	<u>26,067</u>	<u>64,433</u>
Excess (deficiency) of revenues over (under) expenditures	(17,800)	(17,800)	40,041	\$ <u><u>57,841</u></u>
Fund balances-beginning	<u>281,106</u>	<u>281,106</u>	<u>281,106</u>	
Fund balances-ending	<u>\$ <u><u>263,306</u></u></u>	<u>\$ <u><u>263,306</u></u></u>	<u>\$ <u><u>321,147</u></u></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**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 34,000	\$ 116,000	\$ 123,449	\$ 7,449
Charges for services	96,300	190,300	295,751	105,451
Investment earnings	-	-	1,570	1,570
Donations	306,100	320,400	199,787	(120,613)
Miscellaneous	-	-	18,649	18,649
Total revenues	<u>436,400</u>	<u>626,700</u>	<u>639,206</u>	<u>12,506</u>
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation and cultural affairs	279,188	364,921	454,505	(89,584)
Capital Outlay:				
Park Construction	<u>232,000</u>	<u>436,567</u>	<u>274,852</u>	<u>161,715</u>
Total expenditures	<u>511,188</u>	<u>801,488</u>	<u>729,357</u>	<u>72,131</u>
Excess (deficiency) of revenues over (under) expenditures	(74,788)	(174,788)	(90,151)	<u>\$ 84,637</u>
Fund balances-beginning	<u>1,043,224</u>	<u>1,043,224</u>	<u>1,043,224</u>	
Fund balances-ending	<u>\$ 968,436</u>	<u>\$ 868,436</u>	<u>\$ 953,073</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**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Charges for services	\$ 90,000	\$ 90,000	\$ 57,198	\$ (32,802)
Investment earnings	2,000	2,000	277	(1,723)
Donations	38,000	38,000	3,248	(34,752)
Miscellaneous	5,000	5,000	353	(4,647)
Total revenues	<u>135,000</u>	<u>135,000</u>	<u>61,076</u>	<u>(73,924)</u>
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation and cultural affairs	<u>133,000</u>	<u>133,000</u>	<u>75,554</u>	<u>57,446</u>
Excess (deficiency) of revenues over (under) expenditures	2,000	2,000	(14,478)	<u><u>\$ (16,478)</u></u>
Fund balances-beginning	<u>180,235</u>	<u>180,235</u>	<u>180,235</u>	
Fund balances-ending	<u><u>\$ 182,235</u></u>	<u><u>\$ 182,235</u></u>	<u><u>\$ 165,757</u></u>	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Lodgers' Tax Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Lodgers' taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,192,579	\$ (7,421)
Charges for services	-	60,296	60,389	93
Investment earnings	3,000	3,000	1,098	(1,902)
Miscellaneous	3,000	3,000	1,258	(1,742)
Total revenues	<u>1,206,000</u>	<u>1,266,296</u>	<u>1,255,324</u>	<u>(10,972)</u>
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation and cultural affairs	<u>1,237,105</u>	<u>1,455,301</u>	<u>1,263,206</u>	<u>192,095</u>
Excess (deficiency) of revenues over (under) expenditures	(31,105)	(189,005)	(7,882)	181,123
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	25,000	25,000	-
Transfers out	<u>-</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
Total other financing sources (uses)	-	(100,000)	(100,000)	-
Net change in fund balances	(31,105)	(289,005)	(107,882)	<u>\$ 181,123</u>
Fund balances-beginning	412,513	412,513	412,513	
Fund balances-ending	<u>\$ 381,408</u>	<u>\$ (265,497)</u>	<u>\$ 304,631</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**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 104,400	\$ 104,400	\$ 104,400	\$ -
Miscellaneous	500	500	102	(398)
Total revenues	<u>104,900</u>	<u>104,900</u>	<u>104,502</u>	<u>(398)</u>
<b>EXPENDITURES:</b>				
Current:				
Police operations	<u>104,900</u>	<u>133,313</u>	<u>55,769</u>	<u>77,544</u>
Excess (deficiency) of revenues over (under) expenditures	-	(28,413)	48,733	<u>\$ 77,146</u>
Fund balances-beginning	<u>28,413</u>	<u>28,413</u>	<u>28,413</u>	
Fund balances-ending	<u>\$ 28,413</u>	<u>\$ -</u>	<u>\$ 77,146</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**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 385,350	\$ 385,350	\$ 312,736	\$ (72,614)
Investment earnings	-	-	369	369
Miscellaneous	35,000	35,000	68,225	33,225
Total revenues	<u>420,350</u>	<u>420,350</u>	<u>381,330</u>	<u>(39,020)</u>
<b>EXPENDITURES:</b>				
Current:				
Police operations	<u>450,350</u>	<u>450,713</u>	<u>365,452</u>	<u>85,261</u>
Excess (deficiency) of revenues over (under) expenditures	(30,000)	(30,363)	15,878	46,241
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	-	(363)	45,878	<u>\$ 46,241</u>
Fund balances-beginning	<u>74,253</u>	<u>74,253</u>	<u>74,253</u>	
Fund balances-ending	<u>\$ 74,253</u>	<u>\$ 73,890</u>	<u>\$ 120,131</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**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 253,500	\$ 253,500	\$ 217,422	\$ (36,078)
<b>EXPENDITURES:</b>				
Current:				
Police operations	<u>253,500</u>	<u>258,249</u>	<u>217,422</u>	<u>40,827</u>
Excess (deficiency) of revenues over (under) expenditures	-	(4,749)	-	<u>\$ 4,749</u>
Fund balances-beginning	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances-ending	<u>\$ -</u>	<u>\$ (4,749)</u>	<u>\$ -</u>	

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



**CITY OF FARMINGTON, NEW MEXICO**  
**Law Enforcement Block Grant Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 23,652	\$ (16,348)
Investment earnings	-	-	279	279
Miscellaneous	-	-	112	112
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>24,043</u>	<u>(15,957)</u>
<b>EXPENDITURES:</b>				
Current:				
Police operations	<u>40,000</u>	<u>40,000</u>	<u>24,043</u>	<u>15,957</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	<u>\$ -</u>
Fund balances-beginning	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 492,238	\$ 1,292,298	\$ 1,089,778	\$ (202,520)
Investment earnings	7,000	7,000	2,297	(4,703)
Miscellaneous	1,500	1,500	2,491	991
Total revenues	<u>500,738</u>	<u>1,300,798</u>	<u>1,094,566</u>	<u>(206,232)</u>
<b>EXPENDITURES:</b>				
Current:				
Fire operations	296,238	885,239	565,152	320,087
Capital Outlay:				
Fire construction	66,000	304,054	479,638	(175,584)
Total expenditures	<u>362,238</u>	<u>1,189,293</u>	<u>1,044,790</u>	<u>144,503</u>
Excess (deficiency) of revenues over (under) expenditures	138,500	111,505	49,776	(61,729)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(105,800)</u>	<u>(171,106)</u>	<u>(171,106)</u>	<u>-</u>
Net change in fund balances	32,700	(59,601)	(121,330)	<u><u>\$ (61,729)</u></u>
Fund balances-beginning	230,311	230,311	230,311	
Fund balances-ending	<u><u>\$ 263,011</u></u>	<u><u>\$ 170,710</u></u>	<u><u>\$ 108,981</u></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**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Fines	\$ 200,000	\$ 200,000	\$ 152,637	\$ (47,363)
Investment earnings	-	-	33	33
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>152,670</u>	<u>(47,330)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	<u>200,000</u>	<u>200,000</u>	<u>152,670</u>	<u>47,330</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	\$ <u>-</u>
Fund balances-beginning	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

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**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 1,661,888	\$ 3,367,187	\$ 1,332,508	\$ (2,034,679)
Investment earnings	-	-	1,364	1,364
Miscellaneous	-	-	54	54
Total revenues	<u>1,661,888</u>	<u>3,367,187</u>	<u>1,333,926</u>	<u>(2,033,261)</u>
<b>EXPENDITURES:</b>				
Capital Outlay:				
Highways and Streets	<u>3,185,695</u>	<u>4,189,633</u>	<u>1,122,241</u>	<u>3,067,392</u>
Excess (deficiency) of revenues over (under) expenditures	(1,523,807)	(822,446)	211,685	\$ <u>1,034,131</u>
Fund balances-beginning	<u>1,161,931</u>	<u>1,161,931</u>	<u>1,161,931</u>	
Fund balances-ending	<u>\$ (361,876)</u>	<u>\$ 339,485</u>	<u>\$ 1,373,616</u>	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Gross Receipts Tax 2012 Bond Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 2,741,000	\$ 1,723,194	\$ (1,017,806)
Investment earnings	40,000	40,000	21,768	(18,232)
Total revenues	<u>40,000</u>	<u>2,781,000</u>	<u>1,744,962</u>	<u>(1,036,038)</u>
<b>EXPENDITURES:</b>				
Capital Outlay:				
General Government	<u>8,140,000</u>	<u>11,846,945</u>	<u>4,750,829</u>	<u>7,096,116</u>
Excess (deficiency) of revenues over (under) expenditures	(8,100,000)	(9,065,945)	(3,005,867)	6,060,078
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Net change in fund balances	(8,100,000)	(8,940,945)	(2,880,867)	<u>\$ 6,060,078</u>
Fund balances-beginning	<u>8,933,008</u>	<u>8,933,008</u>	<u>8,933,008</u>	
Fund balances-ending	<u>\$ 833,008</u>	<u>\$ (7,937)</u>	<u>\$ 6,052,141</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**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Investment earnings	\$ 25,000	\$ 25,000	\$ 3,231	\$ (21,769)
Miscellaneous	-	-	256	256
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>3,487</u>	<u>(21,513)</u>
<b>EXPENDITURES:</b>				
Capital Outlay:				
General Government	<u>4,457,332</u>	<u>6,490,367</u>	<u>2,120,218</u>	<u>4,370,149</u>
Excess (deficiency) of revenues over (under) expenditures	(4,432,332)	(6,465,367)	(2,116,731)	4,348,636
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	<u>2,861,732</u>	<u>4,134,462</u>	<u>4,134,462</u>	<u>-</u>
Net change in fund balances	(1,570,600)	(2,330,905)	2,017,731	<u>\$ 4,348,636</u>
Fund balances-beginning	<u>3,594,658</u>	<u>3,594,658</u>	<u>3,594,658</u>	
Fund balances-ending	<u>\$ 2,024,058</u>	<u>\$ 1,263,753</u>	<u>\$ 5,612,389</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**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 1,551,200	\$ 1,784,052	\$ 1,080,788	\$ (703,264)
Investment earnings	-	-	296	296
Miscellaneous	-	-	4,020	4,020
Total revenues	<u>1,551,200</u>	<u>1,784,052</u>	<u>1,085,104</u>	<u>(698,948)</u>
<b>EXPENDITURES:</b>				
Capital Outlay:				
Airport	<u>1,666,775</u>	<u>1,899,627</u>	<u>1,099,204</u>	<u>800,423</u>
Excess (deficiency) of revenues over (under) expenditures	(115,575)	(115,575)	(14,100)	101,475
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	<u>115,575</u>	<u>115,575</u>	<u>115,575</u>	<u>-</u>
Net change in fund balances	-	-	101,475	<u>\$ 101,475</u>
Fund balances-beginning	42,731	42,731	42,731	
Fund balances-ending	<u>\$ 42,731</u>	<u>\$ 42,731</u>	<u>\$ 144,206</u>	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Investment earnings	\$ 5,000	\$ 5,000	\$ 3,125	\$ (1,875)
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	1,055,000	1,098,878	1,098,878	-
Interest	526,700	548,128	547,717	411
Total expenditures	<u>1,581,700</u>	<u>1,647,006</u>	<u>1,646,595</u>	<u>411</u>
Excess (deficiency) of revenues over (under) expenditures	(1,576,700)	(1,642,006)	(1,643,470)	(1,464)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	<u>1,581,289</u>	<u>1,646,595</u>	<u>1,646,595</u>	<u>-</u>
Net change in fund balances	4,589	4,589	3,125	<u><u>\$ (1,464)</u></u>
Fund balances-beginning	189,304	189,304	189,304	
Fund balances-ending	<u>\$ 193,893</u>	<u>\$ 193,893</u>	<u>\$ 192,429</u>	

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



Farmington Civic Center Exhibit Hall Remodel

# Internal Service Fund

## Internal Service Fund

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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.

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***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 Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget to Actual**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 6,651,300	\$ 7,505,300	\$ 6,822,845	\$ (682,455)
Other revenues	-	-	43,000	43,000
Total operating revenues	<u>6,651,300</u>	<u>7,505,300</u>	<u>6,865,845</u>	<u>(639,455)</u>
Operating expenses:				
Costs of services	<u>6,651,300</u>	<u>7,505,300</u>	<u>6,477,055</u>	<u>1,028,245</u>
Operating income (loss)	-	-	388,790	388,790
Nonoperating revenues (expenses):				
Investment earnings	-	-	281	281
Change in net position	-	-	389,071	<u>\$ 389,071</u>
Net position -beginning	<u>(528,306)</u>	<u>(528,306)</u>	<u>(528,306)</u>	
Net position - ending	<u>\$ (528,306)</u>	<u>\$ (528,306)</u>	<u>\$ (139,235)</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, 2012 and 2013**

	<b>2013</b>	<b>2012</b>
Governmental funds capital assets:		
Land	\$ 27,687,091	\$ 27,315,201
Buildings	65,144,805	64,249,610
Improvements other than buildings	26,740,551	24,239,296
Machinery and equipment	34,446,159	32,766,286
Infrastructure	65,945,804	62,352,844
Construction In Progress	9,109,101	5,023,374
Total governmental funds capital assets	\$ 229,073,511	\$ 215,946,611
Investments in governmental funds capital assets by source:		
General fund	\$ 70,406,492	\$ 66,443,625
Special revenue fund	113,926,146	108,495,781
Capital projects funds	41,780,654	38,038,636
Donations	2,960,219	2,968,569
Total governmental funds capital assets	\$ 229,073,511	\$ 215,946,611

**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, 2013**

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction In Progress	Total
<b>GENERAL GOVERNMENT:</b>							
Legislative	\$ 4,000	\$ -	\$ -	\$ 33,693	\$ -	\$ -	\$ 37,693
Judicial	-	-	111,855	140,032	-	-	251,887
Operations center	-	(15,211)	-	557,745	-	-	542,534
Fleet maintenance	-	10,505	-	320,488	-	165,902	496,895
Stores	-	38,467	270,135	260,234	-	-	568,836
Finance administration	-	-	-	6,520	-	-	6,520
Personnel administration	-	-	-	206,200	-	-	206,200
Purchasing	-	-	-	64,805	-	-	64,805
Administrative services	1,588,818	12,526,104	138,170	1,805,549	-	510,682	16,569,323
Planning and zoning	-	-	-	52,403	-	-	52,403
Data processing	-	50,347	-	1,116,040	-	61,716	1,228,103
Total general government	<u>1,592,818</u>	<u>12,610,212</u>	<u>520,160</u>	<u>4,581,955</u>	<u>-</u>	<u>738,300</u>	<u>20,043,445</u>
<b>PUBLIC SAFETY:</b>							
Police	532,769	3,685,258	77,532	6,278,179	-	21,727	10,595,465
Fire	60,098	3,910,111	33,151	8,903,239	-	328,211	13,234,810
Inspection	-	-	-	229,749	-	-	229,749
Traffic	-	-	-	466,601	2,984,751	2,353,023	5,804,375
Total public safety	<u>592,867</u>	<u>7,595,369</u>	<u>110,683</u>	<u>15,877,768</u>	<u>2,984,751</u>	<u>2,702,961</u>	<u>29,864,399</u>
<b>PUBLIC WORKS/COMMUNITY DEVELOPMENT:</b>							
Streets	16,156,420	33,970	2,704,184	2,374,972	38,529,382	1,114,920	60,913,848
Bridges & Storm Drains	92,886	-	562,135	1,011,547	23,940,903	268,907	25,876,378
Administration	1,001,147	142,924	63,362	76,738	490,768	(108,797)	1,666,142
Survey	-	-	-	140,975	-	-	140,975
Engineering	-	-	-	125,585	-	58,685	184,270
Total public works/community development	<u>17,250,453</u>	<u>176,894</u>	<u>3,329,681</u>	<u>3,729,817</u>	<u>62,961,053</u>	<u>1,333,715</u>	<u>88,781,613</u>
<b>CULTURE AND RECREATION:</b>							
Parks and recreation	4,446,145	19,358,159	12,106,781	6,110,762	-	4,181,070	46,202,917
Civic center	92,174	3,184,154	-	346,296	-	-	3,622,624
Senior citizens center	250,626	1,276,019	37,161	299,742	-	-	1,863,548
Museum	1,057,979	4,829,906	134,173	184,849	-	185,110	6,392,017
Animal shelter	132,393	399,911	-	371,889	-	655,298	1,559,491
Total culture and recreation	<u>5,979,317</u>	<u>29,048,149</u>	<u>12,278,115</u>	<u>7,313,538</u>	<u>-</u>	<u>5,021,478</u>	<u>59,640,597</u>
LIBRARIES	<u>1,391,668</u>	<u>8,686,494</u>	<u>106,000</u>	<u>966,322</u>	<u>-</u>	<u>-</u>	<u>11,150,484</u>
AIRPORT	<u>879,968</u>	<u>7,027,687</u>	<u>10,395,912</u>	<u>1,976,759</u>	<u>-</u>	<u>(687,353)</u>	<u>19,592,973</u>
Total governmental funds capital assets	<u>\$ 27,687,091</u>	<u>\$ 65,144,805</u>	<u>\$ 26,740,551</u>	<u>\$ 34,446,159</u>	<u>\$ 65,945,804</u>	<u>\$ 9,109,101</u>	<u>\$ 229,073,511</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity**  
**For the fiscal year ended June 30, 2013**

<u>Function and Activity</u>	<u>Capital Assets June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Transfers</u>	<u>Capital Assets June 30, 2013</u>
<b>GENERAL GOVERNMENT:</b>					
Legislative	\$ 37,693	\$ -	\$ -	\$ -	37,693
Judicial	196,688	167,054	(111,855)	-	251,887
Operations center	481,558	47,452	(33,778)	47,302	542,534
Fleet maintenance	413,671	150,607	(55,388)	(11,995)	496,895
Stores	568,836	-	-	-	568,836
Finance administration	6,520	-	-	-	6,520
Personnel administration	268,394	1,124	(63,318)	-	206,200
Purchasing	64,805	-	-	-	64,805
Administrative services	16,488,697	469,054	(311,632)	(76,796)	16,569,323
Planning and zoning	52,403	-	-	-	52,403
Data processing	1,248,582	-	(20,479)	-	1,228,103
Total general government	<u>19,827,847</u>	<u>835,291</u>	<u>(596,450)</u>	<u>(23,243)</u>	<u>20,043,445</u>
<b>PUBLIC SAFETY:</b>					
Police	10,721,304	234,359	(360,198)	-	10,595,465
Fire	12,083,510	1,647,855	(496,555)	-	13,234,810
Inspection	229,749	-	-	-	229,749
Traffic	3,623,441	2,417,541	(236,607)	-	5,804,375
Total public safety	<u>26,658,004</u>	<u>4,299,755</u>	<u>(1,093,360)</u>	<u>-</u>	<u>29,864,399</u>
<b>PUBLIC WORKS/ COMMUNITY DEVELOPMENT:</b>					
Streets	62,324,437	1,250,715	(2,661,304)	-	60,913,848
Bridges and storm drains	21,867,500	4,301,424	(292,546)	-	25,876,378
Administration	1,626,295	23,243	(6,639)	23,243	1,666,142
Survey	140,975	-	-	-	140,975
Engineering	125,585	58,685	-	-	184,270
Total public works/ community development	<u>86,084,792</u>	<u>5,634,067</u>	<u>(2,960,489)</u>	<u>23,243</u>	<u>88,781,613</u>
<b>CULTURE AND RECREATION:</b>					
Parks and recreation	40,864,711	6,265,645	(927,439)	-	46,202,917
Civic center	3,622,624	-	-	-	3,622,624
Senior citizens center	1,773,846	86,254	(8,350)	11,798	1,863,548
Museum	6,206,907	185,110	-	-	6,392,017
Animal Shelter	969,107	655,298	(64,914)	-	1,559,491
Total culture and recreation	<u>53,437,195</u>	<u>7,192,307</u>	<u>(1,000,703)</u>	<u>11,798</u>	<u>59,640,597</u>
LIBRARIES	11,117,138	33,346	-	-	11,150,484
AIRPORT	18,821,635	1,660,208	(877,072)	(11,798)	19,592,973
Total governmental funds capital assets	<u>\$ 215,946,611</u>	<u>\$ 19,654,974</u>	<u>\$ (6,528,074)</u>	<u>\$ -</u>	<u>\$ 229,073,511</u>
Accumulated depreciation	<u>\$ 117,504,861</u>	<u>\$ 8,914,463</u>	<u>\$ (801,092)</u>	<u>\$ -</u>	<u>\$ 125,618,232</u>

Farmington Museum Oil & Gas Exhibit Hall



# 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.

	<u>Page</u>
<b><i>Financial Trends</i></b>	<b>98</b>
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
<b><i>Revenue Capacity</i></b>	<b>103</b>
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.	
<b><i>Debt Capacity</i></b>	<b>114</b>
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.	
<b><i>Demographic and Economic Information</i></b>	<b>118</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
<b><i>Operating Information</i></b>	<b>120</b>
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 Position by Component  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities</b>										
Net invested in capital assets	\$ 64,779,550	\$ 66,265,472	\$ 74,339,304	\$ 75,000,933	\$ 74,066,951	\$ 82,050,200	\$ 94,776,714	\$ 91,574,976	\$ 83,813,002	\$ 95,018,930
Restricted	2,422,104	3,514,726	4,219,427	4,491,602	4,599,840	4,085,917	4,195,660	2,630,553	10,998,211	8,253,150
Unrestricted	20,610,228	25,149,317	24,559,417	22,873,893	21,548,521	20,137,410	20,043,161	31,572,545	34,265,211	28,214,098
Total governmental activities net position	\$ 87,811,882	\$ 94,929,515	\$ 103,118,148	\$ 102,366,428	\$ 100,215,312	\$ 106,273,527	\$ 119,015,535	\$ 125,778,074	\$ 129,076,424	\$ 131,486,178
<b>Business-type activities</b>										
Net invested in capital assets	\$ 194,430,074	\$ 215,390,130	\$ 227,625,271	\$ 240,380,428	\$ 263,888,952	\$ 290,777,764	\$ 299,184,651	\$ 309,610,312	\$ 316,889,337	\$ 334,361,892
Restricted	2,648,557	2,564,255	2,615,937	2,914,976	3,139,945	3,438,741	3,657,082	5,243,850	4,852,866	1,661,906
Unrestricted	18,361,816	16,535,576	30,290,166	45,749,953	54,174,692	59,170,526	75,894,328	80,045,226	92,897,685	97,960,708
Total business-type activities net position	\$ 215,440,447	\$ 234,489,961	\$ 260,531,374	\$ 289,045,357	\$ 321,203,589	\$ 353,387,031	\$ 378,736,061	\$ 394,899,388	\$ 414,639,888	\$ 433,984,506
<b>Primary government</b>										
Net invested in capital assets	\$ 259,209,624	\$ 281,655,602	\$ 301,964,575	\$ 315,532,250	\$ 340,276,555	\$ 372,827,964	\$ 393,961,365	\$ 401,185,288	\$ 400,702,339	\$ 429,380,822
Restricted	5,070,661	6,078,981	6,835,364	7,406,578	7,739,785	7,524,658	7,852,742	7,874,403	15,851,077	9,915,056
Unrestricted	38,972,044	41,684,893	54,849,583	68,623,846	77,309,002	79,307,936	95,937,489	111,617,771	127,162,896	126,174,806
Total primary government net position	\$ 303,252,329	\$ 329,419,476	\$ 363,649,522	\$ 391,411,785	\$ 421,418,901	\$ 459,660,558	\$ 497,751,596	\$ 520,677,462	\$ 543,716,312	\$ 565,470,684

Source: City of Farmington CAFRs

Note: 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.  
 In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity.  
 In 2012, the city added Civitan Golf Course to governmental activities which had previously been accounted for as a business-type activity.  
 In 2012, a change in accounting principle adjustment was made to correct costs associated with regulatory costs for business-type activity.

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
Governmental activities:										
General government	\$ 23,996,456	\$ 21,153,411	\$ 21,649,221	\$ 24,470,791	\$ 24,773,909	\$ 30,738,756	\$ 25,732,424	\$ 29,114,460	\$ 32,642,985	\$ 37,156,707
Police	10,341,396	11,351,590	12,356,592	15,029,695	16,405,749	14,551,370	14,918,275	15,021,697	15,645,349	15,624,298
Fire	5,468,824	5,470,572	6,466,886	7,606,467	8,702,072	9,461,309	8,808,809	8,665,126	9,595,679	8,804,530
Parks, recreation, cultural affairs	9,284,623	9,497,875	11,105,380	13,769,347	15,479,059	8,959,793	13,349,714	13,714,785	14,251,614	8,345,000
Public works/community development	5,727,834	7,481,297	8,511,853	10,776,798	11,857,265	2,144,831	8,425,359	10,800,128	11,044,820	11,068,146
Interest on long term debt	483,230	421,480	588,521	511,126	468,360	423,713	377,304	328,280	288,476	537,023
Total governmental activities	\$ 55,302,363	\$ 55,376,225	\$ 60,678,453	\$ 72,164,224	\$ 77,686,414	\$ 66,279,772	\$ 71,611,885	\$ 77,644,476	\$ 83,468,923	\$ 81,535,704
Business-type activities:										
Electric	65,214,544	72,914,727	65,152,992	66,341,885	79,473,997	75,669,922	75,094,411	77,933,334	76,465,532	85,104,921
Water	6,785,002	6,944,219	6,992,577	7,207,259	6,854,699	7,670,708	8,540,615	8,662,030	9,368,428	9,388,141
Wastewater	4,127,386	4,983,626	4,690,385	5,274,284	5,227,357	5,066,171	5,263,247	5,674,564	5,829,583	5,850,820
Sanitation	3,493,487	3,625,722	3,815,728	4,002,806	4,130,295	4,404,269	4,393,018	5,318,445	5,100,718	5,081,821
Golf	1,198,867	1,209,293	1,217,011	1,164,683	1,312,463	1,331,765	1,285,065	1,468,586	1,157,049	1,132,150
Airport	2,008,715	1,871,508	1,812,263	1,604,506	1,557,946	1,639,916	-	-	-	-
Total business-type activities	\$ 82,828,001	\$ 91,549,095	\$ 83,680,956	\$ 85,595,423	\$ 98,556,757	\$ 95,782,751	\$ 94,576,356	\$ 99,056,959	\$ 97,921,310	\$ 106,557,853
Total expenses	\$ 138,130,364	\$ 146,925,320	\$ 144,359,409	\$ 157,759,647	\$ 176,243,171	\$ 162,062,523	\$ 166,188,241	\$ 176,701,435	\$ 181,390,233	\$ 188,093,557
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 5,085,210	\$ 5,019,939	\$ 5,379,345	\$ 6,906,273	\$ 7,008,648	\$ 6,420,991	\$ 8,003,589	\$ 8,866,978	\$ 11,555,421	\$ 9,195,215
Police	74,215	198,017	39,903	1,266,550	1,366,974	1,483,251	1,518,646	1,185,576	1,200,551	1,185,579
Parks, recreation, cultural affairs	552,114	545,461	703,731	888,618	831,845	884,964	844,503	838,839	1,094,483	1,227,346
Public works/community development	77,390	75,116	101,605	95,485	86,766	67,296	58,237	50,940	61,644	61,841
Operating grants and contributions	2,674,803	2,238,291	2,929,307	2,600,396	3,623,209	4,242,763	4,090,058	6,243,941	3,546,860	4,535,975
Capital grants and contributions	-	-	-	-	-	-	4,228,018	3,442,981	1,298,623	4,136,490
Total governmental activities	\$ 8,463,732	\$ 8,076,824	\$ 9,153,891	\$ 11,757,322	\$ 12,917,442	\$ 13,099,265	\$ 18,743,051	\$ 20,629,255	\$ 18,757,582	\$ 20,342,446
Business-type activities:										
Charges for services:										
Electric	84,158,287	91,152,321	89,801,858	91,704,560	102,193,403	97,122,636	94,173,433	91,451,673	95,742,961	102,124,215
Water	7,515,514	7,338,869	7,991,740	8,688,421	10,783,517	11,052,694	12,324,629	12,897,358	14,025,394	13,576,405
Wastewater	4,489,948	4,751,802	5,071,951	5,214,261	6,240,272	6,910,478	7,445,521	6,163,722	6,475,468	6,598,137
Sanitation	3,538,632	3,692,937	3,889,876	4,051,998	4,228,681	4,774,637	5,007,853	5,092,625	5,423,632	5,452,441
Golf	1,042,176	1,088,137	1,121,313	1,113,328	1,146,652	1,167,456	1,106,499	1,019,226	1,043,005	957,766
Airport	596,765	599,306	594,199	601,675	540,360	464,337	-	-	-	-
Operating grants and contributions	916,477	880,654	927,492	1,227,869	1,585,215	5,826,268	12,949,631	6,282,404	2,706,388	4,192,656
Capital grants and contributions	154,309	625,693	794,531	495,436	2,617,273	1,050,875	-	-	-	-
Total business-type activities	\$ 102,412,108	\$ 110,129,719	\$ 110,192,960	\$ 113,097,548	\$ 129,335,373	\$ 128,369,381	\$ 133,007,566	\$ 122,907,008	\$ 125,416,848	\$ 132,901,620
Total program revenues	\$ 110,875,840	\$ 118,206,543	\$ 119,346,851	\$ 124,854,870	\$ 142,252,815	\$ 141,468,646	\$ 151,750,617	\$ 143,536,263	\$ 144,174,430	\$ 153,244,066

Source: City of Farmington CAFRs

Note: In 2009, Community Development was separated from Public Works. For reporting purposes, Community Development expenses and revenues are reported together 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. In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity. In 2012, the city added Civilian Golf Course operations to governmental activities which had previously been accounted for as a business-type activity. In 2012, a change in accounting principle adjustment was made to correct costs associated with regulatory costs for business-type activity.

City of Farmington  
 Changes in Net Position  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Net (Expenses)/Revenues</b>										
Governmental activities	\$ (46,838,631)	\$ (47,299,401)	\$ (51,524,562)	\$ (60,406,902)	\$ (64,768,972)	\$ (53,180,507)	\$ (52,868,834)	\$ (57,015,221)	\$ (64,711,341)	\$ (61,193,258)
Business-type activities	19,584,107	18,580,824	26,512,004	27,502,125	30,778,616	32,586,630	38,431,210	23,850,049	27,495,538	26,343,767
Total net expenses	\$ (27,254,524)	\$ (28,718,777)	\$ (25,012,558)	\$ (32,904,777)	\$ (33,990,356)	\$ (20,593,877)	\$ (14,437,624)	\$ (33,165,172)	\$ (37,215,803)	\$ (34,849,491)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Gross receipts taxes	\$ 38,351,092	\$ 43,134,352	\$ 49,274,220	\$ 51,818,982	\$ 54,401,730	\$ 52,406,771	\$ 44,760,879	\$ 47,605,170	\$ 50,432,706	\$ 47,951,282
Property taxes	985,836	1,043,064	1,121,723	1,235,064	1,330,285	1,550,503	1,556,401	1,806,123	1,687,900	1,712,368
Franchise taxes	715,022	720,748	1,594,098	1,045,698	992,050	865,346	649,388	614,627	2,325,998	2,340,395
Other taxes	1,884,994	1,873,736	1,942,024	1,944,810	2,124,381	1,992,189	2,048,944	1,828,644	1,982,191	1,790,196
Other revenue	3,584,543	3,507,135	2,996,953	1,199,675	1,386,242	1,789,230	1,782,477	1,541,494	1,601,517	1,277,670
Unrestricted investment earnings	429,108	471,993	858,611	1,064,838	962,448	701,039	405,946	364,522	257,782	76,860
Loss on disposition	-	-	-	-	-	(1,381,262)	-	-	-	-
Transfers	1,440,853	1,754,818	1,925,566	1,346,115	1,420,720	1,923,630	14,406,807	10,017,180	9,721,597	8,454,241
Total general revenues, transfers and special items	47,391,448	52,505,846	59,713,195	59,655,182	62,617,856	59,847,446	65,610,842	63,777,760	68,009,691	63,603,012
Business-type activities:										
Environmental taxes	-	-	-	-	-	-	-	-	1,333,554	1,268,748
Unrestricted investment earnings	1,117,060	790,027	1,454,975	2,357,973	2,800,336	2,128,575	1,324,627	1,071,740	633,005	186,344
Loss on disposition	-	-	-	-	-	(1,013,059)	-	-	-	-
Transfers	(1,440,853)	(1,754,818)	(1,925,566)	(1,346,115)	(1,420,720)	(1,923,630)	(14,406,807)	(10,017,180)	(9,721,597)	(8,454,241)
Total business-type activities	(323,793)	(964,791)	(470,591)	1,011,858	1,379,616	(808,114)	(13,082,180)	(7,686,722)	(7,755,038)	(6,999,149)
Total primary government	\$ 47,067,655	\$ 51,541,055	\$ 59,242,604	\$ 60,667,040	\$ 63,997,472	\$ 59,039,332	\$ 52,528,662	\$ 56,091,038	\$ 60,254,653	\$ 56,603,863
<b>Change in Net Position</b>										
Governmental activities	\$ 552,817	\$ 5,206,445	\$ 8,188,633	\$ (751,720)	\$ (2,151,116)	\$ 6,666,939	\$ 12,742,008	\$ 6,762,539	\$ 3,298,350	\$ 2,409,754
Business-type activities	19,260,314	17,615,833	26,041,413	28,513,983	32,458,232	31,778,516	25,349,030	16,163,327	19,740,500	19,344,618
Total change in net position	\$ 19,813,131	\$ 22,822,278	\$ 34,230,046	\$ 27,762,263	\$ 30,007,116	\$ 38,445,455	\$ 38,091,038	\$ 22,925,866	\$ 23,038,850	\$ 21,754,372

Source: City of Farmington CAFRs

Note: In 2009, Community Development was separated from Public Works. For reporting purposes, Community Development expenses and revenues are reported together 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. In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity. In 2011, the city has moved Environmental taxes from program revenues to business-type activities. In 2012, a change in accounting principle adjustment was made to correct costs associated with regulatory costs for business-type activity.

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

Schedule 3

**General Fund**

<u>Fiscal Year</u>	<u>Reserved</u>	<u>Unreserved</u>	<u>Nonspendable</u>	<u>Unassigned</u>	<u>Total</u>
2004	\$ 2,000,000	\$ 12,126,852	\$ -	\$ -	\$ 14,126,852
2005	3,393,756	13,069,276	-	-	16,463,032
2006	4,138,050	14,594,072	-	-	18,732,122
2007	4,386,101	12,808,778	-	-	17,194,879
2008	4,439,851	8,187,413	-	-	12,627,264
2009	4,160,353	7,311,344	-	-	11,471,697
2010	4,307,676	8,623,808	-	-	12,931,484
2011	-	-	600,102	18,449,727	19,049,829
2012	-	-	504,602	18,216,147	18,720,749
2013	-	-	553,745	16,790,815	17,344,560

**All Other Governmental Funds**

<u>Fiscal Year</u>	<u>Reserved</u>	<u>Unreserved</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Total</u>
2004	\$ 422,104	\$ 8,483,376	\$ -	\$ -	\$ -	\$ 8,905,480
2005	283,833	12,415,332	-	-	-	12,699,165
2006	287,735	10,113,568	-	-	-	10,401,303
2007	310,848	10,293,948	-	-	-	10,604,796
2008	328,475	14,881,860	-	-	-	15,210,335
2009	81,902	14,721,397	-	-	-	14,803,299
2010	84,648	13,249,388	-	-	-	13,334,036
2011	-	-	504,602	18,216,147	1,733,634	20,454,383
2012	-	-	10,998,211	12,815,182	5,099,223	28,912,616
2013	-	-	8,253,150	11,022,449	7,052,366	26,327,965

**Source:** City of Farmington CAFRs

**Note:** In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity.  
In 2011, the city implemented GASB Statement 54, which changed the classifications of fund balances in the governmental funds. Prior year amounts have not been restated for the implementation of Statement 54.  
In 2012, the city added Civitan Golf Course operations to governmental activities which had previously been accounted for as a business-type activity.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Taxes	\$ 41,936,943	\$ 46,771,900	\$ 53,932,065	\$ 56,044,554	\$ 58,848,446	\$ 56,705,030	\$ 48,954,845	\$ 51,685,802	\$ 56,484,330	\$ 53,853,728
Licenses and permits	602,971	819,869	951,280	765,694	794,169	618,877	693,743	606,378	671,676	651,586
Intergovernmental	2,674,803	2,238,291	2,929,307	2,600,396	3,623,207	4,242,763	8,318,076	9,686,922	5,320,909	8,672,465
Charges for services	1,170,531	1,365,408	1,840,336	1,637,437	1,769,334	1,749,034	2,557,192	2,506,687	2,849,685	2,998,608
Fines	1,602,721	1,418,646	1,133,053	1,222,171	1,341,297	1,431,718	1,491,288	1,171,028	1,183,536	1,153,942
Special assessments	61,327	46,859	36,370	39,943	18,591	6,667	600	1,970	22	-
Investment earnings	425,731	469,012	858,611	1,064,838	962,448	701,039	402,421	364,660	257,782	76,579
Miscellaneous	1,317,524	1,221,761	876,250	1,199,675	1,386,242	1,789,230	1,782,477	1,541,494	1,601,517	1,277,670
Total revenues	49,792,551	54,351,746	62,557,272	64,574,708	68,743,734	67,244,358	64,200,642	67,564,941	68,369,457	68,684,578
<b>Expenditures</b>										
Current										
General government	13,801,711	15,247,239	18,478,746	18,715,493	18,153,620	18,766,806	16,970,629	17,895,393	20,407,349	19,080,247
Police	10,690,905	10,647,826	12,606,701	14,678,179	15,536,666	14,636,567	14,588,008	14,892,808	15,709,376	15,337,268
Fire	5,416,395	5,097,630	5,872,350	7,265,724	8,298,829	8,654,998	8,281,693	8,279,658	10,068,829	9,154,839
Parks, recreation and cultural affairs	10,285,641	10,482,092	11,128,612	12,765,857	14,551,969	13,828,963	11,795,902	12,200,221	12,863,218	12,581,191
Community development	6,357,491	7,186,770	7,182,068	7,262,150	7,147,609	1,336,120	1,100,251	1,218,263	1,296,445	1,199,310
Public works	-	-	-	-	-	1,049,097	5,510,298	6,276,055	6,572,566	8,347,154
Debt service	1,900,000	1,965,000	1,060,000	1,130,000	1,180,000	1,225,000	1,270,000	1,315,000	3,440,000	1,098,878
Principal	483,230	421,480	588,521	512,905	470,217	425,643	379,342	330,393	258,145	547,717
Interest	1,722,060	4,653,660	6,844,613	4,924,265	4,787,620	10,807,397	9,425,646	4,580,112	6,927,790	13,753,055
Capital outlay	50,657,433	55,701,697	63,761,611	67,254,573	70,126,530	70,730,591	69,321,769	66,987,903	77,543,718	81,099,659
Total expenditures	(864,882)	(1,349,951)	(1,204,339)	(2,679,865)	(1,382,796)	(3,486,233)	(5,121,127)	577,038	(9,174,261)	(12,415,081)
Excess of revenues over (under) expenditures	2,539,337	2,856,182	3,000,104	3,288,811	7,168,448	7,935,092	7,798,162	12,142,893	16,753,124	14,551,873
<b>Other Financing Sources (Uses)</b>	(1,098,484)	(1,101,365)	(1,824,537)	(1,942,696)	(5,747,728)	(6,011,462)	(2,686,511)	(2,125,713)	(8,002,626)	(6,097,632)
Transfers in	-	5,725,000	-	-	-	-	-	-	11,197,390	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Sale tax debt issuance	1,440,863	7,479,817	1,175,567	1,346,115	1,420,720	1,923,630	5,111,651	10,017,180	19,947,888	8,454,241
Total other financing sources and uses	\$ 575,971	\$ 6,129,866	\$ (28,772)	\$ (1,333,750)	\$ 37,924	\$ (1,562,603)	\$ (9,476)	\$ 10,594,218	\$ 10,773,627	\$ (3,960,840)
Net change in fund balances										
Debt service as a percentage of noncapital expenditures	5.4%	5.1%	3.3%	2.7%	2.6%	3.0%	2.8%	2.6%	5.4%	2.5%

Source: City of Farmington CAFRS

Note: 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.

In 2012, the City added Civitan Golf Course operations to governmental activities which had previously been accounted for as a business-type activity.

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
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
2011	431,217,761	26,310,371	428,923,446	39,524,535	271,478,836	25,481,033	1,131,620,043	91,315,939
2012	449,719,960	27,120,532	435,918,516	40,833,661	274,403,890	25,778,554	1,160,042,366	93,732,747
2013	413,774,318	23,518,114	428,149,644	38,831,201	279,360,211	25,109,554	1,121,284,173	87,458,869

Change  
2004-2013      -18.0%      -16.6%      18.1%      24.5%      26.3%      32.6%      3.0%      11.7%

Source: Farmington Electric Utility System

\* Totals changed due to corrections made for classifications.  
Residential included Street Lighting, which should be included with Commercial.  
Industrial included Wholesale but was taken out. Wholesale is not included in any of the totals.

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**Type of Customer**

**Industrial (Bulk Power)**

- \$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

<u>Customer</u>	<u>2013</u>			<u>2004</u>		
	<u>Revenue</u>	<u>Rank</u>	<u>Percentage of Revenue</u>	<u>Revenue</u>	<u>Rank</u>	<u>Percentage of Revenue</u>
Enterprise Field Services / EPFS	\$18,297,284	1	20.92%	\$22,622,637	1	28.88%
Val Verde Gas Gathering, LP	2,870,139	2	3.28%	-	-	-
Transwestern Pipeline / Enron	2,803,482	3	3.21%	1,575,316	4	2.01%
Praxair, Inc.	1,669,191	4	1.91%	1,452,809	5	1.85%
San Juan Regional Medical Center	1,534,560	5	1.75%	913,128	7	1.17%
Wal-Mart / Sam's Club	984,018	6	1.13%	591,327	10	0.75%
ConocoPhillips / Burlington Resources Oil & Gas	980,166	7	1.12%	1,149,765	6	1.47%
Farmington Municipal Schools	894,596	8	1.02%	809,818	9	1.03%
San Juan College	873,793	9	1.00%	879,560	8	1.12%
Western Refining Southwest, Inc.	754,890	10	0.86%	2,209,773	3	2.82%
Duke Energy Field Services	-	-	-	2,752,438	2	3.51%
<b>Total</b>	<b>\$31,662,119</b>		<b>36.20%</b>	<b>\$34,956,571</b>		<b>44.63%</b>

**Source:** Farmington Electric Utility System

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

**Schedule 8**

<b>Fiscal Year</b>	<b>Gross Receipts Tax</b>	<b>Property Tax</b>	<b>Franchise Tax</b>	<b>Other Taxes</b>	<b>Total Taxes</b>
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
2011	47,605,170	1,637,361	614,627	1,828,644	51,685,802
2012	50,432,706	1,743,435	2,325,998	1,982,191	56,484,330
2013	47,951,282	1,771,855	2,340,395	1,790,196	53,853,728

Change  
2004-2013                      25.0%                      79.7%                      227.3%                      -5.0%                      28.4%

**Source:** City of Farmington CAFRs

**Note:** From 2004 to 2011, PILT was reported as an interfund transfer. Beginning in 2012, Electric PILT is included in Franchise Tax, while Water and Wastewater PILT are still reported as an interfund transfer.

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

	Fiscal Year											
	Ending June 30	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
		(c)	(d)									
Agriculture	\$	2,461	\$	2,726	\$	3,325	\$	3,284	\$	612	\$	1,718
Mining		122,936		133,973		222,893		185,838		121,889		80,493
Construction		90,069		118,025		124,428		121,996		109,321		115,958
Manufacturing		33,015		50,656		69,509		86,755		73,713		86,003
Trans/Comm/Utility		15,481		20,096		26,547		32,545		22,033		21,451
Wholesale Trade		85,158		113,951		197,225		164,098		97,962		94,400
Retail Trade		653,535		673,785		717,121		753,122		676,094		636,026
Information and Cultural		25,225		44,094		51,774		51,018		57,180		67,570
Finance/Ins/Real Estate		20,539		21,001		30,878		34,686		46,227		36,326
Services		464,410		507,610		537,818		580,933		579,917		602,024
Government		2,240		1,920		-		-		-		-
Unclassified		35,955		40,682		1,486		14,923		6,880		11,640
Undisclosed (a)		30,835		28,708		26,258		28,647		29,402		26,402
<b>Total (b)</b>		<b>\$ 1,581,859</b>		<b>\$ 1,757,227</b>		<b>\$ 2,009,262</b>		<b>\$ 2,057,845</b>		<b>\$ 1,821,230</b>		<b>\$ 1,780,011</b>
City Direct Sales Tax Rate		1.1875%		1.1875%		1.1875%		1.1875%		1.1875%		1.1875%

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

**Note:** (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 FY2004, 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**

**Schedule 10**

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<b>Fiscal Year</b>	<b>State GRT</b>	<b>City Share of State GRT</b>	<b>City Direct Rate</b>	<b>San Juan County</b>	<b>Total City GRT</b>
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%
2011	3.9000%	1.2250%	1.1875%	0.8125%	7.1250%
2012	3.9000%	1.2250%	1.1875%	0.8125%	7.1250%
2013	3.9000%	1.2250%	1.1875%	0.8125%	7.1250%

**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 2013 (c)				Fiscal Year 2004			
	Ending June 30	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (d) (thousands)	Percentage of Total	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (d) (thousands)
Agriculture	5	0.18%	\$ 1,718	0.10%	5	0.19%	\$ 2,461	0.16%
Mining	58	2.07%	80,493	4.52%	65	2.46%	122,936	7.77%
Construction	239	8.52%	115,958	6.51%	216	8.19%	90,069	5.69%
Manufacturing	126	4.49%	86,003	4.83%	86	3.26%	33,015	2.09%
Trans/Comm/Utility	36	1.28%	21,451	1.21%	47	1.78%	15,481	0.98%
Wholesale Trade	185	6.59%	94,400	5.30%	163	6.18%	85,158	5.38%
Retail Trade	625	22.27%	636,026	35.73%	583	22.10%	653,535	41.31%
Information and Cultural	82	2.92%	67,570	3.80%	82	3.11%	25,225	1.59%
Finance/Ins/Real Estate	125	4.45%	36,326	2.04%	91	3.45%	20,539	1.30%
Services	1,075	38.31%	602,024	33.82%	1,118	42.38%	464,410	29.36%
Unclassified	27	0.96%	11,640	0.65%	153	5.80%	35,955	2.27%
Undisclosed (a)	223	7.95%	26,402	1.48%	29	1.10%	30,835	1.95%
Total (b)	2,806	100.00%	\$ 1,780,011	100.00%	2,638	100.00%	\$ 1,581,859	100.00%

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

**Note:** 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 FY2004, 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 Ended June 30	Residential Property		Nonresidential		Personal		Less: Tax-Exempt Property		Total Taxable Assessed Value		Total Direct Residential Tax Rate		Total Direct Non Residential Tax Rate		Estimated Actual Taxable Value		Taxable Assessed Value as a Percentage of Actual Taxable Value	
2004	\$	373,904,326	\$	279,329,944	\$	66,969,671	\$	59,092,903	\$	661,111,038	1.526	1.850			\$	1,985,318,432		33.3%
2005		414,565,770		290,602,457		69,183,296		61,710,344		712,641,179	1.496	1.877				2,140,063,601		33.3%
2006		449,119,354		300,261,150		72,774,277		61,449,809		760,704,972	1.511	1.877				2,284,399,315		33.3%
2007		518,861,269		343,707,380		80,889,474		67,559,512		875,898,611	1.434	1.824				2,630,326,159		33.3%
2008		556,752,058		354,591,302		88,159,370		68,326,659		931,176,071	1.457	1.879				2,796,324,538		33.3%
2009		593,088,155		431,154,946		86,031,112		88,515,732		1,021,758,481	1.438	1.908				3,068,343,787		33.3%
2010		597,619,324		368,371,078		82,532,302		92,000,870		956,521,834	1.457	1.950				2,872,437,940		33.3%
2011		638,666,041		483,155,959		75,061,549		213,971,715		982,911,834	1.419	2.128				2,951,687,189		33.3%
2012		662,894,115		503,391,149		66,717,175		224,872,472		1,008,129,967	1.431	2.225				3,027,417,318		33.3%
2013		689,845,796		513,872,317		70,666,059		237,362,094		1,037,022,078	1.426	2.225				3,114,180,414		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	Service Fund	Total Direct Rate	State	County	School District #5	San Juan College		Secondary Vocational
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
2011	1.419	-	1.419	1.362	6.267	9.620	3.133	0.600	22.401
2012	1.431	-	1.431	1.360	6.326	9.751	3.162	0.420	22.450
2013	1.426	-	1.426	1.360	6.310	9.746	3.154	0.600	22.596

City of Farmington Nonresidential Direct Rates				Overlapping Rates				Total Direct and Overlapping Rates	
Fiscal Year	General Fund	Service Fund	Total Direct Rate	State	County	School District #5	San Juan College		Secondary Vocational
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
2011	2.128	-	2.128	1.362	8.500	9.923	4.500	0.600	27.013
2012	2.225	-	2.225	1.360	8.500	9.924	4.500	0.420	26.929
2013	2.225	-	2.225	1.360	8.500	9.926	4.500	0.600	27.111

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>	<u>2013</u>			<u>2004</u>		
	<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	\$ 17,317,085	1	1.7%	\$ -	-	-
Animas Valley Mall, LLC	9,645,345	2	0.9%	10,609,629	1	1.6%
San Juan Regional Medical Center	6,339,792	3	0.6%	-	-	-
Plaza Farmington II, LLC	3,765,021	4	0.4%	2,738,293	7	0.4%
Burlington Resources Oil and Gas LP.	3,483,213	5	0.3%	4,649,292	4	0.7%
Wal-Mart/Sam's Club	3,470,547	6	0.3%	3,356,747	5	0.5%
Dugan Production Corp	2,791,314	7	0.3%	-	-	-
Lowe's Home Centers, Inc.	2,668,845	8	0.3%	-	-	-
Sierra Vista Hotels, LLC	2,658,876	9	0.3%	-	-	-
Farmington Hotel Assets, LLC	2,565,441	10	0.2%	-	-	-
Qwest Corp.	-	-	-	6,416,457	2	1.0%
Alltel	-	-	-	4,711,934	3	0.7%
SW Farmington Incorporated (The Inn)	-	-	-	2,532,125	10	0.4%
Fleet Capital Corp.	-	-	-	2,662,939	8	0.4%
Henry Production	-	-	-	2,567,731	9	0.4%
Hanover Compression Limited Partnership	-	-	-	3,351,946	6	0.5%
<b>Total</b>	<b>\$ 54,705,479</b>		<b>5.3%</b>	<b>\$ 43,597,093</b>		<b>6.6%</b>

Source: San Juan County Assessor

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

Schedule 15

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year	Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2004	\$ 960,169	\$ 926,305	96%	\$ 33,864	\$ 960,169	100%
2005	1,019,895	982,868	96%	37,027	1,019,895	100%
2006	1,095,895	1,055,826	96%	40,062	1,095,888	100%
2007	1,196,773	1,158,836	97%	37,912	1,196,748	100%
2008	1,307,295	1,257,590	96%	49,661	1,307,251	100%
2009	1,411,287	1,363,140	97%	47,044	1,410,184	100%
2010	1,482,477	1,415,035	95%	63,747	1,478,782	100%
2011	1,624,817	1,568,062	97%	49,308	1,617,370	100%
2012	1,700,016	1,641,482	97%	35,634	1,677,116	99%
2013	1,793,963	1,725,822	96%	-	1,725,822	96%

**Source:** San Juan County Treasurer

**Note:** 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. In 2012, this schedule was updated to show information for each "period for which levied" as defined in Statement 33.

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

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Debt Per Capita
				Sales Tax Revenue Bonds	NMFA Fire Pumper Loan	Utility Revenue Bonds	NMED Loan	NMFA Loan	Capital Leases					
2004	\$ -	N/A	N/A	\$ 10,100,000	\$ -	\$ 48,724,848	\$ 12,830,162	\$ -	\$ 192,042	\$ 71,847,052	8.2%	\$ 1,696		
2005	-	N/A	N/A	13,853,676	-	43,439,703	12,830,162	-	646,958	70,770,499	7.4%	1,630		
2006	-	N/A	N/A	12,794,378	-	38,439,846	12,830,162	-	456,114	64,520,500	6.3%	1,457		
2007	-	N/A	N/A	11,823,254	-	33,304,989	13,650,539	-	356,707	59,135,489	4.5%	1,322		
2008	-	N/A	N/A	10,621,361	-	27,940,131	13,107,058	-	250,269	51,918,819	3.9%	1,194		
2009	-	N/A	N/A	9,374,468	-	22,370,275	12,547,273	-	136,302	44,428,318	3.0%	1,018		
2010	-	N/A	N/A	8,082,574	-	16,615,417	11,970,694	-	86,845	36,755,530	2.5%	829		
2011	-	N/A	N/A	6,745,681	-	10,580,560	11,376,818	1,054,844	34,400	29,792,303	1.9%	649		
2012	-	N/A	N/A	14,628,748	475,426	4,255,702	10,765,125	1,054,844	-	31,179,845	2.0%	689		
2013	-	N/A	N/A	13,542,853	431,548	-	10,135,082	1,006,938	-	25,116,421	1.7%	548		

**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, 2013**

**Schedule 17**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Amount Applicable to City of Farmington</u>
<b>Debt repaid with property taxes (a)</b>			
Farmington Public Schools	\$ 44,980,000	100.000%	\$ 44,980,000
San Juan College	14,301,275	36.440%	<u>5,211,385</u>
Subtotal Overlapping Debt			50,191,385
<b>City direct debt</b>			<u>13,974,401</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 64,165,786</u></u>

**Sources:** Outstanding debt and applicable percentages provided by each governmental unit.

**Note:** Overlapping governments are those that coincide, at least in part, with geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Farmington. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(a) For debt repaid with property taxes, the percentage of overlapping debt applicable is calculated using taxable assessed property values. Applicable percentages were estimated by determining the portion of San Juan County's taxable assessed value that is within the City's boundaries and dividing it by the total taxable assessed value.

City of Farmington  
 Legal Debt Margin Information  
 Last Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Assessed Valuations</b>										
Assessed Value (a)	\$ 602,018,135	\$ 650,930,835	\$ 699,255,163	\$ 808,339,099	\$ 862,849,412	\$ 933,242,749	\$ 864,520,964	\$ 768,940,119	\$ 783,257,495	\$ 799,659,984
Add back - exempt property	59,092,903	61,710,344	61,449,809	67,559,512	68,326,659	88,515,732	92,000,870	213,971,715	224,872,472	237,362,094
Total Taxable Assessed Value	661,111,038	712,641,179	760,704,972	875,898,611	931,176,071	1,021,758,481	956,521,834	982,911,834	1,008,129,967	1,037,022,078
<b>Legal Debt Margin</b>										
Debt limitation - 4 % of total assessed value	27,134,479	28,505,647	30,428,199	35,035,944	37,247,043	40,870,339	38,260,873	39,316,473	40,325,199	41,480,883
Debt applicable to limitation:										
Total bonded debt	57,190,000	55,480,000	49,650,000	43,615,000	37,300,000	30,735,000	23,940,000	16,820,000	17,940,000	12,840,000
Less: Revenue bonds	(57,190,000)	(55,480,000)	(49,650,000)	(43,615,000)	(37,300,000)	(30,735,000)	(23,940,000)	(16,820,000)	(17,940,000)	(12,840,000)
Total net debt applicable to limitation	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 27,134,479	\$ 28,505,647	\$ 30,428,199	\$ 35,035,944	\$ 37,247,043	\$ 40,870,339	\$ 38,260,873	\$ 39,316,473	\$ 40,325,199	\$ 41,480,883

**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.

**Note:** (a) Excludes centrally assessed property.

City of Farmington  
 Pledged-Revenue Coverage  
 Last Ten Fiscal Years

Fiscal Year	Utility Revenue Bonds					Sales Tax Revenue bonds				
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Sales Tax Revenue	Principal	Interest	Coverage
2004	\$ 97,272,752	\$64,101,912	\$ 33,170,840	\$ 5,120,000	\$ 2,291,203	4.48	\$ 19,474,684	\$ 1,900,000	\$483,230	8.17
2005	104,017,779	73,226,886	30,790,893	5,470,000	2,048,221	4.10	21,903,624	1,965,000	421,480	9.18
2006	104,286,825	64,874,653	39,412,172	4,770,000	1,790,605	6.01	25,021,449	1,060,000	588,522	15.18
2007	107,924,587	65,220,228	42,704,359	4,905,000	1,647,505	6.52	26,313,679	1,130,000	512,904	16.02
2008	121,977,607	77,084,567	44,893,040	5,135,000	1,421,305	6.85	27,625,198	1,180,000	470,217	16.74
2009	117,183,511	73,688,514	43,494,997	5,340,000	1,215,905	6.63	26,612,158	1,225,000	425,643	16.12
2010	115,238,191	73,490,029	41,748,162	5,525,000	1,029,005	6.37	22,729,574	1,270,000	379,342	13.78
2011	111,560,052	75,470,531	36,089,521	5,805,000	752,755	5.50	24,173,905	1,315,000	330,393	14.69
2012	116,864,599	82,266,307	34,598,292	6,095,000	462,504	5.28	25,609,728	400,000	258,145	38.91
2013	122,482,385	82,015,303	40,467,082	4,045,000	157,755	9.63	24,348,319	1,055,000	526,289	15.40

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 High School Graduate		Percentage Bachelor's Degree	Unemployment Rate
						High School Graduate	Bachelor's Degree		
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%	
2010	45,877	1,552,340,049	33,837	33.6	10,646	84.5%	19.7%	9.6%	
2011	45,250	1,544,518,250	34,133	32.7	10,727	85.5%	19.9%	7.8%	
2012	45,854	1,438,577,542	31,373	32.7	10,976	80.9%	16.4%	6.8%	

**Sources:** 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>	2013			2004		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
San Juan Regional Medical Center	1,407	1	2.5%	1,198	2	2.3%
Central Consolidated Schools	1,043	2	1.9%	1,125	3	2.2%
BHP Billiton/New Mexico Coal	1,026	3	1.8%	927	5	1.8%
Aztec Well Servicing	750	4	1.3%	-	-	-
City of Farmington	714	5	1.3%	687	6	1.3%
Conoco Phillips	711	6	1.3%	-	-	-
San Juan County	634	7	1.1%	-	-	-
San Juan College	538	8	1.0%	1,000	4	1.9%
Bloomfield Municipal Schools	435	9	0.8%	500	10	1.0%
Aztec Schools	416	10	0.7%	-	-	-
Wal-Mart	-	-	-	677	7	1.3%
Basin Home Health	-	-	-	640	8	1.2%
Arizona Public Service	-	-	-	586	9	1.1%
Farmington Schools	-	-	-	1,252	1	2.4%
Total	<u>7,674</u>		<u>13.7%</u>	<u>8,592</u>		<u>16.6%</u>

**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.

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

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>General Government</b>										
Administration	37.5	38.5	39.5	40.5	72.5	79.5	77.5	70.5	71.5	66.5
Administrative Services	31.0	31.0	31.0	32.0	31.0	29.0	29.0	29.0	29.0	28.0
General Services (b)	42.5	41.5	42.5	52.5	52.5	58.0	58.0	53.0	51.0	46.0
<b>Police</b>	148.5	148.5	159.5	172.5	174.5	165.5	165.0	165.0	163.0	164.5
<b>Fire</b>	73.0	73.0	82.0	96.0	96.0	95.0	95.0	91.0	92.0	92.0
<b>Parks, Recreation and Cultural Affairs</b>	114.0	114.0	118.0	124.0	104.0	106.0	106.0	96.0	97.0	101.0
<b>Community Development</b>	22.0	24.0	27.0	26.0	26.0	22.0	20.0	19.0	19.0	19.0
<b>Public Works (a)</b>	46.0	46.0	46.0	48.0	49.0	50.0	50.0	46.0	46.0	46.0
<b>Electric</b>	135.0	144.0	146.0	166.0	177.0	178.0	172.0	175.0	178.0	178.0
<b>Human Resources</b>	10.0	10.0	11.0	11.0	12.0	12.0	12.0	11.0	11.0	11.0
<b>Water/Wastewater</b>	7.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
<b>Golf</b>	8.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	6.0
<b>Total Employees</b>	<b>674.5</b>	<b>686.5</b>	<b>717.5</b>	<b>783.5</b>	<b>809.5</b>	<b>810.0</b>	<b>799.5</b>	<b>770.5</b>	<b>772.5</b>	<b>766.0</b>

**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 is 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.

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

Schedule 23

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated
<b>General Government</b>										
Total number of business registration/licenses	2,730	2,680	2,739	2,839	3,926	4,212	3,848	3,660	3,659	3,634
<b>Police</b>										
Police reports	6,512	6,636	6,254	6,500	6,770	7,723	7,894	6,731	8,218	8,036
Arrests	4,523	4,400	3,814	3,787	4,113	6,882	6,274	5,418	6,328	6,132
Traffic citations	22,274	17,473	16,263	18,982	24,449	24,586	27,372	13,058	21,638	19,455
<b>Fire (f)</b>										
Structure fires	44	40	54	47	53	40	65	65	50	50
Vehicle fires	52	24	41	34	25	36	31	29	26	19
Brush/grass fires	64	76	119	48	58	45	48	47	72	43
Rubbish/dumpster fires	27	18	37	27	27	36	46	38	46	31
Other fires	45	28	59	43	53	46	34	32	33	26
Rescue/emergency medical calls	3,052	3,089	3,309	3,724	3,946	3,935	4,419	5,466	5,058	4,848
False alarms	200	151	239	230	318	310	307	379	349	362
Mutual aid given	95	87	96	100	90	45	12	20	16	34
Hazardous materials response	98	101	113	120	129	103	114	92	115	95
General hazard response	54	89	110	91	84	81	84	89	101	121
Other responses	1,013	1,181	1,280	1,358	1,603	1,666	925	729	1,785	1,949
<b>Parks and Recreation</b>										
Parks and recreation participants (d)	304,701	299,248	309,546	305,279	349,042	438,179	494,845	606,384	592,154	524,276
<b>Library</b>										
Library Visits	327,505	410,690	427,831	436,629	503,148	517,452	530,119	468,455	455,516	427,659
Circulation	392,221	490,717	517,654	468,998	489,126	513,588	530,918	506,247	482,886	460,235
Number of computer users (e)	67,532	69,403	117,516	120,483	125,210	131,295	126,215	102,443	94,424	90,218
<b>Museum</b>										
Patrons (a)	52,314	64,572	75,427	71,332	65,784	97,003	81,366	108,156	106,506	137,481
<b>Community Development</b>										
Summary plats	38	89	77	71	66	63	54	54	61	46
Building permits issued	1,443	1,554	1,494	1,539	1,334	1,225	1,194	1,310	1,302	1,163
Permit valuation (in \$)	54,288,877	76,647,366	99,406,673	68,119,054	82,560,865	66,119,298	49,316,168	44,138,834	47,275,559	50,385,326
Asphalt placed (sq.ft.)	123,514	83,727	132,216	88,582	103,006	129,349	139,464	119,745	96,370	127,539
Concrete placed (cu.yd.) (b)	756	698	441	727	574	174	438	338	439	615
<b>Electric</b>										
Meter connections	9,478	9,265	9,387	8,769	8,484	7,956	8,329	7,650	8,413	8,367
Meter reads	554,291	561,898	541,090	559,121	510,751	505,471	512,488	517,339	518,238	525,035
<b>Water/Wastewater</b>										
Water treated (millions of gallons)	4,057	3,366	3,842	4,029	4,346	4,512	4,630	4,409	4,627	4,452
Effluent treated (millions of gallons)	1,781	1,858	1,881	2,057	1,906	1,894	1,845	1,864	1,856	1,815
New water meter installations	205	304	373	342	262	158	156	116	131	141
<b>Golf</b>										
Golf course participants (c)	58,399	60,999	71,689	60,455	65,791	53,612	49,009	50,687	55,931	47,772
<b>Airport</b>										
Total enplanements	30,132	35,503	32,575	30,177	26,472	13,617	14,628	16,655	19,335	17,401
<b>Transit</b>										
Total Ridership	42,650	43,999	57,043	87,298	109,992	120,298	138,246	143,073	146,140	133,580

Source: Provided by various City Departments

Note: (a) Fluctuation in museum patronage is due to special exhibits.  
 (b) The 2008 concrete placed (cu. yd.) reported has been restated in 2009 to the correct figure.  
 (c) In 2009, Civitan Golf Course was closed for remodel improvements which resulted in fewer golf course participants when compared to previous years.  
 (d) 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.  
 (e) In 2011, Number of computer users was added. This item replaced Number of items in collection, which was not considered to be as meaningful of a measure.  
 (f) In 2012, 2003-2011 Fire Department statistics have been restated to show more accurate and detailed Fire Department responses.

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

Fiscal Year

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	3	3	3	3	4	4	4	4	4	2
Patrol vehicles	172	155	170	186	196	206	125	125	123	83
Fire stations	5	5	6	6	6	6	6	6	6	6
Parks and Recreation										
Developed acres (a)	588	588	589	592	594	1,364	1,364	1,364	1,364	1,364
Undeveloped acres (b)	1,282	1,289	1,288	1,285	1,283	309	309	309	270	283
Number of parks/facilities (c)	79	80	80	80	80	87	88	88	88	88
Baseball/softball diamonds	24	25	25	24	24	23	23	23	23	23
Soccer/football fields	11	13	13	14	14	11	11	11	11	11
Number of golf courses	2	2	2	2	2	2	2	2	2	2
Community Development										
Streets (miles)	238	240	245	253	N/A	268	270	274	274	276
Highway (miles)	17	17	17	17	17	17	17	17	17	17
Streetlights (d)	3,915	3,933	3,971	4,124	4,135	4,238	4,226	4,251	4,298	4,298
Traffic Signals	75	76	77	78	79	80	80	81	83	83
Water										
Water mains (miles)	325	330	336	336	340	340	340	340	340	340
Fire hydrants	2,154	2,296	2,360	2,400	2,470	2,500	2,511	2,556	2,560	2,576
Storage capacity (thousands of gallons)	24,300	24,300	24,300	24,300	24,300	24,860	24,860	26,860	26,860	26,860
Wastewater										
Sanitary sewers (miles) (e)	199	203	207	233	233	233	233	233	233	233
Treatment capacity (thousands of gallons)	6,670	6,670	6,670	6,670	6,670	6,670	6,670	6,670	6,670	6,670
Transit - minibuses/Vans	8	8	8	11	11	11	16	12	12	15

Source: Provided by various City Departments

Note: (a-b) In FY2009, the number developed acres was redefined from previous years to include parks that are partially developed but maintained by the Parks and Recreation Department. Conversely, this adjustment reduced the amount of undeveloped acres. In FY2012, undeveloped acres decreased by 39.1 acres due to a land trade with the Farmington School District and the new BLM field office.

(c) In FY2009, the number of parks/facilities was redefined to include all facilities maintained by Parks and Recreation Department city-wide rather than just Parks and Recreation facilities.

(d) In FY2009, an audit of the number of streetlights was conducted and the figure was adjusted to actual.

(e) FY2007-2011 have been restated due to a correction of an error in the miles of existing sanitary sewer.

# Single Audit Section

**CITY OF FARMINGTON, NEW MEXICO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2013**

Grantor / Pass-through ID Number	CFDA Number	PROGRAM NAME	Expenditures
<b>DIRECT PROGRAMS</b>			
U.S. Department of Housing and Urban	<b>14.218- Community Development Block Grants/Entitlement Grants</b>		
		CDBG B-11-MC-35-0005	\$ 30,219
		CDBG B-12-MC-35-0005	221,242
U.S. Department of Justice	<b>16.710-ARRA-Public Safety Partnership and Community Policing Grants</b>		
		COPS Grant - 2009RKWX0641	214,987
	<b>16.738-Edward Byrne Memorial Justice Assistance Grant Program</b>		
		2012-DJ-BX-0534	47,148
U.S. Department of Transportation	<b>20.106-Airport Improvement Program</b>		
		AIP Project No. 3-35-0016-033-2011	221,209
		AIP Project No. 3-35-0016-034-2011	65,436
		AIP Project No. 3-35-0016-034-2012	715,958
	<b>20.505-Metropolitan Transportation Planning</b>		
		Federal Transit - Metropolitan Transit Operations and Capital - Red Apple Transit	
		NM-90-X104-00	361,858
		NM-90-X105-00	170,853
Executive Office of the President	<b>95.001- High Intensity Drug Trafficking Area Grant</b>		
		G12SN0010A	181,952
Department of Homeland Security	<b>97.044- Assistance to Firefighters Grant</b>		
		FEMA- Assistance to Firefighters Grant	
		EMW-2008-FO-08445	81,187
		EMW-2010-FO-08445	278,873
		EMW-2011-FO-08445	176,527
<b>PASS THROUGH PROGRAMS</b>			
<u>From the State of New Mexico Department of Public Safety</u>			
U.S. Department of Justice	<b>16.738-Edward Byrne Memorial Justice Assistance Grant Program</b>		
		Region II Narcotics Task Force DPSJAG11REGII	68,106
<u>From the US Marshal Service</u>			
U.S. Department of Justice	<b>16.111-Joint Law Enforcement Operations (JLEO)</b>		
		U.S. Marshal Service	8,935
	<b>16.738-Edward Byrne Memorial Justice Assistance Grant Program</b>		
		U.S. Marshal Service	12,608
<u>From the New Mexico Department of Transportation</u>			
Federal Transit Authority	<b>20.505-Metropolitan Transportation Planning</b>		
		Federal Transit - Metropolitan Transit Operations MPO	172,436
Department of Transportation	<b>20.608-Minimum Penalties for Repeat Offenders for Driving While Intoxicated</b>		
National Highway Traffic Safety (NHTSA)		Operation DWI-12-AL-64-035	18,042
National Highway Traffic Safety (NHTSA)		Operation DWI-13-AL-64-035	52,065
		Impaired Driving Demonstration Program-DWI Officers 12-AL-FTE164-035	40,669
		Impaired Driving Demonstration Program-DWI Officers 13-AL-FTE164-035	156,015
Department of Transportation	<b>20.205-Highway Planning and Construction</b>		
Federal Highway Administration (FHWA)		Control# F100010-East Pinon Hills Blvd Extension over Animas River (bridge)	407,948
		Control #F100070-Pinon Hills Blvd. Pedestrian & Bicycle Facilities	3,244
		Control#W500010-Safe Routes to School	12,384
<u>From the New Mexico Department of Homeland Security</u>			
Department of Homeland Security	<b>97.036-Disaster Grants-Public Assistance</b>		
		FEMA-1936-DR-NM	368,128
	<b>97.039-Hazard Mitigation Assistance</b>		
		FEMA-1936-DR-NM	30,610
	<b>Total Federal Assistance</b>		<b>\$ 4,118,639</b>

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

**CITY OF FARMINGTON**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2013**

**NOTE 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Farmington and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**REPORT OF INDEPENDENT AUDITORS 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, New Mexico  
Honorable Mayor and City Council and  
Mr. Hector H. Balderas, New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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 (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We also have audited the financial statements of each of the City's nonmajor governmental and internal service fund presented as supplementary information in the accompanying combining and individual fund financial statements and the respective budgetary comparisons for the nonmajor governmental funds, and the internal service fund for the year ended June 30, 2013, as listed in the table of contents, and have issued our report thereon dated January 13, 2014.

### **Internal Control over Financial Reporting**

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2011-02 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

### **City of Farmington's Response to Findings**

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

### **Purpose of this Report**

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

*Mess Adams LLP*

Albuquerque, New Mexico  
January 13, 2014

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited City of Farmington's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2013-01. Our opinion on each major federal program is not modified with respect to these matters.

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

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2013-01 that we consider to be significant deficiencies.

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

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

*Mess Adams LLP*

Albuquerque, New Mexico  
January 13, 2014

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**CITY OF FARMINGTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:

*Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?

Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

Yes  No

**Identification of Major Programs**

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued</i>
97.044	Department of Homeland Security – Assistance to Firefighter Grant	Unmodified
16.710	Department of Justice – Public Safety Partnership and Community Policing Grants – ARRA	Unmodified
97.036	Department of Homeland Security – Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Unmodified
20.205	Department of Transportation – Highway Planning and Construction (Federal-Aid Highway Program)	Unmodified

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

Yes  No



CITY OF FARMINGTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

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Section II - Financial Statement Findings

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**FINDING 2011-02 – UPDATE AND TEST INFORMATION TECHNOLOGY DISASTER RECOVERY PLAN (SIGNIFICANT DEFICIENCY)**

**Criteria:** In accordance with ISACA's Control Objectives for Information and related Technology (COBIT) 4.1 framework (DS4), to ensure continuous service, a Disaster Recovery Plan needs to be developed and tested to reduce impact of a major disruption on key business functions and processes. The plans should be based on risk understanding of potential business impacts and address requirements for resilience, alternative processing and recovery capability of all critical IT services. They should also cover usage guidelines, roles and responsibilities, procedures, communication processes, and the testing approach.

**Condition:** The City does not have a formal Information Technology (IT) Disaster Recovery Plan in place. We found that the City is in process of designing and implementing a Plan but lacked approval as of the year ended June 30, 2013. Also, only limited testing covering the AS400 has been performed to date.

**Effect:** The lack of a formal IT Disaster Recovery Plan and absence of comprehensive successful testing may pose questions as to the City's ability to respond and recover its critical data and applications in the event of an unforeseen disaster.

**Cause:** The City is still in the process working on updating its IT Disaster Recovery Plan.

**Recommendation:** We recommend that the IT Disaster Recovery Plan be comprehensive in scope covering organizational structure for continuity management, covering the roles, tasks and responsibilities of internal and service providers, their management and their customers, and the planning processes that creates the rules and structures to document, test and execute the disaster recovery and IT contingency plans. The Plan should also address items such as the identification of critical resources, noting key dependencies, the monitoring and reporting of the availability of critical resources, alternative processing, and the principles of backup and recovery. It would be prudent for the City to test the IT Disaster Recovery Plan again to ensure the viability of the plan and the timeliness of its execution.

**Management Response:** The City has received and is evaluating a proposal to have an outside firm develop a business continuity and disaster recovery plan.

CITY OF FARMINGTON  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2013

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2012-01 – TIMELY SUBMISSION OF REIMBURSEMENT REQUESTS  
 (SIGNIFICANT DEFICIENCY AND COMPLIANCE)**

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity- Program Name</i>	<i>Award year</i>	<i>Questioned Costs</i>
20.205	Highway Planning and Construction (Federal-Aid Highway Program)	July 1, 2012 – June 30, 2013	N/A

**Criteria:** In accordance with East Pinon Hills Boulevard Extension (EPHBE; control #F100010) and Highway Safety Program (HSP; control #F100070) grant agreements, reimbursement requests are required to be submitted on a monthly basis.

**Condition:** While testing compliance requirements as it relates to reporting and cash management for the East Pinon Hills Boulevard Extension (EPHBE) and Highway Safety Program (HSP) grants, we noted that expenditure reimbursements were not submitted in accordance with the grant agreements. For EPHBE, the City submitted two reimbursement requests during the award period in December 2012 and April 2013. The City made no expenditure reimbursement requests for HSP during the award period despite reimbursable expenses being incurred within the award period.

**Effect:** The City is not in compliance with the monthly submission requirements for reimbursement of expenditures under the above grant agreements.

**Cause:** Lack of monitoring controls in place to ensure the monthly grant reimbursement requests are filed on a timely basis in accordance with grant provisions.

**Recommendation:** We recommend the City update their controls to ensure that reimbursement reports are submitted within the time frame provided in the grant agreements. We also recommend that grant administrators be given the proper training to be able to understand and track the reporting requirements for the grants they manage.

**Management Response:** One accountant in the Finance division is totally dedicated to accounting for all City grants and will follow through on all grant reporting requirements. Procedures are now in place to ensure that all grant reports are filed in a timely manner and that training is available to grant administrators.

**CITY OF FARMINGTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**FINDING 2013-01 – TIMELY SUBMISSION OF REPORTS AND EVIDENCE OF REVIEW AND APPROVAL OF REPORTING AND CASH DRAW REQUESTS (SIGNIFICANT DEFICIENCY AND COMPLIANCE)**

<i>CFDA Number</i>	<i>Federal Agency/Pass-through Entity - Program Name</i>	<i>Award year</i>	<i>Questioned Costs</i>
16.710	Public Safety Partnership and Community Policing Grants – ARRA	July 1, 2012 – June 30, 2013	N/A
97.044	Assistance to Firefighter Grant	July 1, 2012 – June 30, 2013	N/A

**Criteria:** In accordance with Part 6 of the OMB Circular A-133 Compliance Supplement March 2013, “The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulation, and program compliance requirements,” and recommends “supervisory review of reports performed to assure accuracy and completeness of data and information included in the reports.”

**Condition:** While testing controls related to reporting and cash management we found the following: 1) related to CFDA 16.710, we tested two SF-425 quarterly financial reports, two 1512 ARRA performance reports, and one ARRA progress report for period of activity included within the award year; we also tested two draw requests with draw dates of October 23, 2012 and April 14, 2013, noting that in all cases there was no evidence of manager review or approval; 2) related to CFDA 97.044, we tested three draw requests with draw dates of June 18, 2013, October 12, 2012, and November 29, 2012, noting that there was no evidence of review and approval of the draw request prior to submission. Additionally, we tested two SF-425 semi-annual financial reports for grants FFD\_2011AFG and FFD\_2010AFG both covering the periods July 1, 2012 – December 31, 2012 noting that while there was support that the reports were filed with the appropriate agency there was no evidence available to substantiate the date the report was submitted; therefore, we were not able to conclude whether the reports were submitted on a timely basis.

**Effect:** There is an increased likelihood that reports and draw requests are submitted to respective regulatory agencies with inaccurate or incomplete information.

**Cause:** The City does not have adequate controls in place to ensure that all reports and draw requests are reviewed and approved by appropriate level of management prior to submission and evidence of report submissions are adequately retained.

**Recommendation:** We recommend the City update their controls to ensure that evidence of review of reports and cash draws as well as evidence of report submissions are produced and retained.

**Management Response:** Procedures are now in place to ensure that proper reviews and approvals are obtained and that evidence of report submission is maintained.

**CITY OF FARMINGTON  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

2011-02	Update and Test Disaster Recovery Plan	Revised/Repeated
2011-06	Special Test and Provisions – Project Accounting	Resolved
2012-01	Timely Submission of Reimbursement Requests	Revised/Repeated

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



Farmington Fire Station #1 Remodel



## REPORT OF INDEPENDENT AUDITORS

City of Farmington, New Mexico  
Honorable Mayor and City Council

### Report on Schedule of Passenger Facility Charge Revenues and Expenditures

We have audited the accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) of the City of Farmington's Four Corners Regional Airport (Airport), for the year ended June 30, 2013 and each quarter during the period from July 1, 2012 through June 30, 2013.

#### *Management's Responsibility for the Financial Statement*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on this schedule 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 Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule. We believe that the audit evidence we have obtained is sufficient and appropriate and to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the Schedule referred to above presents fairly, in all material respects, the transactions within the passenger facility charge related accounts of the Airport for the year ended June 30, 2013, and each quarter during the period from July 1, 2012 through June 30, 2013, as defined in regulations issued by the U.S. Department of Transportation.

City of Farmington, New Mexico  
Honorable Mayor and City Council

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report January 13, 2014, on our consideration of the Airport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Purpose of this Report**

This report is intended solely for the information and use of the Mayor, Members of the City Council and Airport Management, as well as the Federal Aviation Administration and U.S. Department of Transportation, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Mess Adams LLP*

Albuquerque, New Mexico  
January 13, 2014

## PFC Revenues and Expenditures Schedule

### Four Corners Regional Airport

FY13

7/1/12 - 6/30/13

	FY-12 Program Total	Quarter 1 Jul. - Sept.	Quarter 2 Oct. - Dec.	Quarter 3 Jan. - Mar.	Quarter 4 Apr. - Jun.	FY-13 Total	FY-13 Program Total
<b>Revenue</b>							
Collections	\$ 540,912	\$ 12,446	\$ 10,962	\$ 9,787	\$ 8,646	\$ 41,841	\$ 582,753
<b>Disbursements</b>							
<b>Application 01</b>							
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	64,073					-	64,073
Proj. 1-E Sinage Improvements	12,078					-	12,078
Proj. 1-F Airfield Electrical Improvements	7,025					-	7,025
Proj. 1-G Security Improvements	33,286					-	33,286
Proj. 1-H Terminal Improvements	29,586	2,678				2,678	32,264
Proj. 1-I Non-revenue Parking Improvement	-	4,982				4,982	4,982
Proj. 1-J Acquire Safety Equipment	-	4,786	7,687			12,473	12,473
Proj. 1-K Conduct Planning	-		3,275	9,787	8,646	21,708	21,708
Proj. 1-L Improve Service Roads	-						
Proj. 1-M PFC Administrative Costs	-						
<b>Total App -01</b>	540,912	12,446	10,962	9,787	8,646	41,841	582,753
<b>Total Disbursements</b>	540,912	12,446	10,962	9,787	8,646	33,195	574,107
Net PFC Revenue (rev-disb)							
PFC Account Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,646	\$ 8,646

The schedule is on a cash basis

**CITY OF FARMINGTON  
FOUR CORNERS REGIONAL AIRPORT  
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGE  
REVENUES AND EXPENDITURES  
June 30, 2013**

**NOTE 1. GENERAL**

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of local Passenger Facility Charges (PFC) and use of resulting PFC revenues for Federal Aviation Administration (FAA) approved projects meeting at least one of the following criteria: (1) preserve or enhance safety, security, or capacity of the national air transportation system; (2) reduce noise or mitigate noise impacts resulting from an airport; or (3) furnish opportunities for enhanced competition between or among carriers. In March 2003, the FAA approved a \$3.00 PFC collection at the City of Farmington's Four Corners Regional Airport (Airport).

**NOTE 2. SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES  
AND EXPENDITURES**

The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) presents the revenues received from passenger facility charges, interest earned thereon, and the expenditures incurred on approved projects. Revenues received and expended on approved projects in the accompanying Schedule agree to the passenger facility charge quarterly status reports submitted by the Airport to the FAA, net of minor adjustments.

PFC charges collected represent cash collected through the end of the quarter as reported to the FAA in accordance with 14 CFR Part 158. The interest earned represents the actual interest collected and accrued on the unexpended PFCs during the periods reported.

PFC expenditures are for debt service paid on approved projects and represent only a portion of the debt service as the related debt service requirements exceed the PFC charges collected.

## Report of Independent Auditors on Compliance Requirements Applicable to the Passenger Facility Charge Program And on Internal Control Over Compliance

City of Farmington, New Mexico  
Honorable Mayor and City Council

### Compliance

We have audited the compliance of the City of Farmington's Four Corners Regional Airport (Airport), 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, 2013. Compliance with the requirement of laws and regulations applicable to its passenger facility charge program is the responsibility of Airport's management. Our responsibility is to express an opinion on the Airport'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 standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 Airport'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 of the Airport's compliance with those requirements.

In our opinion, the Airport complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2013.

### Internal Control Over Compliance

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

City of Farmington, New Mexico  
Honorable Mayor and City Council

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

**Purpose of this Report**

This report is intended solely for the information and use of the Mayor, Members of the City Council and Airport Management, as well as the Federal Aviation Administration and U.S. Department of Transportation, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Mess Adams LLP*

Albuquerque, New Mexico  
January 13, 2014

**CITY OF FARMINGTON  
 FOUR CORNERS REGIONAL AIRPORT  
 PFC PROGRAM AUDIT SUMMARY  
 YEAR ENDED JUNE 30, 2013**

- |  |   |                                    |
|--|---|------------------------------------|
| 1. Type of report issued on PFC financial statements.  | <input checked="" type="checkbox"/> Unqualified | <input type="checkbox"/> Qualified |
| 2. Type of report on PFC compliance.   | <input checked="" type="checkbox"/> Unqualified | <input type="checkbox"/> Qualified |
| 3. Quarterly Revenue and Disbursements reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts.         | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 4. PFC Revenue and Interest is accurately reported on FAA Form 5100-127.   | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 5. The Public Agency maintains a separate financial accounting record for each application.  | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 6. Funds disbursed were for PFC eligible items as identified in the FAA Decision to pay only for the allowable costs of the projects.                | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 7. Monthly carrier receipts were reconciled with quarterly carrier reports.  | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 9. Serving carriers were notified of PFC program actions/changes approved by the FAA.  | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 10. Quarterly Reports were transmitted (or available via website) to remitting carriers.   | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 11. The Public Agency is in compliance with Assurances 5, 6, 7 and 8.  | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 12. Project design and implementation is carried out in accordance with Assurance 9.   | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 13. Program administration is carried out in accordance with Assurance 10.   | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 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.      | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| Qualified and No responses must have additional clarification within the audit report.   | <input checked="" type="checkbox"/> N/A         |                                    |



CITY OF FARMINGTON  
EXIT CONFERENCE  
Year Ended June 30, 2013

An exit conference was held on November 12, 2013. In attendance were:

For the City of Farmington:

Tommy Roberts	Mayor
Robert Campbell	Assistant City Manager
Andy Mason	Administrative Services Director
Eric Schlotthauer	Controller
Sarah Talley	Staff Accountant II
Earlene Roquemore	Staff Accountant II
Debi Dalton	Staff Accountant I

For Moss Adams, LLP (auditors):

Brandon Valentini	Partner
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# OTHER INFORMATION

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

**For the Year Ended June 30, 2013**

	<b>Citizens Bank of Farmington</b>	<b>Wells Fargo</b>	<b>Vectra Bank</b>	<b>Four Corners Bank</b>
<b><u>City of Farmington Deposits</u></b>				
Demand Deposit Accounts	\$ 86,856	\$ 7,032,491	\$ -	\$ -
Non-Interest Bearing Accounts	-	304,582	-	-
Certificates of Deposit	46,000,000	-	38,000,000	2,000,000
Sub-Total	46,086,856	7,337,073	38,000,000	2,000,000
Less FDIC insurance	250,000	250,000	250,000	250,000
Uninsured amount	45,836,856	7,087,073	37,750,000	1,750,000
<b><u>Pledge Collateral Required</u></b>				
50 percent - deposits	22,918,428	3,543,537	18,875,000	875,000
Pledged collateral	24,562,087	7,918,633	21,505,580	1,861,278
Excess of pledged collateral	\$ 1,643,659	\$ 4,375,096	\$ 2,630,580	\$ 986,278

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

			<u>Dallas, TX</u>		<u>New York</u>		<u>San Francisco</u>		<u>Los Angeles</u>
Federal Home Loan Bank									
cusip # 3137A7F47	1/15/2041	\$	2,143,997	\$		\$		\$	
cusip # 3137ACNK1	6/15/2041		5,166,312						
cusip # 313381DM4	12/6/2032		3,700,867						
cusip # 3137ADBT3	2/15/2029		3,476,478						
cusip # 31397QF29	10/25/2025		6,274,414						
cusip # 36202FES1	3/20/2025		1,056,825						
cusip # 31396NCK0	4/15/2036		2,743,194						
FHLMC									
cusip # 31336SMW5	1/1/2033					1,653,294			
cusip # 3128JNVM4	1/1/2037					438,131			
cusip # 3128JL4T3	4/1/2034					1,868,069			
cusip # 3128JPXA3	2/1/2039					353,496			
FAMC									
cusip # 31317GAZ0	4/25/2017					218,294			
cusip # 31317JAF8	7/25/2018					1,201,838			
cusip # 31317LAE6	1/25/2020					3,174,376			
cusip # 31318OAL5	8/25/2024					981,583			
SBA POOL									
cusip # 83164JU20	8/25/2031					3,102,392			
cusip # 83164KCD3	8/25/2030					6,162,387			
cusip # 83164KCH4	8/25/2017					2,351,720			
FNMA									
cusip # 3138AR2S2	9/1/2041			4,077,358					
cusip # 3138EGU69	8/1/2026			505,874					
cusip # 3138MSC56	2/1/2043			347,499					
cusip # 3138NXXJ5	1/1/2043			96,231					
cusip # 3138WQA28	5/1/2043			176,051					
cusip # 3138WSQ92	4/1/2043			951,235					
cusip # 31419AGZ4	12/1/2039			1,764,385					
cusip # 3136GOPD7	8/2/2014							1,861,278	
			\$ 24,562,087	\$ 7,918,633		\$ 21,505,580		\$ 1,861,278	

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

**June 30, 2013**

Participants (including City of Farmington)	Responsible Party	Description	Dates of Agreement	Total Amount/ City Share	FY13 Amount	Audit Responsibility
Aztec, Bloomfield & San Juan County	San Juan County Communications Authority	Communications	09/02/08 until termination	\$125,000/ up to \$55,000/yr	\$ 4,977	San Juan County Communications Authority
Aztec, Bloomfield & San Juan County	Crime Stoppers	Law Enforcement	03/12/10 through 06/30/14	\$37,964 / \$12,239	\$ 12,239	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, San Juan County & NM Dept. of Public Safety	San Juan County Criminal Justice Training Authority	Police Training	10/19/10 until termination	As needed	\$ 6,766	San Juan County
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 until termination	As required	\$ -	City
NM Taxation & Revenue	NM Taxation & Revenue	Taxpayer ID	05/17/89 perpetual	Not applicable	\$ -	City
NM Community Development Council & NM Dept of Finance & Admin.	Dept. of Finance	Title 1 Housing	04/12/00 perpetual	Not applicable	\$ -	City
Aztec, Bloomfield & San Juan County	City of Farmington	MPO	7/07/12 until terminated	\$ 36,057 / \$ 22,934	\$ 22,934	City
San Juan County	San Juan County	Detention Center	06/26/07 until terminated	\$13,135,882/\$2,393,301	\$ 2,393,301	San Juan County
San Juan County	San Juan County	DWI Treatment Ctr	11/17/07 until terminated	\$3,413,093 / \$440,000	\$ 440,000	San Juan County
NM Energy, Minerals and Natural Resources Department (NMEMNRD)	NMEMNRD	Wildfire Firefighting	04/06/09 until terminated	\$84,030 / \$ -	\$ -	NMEMNRD
NMEMNRD	City of Farmington	Wilderness Trails	02/25/09 to 12/31/13	\$ -	\$ -	NMEMNRD

# **SCHEDULES OF BUDGETARY COMPARISONS – BUDGETARY BASIS**



Farmington Regional Animal Shelter Surrender Lobby

## REPORT OF INDEPENDENT AUDITORS

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

### Report on the Budgetary Schedules

We have audited the accompanying schedules of budgetary comparisons – budgetary basis of the Enterprise Funds of the City of Farmington, New Mexico, for the year ended June 30, 2013, and the related notes.

#### *Management's Responsibility for the Budgetary Schedules*

Management is responsible for the preparation and fair presentation of these schedules of budgetary comparisons – budgetary basis in accordance with the budgetary basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules of budgetary comparisons – budgetary basis that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the schedules of budgetary comparisons – budgetary basis 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 schedules of budgetary comparisons – budgetary basis are free from material misstatement.

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



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

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

***Opinion***

In our opinion, the schedules of budgetary comparisons – budgetary basis referred to above present fairly, in all material respects, the budgetary comparisons of the Enterprise Funds of the City of Farmington, New Mexico for the year ended June 30, 2013, in accordance with the budgetary basis of accounting described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 to the schedules of budgetary comparisons – budgetary basis, which describes the basis of accounting. The schedules of budgetary comparisons – budgetary basis are prepared on the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Mess Adams LLP*

Albuquerque, New Mexico  
January 13, 2014

**CITY OF FARMINGTON, NEW MEXICO**  
**Electric Utility Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget to Actual**  
**Budgetary Basis**  
**For the Year Ended June 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Operating revenues:				
Charges for sales and services:				
Electric	\$ 96,449,941	\$ 96,449,941	\$ 100,305,177	\$ 3,855,236
Other revenues	614,900	614,900	777,101	162,201
Total operating revenues	97,064,841	97,064,841	101,082,278	4,017,437
Operating expenses:				
Salaries and fringe benefits	12,184,764	12,108,701	11,142,868	965,833
Purchased power, fuel and chemicals	43,745,464	43,745,464	41,599,786	2,145,678
Other operating expenses	19,369,315	19,367,081	16,210,354	3,156,727
Capital outlay	23,887,787	23,887,787	22,254,783	1,633,004
Total operating expenses	99,187,330	99,109,033	91,207,791	7,901,242
Operating income	(2,122,489)	(2,044,192)	9,874,487	11,918,679
Nonoperating revenues (expenses):				
Investment earnings	706,150	706,150	434,856	(271,294)
Interest expense	(126,098)	(126,098)	(110,321)	15,777
Principal on debt service	(3,232,652)	(3,232,652)	(3,232,652)	-
Total nonoperating revenues (expenses)	(2,652,600)	(2,652,600)	(2,908,117)	(255,517)
Income (loss) before operating transfers	(4,775,089)	(4,696,792)	6,966,370	11,663,162
Capital contributions	2,000,000	2,000,000	1,847,578	(152,422)
Transfers out	(5,781,780)	(5,781,780)	(7,459,646)	(1,677,866)
Change in net position	(8,556,869)	(8,478,572)	1,354,302	\$ 9,832,874
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(12,859,089)	
Amortization			(1,459,840)	
Capital outlay capitalized			22,254,783	
Principal on debt service			3,232,652	
Change in accounts receivable			763,774	
Change in accounts payable			(1,722,663)	
			10,209,617	
<b>GAAP BASIS CHANGE IN NET POSITION</b>			11,563,919	
Net position - beginning (restated see Note V-I)	333,292,878	333,292,878	333,292,878	
Net position - ending	\$ 324,736,009	\$ 324,814,306	\$ 344,856,797	

The notes to the budgetary schedules are an integral part of this schedule.

**CITY OF FARMINGTON, NEW MEXICO**  
**Water Utility Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget to Actual**  
**Budgetary Basis**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Water	\$ 13,866,694	\$ 13,866,694	\$ 13,529,156	\$ (337,538)
Other revenues	-	-	25,129	25,129
Total operating revenues	13,866,694	13,866,694	13,554,285	(312,409)
Operating expenses:				
Salaries and fringe benefits	816,741	786,241	650,077	136,164
Other operating expenses	7,319,978	7,319,978	6,608,845	711,133
Capital outlay	7,031,822	7,031,822	3,261,923	3,769,899
Total operating expenses	15,168,541	15,138,041	10,520,845	4,617,196
Operating income	(1,301,847)	(1,271,347)	3,033,440	4,304,787
Nonoperating revenues (expenses):				
Investment earnings	115,000	115,000	57,444	(57,556)
Revenue from operating grants	-	-	2,510	2,510
Interest expense	(42,205)	(42,205)	(34,355)	7,850
Principal on debt service	(747,565)	(747,565)	(745,470)	2,095
Total nonoperating revenues (expenses)	(674,770)	(674,770)	(719,871)	(45,101)
Income (loss) before operating transfers	(1,976,617)	(1,946,117)	2,313,569	4,259,686
Capital contributions	-	-	2,044,192	2,044,192
Transfers out	(768,857)	(768,857)	(673,890)	94,967
Change in net position	(2,745,474)	(2,714,974)	3,683,871	\$ 6,398,845
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(2,137,753)	
Amortization			28,431	
Capital outlay capitalized			3,261,923	
Principal on debt service			745,470	
Change in accounts receivable			(16,117)	
Change in accounts payable			20,441	
			1,902,395	
<b>GAAP BASIS CHANGE IN NET POSITION</b>			5,586,266	
Net position - beginning	53,584,708	53,584,708	53,584,708	
Net position - ending	\$ 50,839,234	\$ 50,869,734	\$ 59,170,974	

The notes to the budgetary schedules are an integral part of this schedule.

**CITY OF FARMINGTON, NEW MEXICO**  
**Wastewater Utility Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget to Actual**  
**Budgetary Basis**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Operating revenues:				
Charges for sales and services:				
Wastewater	\$ 6,401,473	\$ 6,401,473	\$ 6,551,895	\$ 150,422
Other revenues	2,000	2,000	345	(1,655)
Total operating revenues	6,403,473	6,403,473	6,552,240	148,767
Operating expenses:				
Salaries and fringe benefits	325,782	325,782	285,132	40,650
Other operating expenses	4,636,849	4,636,849	3,784,946	851,903
Capital outlay	7,920,080	7,920,080	1,209,564	6,710,516
Total operating expenses	12,882,711	12,882,711	5,279,642	7,603,069
Operating income	(6,479,238)	(6,479,238)	1,272,598	7,751,836
Nonoperating revenues (expenses):				
Intergovernmental-environmental tax	1,318,232	1,318,232	1,274,442	(43,790)
Investment earnings	104,000	104,000	47,323	(56,677)
NMFA loan proceeds	3,500,000	3,500,000	-	(3,500,000)
Interest expense	(327,431)	(327,431)	(326,871)	560
Principal on debt service	(744,826)	(744,826)	(744,826)	-
Total nonoperating revenues (expenses)	3,849,975	3,849,975	250,068	(3,599,907)
Income (loss) before operating transfers	(2,629,263)	(2,629,263)	1,522,666	4,151,929
Capital contributions	-	-	298,376	298,376
Transfers out	(338,000)	(338,000)	(326,615)	11,385
Change in net position	(2,967,263)	(2,967,263)	1,494,427	\$ 4,461,690
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(1,433,459)	
Amortization			4,678	
Capital outlay capitalized			1,209,564	
Principal on debt service			744,826	
Change in accounts receivable			608	
Change in accounts payable			(25,163)	
			501,054	
<b>GAAP BASIS CHANGE IN NET POSITION</b>			1,995,481	
Net position - beginning	24,312,046	24,312,046	24,312,046	
Net position - ending	\$ 21,344,783	\$ 21,344,783	\$ 26,307,527	

The notes to the budgetary schedules are an integral part of this schedule.

**CITY OF FARMINGTON, NEW MEXICO**  
**Sanitation Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget to Actual**  
**Budgetary Basis**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Sanitation	\$ 5,388,969	\$ 5,388,969	\$ 5,355,579	\$ (33,390)
Other revenues	90,000	90,000	77,486	(12,514)
Total operating revenues	5,478,969	5,478,969	5,433,065	(45,904)
Operating expenses:				
Salaries and fringe benefits	2,754	2,754	2,822	(68)
Other operating expenses	5,212,349	5,562,349	5,089,290	473,059
Total operating expenses	5,215,103	5,565,103	5,092,112	472,991
Operating income	263,866	(86,134)	340,953	427,087
Nonoperating revenues (expenses):				
Investment earnings	15,981	15,981	12,242	(3,739)
Change in net position	279,847	(70,153)	353,195	\$ <u>423,348</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(4,740)	
Change in accounts receivable			9,839	
Change in accounts payable			15,031	
			20,130	
<b>GAAP BASIS CHANGE IN NET POSITION</b>			373,325	
Net position - beginning	1,745,863	1,745,863	1,745,863	
Net position - ending	\$ 2,025,710	\$ 1,675,710	\$ 2,119,188	

The notes to the budgetary schedules are an integral part of this schedule.

**CITY OF FARMINGTON, NEW MEXICO**  
**Golf Course Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget to Actual**  
**Budgetary Basis**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Golf	\$ 1,211,928	\$ 1,211,928	\$ 955,183	\$ (256,745)
Other revenues	-	-	3,682	3,682
Total operating revenues	1,211,928	1,211,928	958,865	(253,063)
Operating expenses:				
Salaries and fringe benefits	610,424	610,125	597,614	12,511
Other operating expenses	501,504	501,504	481,244	20,260
Capital outlay	100,000	100,000	-	100,000
Total operating expenses	1,211,928	1,211,629	1,078,858	132,771
Operating income	-	299	(119,993)	(120,292)
Nonoperating revenues (expenses):				
Investment earnings	-	-	8	8
Change in net position	-	299	(119,985)	\$ (120,284)
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(60,287)	
Change in accounts receivable			(1,096)	
Change in accounts payable			6,995	
			(54,388)	
<b>GAAP BASIS CHANGE IN NET POSITION</b>			(174,373)	
Net position - beginning	1,704,393	1,704,393	1,704,393	
Net position - ending	\$ 1,704,393	\$ 1,704,692	\$ 1,530,020	

The notes to the budgetary schedules are an integral part of this schedule.

**NOTE 1. Budgetary information**

Annual budgets are adopted for all funds. All Enterprise fund budgets are prepared on a basis other than generally accepted accounting principles (Budgetary 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 City Council.

Because the budgetary basis of accounting is not generally accepted accounting method for Enterprise funds, differences result from budgeting for various items. Reconciliations between the budgetary basis and generally accepted accounting principles (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.