

CITY OF FARMINGTON, NEW MEXICO

**COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**



For the Fiscal Year Ended June 30, 2014

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NEW MEXICO
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For The Year Ended June 30, 2014

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Footloose in Farmington: A Historic Perspective of Downtown

Farmington, New Mexico, the heart of the Four Corners, boasts a thriving downtown, where character, history and culture fuse in a mixture of places and events. Originally the land in what is now Northwest New Mexico was known as *Tóta'* in Navajo, with *Tó* meaning "water" and *ta'* meaning "three", essentially "waters, three". In 1876, this section of the Jicarilla Apache Reservation was opened for settlement by the U.S. government and allowed for the establishment of Farmington. In December 2002, the Farmington Historic Commercial District was officially entered into the National Register for Historic Places. With our colorful history, natural beauty and sense of purpose, Farmington is working to regain its downtown heritage and pride of place.



The Old Bank - The first building in Farmington, built in 1876. It was the first brick building in the town and served as a bank and store.



Old Main Street - A view of Old Main Street in Farmington, showing the early buildings and street layout.



The Old Hotel - The Old Hotel, a prominent building in downtown Farmington, built in the late 19th century.



The Old Court House - The Old Court House, a grand building that served as the seat of government for the territory.



Old Main Street - A view of Old Main Street in Farmington, showing the early buildings and street layout.



The Old Bank - The first building in Farmington, built in 1876. It was the first brick building in the town and served as a bank and store.



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The Old Court House - The Old Court House, a grand building that served as the seat of government for the territory.

INTRODUCTORY SECTION



November 24, 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, 2014.

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, 2014, 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, 2014, 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

OFFICE of the CITY MANAGER

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 34.6 square miles and serves a population of 45,426. 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, 2014, the total in-city GRT rate was 7.1875% 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 plus another .375% referred to as "hold harmless" increments and described in more detail in the "Financial Picture" section below, but to date, none of these options have 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. Natural gas prices have remained low through FY2014 and the local natural gas industry continues in a depressed state. Although the natural gas industry has stagnated for the present, the development of oil shale production in the region looks promising. Several major energy companies have invested in oil and gas exploration in the Farmington region during FY2014 and will continue to invest into the near future. These companies are drilling wells that are producing shale oil that has become a singular hope for a resurgence of the county's energy sector. Praxair Incorporated, which services developers of oil and gas production, recently completed a \$15 million expansion. LOGOS Resources announced a \$100 million investment for oil and gas exploration and WPX Energy continues its investment of at least \$160 million to develop oil wells in the San Juan Basin region south of Farmington. Encana Corporation, a leading North American energy producer, has also announced its investment of between \$300 to \$350 million dollars in oil development and production. With this increasing activity in energy development in the Farmington region, there is cause for optimism towards a strengthening economy.

The Farmington, NM, unemployment rate was 6.5 percent at the end of June, 2014 and down from 6.6 percent in May, according to the New Mexico Department of Workforce Solutions which reported that Farmington lost about 1,000 jobs from June 2013 to June 2014 or a 2% decrease. The government sector posted a loss of about 100 jobs and the public sector lost about 200 jobs. Although there were some private sector job gains, the majority of losses were in the mining, construction, oil and gas extraction, and other goods-producing industries.

In 2004, the U.S. Office of Management and Budget designated Farmington as the central city of the Farmington-San Juan County Metropolitan Statistical Area (MSA). MSAs have at least one urbanized area with a population of at least 50,000. The MSA 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 381 MSAs 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. POLICOM addresses the condition of an economy from the viewpoint of its impact upon the "standard of living" of the people who live and work in an area. The highest ranked areas have had rapid, consistent growth in both size and quality for an extended period of time. The lowest ranked areas have been in volatile decline for an extended period of time. 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. In 2014, Farmington was ranked 274 for its relative economic strength when compared to all 381 MSAs.

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 at the conclusion of FY2014, the Farmington MSA had an employed labor force of approximately 54,938, a decrease of 2.0% as compared to FY2013.

Financial picture

Overall, the gross receipt tax revenue (GRT) in FY2014 gained a modest 1.8% over FY2013. The increasing activity in the energy sector was reflected in GRT generated by the oil and gas industry which increased by 15% in FY2014 as compared to FY2013. Other industry sectors of the local economy also reflected some strengthening as seen in the manufacturing sector which generated an 8% increase in GRT over the prior fiscal year. GRT statistical reports received for FY2014 from the State of New Mexico show the industry sectors for the retail and unclassified categories gained 1% and 10% respectively when compared to FY2013. The retail sector comprises 40% of Farmington's total GRT. The largest industry decliner in FY2014 was the construction sector which dropped 18% as compared to FY2013 and reflecting the continuing slow-paced recovery of the local economy.

Relative to the FY2014 budget process and because GRT in FY2013 dropped 3.0% from the prior year, GRT in FY2014 was budgeted 5.2% less than FY2013. However, as previously mentioned, the GRT for FY2014 gained a modest 1.8% as compared to FY2013. Nevertheless, prudent management of spending in the City's general fund with actual expenditures totaling less than budget by 3% plus other revenue sources totaling greater than budget by 5.0% produced an end of year surplus of more than \$1.4 million. The end of year surplus of \$1.4 million also included a transfer out of \$2.85 million to the City's general capital projects fund (fund 408) as per the City's general fund reserve policy. Other notables in FY2014 were the addition of 5 new positions plus salary and wage increases of approximately 2.0% for all regular employees. The 2% wage adjustment was a departure from the City's adopted pay plan which allows for 3% - 4% salary increases. Additionally, FY2014 included a 10% health insurance premium rate increase to continue building an adequate reserve in the City's health insurance fund.

During FY2014, the 1,200 building permits issued were slightly higher than FY2013 with a 3.2% increase while the \$54.7 million valuation of these building permits totaled a \$2.7 million or 5.3% increase over the prior year. Relative to gross receipts tax revenue, GRT comprised 63% of the City's FY2014 general fund total revenue sources. Total construction-related gross receipts taxes (GRT) of \$2.3 million dropped by 18% in FY2014 as compared to FY2013. Retail GRT, the largest industry sector in terms of GRT revenue, rose slightly by \$197K in FY2014 or 1.0%.

A major challenge facing the City in the coming years is preparation and planning for the reduction of gross receipts tax (GRT) revenue. This pending revenue reduction is the result of legislation that was passed by the New Mexico legislature in 2013 and referred to as the repeal of the gross receipts tax "hold harmless" provision. In 2004, the State of New Mexico removed food sales and medical services from the gross receipts tax base. Also included in the legislation was the provision that local governments would be "held harmless" by this action and the state would reimburse local governments monthly for the loss of GRT on food sales and medical services. However, the reimbursement to local governments was removed by legislation passed in 2013 and, beginning in July 2015, the "hold harmless" distributions to the City of Farmington will be phased out over a period of 15 years. GRT on food sales and medical services currently represents 11.6% of all GRT received by the City or approximately \$5.83 million annually. Consequently, beginning in July 2015, the City's GRT revenue will be reduced by an estimated \$390K every fiscal year. The first year's reduction will be \$390K, the second year \$780K, the third year \$1.17 million, and so on until year fifteen (15) when the annual loss will total \$5.83 million. The cumulative loss over the 15 year period will amount to almost \$47.0 million. Nevertheless, the 2013 legislation also granted local governments three (3) new one-eighth percent (1/8%) "hold harmless" increments that could be imposed on the remaining tax base by a local government to "cover" the loss of the hold harmless reimbursements. For the City of Farmington, a one-eighth percent (1/8%) increment would raise \$2.3 million in GRT revenue and would require the imposition of all three increments to fully cover the \$5.83 million loss.

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, FY2013, and FY2014 surplus amounts of \$3.64 million, \$4.1 million, and \$2.85 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 have included replacing a fire engine truck, roof replacements 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. The cash balance at June 30, 2014 in the governmental capital projects fund totaled \$3.4 million. Additionally, at the conclusion of FY2014 the general fund's cash balance was at a sufficient level that an additional \$3.2 million will be available in FY2015 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 a new animal shelter, the civic center remodel, Gateway Museum expansion, replacement of fire station #1, and a new storm water detention pond.

As of June 30, 2014, the Civic Center remodel was fully complete at a final cost of \$1.2 million. The renovation allows the Center to host a greater variety of events including wedding receptions and banquets. During FY2014 both the museum expansion and new animal shelter projects were both completed. At 14,542 square feet, the new shelter is almost twice the size of the old building and can hold 358 animals or double the number of animals of the old shelter. In addition to \$712K in bond proceeds that were utilized, funding for the animal shelter included a \$2.7 million grant from the state of New Mexico, \$650K from San Juan County, \$333K from additional city funds, and \$191K in local donations all helped finance the \$4.6 million facility.

The Farmington Museum at Gateway Park completed its \$2.3 million wing expansion during FY2014. About 7,500 of the 10,000-square-foot addition serves as exhibit space for the energy industry. Previously, 1,500 square feet was dedicated to oil and gas. The new energy exhibit showcases oil, gas and coal and also displays information on alternative forms of energy. Various museum collections such as Farmington history and traveling exhibits will occupy the balance of the new expansion space.

The Lakewood Detention pond construction project was in progress at the close of FY2014 and expected to be completed in FY2015. During times of flooding, peak flows and releases will be impounded at a controlled rate. The pond will decrease flows for a 100-year flood event to a level under a 10-year event and will help protect downstream properties east of Foothills Drive. In addition to protecting homes between Lakewood Drive and Rinconada along the Carl Arroyo, the Lakewood Detention Pond substantially decreases the likelihood of the Hawkeye Pond being overtopped in the future, thereby preventing damage to public infrastructure and private residences below Rinconada as well. The final cost of the project is estimated to be \$833,290.

The final project receiving funding from the 2012 bond proceeds is the demolition and new construction of fire station #1. The plans are for a new fire operations center plus a new fire administration building to be constructed subsequent to the demolition of the existing fire station #1. The present fire station #1 was originally built in the 1950's. As of June 30, 2014, both the demolition contract and construction contract had been awarded with work to begin in FY2015.

With regard to the City's water utility debt, water meter improvements to the City's water utility system were underway at the close of FY2014. The City's water utility system includes 16,200 water meters of which 13,300 must be read manually every month. Meter readers must physically open each meter can and record the reading on a handheld device. The remaining 2,900 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 city is in the process of replacing the 13,300 manually read meters with AMR meters at an estimated cost of \$5.9 million. Financing in the amount of \$5.9 million for the project has been obtained through a loan from the New Mexico Finance Authority

(NMFA) and the state Environment Department 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.

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 at an estimated cost of \$14.0 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. As of June 30, 2014, the City was in the process of obtaining project financing through the New Mexico Environmental Department (NMED) for a 3% interest, 20 year, \$14.0 million construction loan from the State's Clean Water Revolving Fund (CWSRF) Program.

The Farmington Electric Utility System's (FEUS) distributes power to more than 44,000 customers located in a 1,718 square mile service territory that includes the cities of Farmington and Bloomfield, NM, and a large rural area extending outside the municipal boundaries. Power is delivered to customers through a system of more than 2,500 line miles. The FEUS maintains a number of facilities that include power generation, transmission, and distribution operations. Total generation capacity is 162 megawatts plus another 30 megawatts of outside purchased power capacity. 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.

One of the FEUS primary objectives is to continue to ensure a secure, reliable, and economical power source for its utility customers. The electric utility is fiscally sound and in the prior fiscal year (2013), the remaining outstanding utility debt matured and was retired. Through the years the municipal structure of the electric utility has kept customer electric rates very reasonable and Farmington customers enjoy the lowest rates in the region. It has been more than 30 years (1982) since the last electric rate increase and a cost of service study completed in early FY2014 identified additional revenue requirements were needed to update and improve the infrastructure of the utility system. The study pointed out that \$20 million in projects need to be completed each year for the next five years. Consequently, in October of 2014, all classes in the FEUS rate structure were increased and some rate classes eliminated. The rate increase is expected to generate \$8 million of additional revenue. Both residential and commercial rates were increased by a phase-in plan over a three-year period. Residential rates were hiked by 9% resulting in a \$36 increase over the three year period. The phase-in is implemented at \$12 per year for 3 years from FY2014 through FY2016. A residential customer who uses 700 kilowatt hours of electricity per month would see a bill increase from \$67.75 to \$74.43 once the rate increase is entirely implemented. Commercial rates were increased one-time by approximately 1%.

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 FY2014 with a positive \$1.03 million change in net position and an ending net position of \$886K. A change in the City's third party administrator in 2012 has provided better pricing from local and regional health care providers. With 10% increases in health insurance premiums in both FY2013 and FY2014, plus the improved pricing agreements with health care providers, the health insurance fund continues to build an adequate cash reserve for covering extraordinary years when health claims are both excessive and 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 to begin 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, 2013. This was the 20th 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 17th consecutive Distinguished Budget Presentation Award from GFOA for its annual budget document for FY2014. 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 FY2014 Citizen's Financial Report was judged for the fourth 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 Mayes
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**

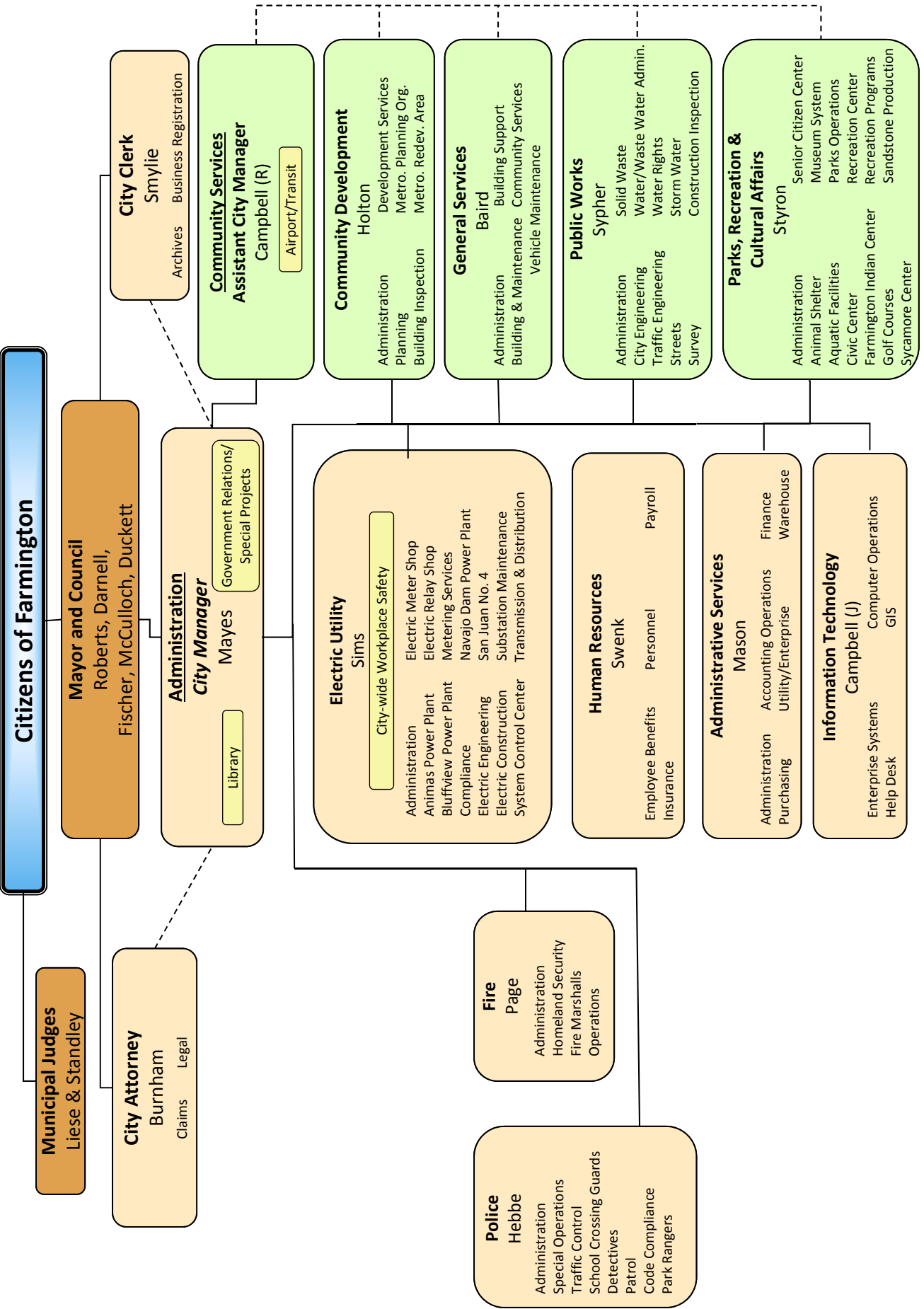
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

City of Farmington – Organizational Chart

March 2014



CITY OF FARMINGTON

Principal Officials

June 30, 2014

MAYOR

Tommy Roberts

CITY COUNCIL

Dan Darnell

Nate Duckett

Mary Fischer

Gayla McCulloch

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

James Campbell

PARKS & RECREATION DIRECTOR

Cory Styron

POLICE CHIEF

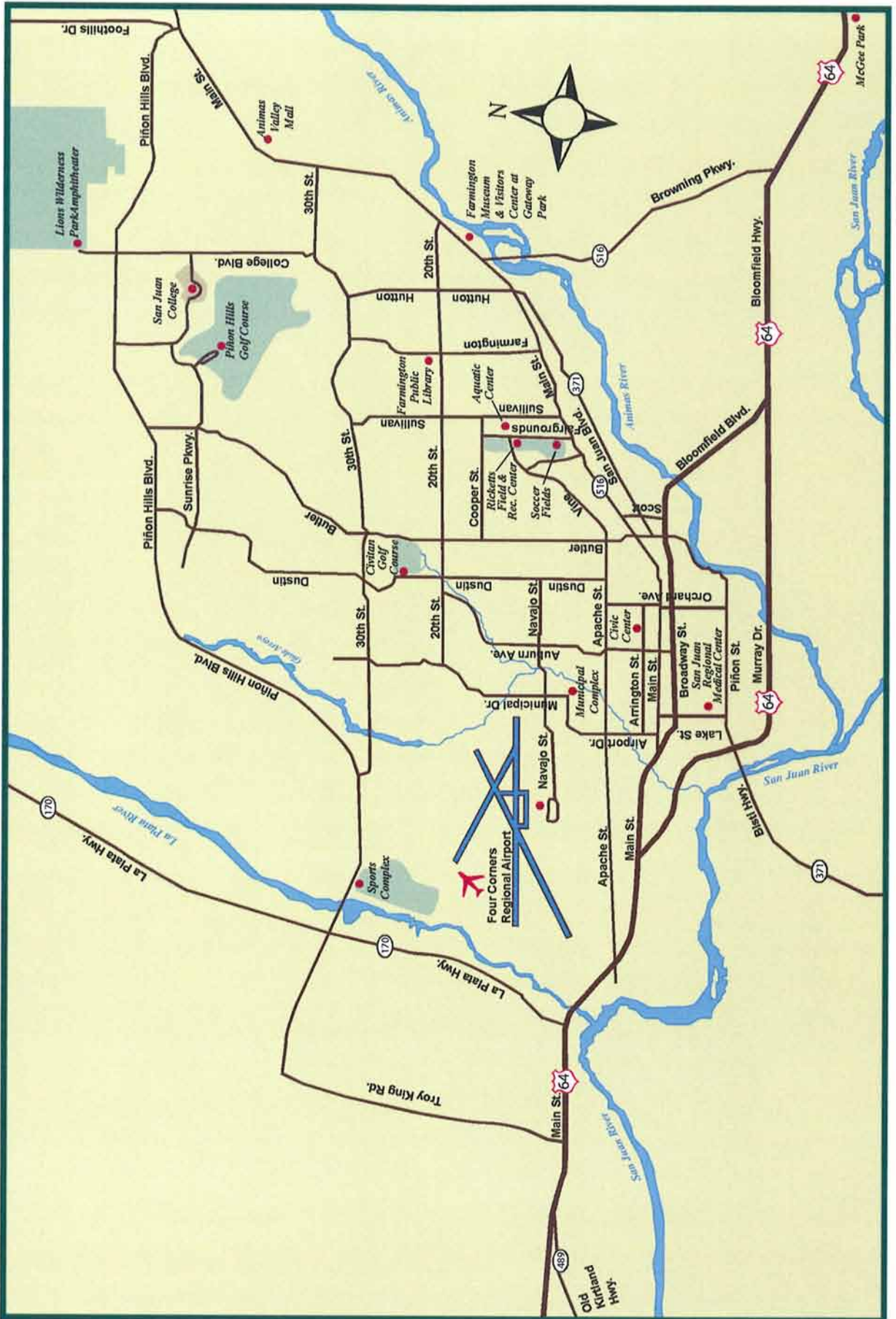
Steven Hebbe

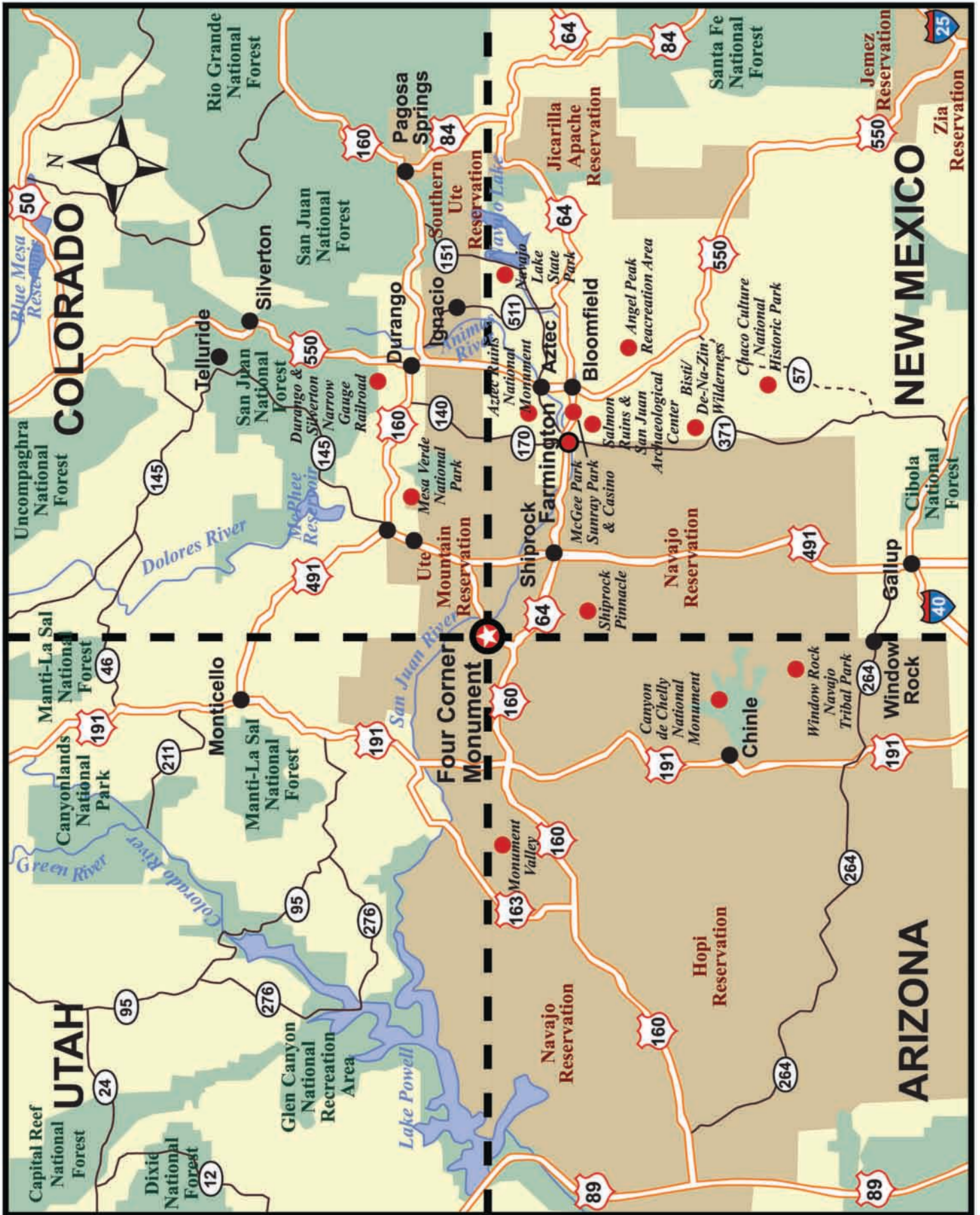
PUBLIC WORKS DIRECTOR

David Sypher

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 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, 2014, 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 have also audited the financial statements of each of the City's nonmajor governmental funds, internal service fund and the budgetary comparisons for the enterprise funds, internal service fund, and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, 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.

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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, 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 funds and internal service fund of the City, as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparisons for the enterprise funds, internal service fund and all nonmajor funds for the year ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

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

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

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 November 24, 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.



Albuquerque, New Mexico
November 24, 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, 2014. 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 FY2014 by \$584,006,170 (net position). Of this amount, \$128,069,897 represents unrestricted net position, which may be used to meet the City's ongoing obligations.
- As of June 30, 2014, the City of Farmington's governmental funds reported combined ending fund balances of \$39,757,525, a decrease of \$3,915,000, or 9.0% in comparison with the prior year. A total of \$18,360,780 (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 \$18,360,780, or 33.7 % of the total general fund expenditures.
- The City's total net debt decreased by \$788,671, or 3.2% 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, and sanitation 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 twenty-three (23) 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 twenty-one (21) 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 61-68).

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, and sanitation 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 individual proprietary fund financial statements provide separate information for the electric, water, wastewater, and sanitation operations and are found on pages 93-97 of this report. Fund data for the internal service fund is provided on page 92 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 31-57 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 \$584,006,170 at the close of FY2014.

The largest portion of the City of Farmington's net position (\$448,337,393 or 76.8%) 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	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Current and other assets	\$ 49,943,138	\$ 52,681,138	\$ 114,687,784	\$ 116,311,709	\$ 164,630,922	\$ 168,992,847
Capital assets	110,646,692	103,455,279	357,534,822	345,503,912	468,181,514	448,959,191
Total assets	160,589,830	156,136,417	472,222,606	461,815,621	632,812,436	617,952,038
Long-term liabilities outstanding	18,843,890	20,310,020	12,611,827	12,164,636	31,455,717	32,474,656
Other liabilities	4,602,946	4,340,219	12,747,603	15,666,479	17,350,549	20,006,698
Total liabilities	23,446,836	24,650,239	25,359,430	27,831,115	48,806,266	52,481,354
Net position						
Net investment in capital assets	102,345,158	95,018,930	345,992,235	334,361,892	448,337,393	429,380,822
Restricted	5,936,973	8,253,150	1,661,907	1,661,906	7,598,880	9,915,056
Unrestricted	28,860,863	28,214,098	99,209,034	97,960,708	128,069,897	126,174,806
Total net position	\$ 137,142,994	\$ 131,486,178	\$ 446,863,176	\$ 433,984,506	\$ 584,006,170	\$ 565,470,684

Another portion of the City of Farmington's net position, \$7,598,880 or 1.3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$128,069,897 or 21.9% 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 \$18,535,486 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 \$5,656,816. Key elements of the change in net position are as follows:

City of Farmington's Changes in Net Position						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Revenues:						
Program revenues:						
Charges for services	\$ 15,789,160	\$ 11,669,981	\$ 124,949,350	\$ 128,708,964	\$ 140,738,510	\$ 140,378,945
Operating grants and Contributions	5,188,416	4,535,975	-	4,192,656	5,188,416	8,728,631
Capital grants and Contributions	3,761,866	4,136,490	2,067,760	-	5,829,626	4,136,490
General revenues:						
Property taxes	1,864,221	1,712,368	-	-	1,864,221	1,712,368
GRT taxes	49,107,699	47,951,282	-	-	49,107,699	47,951,282
Other taxes	4,197,365	4,130,591	1,298,901	1,268,748	5,496,266	5,399,339
Other	1,322,072	1,354,530	824,967	186,344	2,147,039	1,540,874
Total revenues	81,230,799	75,491,217	129,140,978	134,356,712	210,371,777	209,847,929
Expenses:						
General Government	36,141,755	37,156,707	-	-	36,141,755	37,156,707
Police	16,371,812	15,624,298	-	-	16,371,812	15,624,298
Fire	10,009,200	8,804,530	-	-	10,009,200	8,804,530
Parks, rec & cultural affairs	12,873,292	8,345,000	-	-	12,873,292	8,345,000
Public Works	8,778,072	11,068,146	-	-	8,778,072	11,068,146
Electric	-	-	86,071,781	85,104,921	86,071,781	85,104,921
Water	-	-	9,895,015	9,388,141	9,895,015	9,388,141
Wastewater	-	-	6,014,663	5,850,820	6,014,663	5,850,820
Sanitation	-	-	5,239,556	5,081,821	5,239,556	5,081,821
Golf	-	-	-	1,132,150	-	1,132,150
Other	441,145	537,023	-	-	441,145	537,023
Total expenses	84,615,276	81,535,704	107,221,015	106,557,853	191,836,291	188,093,557
Increase in net position before transfers	(3,384,477)	(6,044,487)	21,919,963	27,798,859	18,535,486	21,754,372
Transfers	9,041,293	8,454,241	(9,041,293)	(8,454,241)	-	-
Increase in net position	5,656,816	2,409,754	12,878,670	19,344,618	18,535,486	21,754,372
Net position - 7/01/13	131,486,178	129,076,424	433,984,506	414,639,888	565,470,684	543,716,312
Net position - 6/30/14	\$ 137,142,994	\$ 131,486,178	\$ 446,863,176	\$ 433,984,506	\$ 584,006,170	\$ 565,470,684

Total accrued gross receipts tax (GRT) increased by \$1,156,417 or 2.4%. This was due to an overall increase in receipts from the manufacturing, oil & gas, wholesale, and retail sectors.

Operating grants increased \$652,441 mainly due to an increase in federal funding for public safety (\$246,296), Red Apple Transit (\$83,468), and MPO (\$49,180); increased funding from the state for court automation (\$51,868) and library operations (\$151,808); and increases in local contributions for various projects (\$38,278).

Capital grants and contributions decreased \$374,624 during the year. This was due mainly to a decrease in federal funding for the new regional animal shelter (\$732,798), an increase in federal funding for the airport (\$846,107), and decreases in state funding for various traffic and road improvements (\$467,687).

Charges for services increased \$4,119,179 or 35.3% due mainly to increases in stop loss payments (\$2,631,502) attributable to some large claims received, health premiums (\$861,906) due to increased premium rates, and the transferring of the Pinon Hills Golf Course into the general fund (\$1,022,701). Fines collected during the year decreased (\$110,700).

Total transfers increased \$587,052 due to a decrease in dividends from the electric utility (\$1,030,142) caused in part to an increase in purchased power and fuel costs in FY2013 (the year that the current dividend is based upon) and declining electric revenues in FY2014, and an increase due to the transfer of the Pinon Hills Golf Course into the general fund (\$1,530,020).

Total expenses increased \$3,079,572 or 3.8% during the year mainly due to higher overall health costs for the City. Increases were incurred in health claims (\$2,560,048), pharmacy charges (\$229,651), and health care premiums (\$50,388) during FY2014.

Business-type activities. Business-type activities increased the City of Farmington's net position by \$12,878,670, accounting for 69.5% of the total growth in the government's net position. Key financial elements of the past fiscal year are as follows:

- Operating expenses are 85.6% of operating revenues, resulting in \$18,042,458 in operating income.
- Total electric revenue was lower by \$2.6 million or 2.5%. Electric sales to customers were down \$2.8 million. Sales to residential, commercial, industrial, and wholesale customers had a combined increase of \$2.2 million for FY2014. The power cost adjustment (PCA) decreased a net total of \$5 million. Billed revenues for the PCA increased \$9.2 million and per FASB 71, revenues were decreased by \$14.2 million for the regulatory asset. During FY2014 the electric utility had its first rate increase in over 30 years. The increase will be phased in over three years, FY2014 through FY2016.
- Total water revenue decreased \$1.95 million or 12.5%. Water sales to customers decreased \$328,087 and consumption was down 3.1% over last year. Water contributions were down \$2 million, there were no contributions for FY2014.
- Total wastewater revenue decreased by \$54,747 or 0.7%. Wastewater sales to customers were up \$36,992. Wastewater construction contributions decreased \$209,611 in FY2014.
- Total sanitation revenue increased \$114,002 or 2.1% due to higher demand for sanitation services.

- Investment earnings for business-type activities were up by \$638,623, a 342.7% increase over last year due mainly to a large fair market value (FMV) adjustment made to the FY2013 investments. The FMV adjustment was much lower in FY2014.

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, 2014, the City of Farmington's governmental funds reported combined ending fund balances of \$39,757,525, a decrease of \$3,915,000 in comparison with the prior year. Approximately 46% of this total amount or \$18,360,780 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* (\$586,236), *restricted* (\$5,936,973), *committed* (\$10,243,313), or *assigned* (\$4,630,223).

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 \$18,360,780, while total fund balance was \$18,947,016. 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 33.7% of total general fund expenditures, while total fund balance represents 34.8% of that same amount. The fund balance of the City of Farmington's general fund increased \$1,602,456 or 9.2% during the current fiscal year.

The total increase in general fund revenue was \$990,569 or 2.0%. This is due partly because an increase in GRT collections (\$914,966) in the manufacturing, oil & gas, wholesale, and retail sectors. Other factors affecting general fund revenues are: the transfer of the Pinon Hills Golf Course into the general fund which increased golf revenues (\$1,022,701), increased contributions for the animal shelter (\$84,083), decreased revenues due to the transfer of the DWI grant (\$300,000) and Red Apple grant (\$610,002) to new special revenue funds, and fines collected decreased (\$110,700).

Total general fund expenditures increased \$1,279,832 or 2.4% over the prior year. Key elements of this change were increases in: animal shelter costs (\$302,214) due to the new animal shelter being fully operational in FY2014, police operations (\$1,069,605) due in part to four positions being moved from the gang task force special revenue fund to the general fund and pay plan increases, the transfer of Pinon Hills Golf Course into the general fund (\$1,255,659) and increased estimated claim costs for IBNR (\$650,850). Costs decreased in jail fees (\$496,583) due to less inmates housed at the county jail and several operations were moved out of the general fund lowering

expenses in the safety division (\$270,332), Red Apple Transit (\$1,127,947), and MPO operations (\$247,903).

Total incoming transfers increased by \$2,477,700 or 29.2% due to a one-time transfer from the governmental capital projects fund (\$3,500,000) and a decrease in dividends transferred from the electric utility (\$1,030,142) caused in part to an increase in purchased power and fuel costs in the prior year (the year that the current dividend is based upon) and declining electric revenues in FY2014.

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 both GRT funds were about the same as FY2013 showing only a slight increase in GRT streets (\$11,137) and GRT parks (\$63,168) in FY2014.

Total operating revenues in the nonmajor governmental funds increased \$1,192,624 or 11.1% due mainly to the transferring of revenues previously reported in the general for Red Apple Transit (\$624,615), MPO and DWI general government grants (\$607,854) and the CDBG (\$408,758) as well as increases in state grants for the library (\$151,808). Revenues decreased in: the COPS fund (\$167,785) due to the expiration of a federal grant, the state fire fund (\$229,164) due to receiving a smaller distribution from the state, and the parks gifts and grants fund (\$140,190) due to less donations received for the animal shelter and a one-time grant for the senior center (\$85,199) received in the prior year.

Expenditures in the governmental funds (not including the general fund) decreased \$415,134 or 1.5% during FY2014. Key elements of this decrease are decreased expenditures in the GRT street fund (\$942,685) for vehicles due to a large one-time vehicle purchase in FY2013, decreased street resurfacing due to more major resurfacing done in FY2013, and increased spending for new road construction. GRT parks fund expenditures decreased (\$161,903) due mainly to some large land purchases that were made in FY2013. Other decreases were attributable to less spending in the 2012 sales tax capital projects (\$1,259,382) fund due to the animal shelter being completed in early FY2014, the general capital grants fund (\$949,189) due to less funds transferred into the fund in FY2014, the COPS (\$167,785) and state fire (\$321,990) due to less grant funding available. Other governmental funds showed increases in expenditures for the transfer of operations in the special revenues funds for the Red Apple Transit (\$1,102,208), MPO/DWI grants (\$657,216), and CDBG (\$402,181). Spending increased in the airport construction grant projects fund (\$798,262) due to increased FAA funding during FY2014 and in the library gifts and grants fund (\$203,133) due to additional grant funding from the state. Expenditures increased in the parks gifts and grants fund (\$72,281) due to increased spending of donations for the new animal shelter and in the region II narcotics fund (\$24,980) due to additional reverted funding received in FY2014. The community development grants projects fund increased expenditures (\$36,854) for additional projects such and the Navajo to 20th Street and Apache, Auburn to Butler streets projects.

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 \$78,434,809 in the electric utility system, \$10,417,635 in the water utility system, \$8,027,117 in the wastewater utility system, and \$2,329,473 in the sanitation utility. The total growth in net position was \$9,261,118 in the electric fund, \$3,138,974 in the water fund, \$1,774,972 in the wastewater fund, and 233,626 in the sanitation fund. The golf course fund was transferred to governmental activities at the beginning of the year (see asset note page 48). 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

Gross Receipts Tax (GRT) is the largest revenue source for the City of Farmington general fund. In FY2008, GRT was 88% of the total general fund revenue. This percentage, however, has dropped significantly over the last 6 years. In FY2014, only 63% (cash basis) of the total general fund revenue was received from GRT. As the Farmington economy declined, the amount of GRT decreased significantly although the budgetary requests of the citizens of Farmington did not decrease. The City Council had to identify other forms of revenue in order to continue the services offered by the City of Farmington. In FY2011, the City Council implemented a new policy to allow the general fund to receive a dividend from the Farmington Electric Utility. In FY2014, the electric dividend comprised 10.6%, or \$6.4 million, of the general fund revenue. Also in FY2011, the Cash Reserve Policy was approved by the Council which allowed excess cash to be moved from the general fund to the general government capital project fund to be used for capital projects and help mitigate future risks due to temporary revenue shortfalls in the general fund. This policy proved to be significant to the balancing of the City's budget. In FY2014, \$3.5 million of the cash reserve transfer monies were transferred back to the general fund and budgeted to cover expenses in the general fund. Fortunately, due to a 1.8% (cash basis) increase in GRT and conservative spending, the general fund generated a budget vs actual surplus of \$4.8 million. Of the \$3.5 million cash transferred into the general fund, only \$300K was used by general fund operations. The remaining \$3.2 million will be transferred back to the general governmental capital projects fund in FY2015 in accordance with the Cash Reserve Policy and used for future capital projects or temporary revenue shortfalls.

The budget for FY2014 predicted a 5.2% decrease in GRT revenue. This pessimistic forecast for Farmington's economy in FY2014 was based on several factors. The history of Farmington's economy was a large factor in the GRT projection for FY2014. In FY2010, GRT plummeted 17.5%, which had a financial effect of almost \$8 million less revenue dollars than the previous year. FY2011 and FY2012 showed slight improvement with a 4% increase and 7.7% 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 4.7% (cash basis).

Another factor relates to the importance of the natural gas and oil production industry to the City of Farmington. In 2012, natural gas markets became saturated with supply stifling production and resulting in a low market value. This low market value, combined with new industry regulations and increased fees, created an unprofitable situation for companies to continue exploration and drilling operations. Although Farmington does not directly receive large amounts of GRT from the production of natural gas and oil, the benefit is derived from a large population of residents employed in the oil and gas

industry. Benefit is received in the way of retail, lodging and real estate, entertainment and recreation to name a few industry sectors. FY2014 showed an increase in the market value of both natural gas and oil but with such a volatile history, this increase could not yet be relied on for budget planning purposes.

Although having once experienced unemployment rates of 4-5%, the average unemployment rate for Farmington was 6.5% for FY2014. This rate, however, is not likely a true number. The unknown factor is the number of citizens who left the area to find work elsewhere. Many of the higher-wage Farmington residents involved in the oil and gas industry left Farmington for oil-rich areas such as Texas and North Dakota. According to the USA Today article dated April 19, 2014, "America's Fastest Shrinking Cities", the City of Farmington population shrank 2.72% from 2010 to 2013 and was among the highest outward migration in the nation. Oil prices, on the other hand, have all but recovered since the drop in 2012 and the demand for oil remains constant. Historically, natural gas is the primary resource extracted from the San Juan Basin, however, there are rumors of an oil-boom approaching as horizontal drilling companies begin exploration in the San Juan Basin. No substantial fluctuations in GRT have been noticed to-date 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.

On the expenditure side, the original general fund budget of \$56,228,873 was increased to \$60,725,770 during FY2014. The \$4.5 million difference is comprised of several adjustments. First, the total cash reserve transfer of \$2.85 million (made in two separate transfers of \$1.34 million and \$1.51 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.

Additionally, the City's Piñon Hills Golf Course has historically not been able to fulfill the requirements of an enterprise fund by meeting all costs and building a capital reserve fund. As a result, Council decided to reclassify the Piñon Hills Golf Course operation budget from an enterprise fund into the general fund in FY2014. General fund expenses increased \$1.34 million as a result of this reclassification.

During the year, four separate budget revisions were presented to Council for approval to adjust the original FY2014 expenditure budget. For the City as a whole, these adjustments totaled \$13,460,471 and equaled 5.3% 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, capital funds and internal service fund. Large adjustments include a budget increase as a result of establishing project budgets for the general government capital projects fund, which is funded by monies transferred in accordance with the

Cash Reserve Transfer Policy. Additional grant funds were received during FY2014 for the airport resulting in an increase in expenditures relative to the increase in revenue. Numerous other grant related budget adjustments were made to reflect the actual grant receipts and related expenditures. The health fund, an internal service fund, required the largest adjustment of \$3.0 million, due to higher than expected health insurance claims.

In FY2014 for the City as a whole, capital expenditures exceeded the previous year by \$2.4 million or 6.38%. Of the \$2.85 million transferred to the general government capital project fund, Council designated \$350K to be invested in vehicle purchases, \$835K to be invested in the Storm Drain Action Plan, and \$3.5 million to be transferred to the general fund to help balance the FY2014 budget. 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 Farmington Regional Animal Shelter, remodel of the Farmington Civic Center exhibit hall, Farmington Museum expansion, replacement of Fire Station #1, and the installation of the Lakewood Detention Pond. Finally, approximately \$600K of additional grant revenue as compared to the previous year was received for FAA projects at the airport.

Relative to the City's enterprise funds, in FY2013 and FY2014, the electric fund has been using cash reserves to make large improvements in the electric infrastructure. Electric capital expenditures, \$7.4 million in FY2011, have more than doubled to \$18.9 million in FY2014.

The most favorable budget highlight for the year was the revenue/expenditure budget to actual comparison for the general fund at year-end. Actual expenses ended the year at 97% of budget and actual revenues at 105% of budget. With revenue exceeding budget and expenses less than budget, the general fund concluded FY2014 with a \$4.8 million budget versus actual surplus. As a result of conservative spending and revenues exceeding expectations, the City of Farmington's general fund will have sufficient cash funds to transfer an additional \$3.2 million as per the Cash Reserve Policy to the general governmental capital projects fund in FY2015.

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, 2014, was \$468,181,514 (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 \$357,534,822 or 76.4% 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 \$12,030,910 or 3.5%. The governmental activities investment in capital assets accounted for \$110,646,692 or 23.6% of all capital assets owned by the City. The total increase in governmental activities investment in capital assets for the current year was \$7,191,413 or 6.9%.

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

City of Farmington's Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Land	\$ 27,761,044	\$ 27,687,091	\$ 3,884,334	\$ 3,884,334	\$ 31,645,378	\$ 31,571,425
Land rights	-	-	2,088,708	2,018,363	2,088,708	2,018,363
Buildings	28,348,440	27,315,853	55,742,011	58,987,858	84,090,451	86,303,711
Improvements	11,350,723	11,338,221	93,213,627	89,577,997	104,564,350	100,916,218
Equipment	8,795,243	9,952,618	159,424,863	159,787,069	168,220,106	169,739,687
Infrastructure	16,815,513	18,052,395	-	-	16,815,513	18,052,395
Construction in progress	17,575,729	9,109,101	43,181,279	31,248,291	60,757,008	40,357,392
Total	\$ 110,646,692	\$ 103,455,279	\$ 357,534,822	\$ 345,503,912	\$ 468,181,514	\$ 448,959,191

Capital expenditures for the electric utility system will average approximately \$24,864,296 per year over the next five fiscal years excluding a new combined cycle plant (\$110,000,000) which is included in the FY2017-19 CIP but is currently only in the discussion phase. Some large projects included in the FY2015 capital budget are the conversion circuit (\$1,100,000), customer work order system (\$2,750,000), NPDES projects (\$2,500,000), WLSS to Hood Mesa transmission (\$1,902,000) and a new Aztec substation (\$2,650,000). 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 \$6,514,714 per year, totaling \$32,573,587 for fiscal years 2015 through 2019.

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 FY2015 are budgeted at \$3,075,000 for treatment and \$1,282,322 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 \$11,695,000, 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 \$788,671 or 3.2% during FY2014.

	Governmental Activities		Business-type Activities		Total	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
Sales tax bonds	\$ 11,695,000	\$ 12,840,000	\$ -	\$ -	\$ 11,695,000	\$ 12,840,000
NMFA fire pumper loan	387,310	431,548	-	-	387,310	431,548
NMED loan	-	-	9,486,137	10,135,082	9,486,137	10,135,082
NMFA loan - Animas Waterline	-	-	958,553	1,006,938	958,553	1,006,938
NMFA loan - Meter Replacement	-	-	1,097,897	-	1,097,897	-
Total	\$ 12,082,310	\$ 13,271,548	\$ 11,542,587	\$ 11,142,020	\$ 23,624,897	\$ 24,413,568

Category	FY2013	FY2014
Governmental	13.27	12.08
Business-type	11.14	11.54

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 2014 assessed valuation of \$1,064,957,258, the City's general obligation debt limit is \$42,598,290. 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.



West Main Street

Basic Financial Statements

CITY OF FARMINGTON, NEW MEXICO
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 36,927,560	\$ 80,684,858	\$ 117,612,418
Receivables (net, where applicable, of allowances for uncollectibles):	814,923	6,418,210	7,233,133
Accrued unbilled revenues	-	7,225,634	7,225,634
Intergovernmental receivable	11,614,419	-	11,614,419
Regulatory Asset	-	8,733,621	8,733,621
Inventories	233,188	6,648,533	6,881,721
Prepays	353,048	146,199	499,247
Restricted assets			
Temporarily restricted:			
Cash and cash equivalents	-	4,830,729	4,830,729
Capital assets (not being depreciated):			
Land	27,761,044	3,884,334	31,645,378
Construction in progress	17,575,729	43,181,279	60,757,008
Capital assets (net of accumulated depreciation):			
Land rights	-	2,088,708	2,088,708
Buildings	28,348,440	55,742,011	84,090,451
Improvements other than buildings	11,350,723	93,213,627	104,564,350
Equipment	8,795,243	159,424,863	168,220,106
Infrastructure	16,815,513	-	16,815,513
Total assets	<u>160,589,830</u>	<u>472,222,606</u>	<u>632,812,436</u>
LIABILITIES			
Accounts payable and other current liabilities	2,330,438	7,333,154	9,663,592
Wages and benefits payable	2,043,792	713,684	2,757,476
Other accrued liabilities	130,211	1,296,693	1,426,904
Accrued claims liabilities	-	235,250	235,250
Retainage deposits payable	35,386	-	35,386
Unearned revenue	33,737	-	33,737
Accrued interest payable	29,382	-	29,382
Customer deposits	-	3,168,822	3,168,822
Non-current liabilities:			
Due within one year	3,877,275	1,492,734	5,370,009
Due in more than one year	14,966,615	11,119,093	26,085,708
Total liabilities	<u>23,446,836</u>	<u>25,359,430</u>	<u>48,806,266</u>
NET POSITION			
Net investment in capital assets	102,345,158	345,992,235	448,337,393
Restricted for:			
Police	173	-	173
Fire	88,777	-	88,777
Lodgers promotion	384,373	-	384,373
Capital projects	5,266,007	-	5,266,007
Debt service	197,643	1,661,907	1,859,550
Unrestricted	28,860,863	99,209,034	128,069,897
Total net position	<u>\$ 137,142,994</u>	<u>\$ 446,863,176</u>	<u>\$ 584,006,170</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, 2014

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
Primary government:							
Governmental activities:							
General government	\$ 35,295,440	\$ 12,104,821	\$ 3,023,266	\$ 1,787,613	\$ (18,379,740)	\$ -	\$ (18,379,740)
Police	16,371,812	1,082,132	623,908	-	(14,665,772)	-	(14,665,772)
Fire	10,224,591	-	861,403	-	(9,363,188)	-	(9,363,188)
Parks, recreation, cultural affairs	13,504,216	2,538,777	31,761	1,640,396	(9,293,282)	-	(9,293,282)
Public works	8,778,072	63,430	648,078	333,857	(7,732,707)	-	(7,732,707)
Interest on long-term debt	441,145	-	-	-	(441,145)	-	(441,145)
Total governmental activities	<u>84,615,276</u>	<u>15,789,160</u>	<u>5,188,416</u>	<u>3,761,866</u>	<u>(59,875,834)</u>	<u>-</u>	<u>(59,875,834)</u>
Business-type activities:							
Electric	86,071,781	99,529,498	-	1,616,653	-	15,074,370	15,074,370
Water	9,895,015	13,232,372	-	362,342	-	3,699,699	3,699,699
Wastewater	6,014,663	6,640,367	-	88,765	-	714,469	714,469
Sanitation	5,239,556	5,547,113	-	-	-	307,557	307,557
Total business-type activities	<u>107,221,015</u>	<u>124,949,350</u>	<u>-</u>	<u>2,067,760</u>	<u>-</u>	<u>19,796,095</u>	<u>19,796,095</u>
Total government	<u>\$ 191,836,291</u>	<u>\$ 140,738,510</u>	<u>\$ 5,188,416</u>	<u>\$ 5,829,626</u>	<u>(59,875,834)</u>	<u>19,796,095</u>	<u>(40,079,739)</u>
General revenues:							
Property taxes					1,864,221	-	1,864,221
Sales taxes					49,107,699	-	49,107,699
Franchise taxes					2,422,641	-	2,422,641
Gasoline taxes					569,201	-	569,201
Lodgers' taxes					1,205,523	-	1,205,523
Environmental taxes					-	1,298,901	1,298,901
Miscellaneous					964,113	-	964,113
Unrestricted investment earnings					357,959	824,967	1,182,926
Reassignment of capital assets					1,870,844	(1,870,844)	-
Transfers					7,170,449	(7,170,449)	-
Total general revenues and transfers					<u>65,532,650</u>	<u>(6,917,425)</u>	<u>58,615,225</u>
Change in net position					<u>5,656,816</u>	<u>12,878,670</u>	<u>18,535,486</u>
Net position - beginning					<u>131,486,178</u>	<u>433,984,506</u>	<u>565,470,684</u>
Net position - ending					<u>\$ 137,142,994</u>	<u>\$ 446,863,176</u>	<u>\$ 584,006,170</u>

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

CITY OF FARMINGTON, NEW MEXICO

Balance Sheet

Governmental Funds

June 30, 2014

	<u>General</u>	<u>Gross Receipts Tax Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Pooled cash and investments	\$ 16,005,203	\$ 6,703,845	\$ 12,881,961	\$ 35,591,009
Receivables (net, where applicable, of allowances for uncollectibles):	292,713	8,527	21,370	322,610
Due from other funds	219,442	-	-	219,442
Inventories, at cost	233,188	-	-	233,188
Prepaid items	353,048	-	-	353,048
Intergovernmental	8,635,174	1,721,683	1,257,562	11,614,419
Total assets	<u>\$ 25,738,768</u>	<u>\$ 8,434,055</u>	<u>\$ 14,160,893</u>	<u>\$ 48,333,716</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 911,216	\$ 217,878	\$ 1,201,344	\$ 2,330,438
Wages and benefits payable	1,931,754	1,806	110,232	2,043,792
Other accrued liabilities	19,364	-	-	19,364
Accrued claims payable	1,942,740	-	-	1,942,740
Retainage/deposits payable	35,386	-	-	35,386
Unearned revenue	-	-	33,737	33,737
Due to other funds	-	-	219,442	219,442
Total liabilities	<u>4,840,460</u>	<u>219,684</u>	<u>1,564,755</u>	<u>6,624,899</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	<u>1,951,292</u>	<u>-</u>	<u>-</u>	<u>1,951,292</u>
Fund Balances:				
Nonspendable:				
Inventories and prepaids	586,236	-	-	586,236
Restricted to:				
Police	-	-	173	173
Fire	-	-	88,777	88,777
Lodgers' promotion	-	-	384,373	384,373
Capital projects	-	-	5,266,007	5,266,007
Debt service	-	-	197,643	197,643
Committed to:				
Police	-	-	218,109	218,109
Parks, recreation, cultural affairs	-	-	1,810,833	1,810,833
Public works	-	8,214,371	-	8,214,371
Assigned to:				
Parks, recreation, cultural affairs	-	-	849,445	849,445
Library	-	-	317,585	317,585
Community development	-	-	122,891	122,891
Capital projects	-	-	3,340,302	3,340,302
Unassigned	18,360,780	-	-	18,360,780
Total fund balances	<u>18,947,016</u>	<u>8,214,371</u>	<u>12,596,138</u>	<u>39,757,525</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,738,768</u>	<u>\$ 8,434,055</u>	<u>\$ 14,160,893</u>	

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.	110,646,692
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,951,292
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.	886,285
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(16,098,800)</u>
Net position of governmental activities	<u>\$ 137,142,994</u>

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

CITY OF FARMINGTON, NEW MEXICO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General</u>	<u>Gross Receipts Tax Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes:				
Property	\$ 1,846,832	\$ -	\$ -	\$ 1,846,832
Gross receipts	38,715,882	7,793,863	2,597,954	49,107,699
Franchise	2,422,641	-	-	2,422,641
Gasoline	-	569,201	-	569,201
Lodgers'	-	-	1,205,523	1,205,523
Licenses and permits	632,538	-	9,967	642,505
Intergovernmental:				
Federal	422,732	387,793	3,407,134	4,217,659
State	129,370	-	2,831,980	2,961,350
Other	764,723	260,285	746,265	1,771,273
Charges for services	3,210,738	-	577,183	3,787,921
Fines	890,605	-	141,117	1,031,722
Investment earnings	121,110	78,779	150,580	350,469
Miscellaneous	674,418	18,662	271,033	964,113
Total revenues	<u>49,831,589</u>	<u>9,108,583</u>	<u>11,938,736</u>	<u>70,878,908</u>
EXPENDITURES:				
Current:				
General government	18,787,267	-	1,967,203	20,754,470
Police	15,892,833	-	810,273	16,703,106
Fire	8,731,058	-	507,409	9,238,467
Parks, recreation and cultural affairs	10,202,692	-	4,286,243	14,488,935
Public works	885,064	6,154,422	-	7,039,486
Debt service:				
Principal	-	-	1,189,238	1,189,238
Interest	-	-	443,054	443,054
Capital outlay:				
General government	-	-	4,856,878	4,856,878
Fire	-	-	215,391	215,391
Parks, recreation and cultural affairs	-	-	630,924	630,924
Airport	-	-	1,897,466	1,897,466
Highways and streets	-	3,347,847	1,159,095	4,506,942
Total expenditures	<u>54,498,914</u>	<u>9,502,269</u>	<u>17,963,174</u>	<u>81,964,357</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,667,325)</u>	<u>(393,686)</u>	<u>(6,024,438)</u>	<u>(11,085,449)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	10,952,941	-	5,766,918	16,719,859
Transfers out	<u>(4,683,160)</u>	<u>(304,638)</u>	<u>(4,561,612)</u>	<u>(9,549,410)</u>
Total other financing sources (uses)	<u>6,269,781</u>	<u>(304,638)</u>	<u>1,205,306</u>	<u>7,170,449</u>
Net change in fund balances	1,602,456	(698,324)	(4,819,132)	(3,915,000)
Fund balances-beginning	17,344,560	8,912,695	17,415,270	43,672,525
Fund balances-ending	<u>\$ 18,947,016</u>	<u>\$ 8,214,371</u>	<u>\$ 12,596,138</u>	<u>\$ 39,757,525</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, 2014

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)	\$ (3,915,000)
Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	7,191,413
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	17,389
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.	1,337,494
The net revenue/expense of certain activities of internal service funds is reported with governmental activities.	<u>1,025,520</u>
Change in net position of governmental activities (page 20)	<u><u>\$ 5,656,816</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Property taxes	\$ 1,750,384	\$ 1,750,384	\$ 1,843,414	\$ 93,030
Gross receipts tax	36,018,512	36,018,512	38,658,518	2,640,006
Franchise taxes	2,337,734	2,337,734	2,408,472	70,738
Licenses and permits	680,250	680,250	632,538	(47,712)
Intergovernmental				
Federal	282,605	359,321	563,467	204,146
State	288,800	6,800	104,979	98,179
Other	344,235	684,840	718,691	33,851
Charges for services	1,930,509	3,126,437	3,221,177	94,740
Fines	1,135,100	1,135,100	890,605	(244,495)
Investment earnings	65,000	65,000	96,694	31,694
Miscellaneous	345,300	345,300	674,965	329,665
Total revenues	<u>45,178,429</u>	<u>46,509,678</u>	<u>49,813,520</u>	<u>3,303,842</u>
EXPENDITURES:				
Current:				
General government:				
Council	342,235	342,415	344,474	(2,059)
Municipal court	2,691,256	2,691,256	2,627,345	63,911
Administrative	9,836,630	9,717,093	9,484,248	232,845
Legal	1,038,123	1,038,123	870,321	167,802
Administrative services	642,254	655,394	613,305	42,089
General services	4,278,670	4,427,785	4,135,183	292,602
Community Development	1,029,250	1,029,250	969,916	59,334
Total general government	<u>19,858,418</u>	<u>19,901,316</u>	<u>19,044,792</u>	<u>856,524</u>
Public safety:				
Police	15,479,321	15,849,032	15,843,967	5,065
Fire	8,691,439	8,722,022	8,725,590	(3,568)
Total public safety	<u>24,170,760</u>	<u>24,571,054</u>	<u>24,569,557</u>	<u>1,497</u>
Public works	1,170,444	1,164,644	892,134	272,510
Parks, recreation and cultural affairs	9,266,447	10,405,596	10,163,485	242,111
Total expenditures	<u>54,466,069</u>	<u>56,042,610</u>	<u>54,669,968</u>	<u>1,372,642</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,287,640)</u>	<u>(9,532,932)</u>	<u>(4,856,448)</u>	<u>4,676,484</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	11,050,444	11,461,852	10,952,941	(508,911)
Transfers out	<u>(1,762,804)</u>	<u>(4,683,160)</u>	<u>(4,683,160)</u>	<u>-</u>
Total other financing sources and uses	<u>9,287,640</u>	<u>6,778,692</u>	<u>6,269,781</u>	<u>(508,911)</u>
Net change in fund balances	-	(2,754,240)	1,413,333	<u>\$ 4,167,573</u>
ADJUSTMENTS TO GAAP:				
Change in receivables			13,430	
Change in intergovernmental			4,639	
Change in accrued payables			<u>171,054</u>	
			<u>189,123</u>	
GAAP BASIS CHANGE IN FUND BALANCES:				
			1,602,456	
Fund balances-beginning	17,344,560	17,344,560	17,344,560	
Fund balances-ending	<u>\$ 17,344,560</u>	<u>\$ 14,590,320</u>	<u>\$ 18,947,016</u>	

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Gross receipts taxes	\$ 7,255,442	\$ 7,255,442	\$ 7,784,876	\$ 529,434
Intergovernmental:				
Other	-	200,000	260,285	60,285
Gasoline taxes	775,000	775,000	561,691	(213,309)
Investment earnings	110,000	110,000	52,357	(57,643)
Miscellaneous	500	500	10,134	9,634
Total revenues	8,140,942	8,340,942	8,669,343	328,401
EXPENDITURES:				
Current:				
Public Works	6,627,832	11,910,832	6,158,735	5,752,097
Capital Outlay:				
Highways and streets	6,585,000	1,562,000	3,322,822	(1,760,822)
Total expenditures	13,212,832	13,472,832	9,481,557	3,991,275
Excess (deficiency) of revenues over (under) expenditures	(5,071,890)	(5,131,890)	(812,214)	4,319,676
OTHER FINANCING SOURCES (USES):				
Transfers out	(304,638)	(304,638)	(304,638)	-
Net change in fund balances	(5,376,528)	(5,436,528)	(1,116,852)	\$ <u><u>4,319,676</u></u>
ADJUSTMENTS TO GAAP:				
Change in accounts receivable			25,024	
Change in intergovernmental receivable - federal			387,793	
Change in fair market value - investments			26,423	
Change in accounts payable			(20,712)	
			418,528	
GAAP BASIS CHANGE IN FUND BALANCES			(698,324)	
Fund balances-beginning	8,912,695	8,912,695	8,912,695	
Fund balances-ending	\$ 3,536,167	\$ 3,476,167	\$ 8,214,371	

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, 2014

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Course	Totals	
ASSETS							
Current assets:							
Pooled cash and investments	\$ 61,581,083	\$ 9,193,979	\$ 7,498,649	\$ 2,411,147	\$ -	\$ 80,684,858	\$ 1,336,551
Accounts receivable (net of allowance for doubtful accounts)	4,396,453	1,068,834	634,605	318,318	-	6,418,210	492,313
Accrued unbilled revenues	5,913,584	790,156	285,555	236,339	-	7,225,634	-
Regulatory asset	8,733,621	-	-	-	-	8,733,621	-
Inventories	6,648,533	-	-	-	-	6,648,533	-
Prepaid items	114,220	13,733	18,246	-	-	146,199	-
Restricted cash, cash equivalents and investments	2,766,990	401,832	1,661,907	-	-	4,830,729	-
Total current assets	90,154,484	11,468,534	10,098,962	2,965,804	-	114,687,784	1,828,864
Noncurrent assets:							
Capital assets:							
Land and land rights	3,624,763	2,829,188	479,388	23,341	-	6,956,680	-
Building and system	69,752,444	14,008,573	24,087,032	80,323	-	107,928,372	-
Improvements other than buildings	72,795,029	59,603,520	15,908,829	-	-	148,307,378	-
Machinery and equipment	300,174,303	10,232,728	4,506,770	-	-	314,913,801	-
Construction in progress	34,772,672	4,059,133	4,349,474	-	-	43,181,279	-
Less accumulated depreciation	(205,436,105)	(36,784,379)	(21,451,881)	(80,323)	-	(263,752,688)	-
Total capital assets	275,683,106	53,948,763	27,879,612	23,341	-	357,534,822	-
(net of accumulated depreciation)	275,683,106	53,948,763	27,879,612	23,341	-	357,534,822	-
Total noncurrent assets	\$ 365,837,590	\$ 65,417,297	\$ 37,978,574	\$ 2,989,145	\$ -	\$ 472,222,606	\$ 1,828,864

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

CITY OF FARMINGTON, NEW MEXICO
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-type Activities Enterprise Funds					Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Course	
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 5,903,793	\$ 460,739	\$ 335,003	\$ 633,619	\$ -	\$ 7,333,154
Accrued liabilities	1,874,644	123,207	9,814	2,712	-	2,010,377
Compensated absences	575,147	10,610	10,610	-	-	596,367
Accrued claims payable	195,250	20,000	20,000	-	-	235,250
Liabilities payable - restricted assets	2,766,990	401,832	-	-	-	3,168,822
NMED loan	-	-	668,413	-	-	668,413
NMFA loan	-	227,954	-	-	-	227,954
Total current liabilities	<u>11,315,824</u>	<u>1,244,342</u>	<u>1,043,840</u>	<u>636,331</u>	<u>-</u>	<u>14,240,337</u>
Noncurrent liabilities:						
Compensated absences	403,851	34,511	34,511	-	-	472,873
NMED loan	-	-	8,817,724	-	-	8,817,724
NMFA loan	-	1,828,496	-	-	-	1,828,496
Total noncurrent liabilities	<u>403,851</u>	<u>1,863,007</u>	<u>8,852,235</u>	<u>-</u>	<u>-</u>	<u>11,119,093</u>
Total liabilities	<u>11,719,675</u>	<u>3,107,349</u>	<u>9,896,075</u>	<u>636,331</u>	<u>-</u>	<u>25,359,430</u>
NET POSITION						
Net investment in capital assets	275,683,106	51,892,313	18,393,475	23,341	-	345,992,235
Restricted for debt service	-	-	1,661,907	-	-	1,661,907
Unrestricted	78,434,809	10,417,635	8,027,117	2,329,473	-	99,209,034
Total net position	<u>\$ 354,117,915</u>	<u>\$ 62,309,948</u>	<u>\$ 28,082,499</u>	<u>\$ 2,352,814</u>	<u>\$ -</u>	<u>\$ 446,863,176</u>

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, 2014

	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	\$ 98,542,828	\$ -	\$ -	\$ -	\$ -	\$ 98,542,828	\$ -
Water	-	13,223,172	-	-	-	13,223,172	-
Wastewater	-	-	6,633,979	-	-	6,633,979	-
Sanitation	-	-	-	5,451,732	-	5,451,732	-
Golf course	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	10,327,012
Other revenues	986,670	9,200	6,388	95,381	-	1,097,639	-
Total operating revenues	<u>99,529,498</u>	<u>13,232,372</u>	<u>6,640,367</u>	<u>5,547,113</u>	<u>-</u>	<u>124,949,350</u>	<u>10,327,012</u>
Operating expenses:							
Salaries and fringe benefits	12,621,038	691,269	338,640	40,627	-	13,691,574	-
Purchased power, fuel and chemicals	42,458,392	-	-	-	-	42,458,392	-
Other operating expenses	15,859,665	6,624,715	3,908,823	5,196,359	-	31,589,562	9,308,982
Depreciation and amortization	15,132,686	2,568,960	1,463,148	2,570	-	19,167,364	-
Total operating expenses	<u>86,071,781</u>	<u>9,884,944</u>	<u>5,710,611</u>	<u>5,239,556</u>	<u>-</u>	<u>106,906,892</u>	<u>9,308,982</u>
Operating income (loss)	<u>13,457,717</u>	<u>3,347,428</u>	<u>929,756</u>	<u>307,557</u>	<u>-</u>	<u>18,042,458</u>	<u>1,018,030</u>
Nonoperating revenues (expenses):							
Intergovernmental-environmental tax	-	-	1,298,901	-	-	1,298,901	-
Investment earnings	616,252	96,471	90,209	22,035	-	824,967	7,490
Revenue from grants	-	362,342	-	-	-	362,342	-
Interest expense	-	(10,071)	(304,052)	-	-	(314,123)	-
Reassignment of capital assets	-	-	-	-	(1,870,844)	(1,870,844)	-
Total nonoperating revenues (expenses)	<u>616,252</u>	<u>448,742</u>	<u>1,085,058</u>	<u>22,035</u>	<u>(1,870,844)</u>	<u>301,243</u>	<u>7,490</u>
Income (loss) before transfers	<u>14,073,969</u>	<u>3,796,170</u>	<u>2,014,814</u>	<u>329,592</u>	<u>(1,870,844)</u>	<u>18,343,701</u>	<u>1,025,520</u>
Capital contributions	1,616,653	-	88,765	-	-	1,705,418	-
Transfers in (out)	(6,429,504)	(657,196)	(328,607)	(95,966)	340,824	(7,170,449)	-
Change in net position	<u>9,261,118</u>	<u>3,138,974</u>	<u>1,774,972</u>	<u>233,626</u>	<u>(1,530,020)</u>	<u>12,878,670</u>	<u>1,025,520</u>
Net position - beginning	<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>
Net position - ending	<u>\$ 354,117,915</u>	<u>\$ 62,309,948</u>	<u>\$ 28,082,499</u>	<u>\$ 2,352,814</u>	<u>\$ -</u>	<u>\$ 446,863,176</u>	<u>\$ 886,285</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, 2014

	Business-type Activities						Governmental Activities Internal Service Fund
	Enterprise Funds						
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Course	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers/users	\$ 101,431,909	\$ 13,297,704	\$ 6,655,528	\$ 5,505,603	\$ 26,233	\$ 126,916,977	\$ 9,838,005
Payments to suppliers	(59,612,225)	(6,984,331)	(4,323,937)	(5,189,857)	(57,855)	(76,168,205)	(9,194,287)
Payments to employees	(12,394,338)	(665,766)	(308,051)	(38,024)	(83,910)	(13,490,089)	-
Net cash provided (used) by operating activities	<u>29,425,346</u>	<u>5,647,607</u>	<u>2,023,540</u>	<u>277,722</u>	<u>(115,532)</u>	<u>37,258,683</u>	<u>643,718</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfer to other funds	(6,429,504)	(657,196)	(328,607)	(95,966)	340,824	(7,170,449)	-
Transfer from other funds	-	-	-	-	(252,722)	(252,722)	-
Intergovernmental-environmental tax	-	-	1,298,901	-	-	1,298,901	-
Net cash provided (used) by capital and related financing activities	<u>(6,429,504)</u>	<u>(657,196)</u>	<u>970,294</u>	<u>(95,966)</u>	<u>88,102</u>	<u>(6,124,270)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from capital debt	-	1,097,897	-	-	-	1,097,897	-
Capital contributions	1,616,653	-	88,765	-	-	1,705,418	-
Capital grants	-	362,342	-	-	-	362,342	-
Acquisition and construction of capital assets	(24,989,726)	(5,783,583)	(2,298,717)	2,908	-	(33,069,118)	-
Principal paid on capital debt	-	(48,385)	(648,945)	-	-	(697,330)	-
Interest paid on capital debt	-	(10,071)	(304,052)	-	-	(314,123)	-
Net cash provided (used) by capital and related financing activities	<u>(23,373,073)</u>	<u>(4,381,800)</u>	<u>(3,162,949)</u>	<u>2,908</u>	<u>-</u>	<u>(30,914,914)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends received	616,252	96,471	90,209	22,035	-	824,967	7,490
Net increase (decrease) in cash and cash equivalents	239,021	705,082	(78,906)	206,699	(27,430)	1,044,466	651,208
Cash and cash equivalents - beginning	64,109,052	8,890,729	9,239,462	2,204,448	27,430	84,471,121	685,343
Cash and cash equivalents - ending	<u>\$ 64,348,073</u>	<u>\$ 9,595,811</u>	<u>\$ 9,160,556</u>	<u>\$ 2,411,147</u>	<u>\$ -</u>	<u>\$ 85,515,587</u>	<u>\$ 1,336,551</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, 2014

	Business-type Activities Enterprise Funds					Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Course	
	\$ 13,457,717	\$ 3,347,428	\$ 929,756	\$ 307,557	\$ -	\$ 18,042,458
	15,132,686	2,568,960	1,463,148	2,570	-	19,167,364
	(630,521)	15,863	(18,158)	(45,249)	26,233	(651,832)
	69,991	39,870	33,319	3,739	-	146,919
	3,975,107	-	-	-	-	3,975,107
	(536,578)	8,059	-	-	-	(528,519)
	(18,341)	(1,627)	(4,359)	-	3,765	(20,562)
	226,700	25,503	30,589	2,603	(83,910)	201,485
	57,750	(20,000)	(25,000)	-	-	12,750
	(1,512,166)	9,599	-	-	-	(1,502,567)
	(796,999)	(346,048)	(385,755)	6,502	(61,620)	(1,583,920)
	15,967,629	2,300,179	1,093,784	(29,835)	(115,532)	19,216,225
	29,425,346	5,647,607	2,023,540	277,722	(115,532)	37,258,683
	\$	\$	\$	\$	\$	\$

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

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

Noncash Activities:

Reassignment of capital assets	-	-	-	-	-	-
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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, 2014

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 45,426 living within an area of 34.6 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, 2014.

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. 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.

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 (\$2,487,652 as of June 30, 2014) and the related additional revenue is part of electric charges for services recorded on the statement of activities (\$3,854,699 for the year ended June 30, 2014).

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. For FY2014 this regulatory asset was \$6,245,969 as of June 30, 2014.

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 \$7,598,880 as of June 30, 2014.

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, 2014, 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 nor committed. Intent is expressed by (1) the City Council or by (2) the City Manager to which the City Council has delegated the authority to assign amounts to be used for specific purposes.

Unassigned — amounts in the general fund that have not been restricted, committed, or assigned to specific purposes within the general fund.

As of June 30, 2014, fund balances are composed of the following:

	General Fund	Gross Receipts Tax Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventories/prepaids	\$ 586,236	\$ -	\$ -	\$ 586,236
Restricted:				
Police	-	-	173	173
Fire	-	-	88,777	88,777
Lodgers' promotion	-	-	384,373	384,373
Capital projects	-	-	5,266,007	5,266,007
Debt service	-	-	197,643	197,643
Committed:				
Police	-	-	218,109	218,109
Parks, rec, cultural affairs	-	-	1,810,833	1,810,833
Public works	-	8,214,371	-	8,214,371
Assigned:				
Parks, rec, cultural affairs	-	-	849,445	849,445
Library	-	-	317,585	317,585
Community development	-	-	122,891	122,891
Capital projects	-	-	3,340,302	3,340,302
Unassigned	18,360,780	-	-	18,360,780
Total fund balances	<u>\$ 18,947,016</u>	<u>\$ 8,214,371</u>	<u>\$ 12,596,138</u>	<u>\$ 39,757,525</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 \$16,098,800 difference are as follows:

Bonds payable	\$ 11,695,000
Bond premium (to be amortized over the life of the debt)	638,378
Accrued interest payable	29,382
NMFA loan payable	387,310
Compensated absences payable	<u>3,348,730</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ 16,098,800</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 \$7,191,413 are as follows:

Capital outlay	\$ 14,146,895
Depreciation	(8,826,326)
Transfer of golf course assets due to reassignment to General Fund	<u>1,870,844</u>
Net adjustment to increase <i>net changes in fund balance - total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u>\$ 7,191,413</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 \$1,337,494 are as follows:

Principal repayments	\$ 1,189,238
Amortization of bond premium	64,475
Accrued interest	1,909
Compensated absences	<u>81,872</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>\$ 1,337,494</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 \$1,025,520 difference are as follows:

Internal service charges for services and other non operating revenue	\$ 10,334,502
Internal service operating expenses	<u>(9,308,982)</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>\$ 1,025,520</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, 2014:

General Fund	\$ 306,299
Gross Receipts Tax Streets Fund	1,223,188
Gross Receipts Tax Parks Fund	105,520
Parks/Rec Gifts and Grants Fund	21,534
Museum Gifts and Grants Fund	732
Red Apple Grant Fund	4,892
General Government Grant Fund	1,070
Lodgers Tax Fund	24,523
Region II Narcotics Grant Fund	30,306
State Fire Fund	115,257
Community Development Capital Projects Fund	1,093,660
Gross Receipts Tax 2012 Bond Capital Projects Fund	617,345
General Government Capital Projects Fund	223,747
Electric Utility Fund	580,848
Water Utility Fund	7,261,398
Wastewater Utility Fund	2,732,475
Sanitation Fund	11,438
Total Encumbrances	\$ <u>14,354,232</u>

B. Excess of expenditures over appropriations

Expenditures for all funds were within budgeted appropriations for FY2014.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Cash and investments	
Governmental activities	\$ 36,927,560
Business activities	80,684,858
Restricted cash and investments	
Business activities	<u>4,830,729</u>
Total cash and investments	<u>122,443,147</u>
Bank deposits not on books	<u>2,497,251</u>
Total deposits, investments, and bank deposits	<u>\$ 124,940,398</u>

As of June 30, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money markets	\$ 68,518	0.08
Certificates of deposit	86,100,000	1.12
State treasurer's pool	41,274	0.13
Federal agency securities	<u>36,900,190</u>	<u>3.78</u>
Total Fair Value	<u>\$ 123,109,982</u>	
Portfolio weighted average maturity		<u>1.85</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, 2014, 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, 2014, with more than 5% of the total in securities of the federal agency securities. These investments represented 30% 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, 2014, the City was in compliance with state statute. The City's carrying amount of deposits as of June 30, 2014, was \$84,888,965 and the bank balance was \$88,665,769. Of the bank balance, \$1,250,000 was covered by federal depository insurance, \$52,380,353 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and \$35,035,416 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, 2014, 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%.

Ratios	Banking Institutions Percentage Level of Collateralization Required		
	50%	75%	100%
<u>Primary Capital Assets</u>	Above 6%	5% - 6%	Less than 5%
<u>Net Operating Income Total Average Assets</u>	Above .60%	.051% - .60%	Less than .51%
<u>Non-Performing Loans Primary Capital</u>	Under 35%	35% - 49.9%	Above 49.9%

**Savings and Loan Institutions
Percentage Level of Collateralization Required**

Ratios	50%	75%	100%
<u>Net Worth</u> Average Assets	Above 3%	2% - 3%	Less than 2%
4 Qtrs Avg Net <u>Income Before Tax</u> 4 Qtrs Avg Assets	Above .3%	.2% - .3%	Less than .2%
2 Consecutive Quarters of After Tax Losses		Yes	
3 Consecutive Quarters of After Tax Losses			Yes

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

The City has investments in the State Treasurer external investment pool (the Local Government Investment Pool). The investments are valued at fair value based on quoted market prices as of June 30, 2014. 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.

The LGIP was invested in the Reserve Primary Fund (RPF) at September 15, 2008. On September 16, 2008, the RPF's net assets fell below \$1.00 and holdings in the fund were frozen. Since that date, approximately 98.7% of the City's investment in the RPF 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. As of June 30, 2014, the State Treasurer's Office wrote down their remaining share of the RPF. The City has also written down their share (\$15,509) of the RPF and we do not expect to receive any more distributions.

B. Receivables

Receivables as of June 30, 2014, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:				
Accounts Receivable	\$ 785,026	\$ 29,897	\$ 6,921,203	\$ 7,736,126
Unbilled Revenue	-	-	7,225,634	7,225,634
Intergovernmental	8,635,174	2,979,245	-	11,614,419
Gross Receivables	<u>9,420,200</u>	<u>3,009,142</u>	<u>14,146,837</u>	<u>26,576,179</u>
Less: Allowance for Uncollectibles	-	-	(502,993)	(502,993)
Net Total Receivables:	<u>\$ 9,420,200</u>	<u>\$ 3,009,142</u>	<u>\$ 13,643,844</u>	<u>\$ 26,073,186</u>

Intergovernmental receivables are made up of the following amounts in the general and special revenue funds: gross receipts taxes \$8,099,979, property taxes \$1,951,292, federal and state grants \$1,210,027, franchise taxes \$142,508, lodgers' taxes \$134,591, and other taxes \$76,022.

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	\$ 52,449
Uncollectibles related to water sales	12,338
Uncollectibles related to wastewater charges	8,155
Uncollectibles related to sanitation charges	<u>4,976</u>
Total uncollectibles of the current fiscal year	<u>\$ 77,918</u>

C. Capital assets

Capital asset activity for the year ended June 30, 2014, was as follows:

Governmental activities	Balance July 1, 2013	Transfers	Additions	Deletions	Balance June 30, 2014
Non-Depreciable Assets:					
Land	\$ 27,687,091	\$ -	\$ 73,953	\$ -	\$ 27,761,044
Construction in progress	9,109,101	-	11,306,453	(2,839,825)	17,575,729
Total Non-Depreciable Assets	36,796,192	-	11,380,406	(2,839,825)	45,336,773
Depreciable Assets:					
Buildings	65,144,805	1,452,801	1,831,045	-	68,428,651
Improvements other than buildings	26,740,551	1,885,176	730,603	-	29,356,330
Equipment	34,446,159	720,947	1,580,426	(2,589,305)	34,158,227
Infrastructure	65,945,804	105,288	2,044,758	(270,388)	67,825,462
Total Depreciable Assets	192,277,319	4,164,212	6,186,832	(2,859,693)	199,768,670
Total Governmental Assets	229,073,511	4,164,212	17,567,238	(5,699,518)	245,105,443
Accumulated Depreciation:					
Buildings	(37,828,952)	(679,951)	(1,571,308)	-	(40,080,211)
Improvements other than buildings	(15,402,330)	(824,311)	(1,778,966)	-	(18,005,607)
Equipment	(24,493,541)	(755,862)	(2,354,719)	2,241,138	(25,362,984)
Infrastructure	(47,893,409)	(33,244)	(3,121,333)	38,037	(51,009,949)
Total Accumulated Depreciation	(125,618,232)	(2,293,368)	(8,826,326)	2,279,175	(134,458,751)
Net Governmental Assets	\$ 103,455,279	\$ 1,870,844	\$ 8,740,912	\$ (3,420,343)	\$ 110,646,692

Business-type activities	Balance July 1, 2013	Transfers	Additions	Deletions	Balance June 30, 2014
Non-Depreciable Capital Assets:					
Land	\$ 3,884,334	\$ -	\$ -	\$ -	\$ 3,884,334
Construction in progress	31,248,291	-	32,539,143	(20,606,155)	43,181,279
Total Non-Depreciable Capital Assets	35,132,625	-	32,539,143	(20,606,155)	47,065,613
Depreciable Capital Assets:					
Land Rights	2,964,192	-	108,154	-	3,072,346
Buildings	108,695,584	(854,940)	88,045	(317)	107,928,372
* Improvements other than buildings	142,392,725	(2,516,188)	8,803,848	(373,007)	148,307,378
Equipment	307,946,730	(793,084)	9,795,159	(2,035,004)	314,913,801
Total Depreciable Capital Assets	561,999,231	(4,164,212)	18,795,206	(2,408,328)	574,221,897
Total Business-type Capital Assets	597,131,856	(4,164,212)	51,334,349	(23,014,483)	621,287,510
Accumulated Depreciation:					
Land Rights	(945,829)	-	(37,809)	-	(983,638)
Buildings	(49,707,726)	663,679	(3,142,559)	245	(52,186,361)
* Improvements other than buildings	(52,814,728)	852,186	(4,253,620)	1,122,411	(55,093,751)
Equipment	(148,159,661)	777,503	(10,141,782)	2,035,002	(155,488,938)
Total Accumulated Depreciation	(251,627,944)	2,293,368	(17,575,770)	3,157,658	(263,752,688)
Net Business-type Capital Assets	\$ 345,503,912	\$ (1,870,844)	\$ 33,758,579	\$ (19,856,825)	\$ 357,534,822

* According to FER (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.

Due to the transfer of the Pinon Hills Golf Course to the general fund (see transfer note page 48, total transfers between the business-type funds and the governmental activities funds amounted to \$1,870,844. During the year, due to an extensive review of all of governmental assets, the City re-categorized some governmental buildings, improvements, equipment, and infrastructure assets. While this re-categorization had no effect on total governmental assets, the individual governmental asset categories (i.e. buildings, improvements, etc.) do not equal the business-type transfers by asset category but do equal in total transfers.

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.

Enterprise Capital Assets – by fund

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>
Land and Land Rights	\$ 3,624,763	\$ 2,829,188	\$ 479,388	\$ 23,341
Buildings and Structures	69,752,444	14,008,573	24,087,032	80,323
Improvements other than buildings	72,795,029	59,603,520	15,908,829	-
Equipment	300,174,303	10,232,728	4,506,770	-
Total	<u>446,346,539</u>	<u>86,674,009</u>	<u>44,982,019</u>	<u>103,664</u>
Less accumulated Depreciation	(205,436,105)	(36,784,379)	(21,451,881)	(80,323)
Construction in progress	34,772,672	4,059,133	4,349,474	-
Net Enterprise Capital Assets	<u>\$ 275,683,106</u>	<u>\$ 53,948,763</u>	<u>\$ 27,879,612</u>	<u>\$ 23,341</u>

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

Governmental activities:	
General government	\$ 767,612
Airport	956,335
Police	499,197
Fire	841,184
Parks, recreation, cultural affairs	2,050,682
Public works/Community development	152,190
Highways and streets	<u>3,559,126</u>
Total depreciation expense - governmental activities	<u>\$ 8,826,326</u>
Business-type activities:	
Electric	\$ 13,541,092
Water	2,568,960
Wastewater	1,463,148
Sanitation	<u>2,570</u>
Total depreciation expense - business-type activities	<u>\$ 17,575,770</u>

D. Interfund receivables, payables and transfers

The composition of other accrued liabilities as of June 30, 2014, is as follows:

<u>Other Accrued Liabilities</u>	<u>Governmental Funds</u>
Taxes	\$ 5,067
Intergovernmental	45
Court collections	14,252
Misc. insurance	110,847
Total	\$ 130,211

The composition of other accrued liabilities as of June 30, 2014, is as follows:

<u>Other Accrued Liabilities</u>	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>	<u>Total</u>
Wages & benefits	\$ 687,560	\$ 13,624	\$ 9,814	\$ 2,686	\$ 713,684
Gross receipts taxes	481,714	96,498	-	26	578,238
Water conservation fee	-	13,085	-	-	13,085
Compensating taxes	2,795	-	-	-	2,795
Ad valorem taxes	375,000	-	-	-	375,000
Franchise taxes	253,077	-	-	-	253,077
Other PNM liabilities	29,911	-	-	-	29,911
Billed customer deposits	44,587	-	-	-	44,587
Total	\$ 1,874,644	\$ 123,207	\$ 9,814	\$ 2,712	\$ 2,010,377

The composition of interfund balances as of June 30, 2014, is as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Major Fund:		
General fund	\$ 219,442	\$ -
Nonmajor governmental funds:		
Red Apple Transit grant fund	-	112,831
General Government grant fund	-	106,611
	\$ 219,442	\$ 219,442

Federal and state grants (e.g., Red Apple Transportation and General Government 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, 2014, 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	\$ -	\$ 29,253
General fund – operating transfer to debt service fund	-	1,164,850
General fund – operating transfer from governmental capital projects fund	3,500,000	-
General fund – operating transfer to region II fund	-	30,000
General fund – operating transfer to governmental capital projects fund	-	2,851,214
General fund – operating transfer from electric/water/wastewater utility funds	7,170,449	-
General fund – operating transfer from lodgers' tax fund	282,492	-
General fund – operating transfer to lodgers' tax fund	-	25,000
General fund – operating transfer to red apple transit grant fund	-	533,481
General fund – operating transfer to general government grant fund	-	49,362
GRT parks fund – operating transfer to general fund	-	282,492
GRT streets fund – operating transfer to debt service fund	-	304,638
Red apple transit – operating transfer from general fund	533,481	-
General government grant – operating transfer from general fund	49,362	-
CDBG fund – operating transfer from capital grant projects fund	116,314	-
Lodgers' tax fund – operating transfer from general fund	25,000	-
Region II fund – matching funds for grant from general fund	30,000	-
State fire grant fund – operating transfer to debt service fund	-	162,806
Governmental capital projects fund – operating transfer from general fund	2,851,214	-
Capital grant projects fund – operating transfer to CDBG grant fund	-	116,314
Governmental capital projects fund – operating transfer to general fund	-	3,500,000
Governmental capital projects fund – operating transfer to metro redevelopment authority fund	-	500,000
Metro redevelopment authority fund – transfer from governmental capital projects fund	500,000	-
Airport construction grant projects fund – operating transfer from general fund	29,253	-
Debt service fund – operating transfer from state fire grant fund	162,806	-
Debt service fund – operating transfer from GRT streets fund	304,638	-
Debt service fund – operating transfer from general fund	1,164,850	-
	<hr/>	<hr/>
Total governmental funds transfers	16,719,859	\$ 9,549,410
	<hr/>	<hr/>
Net governmental funds transfers	\$ 7,170,449	

Business-type funds

Electric utility fund – operating transfer to general fund	\$ -	\$ 6,429,504
Water utility fund – operating transfer to general fund	-	657,196
Wastewater utility fund – operating transfer to general fund	-	328,607
Sanitation utility fund – operating transfer to general fund	-	95,966
Golf fund – operating transfer to general fund	340,824	-
	<hr/>	<hr/>
Total business-type funds transfers	\$ 340,824	7,511,273
	<hr/>	<hr/>
Net business-type transfers		\$ 7,170,449

Government-wide Financial Statements – Transfers

	<u>In</u>	<u>Out</u>
Golf fund - transfer due to reassignment of Pinon Hills Golf Course to governmental capital assets	\$ 1,870,844	\$ 1,870,844
Net governmental and business-type transfers	7,170,449	7,170,449
	<hr/>	<hr/>
	\$ 9,041,293	\$ 9,041,293

Pinon Hills Golf Fund Operations Reassigned to General Fund

At the beginning of FY2014, the Pinon Hills golf fund operations were moved into the general fund. Due to a sluggish local economy, caused primarily by declining natural gas prices, Pinon Hills Golf Course has seen declining revenues over the past six years. Since the revenue collected could not support the operations of the golf course, management determined that this activity no longer met the criteria of being an enterprise fund. The effect of this transfer was a decrease of (\$304,824) to fund balance in the general fund and a net asset increase of \$1,870,844 to the governmental capital assets.

E. Leases

Operating Leases

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

<u>Year Ending</u>	<u>Amount</u>
2014	\$ 62,911
2015	83,881
2016	83,881
2017	83,881
2018	20,970
	<u>\$ 335,524</u>

F. Long-term debt

General Obligation bonds

The City has the capacity to issue general obligation bonds to provide funds for the acquisition and/or construction of major capital projects, but as of June 30, 2014, 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, 2014, are as follows:

	Interest	
	Rates	General Govt
Governmental Activities		
Sales Tax Bonds 2005	4.00%	\$ 2,405,000
Sales Tax Bonds 2012	1.50 - 5.50%	<u>9,290,000</u>
Total		<u>\$ 11,695,000</u>

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

Year Ending June 30	General Govt.	
	Principal	Interest
2015	\$ 1,180,000	\$ 400,688
2016	1,235,000	342,463
2017	1,265,000	308,563
2018	1,305,000	277,588
2019	1,355,000	225,388
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
Total	<u>\$ 11,695,000</u>	<u>\$ 2,108,440</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
2015	\$ 668,413	\$ 284,584
2016	688,465	264,532
2017	709,119	243,878
2018	730,393	222,604
2019	752,305	200,692
2020-2024	4,113,911	651,075
2025-2026	1,823,531	82,463
Total	<u>\$ 9,486,137</u>	<u>\$ 1,949,828</u>

New Mexico Finance Authority Loan – Animas Waterline. 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 for the Animas Waterline is as follows:

Year Ending June 30	Principal	Interest	Administrative Fee
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	50,853	5,701	1,900
2020-2024	261,996	22,707	7,569
2025-2029	275,362	12,683	4,228
2030-2032	171,914	2,587	863
Total	\$ 958,553	\$ 70,221	\$ 23,408

New Mexico Finance Authority Loan – Water Meter Replacement. In January 2013, the City entered into a loan and subsidy agreement with the New Mexico Finance Authority (NMFA) for \$5,959,000, for replacing and upgrading water meters and any ancillary equipment for reading the meters in the City's water utility system. Of this amount 25% of the amount is forgiven and the amount repayable is \$4,469,250 at a 2% interest rate (includes an administrative fee).

As of June 30, 2014, the capital project is in work-in-process. The project will be completed and the first principal payment will be in FY2015. By the end of FY2014, the City has received \$1,097,897 of the \$4.4 million loan.

Once the project is completed, the NMFA loan repayment schedule for the Water Meter Replacement is as follows:

Year Ending June 30	Principal	Interest
2015	\$ 179,085	\$ 89,385
2016	182,667	85,803
2017	186,230	82,150
2018	190,045	78,425
2019	193,846	74,624
2020-2024	1,028,957	313,395
2025-2029	1,136,050	206,300
2030-2034	1,372,370	86,890
Total	\$4,469,250	\$1,016,972

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
2015	\$ 44,760	\$ 10,445
2016	45,467	9,738
2017	46,322	8,883
2018	47,355	7,851
2019	48,576	6,629
2020-2022	154,830	10,784
Total	\$ 387,310	\$ 54,330

Changes in Long-term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Bonds payable:					
2005 Sales tax revenue bonds	\$ 2,830,000	\$ -	\$ (425,000)	\$ 2,405,000	\$ 445,000
2012 Sales tax revenue bonds	10,010,000	-	(720,000)	9,290,000	735,000
Premium on bonds - 2012 bonds	702,853	-	(64,475)	638,378	64,475
Total bonds payable	13,542,853	-	(1,209,475)	12,333,378	1,244,475
NMFA Fire Pumper Loan	431,548	-	(44,238)	387,310	44,760
Claims and judgments	2,905,017	9,171,802	(9,302,347)	2,774,472	2,420,604
Compensated absences	3,430,602	1,434,339	(1,516,211)	3,348,730	167,436
Total long-term liabilities					
Governmental activities	\$ 20,310,020	\$ 10,606,141	\$ (12,072,271)	\$ 18,843,890	\$ 3,877,275
Business-type activities:					
NMED loan	\$ 10,135,082	\$ -	\$ (648,945)	\$ 9,486,137	\$ 668,413
NMFA loan - Animas Waterline	1,006,938	-	(48,385)	958,553	48,869
NMFA loan - Meter Replacement	-	1,097,897	-	1,097,897	179,085
Compensated absences	1,022,616	642,992	(596,368)	1,069,240	596,367
Total long-term liabilities					
Business-type activities	\$ 12,164,636	\$ 1,740,889	\$ (1,293,698)	\$ 12,611,827	\$ 1,492,734

The liability for compensated absences will be liquidated by the general fund and electric 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, 2014:

Enterprise Funds

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
NMED loan debt service reserves	\$ -	\$ -	\$ 1,661,907	\$ 1,661,907
San Juan Coal Co. Coal Reclamation	477,639	-	-	477,639
Customer deposits/overpayments	<u>2,289,351</u>	<u>401,832</u>	<u>-</u>	<u>2,691,183</u>
Total restricted assets	<u>\$ 2,766,990</u>	<u>\$ 401,832</u>	<u>\$ 1,661,907</u>	<u>\$ 4,830,729</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:

	<u>FY2013</u>		<u>FY2014</u>	
	<u>Health</u>	<u>Risk Mgmt</u>	<u>Health</u>	<u>Risk Mgmt</u>
Unpaid claims, beginning of fiscal year	\$ 1,210,483	\$ 2,720,969	\$ 694,525	\$ 2,210,492
Incurred claims and changes in estimate	4,427,906	915,023	7,641,554	1,530,248
Claim payments	<u>(4,943,864)</u>	<u>(1,425,500)</u>	<u>(7,504,347)</u>	<u>(1,798,000)</u>
Unpaid claims, end of fiscal year	<u>\$ 694,525</u>	<u>\$ 2,210,492</u>	<u>\$ 831,732</u>	<u>\$ 1,942,740</u>
Due within one year			<u>\$ 831,732</u>	<u>\$ 1,588,872</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 FY2014, the City did not make any 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 FY2014, 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.

Funding Policy. Plan members are required to contribute from 10.65% to 17.8%, depending upon the plan (i.e., municipal general, municipal police, municipal fire) 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, 2014, 2013, and 2012, were \$4,738,830, \$4,776,172, and \$4,565,203, 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.

The employer, employee and retiree contributions are required to be remitted to the NMRHCA 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 NMRHCA 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, 2014, 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, 2014, 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 NMRHCA for the years ended June 30, 2014, 2013, and 2012 were \$839,873, \$812,831, and \$739,825, 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 portion 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, 2014.

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, 2014, was \$960,310,000. 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. Subsequent Event

The natural gas supply agreement the City has with the New Mexico Municipal Energy Acquisition Authority (NMMEAA) derives from a 2009 Prepaid Agreement between NMMEAA and the Royal Bank of Canada (RBC). NMMEAA issued Series 2009 Gas Supply Variable Rate Revenue Bonds to provide a lump sum payment to RBC for the Prepaid Agreement (Agreement). The Agreement provides that RBC may terminate the Agreement which in turn would trigger termination of all related agreements including the gas supply agreement between the City and NMMEAA following the occurrence of a change in applicable banking or other regulatory authority or GAAP, or an interpretation of either thereof, the application of which effects a change to the regulatory and/or accounting treatment by RBC of the transactions of the Agreement, and RBC determines that the change materially adversely affects the transactions contemplated with respect to the Agreement, which determination shall be made by RBC in its commercially reasonable judgment.

In October 2013, RBC notified NMMEAA that the Canadian Office of the Superintendent of Financial Institutions ("OSFI") had adopted guidelines requiring RBC to apply an additional capital charge to the 2009 transaction with NMMEAA and that RBC had determined that this additional credit valuation adjustment ("CVA" capital) materially affected the 2009 transaction. RBC notified NMMEAA that absent a restructuring of the 2009 transaction that reduced or eliminated the CVA capital charges, RBC would terminate the 2009 transaction. In addition, in May 2014, OSFI released its final Liquidity Adequacy Requirements ("LAR") which would require RBC to hold high quality liquid assets against 100% of the outstanding 2009 Bonds and this requirement would materially adversely affect the 2009 transaction.

After consulting with legal counsel and independent financial/swap advisors, NMMEAA agreed with RBC's above assertions and early in fiscal year 2015 will refund the Series 2009 Bonds with Series 2014 Refunding Bonds for an initial 5 year period while retaining potential to continue beyond 5 years. The gas discount the City has received of \$0.20 per MMBtu of gas under the current gas supply agreement will change and be based on market conditions when the bond refunding occurs in fiscal year 2015.

J. Subsequent Pronouncements

In June 2012, the Governmental Accounting Standards Board issued GASB Statement No. 68 - Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27, which is effective for financial reporting periods beginning after June 15, 2014. The City has adopted this standard effective July 1, 2014. It is anticipated that a liability for pension participation will be included in the FY15 financial statements.



TGIF in Orchard Park

Nonmajor Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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.

Red Apple Transit Grant Fund - City management established this fund to account for federal grants restricted to expenditures for Red Apple transportation purposes.

General Government Grant Fund - City management established this fund to account for state grants restricted to expenditures for general government grant purposes.

CDBG Grant Fund - City management established this fund to account for federal grants restricted to expenditures for CDBG grant 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.

Capital Projects Funds

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

Community Development Grant Projects Fund - This fund is used to account for community improvements throughout the City funded primarily by federal and state grants.

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.

Metro Redevelop Authority Fund - This fund is used to account for metro redevelopment authority projects funded primarily by federal and state grants.

Debt Service Fund

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

CITY OF FARMINGTON, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue				
	Gross Receipts Tax Parks	Park Development Fees	Library Gifts and Grants	Parks/ Recreation Gifts and Grants	Museum Gifts and Grants
ASSETS:					
Pooled cash and investments	\$ 1,175,273	\$ 366,001	\$ 317,585	\$ 689,862	\$ 163,324
Accounts receivable	-	-	-	305	-
Intergovernmental receivable	428,275	-	-	13,083	-
Total assets	\$ 1,603,548	\$ 366,001	\$ 317,585	\$ 703,250	\$ 163,324
LIABILITIES:					
Accounts payable	\$ 103,722	-	-	\$ 43,899	\$ 20,218
Unearned revenue	-	-	-	8,900	-
Accrued wages payable	54,994	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	158,716	-	-	52,799	20,218
FUND BALANCES:					
Restricted to:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Lodgers' promotion	-	-	-	-	-
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Committed to:					
Police	-	-	-	-	-
Parks, recreation, cultural affairs	1,444,832	366,001	-	-	-
Assigned to:					
Parks, recreation, cultural affairs	-	-	-	650,451	143,106
Library	-	-	317,585	-	-
Community development	-	-	-	-	-
Capital projects	-	-	-	-	-
Total fund balances	1,444,832	366,001	317,585	650,451	143,106
Total liabilities and fund balances	\$ 1,603,548	\$ 366,001	\$ 317,585	\$ 703,250	\$ 163,324

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, 2014

Special Revenue

	<u>Red Apple Transit Grant</u>	<u>General Government Grant</u>	<u>CDBG Grant</u>	<u>Lodgers' Tax</u>	<u>State Police Protection Grant</u>
ASSETS:					
Pooled cash and investments	\$ -	\$ -	\$ 52,549	\$ 347,537	\$ 173
Accounts receivable	14,016	7,049	-	-	-
Intergovernmental receivable	202,437	110,059	75,594	134,591	-
Total assets	<u>\$ 216,453</u>	<u>\$ 117,108</u>	<u>\$ 128,143</u>	<u>\$ 482,128</u>	<u>\$ 173</u>
LIABILITIES:					
Accounts payable	\$ 47,734	\$ -	\$ 5,252	\$ 65,471	\$ -
Unearned revenue	-	-	-	-	-
Accrued wages payable	-	10,497	-	32,284	-
Due to other funds	112,831	106,611	-	-	-
Total liabilities	<u>160,565</u>	<u>117,108</u>	<u>5,252</u>	<u>97,755</u>	<u>-</u>
FUND BALANCES:					
Restricted to:					
Police	-	-	-	-	173
Fire	-	-	-	-	-
Lodgers' promotion	-	-	-	384,373	-
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Committed to:					
Police	-	-	-	-	-
Parks, recreation, cultural affairs	-	-	-	-	-
Assigned to:					
Parks, recreation, cultural affairs	55,888	-	-	-	-
Library	-	-	-	-	-
Community Development	-	-	122,891	-	-
Capital projects	-	-	-	-	-
Total fund balances	<u>55,888</u>	<u>-</u>	<u>122,891</u>	<u>384,373</u>	<u>173</u>
Total liabilities and fund balances	<u>\$ 216,453</u>	<u>\$ 117,108</u>	<u>\$ 128,143</u>	<u>\$ 482,128</u>	<u>\$ 173</u>

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

(Continued)

CITY OF FARMINGTON, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

Special Revenue

	Region II Narcotics Grant	COPS Program Grant	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	Total Special Revenue
ASSETS:						
Pooled cash and investments	\$ 158,415	\$ -	\$ 25,049	\$ 103,848	\$ 13,059	\$ 3,412,675
Accounts receivable	-	-	-	-	-	21,370
Intergovernmental receivable	88,145	-	-	-	-	1,052,184
Total assets	<u>\$ 246,560</u>	<u>\$ -</u>	<u>\$ 25,049</u>	<u>\$ 103,848</u>	<u>\$ 13,059</u>	<u>\$ 4,486,229</u>
LIABILITIES:						
Accounts payable	\$ 16,206	\$ -	\$ -	\$ 15,071	\$ 13,059	\$ 330,632
Unearned revenue	-	-	24,837	-	-	33,737
Accrued wages payable	12,457	-	-	-	-	110,232
Due to other funds	-	-	-	-	-	219,442
Total liabilities	<u>28,663</u>	<u>-</u>	<u>24,837</u>	<u>15,071</u>	<u>13,059</u>	<u>694,043</u>
FUND BALANCES:						
Restricted to:						
Police	-	-	-	-	-	173
Fire	-	-	-	88,777	-	88,777
Lodgers' promotion	-	-	-	-	-	384,373
Capital projects	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Committed to:						
Police	217,897	-	212	-	-	218,109
Parks, recreation, cultural affairs	-	-	-	-	-	1,810,833
Assigned to:						
Parks, recreation, cultural affairs	-	-	-	-	-	849,445
Library	-	-	-	-	-	317,585
Community Development	-	-	-	-	-	122,891
Capital projects	-	-	-	-	-	-
Total fund balances	<u>217,897</u>	<u>-</u>	<u>212</u>	<u>88,777</u>	<u>-</u>	<u>3,792,186</u>
Total liabilities and fund balances	<u>\$ 246,560</u>	<u>\$ -</u>	<u>\$ 25,049</u>	<u>\$ 103,848</u>	<u>\$ 13,059</u>	<u>\$ 4,486,229</u>

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, 2014

Capital Projects

	Community Development Grant Projects	Gross Receipts Tax 2012 Bond Projects	Governmental Capital Projects	Airport Construction Grant Projects	Metro Redevelop Authority	Total Capital Projects	Debt Service	Total Nonmajor Governmental Funds
ASSETS:								
Pooled cash and investments	\$ 888,465	\$ 4,419,154	\$ 3,377,098	\$ 84,366	\$ 502,560	\$ 9,271,643	\$ 197,643	\$ 12,881,961
Accounts receivable	-	-	-	-	-	-	-	21,370
Intergovernmental receivable	-	-	-	205,378	-	205,378	-	1,257,562
Total assets	<u>\$ 888,465</u>	<u>\$ 4,419,154</u>	<u>\$ 3,377,098</u>	<u>\$ 289,744</u>	<u>\$ 502,560</u>	<u>\$ 9,477,021</u>	<u>\$ 197,643</u>	<u>\$ 14,160,893</u>
LIABILITIES:								
Accounts payable	\$ 444,199	\$ 168,855	\$ 36,796	\$ 220,862	\$ -	\$ 870,712	\$ -	\$ 1,201,344
Unearned revenue	-	-	-	-	-	-	-	33,737
Accrued wages payable	-	-	-	-	-	-	-	110,232
Due to other funds	-	-	-	-	-	-	-	219,442
Total liabilities	<u>444,199</u>	<u>168,855</u>	<u>36,796</u>	<u>220,862</u>	<u>-</u>	<u>870,712</u>	<u>-</u>	<u>1,564,755</u>
FUND BALANCES:								
Restricted to:								
Police	-	-	-	-	-	-	-	173
Fire	-	-	-	-	-	-	-	88,777
Lodgers' promotion	-	-	-	-	-	-	-	384,373
Capital projects	444,266	4,250,299	-	68,882	502,560	5,266,007	-	5,266,007
Debt service	-	-	-	-	-	-	197,643	197,643
Committed to:								
Police	-	-	-	-	-	-	-	218,109
Parks, recreation, cultural affairs	-	-	-	-	-	-	-	1,810,833
Assigned to:								
Parks, recreation, cultural affairs	-	-	-	-	-	-	-	849,445
Library	-	-	-	-	-	-	-	317,585
Community Development	-	-	-	-	-	-	-	122,891
Capital projects	-	-	3,340,302	-	-	3,340,302	-	3,340,302
Total fund balances	<u>444,266</u>	<u>4,250,299</u>	<u>3,340,302</u>	<u>68,882</u>	<u>502,560</u>	<u>8,606,309</u>	<u>197,643</u>	<u>12,596,138</u>
Total liabilities and fund balances	<u>\$ 888,465</u>	<u>\$ 4,419,154</u>	<u>\$ 3,377,098</u>	<u>\$ 289,744</u>	<u>\$ 502,560</u>	<u>\$ 9,477,021</u>	<u>\$ 197,643</u>	<u>\$ 14,160,893</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, 2014

	Special Revenue				
	Gross Receipts Tax Parks	Park Development Fees	Library Gifts and Grants	Parks/ Recreation Gifts and Grants	Museum Gifts and Grants
REVENUES:					
Taxes:					
Gross receipts tax	\$ 2,597,954	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes	-	-	-	-	-
Licenses and permits	-	9,967	-	-	-
Intergovernmental:					
Federal	-	-	-	-	-
State	-	-	169,811	22,137	-
Other	-	-	-	9,624	-
Charges for services	-	-	-	307,070	65,906
Fines	-	-	-	-	-
Investment earnings	10,062	3,440	3,113	8,398	1,750
Donations	-	-	50,595	149,974	879
Miscellaneous	15,657	-	2,119	1,813	288
Total revenues	<u>2,623,673</u>	<u>13,407</u>	<u>225,638</u>	<u>499,016</u>	<u>68,823</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Police operations	-	-	-	-	-
Fire operations	-	-	-	-	-
Parks, recreation and cultural affairs	2,126,066	-	229,200	578,026	91,474
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
General government	-	-	-	-	-
Fire	-	-	-	-	-
Parks, recreation and cultural affairs	407,312	-	-	223,612	-
Airport	-	-	-	-	-
Highways and streets	-	-	-	-	-
Total expenditures	<u>2,533,378</u>	<u>-</u>	<u>229,200</u>	<u>801,638</u>	<u>91,474</u>
Excess (deficiency) of revenues over (under) expenditures	<u>90,295</u>	<u>13,407</u>	<u>(3,562)</u>	<u>(302,622)</u>	<u>(22,651)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	<u>(282,492)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(282,492)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(192,197)	13,407	(3,562)	(302,622)	(22,651)
Fund balances-beginning	1,637,029	352,594	321,147	953,073	165,757
Fund balances-ending	<u>\$ 1,444,832</u>	<u>\$ 366,001</u>	<u>\$ 317,585</u>	<u>\$ 650,451</u>	<u>\$ 143,106</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, 2014

Special Revenue

	Red Apple Transit Grant	General Government Grant	CDBG Grant	Lodgers' Tax	State Police Protection Grant
REVENUES:					
Taxes:					
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	-
Lodgers' taxes	-	-	-	1,205,523	-
Licenses and permits	-	-	-	-	-
Intergovernmental:					
Federal	472,673	274,681	408,622	-	-
State	-	332,013	-	-	98,400
Other	48,641	-	-	-	-
Charges for services	101,009	-	-	103,198	-
Fines	-	-	-	-	-
Investment earnings	-	-	123	2,489	31
Donations	-	-	-	-	-
Miscellaneous	2,292	1,160	13	5,009	606
Total revenues	<u>624,615</u>	<u>607,854</u>	<u>408,758</u>	<u>1,316,219</u>	<u>99,037</u>
EXPENDITURES:					
Current:					
General government	944,174	633,324	389,705	-	-
Police operations	-	-	-	-	176,010
Fire operations	-	-	-	-	-
Parks, recreation and cultural affairs	-	-	-	1,261,477	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
General government	158,034	23,892	12,476	-	-
Fire	-	-	-	-	-
Parks, recreation and cultural affairs	-	-	-	-	-
Airport	-	-	-	-	-
Highways and streets	-	-	-	-	-
Total expenditures	<u>1,102,208</u>	<u>657,216</u>	<u>402,181</u>	<u>1,261,477</u>	<u>176,010</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(477,593)</u>	<u>(49,362)</u>	<u>6,577</u>	<u>54,742</u>	<u>(76,973)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	533,481	49,362	116,314	25,000	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>533,481</u>	<u>49,362</u>	<u>116,314</u>	<u>25,000</u>	<u>-</u>
Net change in fund balances	55,888	-	122,891	79,742	(76,973)
Fund balances-beginning	-	-	-	304,631	77,146
Fund balances-ending	<u>\$ 55,888</u>	<u>\$ -</u>	<u>\$ 122,891</u>	<u>\$ 384,373</u>	<u>\$ 173</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, 2014

	Special Revenue					Total Special Revenue
	Region II Narcotics Grant	COPS Program Grant	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	
REVENUES:						
Taxes:						
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -	2,597,954
Lodgers' taxes	-	-	-	-	-	1,205,523
Licenses and permits	-	-	-	-	-	9,967
Intergovernmental:						
Federal	231,771	49,637	52,924	212,465	-	1,702,773
State	153,176	-	-	648,938	-	1,424,475
Other	38,000	-	-	-	-	96,265
Charges for services	-	-	-	-	-	577,183
Fines	-	-	-	-	141,117	141,117
Investment earnings	525	-	228	2,315	137	32,611
Donations	-	-	-	-	-	201,448
Miscellaneous	34,726	-	-	1,684	-	65,367
Total revenues	<u>458,198</u>	<u>49,637</u>	<u>53,152</u>	<u>865,402</u>	<u>141,254</u>	<u>8,054,683</u>
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	1,967,203
Police operations	390,432	49,637	52,940	-	141,254	810,273
Fire operations	-	-	-	507,409	-	507,409
Parks, recreation and cultural affairs	-	-	-	-	-	4,286,243
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	194,402
Fire	-	-	-	215,391	-	215,391
Parks, recreation and cultural affairs	-	-	-	-	-	630,924
Airport	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Total expenditures	<u>390,432</u>	<u>49,637</u>	<u>52,940</u>	<u>722,800</u>	<u>141,254</u>	<u>8,611,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>67,766</u>	<u>-</u>	<u>212</u>	<u>142,602</u>	<u>-</u>	<u>(557,162)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	30,000	-	-	-	-	754,157
Transfers out	-	-	-	(162,806)	-	(445,298)
Total other financing sources (uses)	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>(162,806)</u>	<u>-</u>	<u>308,859</u>
Net change in fund balances	97,766	-	212	(20,204)	-	(248,303)
Fund balances-beginning	120,131	-	-	108,981	-	4,040,489
Fund balances-ending	<u>\$ 217,897</u>	<u>\$ -</u>	<u>\$ 212</u>	<u>\$ 88,777</u>	<u>\$ -</u>	<u>\$ 3,792,186</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, 2014

Capital Projects								
	Community Development Grant Projects	Gross Receipts Tax 2012 Bond Projects	Governmental Capital Projects	Airport Construction Grant Projects	Metro Redevelop Authority	Total Capital Projects	Debt Service	Total Nonmajor Governmental Funds
REVENUES:								
Taxes:								
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,597,954
Lodgers' taxes	-	-	-	-	-	-	-	1,205,523
Licenses and permits	-	-	-	-	-	-	-	9,967
Intergovernmental:								
Federal	-	-	-	1,704,361	-	1,704,361	-	3,407,134
State	333,857	990,396	-	83,252	-	1,407,505	-	2,831,980
Other	-	650,000	-	-	-	650,000	-	746,265
Charges for services	-	-	-	-	-	-	-	577,183
Fines	-	-	-	-	-	-	-	141,117
Investment earnings	12,172	49,134	47,572	1,319	2,560	112,757	5,212	150,580
Donations	-	-	-	-	-	-	-	201,448
Miscellaneous	30	75	156	3,957	-	4,218	-	69,585
Total revenues	<u>346,059</u>	<u>1,689,605</u>	<u>47,728</u>	<u>1,792,889</u>	<u>2,560</u>	<u>3,878,841</u>	<u>5,212</u>	<u>11,938,736</u>
EXPENDITURES:								
Current:								
General government	-	-	-	-	-	-	-	1,967,203
Police operations	-	-	-	-	-	-	-	810,273
Fire operations	-	-	-	-	-	-	-	507,409
Parks, recreation and cultural affairs	-	-	-	-	-	-	-	4,286,243
Debt Service:								
Principal	-	-	-	-	-	-	1,189,238	1,189,238
Interest	-	-	-	-	-	-	443,054	443,054
Capital outlay:								
General government	-	3,491,447	1,171,029	-	-	4,662,476	-	4,856,878
Fire operations	-	-	-	-	-	-	-	215,391
Parks, recreation and cultural affairs	-	-	-	-	-	-	-	630,924
Airport	-	-	-	1,897,466	-	1,897,466	-	1,897,466
Highways and streets	1,159,095	-	-	-	-	1,159,095	-	1,159,095
Total expenditures	<u>1,159,095</u>	<u>3,491,447</u>	<u>1,171,029</u>	<u>1,897,466</u>	<u>-</u>	<u>7,719,037</u>	<u>1,632,292</u>	<u>17,963,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(813,036)</u>	<u>(1,801,842)</u>	<u>(1,123,301)</u>	<u>(104,577)</u>	<u>2,560</u>	<u>(3,840,196)</u>	<u>(1,627,080)</u>	<u>(6,024,438)</u>
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	2,851,214	29,253	500,000	3,380,467	1,632,294	5,766,918
Transfers out	(116,314)	-	(4,000,000)	-	-	(4,116,314)	-	(4,561,612)
Total other financing sources (uses)	<u>(116,314)</u>	<u>-</u>	<u>(1,148,786)</u>	<u>29,253</u>	<u>500,000</u>	<u>(735,847)</u>	<u>1,632,294</u>	<u>1,205,306</u>
Net change in fund balances	(929,350)	(1,801,842)	(2,272,087)	(75,324)	502,560	(4,576,043)	5,214	(4,819,132)
Fund balances-beginning	1,373,616	6,052,141	5,612,389	144,206	-	13,182,352	192,429	17,415,270
Fund balances-ending	<u>\$ 444,266</u>	<u>\$ 4,250,299</u>	<u>\$ 3,340,302</u>	<u>\$ 68,882</u>	<u>\$ 502,560</u>	<u>\$ 8,606,309</u>	<u>\$ 197,643</u>	<u>\$ 12,596,138</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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Gross receipts taxes	\$ 2,418,481	\$ 2,418,481	\$ 2,594,959	\$ 176,478
Investment earnings	12,000	12,000	7,173	(4,827)
Miscellaneous	7,000	7,000	15,656	8,656
Total revenues	2,437,481	2,437,481	2,617,788	180,307
EXPENDITURES:				
Current:				
Parks, Recreation and Cultural Affairs	2,451,866	2,451,866	2,105,260	346,606
Capital Outlay:				
Park Construction	485,000	485,000	333,506	151,494
Total expenditures	2,936,866	2,936,866	2,438,766	498,100
Excess (deficiency) of revenues over (under) expenditures	(499,385)	(499,385)	179,022	678,407
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(282,492)	(282,492)	-
Net change in fund balances	(499,385)	(781,877)	(103,470) \$	678,407
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			2,996	
Change in fair market value - investments			2,889	
Change in accounts payable			(94,612)	
			(88,727)	
GAAP BASIS CHANGE IN FUND BALANCES:			(192,197)	
Fund balances-beginning	1,637,029	1,637,029	1,637,029	
Fund balances-ending	\$ 1,137,644	\$ 855,152	\$ 1,444,832	

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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Licenses and permits	\$ 15,000	\$ 15,000	\$ 9,967	\$ (5,033)
Investment earnings	2,000	2,000	2,293	293
Total revenues	17,000	17,000	12,260	(4,740)
EXPENDITURES:				
Capital Outlay:				
Park Construction	48,000	48,000	-	48,000
Excess (deficiency) of revenues over (under) expenditures	(31,000)	(31,000)	12,260	\$ 43,260
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			1,147	
GAAP BASIS CHANGE IN FUND BALANCES			13,407	
Fund balances-beginning	352,594	352,594	352,594	
Fund balances-ending	\$ 321,594	\$ 321,594	\$ 366,001	

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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental:				
State	\$ 118,000	\$ 179,812	\$ 169,811	\$ (10,001)
Investment earnings	1,500	1,500	2,056	556
Donations	26,000	52,359	50,595	(1,764)
Miscellaneous	1,200	1,200	2,119	919
Total revenues	146,700	234,871	224,581	(10,290)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	127,500	275,500	229,200	46,300
Excess (deficiency) of revenues over (under) expenditures	19,200	(40,629)	(4,619)	\$ 36,010
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			1,057	
GAAP BASIS CHANGE IN FUND BALANCES			(3,562)	
Fund balances-beginning	321,147	321,147	321,147	
Fund balances-ending	\$ 340,347	\$ 280,518	\$ 317,585	

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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental:				
State	\$ 17,000	\$ 32,500	\$ 23,639	\$ (8,861)
Other	12,000	12,000	9,624	(2,376)
Charges for services	269,500	269,500	307,070	37,570
Investment earnings	-	-	5,125	5,125
Donations	352,200	352,200	149,974	(202,226)
Miscellaneous	18,000	18,000	1,813	(16,187)
Total revenues	668,700	684,200	497,245	(186,955)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	414,097	441,597	534,126	(92,529)
Capital Outlay:				
Park Construction	526,600	526,600	223,612	302,988
Total expenditures	940,697	968,197	757,738	210,459
Excess (deficiency) of revenues over (under) expenditures	(271,997)	(283,997)	(260,493)	\$ 23,504
Net change in fund balances	(271,997)	(283,997)	(260,493)	\$ 23,504
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - state			(1,502)	
Change in fair market value - investments			3,273	
Change in accounts payable			(43,900)	
			(42,129)	
GAAP BASIS CHANGE IN FUND BALANCES			(302,622)	
Fund balances-beginning	953,073	953,073	953,073	
Fund balances-ending	\$ 681,076	\$ 669,076	\$ 650,451	

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 94,000	\$ 94,000	\$ 65,906	\$ (28,094)
Investment earnings	-	-	1,135	1,135
Donations	38,000	38,000	879	(37,121)
Miscellaneous	8,000	8,000	288	(7,712)
Total revenues	<u>140,000</u>	<u>140,000</u>	<u>68,208</u>	<u>(71,792)</u>
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	<u>145,000</u>	<u>145,000</u>	<u>89,269</u>	<u>55,731</u>
Excess (deficiency) of revenues over (under) expenditures	(5,000)	(5,000)	(21,061)	<u>\$ (16,061)</u>
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			615	
Change in accounts payable			<u>(2,205)</u>	
			<u>(1,590)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(22,651)	
Fund balances-beginning	<u>165,757</u>	<u>165,757</u>	<u>165,757</u>	
Fund balances-ending	<u>\$ 160,757</u>	<u>\$ 160,757</u>	<u>\$ 143,106</u>	

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

CITY OF FARMINGTON, NEW MEXICO
Red Apple Transit Grant
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
Federal	\$ 549,000	\$ 549,000	\$ 263,880	\$ (285,120)
Other	59,200	59,200	48,641	(10,559)
Charges for services	85,000	85,000	93,350	8,350
Miscellaneous	-	-	2,292	2,292
Total revenues	693,200	693,200	408,163	(285,037)
EXPENDITURES:				
Current:				
General government	1,076,681	1,076,681	953,938	122,743
Capital Outlay:				
General Government	150,000	150,000	158,034	(8,034)
Total expenditures	1,226,681	1,226,681	1,111,972	114,709
Excess (deficiency) of revenues over (under) expenditures	(533,481)	(383,481)	(703,809)	(170,328)
OTHER FINANCING SOURCES (USES):				
Transfers in	445,481	533,481	533,481	-
Net change in fund balances	(88,000)	150,000	(170,328) \$	(170,328)
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - federal			208,793	
Change in charges for services receivable			7,659	
Change in accounts payable			9,764	
			226,216	
GAAP BASIS CHANGE IN FUND BALANCES			55,888	
Fund balances-beginning	-	-	-	
Fund balances-ending	\$ (88,000)	\$ 150,000	\$ 55,888	

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

CITY OF FARMINGTON, NEW MEXICO
General Government Grant Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental:				
Federal	\$ 232,063	\$ 446,648	\$ 170,259	\$ (276,389)
State	326,775	357,478	319,327	(38,151)
Miscellaneous	-	-	1,160	1,160
Total revenues	558,838	804,126	490,746	(313,380)
EXPENDITURES:				
Current:				
General Government	626,201	829,488	633,324	196,164
Capital Outlay:				
General Government	-	24,000	23,892	108
Total expenditures	626,201	853,488	657,216	196,272
Excess (deficiency) of revenues over (under) expenditures	(67,363)	(49,362)	(166,470)	(117,108)
OTHER FINANCING SOURCES (USES):				
Transfers in	68,220	49,362	49,362	-
Net change in fund balances	857	-	(117,108) \$	(117,108)
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - federal			104,422	
Change in intergovernmental receivable - state			12,686	
			117,108	
GAAP BASIS CHANGE IN FUND BALANCES				
Fund balances-beginning	-	-	-	
Fund balances-ending	\$ 857	\$ -	\$ -	

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

CITY OF FARMINGTON, NEW MEXICO
CDBG Grant
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental:				
Federal	\$ 806,189	\$ 1,006,513	\$ 692,319	\$ (314,194)
Investment earnings	-	-	123	123
Miscellaneous	-	-	13	13
Total revenues	806,189	1,006,513	692,455	(314,058)
EXPENDITURES:				
Current:				
General Government	549,786	939,715	751,010	188,705
Capital Outlay:				
General Government	277,425	66,798	12,476	54,322
Total expenditures	827,211	1,006,513	763,486	243,027
Excess (deficiency) of revenues over (under) expenditures	(21,022)	-	(71,031)	(71,031)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	116,314	116,314	-
Net change in fund balances	(21,022)	116,314	45,283	\$ (71,031)
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - federal			(283,697)	
Change in accounts payable			361,305	
			77,608	
GAAP BASIS CHANGE IN FUND BALANCES:				
Fund balances-beginning	-	-	-	
Fund balances-ending	\$ (21,022)	\$ 116,314	\$ 122,891	

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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Lodgers' taxes	\$ 1,252,105	\$ 1,252,105	\$ 1,204,124	\$ (47,981)
Charges for services	60,000	60,000	103,198	43,198
Investment earnings	3,000	3,000	2,020	(980)
Miscellaneous	3,000	3,000	5,009	2,009
Total revenues	1,318,105	1,318,105	1,314,351	(3,754)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	1,308,313	1,308,313	1,198,240	110,073
Excess (deficiency) of revenues over (under) expenditures	9,792	9,792	116,111	106,319
OTHER FINANCING SOURCES (USES):				
Transfers in	25,000	25,000	25,000	-
Net change in fund balances	34,792	34,792	141,111	\$ 106,319
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			1,399	
Change in fair market value - investments			469	
Change in accounts payable			(63,237)	
			(61,369)	
GAAP BASIS CHANGE IN FUND BALANCES			79,742	
Fund balances-beginning	304,631	304,631	304,631	
Fund balances-ending	\$ 339,423	\$ 399,215	\$ 384,373	

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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental:				
State	\$ 104,400	\$ 98,400	\$ 98,400	\$ -
Investment earnings	-	-	31	31
Miscellaneous	500	500	606	106
Total revenues	104,900	98,900	99,037	137
EXPENDITURES:				
Current:				
Police operations	104,900	182,611	182,575	36
Excess (deficiency) of revenues over (under) expenditures	-	(83,711)	(83,538)	\$ 173
ADJUSTMENTS TO GAAP:				
Change in accounts payable			6,565	
GAAP BASIS CHANGE IN FUND BALANCES			(76,973)	
Fund balances-beginning	77,146	77,146	77,146	
Fund balances-ending	\$ 77,146	\$ (6,565)	\$ 173	

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental:				
Federal	\$ 137,500	\$ 137,500	\$ 274,325	\$ 136,825
State	239,850	239,850	154,505	(85,345)
Other	33,000	33,000	38,000	5,000
Investment earnings	-	-	525	525
Miscellaneous	51,650	51,650	28,000	(23,650)
Total revenues	<u>462,000</u>	<u>462,000</u>	<u>495,355</u>	<u>33,355</u>
EXPENDITURES:				
Current:				
Police operations	<u>489,306</u>	<u>489,306</u>	<u>390,432</u>	<u>98,874</u>
Excess (deficiency) of revenues over (under) expenditures	(27,306)	(27,306)	104,923	132,229
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	2,694	2,694	134,923	<u>\$ 132,229</u>
ADJUSTMENTS TO GAAP:				
Change in accounts receivable			6,726	
Change in intergovernmental receivable - federal			(42,554)	
Change in intergovernmental receivable - state			<u>(1,329)</u>	
			<u>(37,157)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			97,766	
Fund balances-beginning	<u>120,131</u>	<u>120,131</u>	<u>120,131</u>	
Fund balances-ending	<u>\$ 122,825</u>	<u>\$ 122,825</u>	<u>\$ 217,897</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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental:				
Federal	\$ 253,500	\$ 253,500	\$ 85,925	\$ (167,575)
EXPENDITURES:				
Current:				
Police operations	68,588	68,588	49,637	18,951
Excess (deficiency) of revenues over (under) expenditures	184,912	184,912	36,288	\$ (148,624)
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - federal			(36,288)	
GAAP BASIS CHANGE IN FUND BALANCES				
Fund balances-beginning	-	-	-	
Fund balances-ending	\$ 184,912	\$ 184,912	\$ -	

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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental:				
Federal	\$ 40,000	\$ 45,129	\$ 52,098	\$ 6,969
Investment earnings	-	-	228	228
Total revenues	40,000	45,129	52,326	7,197
EXPENDITURES:				
Current:				
Police operations	40,000	77,760	52,940	24,820
Excess (deficiency) of revenues over (under) expenditures	-	(32,631)	(614)	\$ 32,017
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - federal			826	
GAAP BASIS CHANGE IN FUND BALANCES:			212	
Fund balances-beginning	-	-	-	
Fund balances-ending	\$ -	\$ (32,631)	\$ 212	

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental:				
Federal	\$ -	\$ 436,015	\$ 212,465	\$ (223,550)
State	472,238	566,985	648,938	81,953
Investment earnings	7,000	7,000	1,953	(5,047)
Miscellaneous	1,500	1,500	1,684	184
Total revenues	<u>480,738</u>	<u>1,011,500</u>	<u>865,040</u>	<u>(146,460)</u>
EXPENDITURES:				
Current:				
Fire operations	309,432	837,332	507,409	329,923
Capital Outlay:				
Fire construction	-	120,343	200,320	(79,977)
Total expenditures	<u>309,432</u>	<u>957,675</u>	<u>707,729</u>	<u>249,946</u>
Excess (deficiency) of revenues over (under) expenditures	171,306	53,825	157,311	103,486
OTHER FINANCING SOURCES (USES):				
Transfers out	(162,806)	(162,806)	(162,806)	-
Net change in fund balances	8,500	(108,981)	(5,495) \$	<u>103,486</u>
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			362	
Change in accounts payable			(15,071)	
			<u>(14,709)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(20,204)	
Fund balances-beginning	108,981	108,981	108,981	
Fund balances-ending	<u>\$ 117,481</u>	<u>\$ -</u>	<u>\$ 88,777</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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Fines	\$ 155,000	\$ 155,000	\$ 141,117	\$ (13,883)
Investment earnings	-	-	98	98
Total Revenues	155,000	155,000	141,215	(13,785)
EXPENDITURES:				
Current:				
Public safety	155,000	155,000	139,379	15,621
Excess (deficiency) of revenues over (under) expenditures	-	-	1,836	\$ 1,836
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			39	
Change in accounts payable			(1,875)	
			(1,836)	
GAAP BASIS CHANGE IN FUND BALANCES				
			-	
Fund balances-beginning	-	-	-	
Fund balances-ending	\$ -	\$ -	\$ -	

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

CITY OF FARMINGTON, NEW MEXICO
Community Development Grant Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental:				
State	\$ 2,760,928	\$ 2,310,928	\$ 333,857	\$ (1,977,071)
Investment earnings	-	-	7,241	7,241
Miscellaneous	-	-	30	30
Total revenues	<u>2,760,928</u>	<u>2,310,928</u>	<u>341,128</u>	<u>(1,969,800)</u>
EXPENDITURES:				
Capital Outlay:				
Highways and Streets	<u>3,179,571</u>	<u>2,729,571</u>	<u>714,896</u>	<u>2,014,675</u>
Excess (deficiency) of revenues over (under) expenditures	(418,643)	(418,643)	(373,768)	44,875
OTHER FINANCING SOURCES:				
Transfers out	<u>-</u>	<u>(116,314)</u>	<u>(116,314)</u>	<u>-</u>
Net change in fund balances	(418,643)	(534,957)	(490,082)	<u><u>\$ 44,875</u></u>
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			4,931	
Change in accounts payable			<u>(444,199)</u>	
			<u>(439,268)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(929,350)	
Fund balances-beginning	<u>1,373,616</u>	<u>1,373,616</u>	<u>1,373,616</u>	
Fund balances-ending	<u><u>\$ 954,973</u></u>	<u><u>\$ 838,659</u></u>	<u><u>\$ 444,266</u></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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental:				
State	\$ 2,389,000	\$ 2,389,000	\$ 2,361,240	\$ (27,760)
Other	650,000	650,000	650,000	-
Investment earnings	20,000	20,000	30,035	10,035
Miscellaneous	-	-	75	75
Total revenues	<u>3,059,000</u>	<u>3,059,000</u>	<u>3,041,350</u>	<u>(17,650)</u>
EXPENDITURES:				
Capital Outlay:				
General Government	<u>8,988,250</u>	<u>8,597,052</u>	<u>4,179,356</u>	<u>4,417,696</u>
Excess (deficiency) of revenues over (under) expenditures	(5,929,250)	(5,538,052)	(1,138,006)	<u>\$ 4,400,046</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - state			(1,370,844)	
Change in fair market value - investments			19,099	
Change in accounts payable			<u>687,909</u>	
			<u>(663,836)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(1,801,842)	
Fund balances-beginning	<u>6,052,141</u>	<u>6,052,141</u>	<u>6,052,141</u>	
Fund balances-ending	<u>\$ 122,891</u>	<u>\$ 514,089</u>	<u>\$ 4,250,299</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment earnings	\$ 15,000	\$ 15,000	\$ 27,315	\$ 12,315
Miscellaneous	-	-	156	156
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>27,471</u>	<u>12,471</u>
EXPENDITURES:				
Capital Outlay:				
General Government	<u>1,727,485</u>	<u>2,994,659</u>	<u>1,134,251</u>	<u>1,860,408</u>
Excess (deficiency) of revenues over (under) expenditures	(1,712,485)	(2,979,659)	(1,106,780)	1,872,879
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,851,214	2,851,214	-
Transfers out	<u>(4,000,000)</u>	<u>(4,000,000)</u>	<u>(4,000,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(4,000,000)</u>	<u>(1,148,786)</u>	<u>(1,148,786)</u>	<u>-</u>
Net change in fund balances	(5,712,485)	(4,128,445)	(2,255,566)	<u>\$ 1,872,879</u>
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			20,257	
Change in accounts payable			<u>(36,778)</u>	
			<u>(16,521)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(2,272,087)	
Fund balances-beginning	5,612,389	5,612,389	5,612,389	
Fund balances-ending	<u>\$ (100,096)</u>	<u>\$ 1,483,944</u>	<u>\$ 3,340,302</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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental:				
Federal	\$ 1,404,688	\$ 2,110,137	\$ 1,545,201	\$ (564,936)
State	15,000	70,130	37,034	(33,096)
Investment earnings	-	-	797	797
Miscellaneous	-	-	3,957	3,957
Total revenues	<u>1,419,688</u>	<u>2,180,267</u>	<u>1,586,989</u>	<u>(593,278)</u>
EXPENDITURES:				
Capital Outlay:				
Airport	<u>1,480,000</u>	<u>2,274,146</u>	<u>1,676,605</u>	<u>597,541</u>
Excess (deficiency) of revenues over (under) expenditures	(60,312)	(93,879)	(89,616)	4,263
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>29,253</u>	<u>29,253</u>	<u>29,253</u>	<u>-</u>
Net change in fund balances	(31,059)	(64,626)	(60,363)	<u>\$ 4,263</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - federal			159,160	
Change in intergovernmental receivable - state			46,218	
Change in fair market value - investments			522	
Change in accounts payable			(220,861)	
			<u>(14,961)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(75,324)	
Fund balances-beginning	144,206	144,206	144,206	
Fund balances-ending	<u>\$ 113,147</u>	<u>\$ 79,580</u>	<u>\$ 68,882</u>	

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

CITY OF FARMINGTON, NEW MEXICO
Metro Redevelop Authority
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment earnings	\$ 3,000	\$ 3,000	\$ 2,971	\$ (29)
EXPENDITURES:				
Current:				
General government	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
Excess (deficiency) of revenues over (under) expenditures	(497,000)	(497,000)	2,971	499,971
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net change in fund balances	3,000	3,000	502,971	<u>\$ 499,971</u>
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			<u>(411)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			502,560	
Fund balances-beginning	-	-	-	
Fund balances-ending	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 502,560</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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Investment earnings	\$ 3,600	\$ 3,600	\$ 4,584	\$ 984
EXPENDITURES:				
Debt Service:				
Principal	1,189,238	1,189,238	1,189,238	-
Interest	443,056	443,056	443,054	2
Total expenditures	1,632,294	1,632,294	1,632,292	2
Excess (deficiency) of revenues over (under) expenditures	(1,628,694)	(1,628,694)	(1,627,708)	986
OTHER FINANCING SOURCES (USES):				
Transfers in	1,632,294	1,632,294	1,632,294	-
Net change in fund balances	3,600	3,600	4,586	\$ 986
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			628	
GAAP BASIS CHANGE IN FUND BALANCES:				
			5,214	
Fund balances-beginning	192,429	192,429	192,429	
Fund balances-ending	\$ 196,029	\$ 196,029	\$ 197,643	

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



Corner of Orchard Ave. and West Main Street

Internal Service Fund

Internal Service Fund

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

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

CITY OF FARMINGTON, NEW MEXICO
Health Insurance Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget to Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 7,499,211	\$ 9,722,088	\$ 9,836,287	\$ 114,199
Operating expenses:				
Costs of services	6,956,051	9,975,928	9,192,925	783,003
Operating income (loss)	543,160	(253,840)	643,362	897,202
Nonoperating revenues (expenses):				
Investment earnings	3,000	3,000	7,490	4,490
Change in net position	546,160	(250,840)	650,852	\$ <u>901,692</u>
ADJUSTMENTS TO GAAP:				
Change in accounts receivable			490,725	
Change in accounts payable			29,468	
Change in accrued claims payable			(145,525)	
			374,668	
GAAP BASIS CHANGE IN NET POSITION			1,025,520	
Net position - beginning	(139,235)	(139,235)	(139,235)	
Net position - ending	\$ <u>406,925</u>	\$ <u>(390,075)</u>	\$ <u>886,285</u>	

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

Enterprise Funds

CITY OF FARMINGTON, NEW MEXICO
Electric Utility Enterprise Fund
Schedule of Revenues, Expenses and Changes in Net Position
Budget to Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Electric	\$ 98,699,947	\$ 98,699,947	\$ 98,631,577	\$ (68,370)
Other revenues	620,920	620,920	986,670	365,750
Total operating revenues	99,320,867	99,320,867	99,618,247	297,380
Operating expenses:				
Salaries and fringe benefits	13,679,884	13,679,884	12,621,038	1,058,846
Purchased power, fuel and chemicals	45,793,616	45,793,616	41,933,645	3,859,971
Other operating expenses	17,364,718	17,310,718	18,277,859	(967,141)
Capital outlay	26,494,223	26,548,223	24,939,127	1,609,096
Total operating expenses	103,332,441	103,332,441	97,771,669	5,560,772
Operating income	(4,011,574)	(4,011,574)	1,846,578	5,858,152
Nonoperating revenues (expenses):				
Investment earnings	450,000	450,000	409,646	(40,354)
Income (loss) before operating transfers	(3,561,574)	(3,561,574)	2,256,224	5,817,798
Capital contributions	1,600,000	1,600,000	1,616,653	16,653
Transfers out	(6,429,504)	(6,429,504)	(6,429,504)	-
Change in net position	(8,391,078)	(8,391,078)	(2,556,627)	\$ 5,834,451
ADJUSTMENTS TO GAAP:				
Depreciation			(13,541,092)	
Amortization			(1,591,594)	
Capital outlay capitalized			24,939,127	
Change in accounts receivable			117,857	
Change in accounts payable			1,893,447	
			11,817,745	
GAAP BASIS CHANGE IN NET POSITION			9,261,118	
Net position - beginning	344,856,797	344,856,797	344,856,797	
Net position - ending	\$ 336,465,719	\$ 336,465,719	\$ 354,117,915	

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
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Water	\$ 14,239,732	\$ 14,239,732	\$ 13,263,042	\$ (976,690)
Other revenues	-	-	9,200	9,200
Total operating revenues	14,239,732	14,239,732	13,272,242	(967,490)
Operating expenses:				
Salaries and fringe benefits	802,976	802,976	691,269	111,707
Other operating expenses	7,859,091	7,859,191	6,665,607	1,193,584
Capital outlay	7,775,000	10,691,968	5,968,312	4,723,656
Total operating expenses	16,437,067	19,354,135	13,325,188	6,028,947
Operating income	(2,197,335)	(5,114,403)	(52,946)	5,061,457
Nonoperating revenues (expenses):				
Investment earnings	115,000	115,000	67,891	(47,109)
NMFA loan proceeds	-	2,170,359	1,097,897	(1,072,462)
Revenue from grants	-	-	362,342	362,342
Interest expense	(157,440)	(157,340)	(10,071)	147,269
Principal on debt service	(48,385)	(48,385)	(48,385)	-
Total nonoperating revenues (expenses)	(90,825)	2,079,634	1,469,674	(609,960)
Income (loss) before operating transfers	(2,288,160)	(3,034,769)	1,416,728	4,451,497
Transfers out	(779,720)	(779,720)	(660,296)	119,424
Change in net position	(3,067,880)	(3,814,489)	756,432	\$ 4,570,921
ADJUSTMENTS TO GAAP:				
Depreciation			(2,568,960)	
Capital outlay capitalized			5,968,312	
Principal on debt service			48,385	
NMFA loan proceeds			(1,097,897)	
Change in accounts receivable			(11,290)	
Change in accounts payable			43,992	
			2,382,542	
GAAP BASIS CHANGE IN NET POSITION			3,138,974	
Net position - beginning	\$ 59,170,974	\$ 59,170,974	\$ 59,170,974	
Net position - ending	\$ 56,103,094	\$ 55,356,485	\$ 62,309,948	

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
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for sales and services:				
Wastewater	\$ 6,657,970	\$ 6,657,970	\$ 6,671,476	\$ 13,506
Other revenues	2,000	2,000	6,388	4,388
Total operating revenues	<u>6,659,970</u>	<u>6,659,970</u>	<u>6,677,864</u>	<u>17,894</u>
Operating expenses:				
Salaries and fringe benefits	354,713	354,713	338,640	16,073
Other operating expenses	4,824,125	4,824,125	3,964,059	860,066
Capital outlay	5,556,895	6,287,119	2,328,578	3,958,541
Total operating expenses	<u>10,735,733</u>	<u>11,465,957</u>	<u>6,631,277</u>	<u>4,834,680</u>
Operating income	<u>(4,075,763)</u>	<u>(4,805,987)</u>	<u>46,587</u>	<u>4,852,574</u>
Nonoperating revenues (expenses):				
Intergovernmental-environmental tax	1,209,240	1,209,240	1,297,398	88,158
Investment earnings	104,000	104,000	59,825	(44,175)
Interest expense	(304,052)	(304,052)	(304,052)	-
Principal on debt service	(648,945)	(648,945)	(648,945)	-
Total nonoperating revenues (expenses)	<u>360,243</u>	<u>360,243</u>	<u>404,226</u>	<u>43,983</u>
Income (loss) before operating transfers	(3,715,520)	(4,445,744)	450,813	4,896,557
Capital contributions	-	-	88,765	88,765
Transfers out	(341,220)	(341,220)	(332,568)	8,652
Change in net position	(4,056,740)	(4,786,964)	207,010	<u>\$ 4,993,974</u>
ADJUSTMENTS TO GAAP:				
Depreciation			(1,463,148)	
Capital outlay capitalized			2,328,578	
Principal on debt service			648,945	
Change in accounts receivable			(5,610)	
Change in accounts payable			59,197	
			<u>1,567,962</u>	
GAAP BASIS CHANGE IN NET POSITION			1,774,972	
Net position - beginning	26,307,527	26,307,527	26,307,527	
Net position - ending	<u>\$ 22,250,787</u>	<u>\$ 21,520,563</u>	<u>\$ 28,082,499</u>	

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
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for sales and services:				
Sanitation	\$ 5,635,000	\$ 5,635,000	\$ 5,455,471	\$ (179,529)
Other revenues	90,000	90,000	74,963	(15,037)
Total operating revenues	<u>5,725,000</u>	<u>5,725,000</u>	<u>5,530,434</u>	<u>(194,566)</u>
Operating expenses:				
Salaries and fringe benefits	38,866	38,866	40,627	(1,761)
Other operating expenses	5,436,378	5,502,858	5,217,110	285,748
Total operating expenses	<u>5,475,244</u>	<u>5,541,724</u>	<u>5,257,737</u>	<u>283,987</u>
Operating income	249,756	183,276	272,697	89,421
Nonoperating revenues (expenses):				
Investment earnings	16,000	16,000	14,966	(1,034)
Income (loss) before operating transfers	265,756	199,276	287,663	88,387
Transfers out	-	(101,486)	(92,624)	8,862
Change in net position	265,756	97,790	195,039	\$ <u><u>97,249</u></u>
ADJUSTMENTS TO GAAP:				
Depreciation			(2,570)	
Change in accounts receivable			23,748	
Change in accounts payable			17,409	
			<u>38,587</u>	
GAAP BASIS CHANGE IN NET POSITION			233,626	
Net position - beginning	2,119,188	2,119,188	2,119,188	
Net position - ending	<u>\$ 2,384,944</u>	<u>\$ 2,216,978</u>	<u>\$ 2,352,814</u>	

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
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for sales and services:				
Golf	\$ 1,195,928	\$ -	\$ -	\$ -
Other revenues	-	-	-	-
Total operating revenues	<u>1,195,928</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses:				
Salaries and fringe benefits	643,117	-	-	-
Other operating expenses	646,617	-	-	-
Capital outlay	50,000	-	-	-
Total operating expenses	<u>1,339,734</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating income	<u>(143,806)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfer in	-	282,492	-	(282,492)
Transfer out	-	(309,922)	340,824	650,746
Change in net position	(143,806)	(27,430)	340,824	<u>\$ 368,254</u>
ADJUSTMENTS TO GAAP:				
Reassignment of capital assets			(1,870,844)	
GAAP BASIS CHANGE IN NET POSITION			(1,530,020)	
Net position - beginning	1,530,020	1,530,020	1,530,020	
Net position - ending	<u>\$ 1,386,214</u>	<u>\$ 1,502,590</u>	<u>\$ -</u>	

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



Dancers at Totah Festival

Capital Assets- Governmental Funds

CITY OF FARMINGTON, NEW MEXICO
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
June 30, 2013 and 2014

	2014	2013
Governmental funds capital assets:		
Land	\$ 27,761,044	\$ 27,687,091
Buildings	68,428,651	65,144,805
Improvements other than buildings	29,356,330	26,740,551
Machinery and equipment	34,158,227	34,446,159
Infrastructure	67,825,462	65,945,804
Construction In Progress	17,575,729	9,109,101
Total governmental funds capital assets	\$ 245,105,443	\$ 229,073,511
Investments in governmental funds capital assets by source:		
General fund	\$ 81,493,604	\$ 70,406,492
Special revenue fund	115,875,137	113,926,146
Capital projects funds	43,436,019	41,780,654
Donations	4,300,683	2,960,219
Total governmental funds capital assets	\$ 245,105,443	\$ 229,073,511

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, 2014

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction In Progress	Total
GENERAL GOVERNMENT:							
Legislative	\$ 4,000	\$ -	\$ -	\$ 50,148	\$ -	\$ -	\$ 54,148
Judicial	-	111,855	-	140,032	-	-	251,887
Operations center	-	26,363	-	601,539	-	-	627,902
Fleet maintenance	-	133,282	-	394,044	-	(46,420)	480,906
Stores	-	38,467	270,135	260,234	-	-	568,836
Finance administration	-	-	-	6,520	-	-	6,520
Personnel administration	-	-	-	208,713	-	-	208,713
Purchasing	-	-	-	-	-	-	-
Law enforcement	-	-	-	18,246	-	-	18,246
Administrative services	1,588,818	12,654,975	37,057	2,197,754	-	700,079	17,178,683
Planning and zoning	-	-	-	30,992	-	-	30,992
Data processing	-	50,347	-	627,386	324,221	114,361	1,116,315
Total general government	<u>1,592,818</u>	<u>13,015,289</u>	<u>307,192</u>	<u>4,535,608</u>	<u>324,221</u>	<u>768,020</u>	<u>20,543,148</u>
PUBLIC SAFETY:							
Police	532,770	3,653,956	130,561	6,473,899	23,866	34,357	10,849,409
Fire	60,098	3,910,112	-	8,883,835	33,151	418,065	13,305,261
Inspection	-	-	-	156,672	-	-	156,672
Traffic	-	-	-	633,738	2,960,894	192,938	3,787,570
Total public safety	<u>592,868</u>	<u>7,564,068</u>	<u>130,561</u>	<u>16,148,144</u>	<u>3,017,911</u>	<u>645,360</u>	<u>28,098,912</u>
PUBLIC WORKS/COMMUNITY DEVELOPMENT:							
Streets	16,156,420	33,970	2,704,184	2,194,326	39,020,150	6,314,157	66,423,207
Bridges and storm drains	92,886	-	633,168	1,173,937	25,440,921	1,789,629	29,130,541
Administration	1,001,147	142,924	63,362	47,135	-	(99,881)	1,154,687
Survey	-	-	-	80,743	-	-	80,743
Engineering	-	-	-	106,885	-	-	106,885
Total public works/community development	<u>17,250,453</u>	<u>176,894</u>	<u>3,400,714</u>	<u>3,603,026</u>	<u>64,461,071</u>	<u>8,003,905</u>	<u>96,896,063</u>
CULTURE AND RECREATION:							
Parks and recreation	4,346,145	19,649,283	11,910,002	6,117,490	-	6,999,447	49,022,367
Civic center	92,174	4,454,817	-	346,296	-	-	4,893,287
Senior citizens center	250,626	1,276,019	37,161	212,632	-	-	1,776,438
Museum	1,131,932	5,132,953	134,173	163,441	-	-	6,562,499
Animal shelter	132,392	399,911	-	76,353	-	-	608,656
Golf Courses	100,000	1,045,237	2,934,616	796,039	22,259	-	4,898,151
Total culture and recreation	<u>6,053,269</u>	<u>31,958,220</u>	<u>15,015,952</u>	<u>7,712,251</u>	<u>22,259</u>	<u>6,999,447</u>	<u>67,761,398</u>
LIBRARIES	<u>1,391,668</u>	<u>8,686,494</u>	<u>106,000</u>	<u>873,799</u>	<u>-</u>	<u>-</u>	<u>11,057,961</u>
AIRPORT	<u>879,968</u>	<u>7,027,687</u>	<u>10,395,911</u>	<u>1,285,399</u>	<u>-</u>	<u>1,158,996</u>	<u>20,747,961</u>
Total governmental funds capital assets	<u>\$ 27,761,044</u>	<u>\$ 68,428,652</u>	<u>\$ 29,356,330</u>	<u>\$ 34,158,227</u>	<u>\$ 67,825,462</u>	<u>\$ 17,575,728</u>	<u>\$ 245,105,443</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, 2014

Function and Activity	Capital Assets June 30, 2013	Additions	Deductions	Net Transfers	Capital Assets June 30, 2014
GENERAL GOVERNMENT:					
Legislative	\$ 37,693	\$ 10,065	\$ -	\$ 6,390	\$ 54,148
Judicial	251,887	-	-	-	251,887
Operations center	542,534	179,387	-	(94,019)	627,902
Fleet maintenance	496,895	122,777	(212,322)	73,556	480,906
Stores	568,836	-	-	-	568,836
Finance administration	6,520	-	-	-	6,520
Personnel administration	206,200	-	-	2,513	208,713
Purchasing	64,805	-	(64,805)	-	-
Law enforcement	18,246	-	-	-	18,246
Administrative services	16,569,323	719,704	(154,912)	44,568	17,178,683
Planning and zoning	52,403	-	(15,170)	(6,241)	30,992
Data processing	1,228,103	351,034	(476,055)	13,233	1,116,315
Total general government	<u>20,043,445</u>	<u>1,382,967</u>	<u>(923,264)</u>	<u>40,000</u>	<u>20,543,148</u>
PUBLIC SAFETY:					
Police	10,595,465	335,465	(419,423)	337,902	10,849,409
Fire	13,234,810	126,183	(36,329)	(19,403)	13,305,261
Inspection	229,749	24,395	(55,387)	(42,085)	156,672
Traffic	5,804,375	173,285	(262,578)	(1,927,512)	3,787,570
Total public safety	<u>29,864,399</u>	<u>659,328</u>	<u>(773,717)</u>	<u>(1,651,098)</u>	<u>28,098,912</u>
PUBLIC WORKS/ COMMUNITY DEVELOPMENT:					
Streets	60,913,848	3,826,107	(756,908)	2,440,160	66,423,207
Bridges and storm drains	25,876,378	3,530,773	(242,594)	(34,016)	29,130,541
Administration	1,666,142	36,368	(18,694)	(529,129)	1,154,687
Survey	140,975	-	(60,232)	-	80,743
Engineering	184,270	-	(58,685)	(18,700)	106,885
Total public works/ community development	<u>88,781,613</u>	<u>7,393,248</u>	<u>(1,137,113)</u>	<u>1,858,315</u>	<u>96,896,063</u>
CULTURE AND RECREATION:					
Parks and recreation	45,431,088	5,396,542	(1,858,084)	52,821	49,022,367
Civic center	3,622,624	1,270,663	-	-	4,893,287
Senior citizens center	1,863,548	-	(87,110)	-	1,776,438
Museum	6,392,017	191,890	-	(21,408)	6,562,499
Animal Shelter	1,559,491	(655,298)	(16,907)	(278,630)	608,656
Golf Courses	771,829	-	(37,890)	4,164,212	4,898,151
Total culture and recreation	<u>59,640,597</u>	<u>6,203,797</u>	<u>(1,999,991)</u>	<u>3,916,995</u>	<u>67,761,398</u>
LIBRARIES	11,150,484	38,271	(130,794)	-	11,057,961
AIRPORT	19,592,973	1,889,627	(734,639)	-	20,747,961
Total general fixed assets	<u>\$ 229,073,511</u>	<u>\$ 17,567,238</u>	<u>\$ (5,699,518)</u>	<u>\$ 4,164,212</u>	<u>\$ 245,105,443</u>
Accumulated depreciation	<u>\$ 125,618,232</u>	<u>\$ 8,826,326</u>	<u>\$ (2,279,175)</u>	<u>\$ 2,293,368</u>	<u>\$ 134,458,751</u>



Sculpture outside Fifth Generation Trading

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>
<i>Financial Trends</i>	104
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
<i>Revenue Capacity</i>	109
These schedules contain information to help the reader assess the City’s most significant revenue sources - gross receipts tax and electricity sales. Also included are property tax schedules.	
<i>Debt Capacity</i>	120
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
<i>Demographic and Economic Information</i>	124
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
<i>Operating Information</i>	126
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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net invested in capital assets	\$ 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	\$ 102,345,158
Restricted	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	5,936,973
Unrestricted	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	28,860,863
Total governmental activities net position	\$ 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	\$ 137,142,994
Business-type activities										
Net invested in capital assets	\$ 215,390,130	\$ 227,625,271	\$ 240,380,428	\$ 263,888,952	\$ 290,777,764	\$ 299,184,651	\$ 309,610,312	\$ 316,889,337	\$ 28,083,837	\$ 345,992,235
Restricted	2,564,255	2,615,937	2,914,976	3,139,945	3,438,741	3,657,082	5,243,850	4,852,866	-	1,661,907
Unrestricted	16,535,576	30,290,166	45,749,953	54,174,692	59,170,526	75,894,328	80,045,226	92,897,685	334,361,892	99,209,034
Total business-type activities net position	\$ 234,489,961	\$ 260,531,374	\$ 289,045,357	\$ 321,203,589	\$ 353,387,031	\$ 378,736,061	\$ 394,899,388	\$ 414,639,888	\$ 362,445,729	\$ 446,863,176
Primary government										
Net invested in capital assets	\$ 281,655,602	\$ 301,964,575	\$ 315,532,250	\$ 340,276,555	\$ 372,827,964	\$ 393,961,365	\$ 401,185,288	\$ 400,702,339	\$ 123,102,767	\$ 448,337,393
Restricted	6,078,981	6,835,364	7,406,578	7,739,785	7,524,658	7,852,742	7,874,403	15,851,077	8,253,150	7,598,880
Unrestricted	41,684,893	54,849,583	68,623,846	77,309,002	79,307,936	95,937,489	111,617,771	127,162,896	362,575,990	128,069,897
Total primary government net position	\$ 329,419,476	\$ 363,649,522	\$ 391,411,785	\$ 421,418,901	\$ 459,660,558	\$ 497,751,596	\$ 520,677,462	\$ 543,716,312	\$ 493,931,907	\$ 584,006,170

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.
 In 2014, the city added Pinon Hills Golf Course to governmental activities which had previously been accounted for as a business-type activity.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expenses)/Revenues										
Governmental activities	\$ (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)	\$ (59,875,834)
Business-type activities	18,580,624	26,512,004	27,502,125	30,778,616	32,586,630	38,431,210	23,850,049	27,495,538	26,343,767	19,796,095
Total net expenses	\$ (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)	\$ (40,079,739)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Gross receipts taxes	\$ 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	\$ 49,107,699
Property taxes	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	1,864,221
Franchise taxes	720,748	1,594,098	1,045,698	992,050	865,346	649,388	614,627	2,325,998	2,340,395	2,422,641
Other taxes	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	1,774,724
Other revenue	3,507,135	2,986,953	1,199,675	1,386,242	1,789,230	1,782,477	1,541,494	1,601,517	1,277,670	964,113
Unrestricted investment earnings	471,993	858,611	1,064,838	962,448	701,039	405,946	364,522	257,782	76,860	357,959
Loss on disposition	-	-	-	-	(1,381,262)	-	-	-	-	-
Reassignment of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers	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	1,870,844
Total general revenues, transfers and special items	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	65,532,650
Business-type activities:										
Environmental taxes	-	-	-	-	-	-	1,258,718	1,333,554	1,268,748	1,298,901
Unrestricted investment earnings	790,027	1,454,975	2,357,973	2,800,336	2,128,575	1,324,627	1,071,740	633,005	186,344	824,967
Loss on disposition	-	-	-	-	(1,013,059)	-	-	-	-	-
Reassignment of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers	(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)	(1,870,844)
Total business-type activities	(964,791)	(470,591)	1,011,858	1,379,616	(808,114)	(13,082,180)	(7,686,722)	(7,755,038)	(6,999,149)	(6,917,425)
Total primary government	\$ 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	\$ 58,615,225
Change in Net Position										
Governmental activities	\$ 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	\$ 5,656,816
Business-type activities	17,615,833	26,041,413	28,513,983	32,158,232	31,778,516	25,349,030	16,163,327	19,740,500	19,344,618	12,878,670
Total change in net position	\$ 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	\$ 18,535,486

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. In 2014, the city added Pinon Hills Golf Course to governmental activities which had previously been accounted for as a 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>
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
2014	-	-	586,236	18,360,780	18,947,016

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>
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
2014	-	-	5,936,973	10,243,313	4,630,223	20,810,509

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.
In 2014, the city added Pinon Hills 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

Schedule 5

Fiscal Year	* Industrial		* Commercial		* Residential		Total	
	kWh	Revenue	kWh	Revenue	kWh	Revenue	kWh	Revenue
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
2014	396,091,791	27,450,569	423,014,832	43,664,041	274,308,792	28,630,163	1,093,415,415	99,744,773

Change								
2005-2014	-20.5%	-3.5%	11.9%	30.8%	22.8%	44.4%	-0.5%	22.2%

Source: Farmington Electric Utility System

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

Type of Customer

Industrial (Bulk Power)

\$55.00 Customer charge
\$8.25/kW of billing demand
\$0.043/kWh energy charge

Commercial

General Service

\$6.00 Customer charge
\$0.093009/kWh energy charge

Large General Service

\$9.00 Customer charge
\$8.84/kW of billing demand
\$0.05642/kWh energy charge

Residential

\$3.25 Customer charge
\$0.08650/kWh energy charge

Street Lighting

\$8.30 100 W sodium 7/94
\$12.58 100 W sodium 8/94
\$14.99 250 W sodium 7/94
\$15.79 250 W sodium 8/94
\$8.30 175 W mercury
\$14.99 400 W mercury
\$12.58 LED

Source: Farmington Electric Utility System

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

Schedule 7

<u>Customer</u>	<u>2014</u>			<u>2005</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	\$20,791,444	1	20.84%	\$23,834,154	1	29.19%
Val Verde Gas Gathering, LP	3,386,776	2	3.40%	-	-	-
Praxair, Inc.	2,898,563	3	2.91%	1,268,785	5	1.55%
Transwestern Pipeline / Enron	2,704,202	4	2.71%	1,634,973	4	2.00%
San Juan Regional Medical Center	1,781,616	5	1.79%	1,198,066	6	1.47%
Western Refining Southwest, Inc.	1,271,783	6	1.28%	2,155,456	3	2.64%
Wal-Mart / Sam's Club	1,070,679	7	1.07%	690,816	9	0.85%
San Juan County	560,722	8	0.56%	-	-	-
Animas Valley Mall	508,373	9	0.51%	468,207	10	0.57%
Western Gas Resources Inc	361,459	10	0.36%	-	-	-
San Juan College	-	-	-	875,130	7	1.07%
Duke Energy Field Services	-	-	-	2,566,630	2	3.14%
Paragon ECS Holdings LLC	-	-	-	722,371	8	0.88%
Total	\$35,335,617		35.43%	\$35,414,588		43.37%

Source: Farmington Electric Utility System

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

Schedule 8

Fiscal Year	Gross Receipts Tax	Property Tax	Franchise Tax	Other Taxes	Total Taxes
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
2014	49,107,699	1,846,832	2,422,641	1,774,724	55,151,896

Change
2005-2014 13.8% 77.1% 236.1% -5.3% 17.9%

Source: City of Farmington CAFRs

Note: From 2005 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)

Ending June 30	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Agriculture	\$ 2,726	\$ 2,769	\$ 3,325	\$ 3,284	\$ (2,519)	\$ 609	\$ 612	\$ 566	\$ 1,718	\$ 2,006
Mining	133,973	192,806	222,893	185,838	163,216	113,859	121,889	118,975	80,493	83,254
Construction	118,025	142,174	124,428	121,996	157,749	117,169	109,321	102,464	115,958	77,959
Manufacturing	50,656	78,377	69,509	86,755	79,094	57,270	73,713	119,218	86,003	78,803
Trans/Comm/Utility	20,096	33,026	26,547	32,545	30,259	24,207	22,033	18,627	21,451	21,402
Wholesale Trade	113,951	160,468	197,225	164,098	163,014	99,166	97,962	104,251	94,400	80,010
Retail Trade	673,785	634,152	717,121	753,122	772,111	675,796	676,094	683,041	636,026	558,638
Information and Cultural	44,094	43,293	51,774	51,018	53,838	55,436	57,180	65,236	67,570	59,466
Finance/Ins/Real Estate	21,001	26,338	30,878	34,686	33,594	39,232	46,227	32,194	36,326	25,947
Services	507,610	506,892	537,818	580,933	601,162	502,840	579,917	597,330	602,024	515,494
Government	1,920	-	-	-	-	-	-	-	-	-
Unclassified	40,682	39,669	1,486	14,923	8,359	8,883	6,880	14,612	11,640	17,501
Undisclosed (a)	28,708	26,503	26,258	28,647	31,054	28,235	29,402	28,629	26,402	27,799
Total (b)	\$ 1,757,227	\$ 1,886,467	\$ 2,009,262	\$ 2,057,845	\$ 2,090,931	\$ 1,722,702	\$ 1,821,230	\$ 1,885,143	\$ 1,780,011	\$ 1,548,279
City Direct Sales Tax Rate	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%

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

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) 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

Fiscal Year	State GRT	City Share of State GRT	City Direct Rate	San Juan County	Total City GRT
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%
2014	3.9000%	1.2250%	1.1875%	0.8750%	7.1875%

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

	Ending June 30				Fiscal Year 2014				Fiscal Year 2005			
	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (c) (thousands)	Percentage of Total	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (c) (thousands)	Percentage of Total	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (c) (thousands)	Percentage of Total
Agriculture	7	0.25%	\$ 2,006	0.13%	5	0.19%	\$ 2,726	0.16%	5	0.19%	\$ 2,726	0.16%
Mining	59	2.10%	83,254	5.38%	54	2.08%	133,973	7.62%	54	2.08%	133,973	7.62%
Construction	243	8.66%	77,959	5.04%	219	8.42%	118,025	6.72%	219	8.42%	118,025	6.72%
Manufacturing	130	4.63%	78,803	5.09%	76	2.92%	50,656	2.88%	76	2.92%	50,656	2.88%
Trans/Comm/Utility	32	1.14%	21,402	1.38%	38	1.46%	20,096	1.14%	38	1.46%	20,096	1.14%
Wholesale Trade	184	6.56%	80,010	5.17%	162	6.23%	113,951	6.48%	162	6.23%	113,951	6.48%
Retail Trade	620	22.10%	558,638	36.08%	583	22.41%	673,785	38.34%	583	22.41%	673,785	38.34%
Information and Cultural	90	3.21%	59,466	3.84%	76	2.92%	44,094	2.51%	76	2.92%	44,094	2.51%
Finance/Ins/Real Estate	125	4.45%	25,947	1.68%	90	3.46%	21,001	1.20%	90	3.46%	21,001	1.20%
Services	1,220	43.48%	515,494	33.29%	1,097	42.18%	507,610	28.89%	1,097	42.18%	507,610	28.89%
Government	-	0.00%	-	0.00%	-	0.00%	1,920	0.11%	-	0.00%	1,920	0.11%
Unclassified	44	1.57%	17,501	1.13%	197	7.57%	40,682	2.32%	197	7.57%	40,682	2.32%
Undisclosed (a)	52	1.85%	27,799	1.80%	4	0.15%	28,708	1.63%	4	0.15%	28,708	1.63%
Total (b)	2,806	100.00%	\$ 1,548,279	100.00%	2,601	100.00%	\$ 1,757,227	100.00%	2,601	100.00%	\$ 1,757,227	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) 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	Assessed Value as a Percentage of Actual Taxable Value
	Residential Property	Nonresidential	Personal	Residential	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	Assessed Value as a Percentage of Actual Taxable Value		
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%					
2014	712,107,050	538,519,188	68,492,130	254,161,110	1,064,957,258	1.407	2.225	3,198,069,844	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	Debt			Total Direct Rate	State	County	School District #5	San Juan College	Secondary Vocational	Total Direct and Overlapping Rates
	General Fund	Service Fund	-							
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
2014	1.407	-	-	1.407	1.360	6.231	9.721	3.114	0.600	22.433

City of Farmington Nonresidential Direct Rates				Overlapping Rates				Total Direct and Overlapping Rates		
Fiscal Year	Debt			Total Direct Rate	State	County	School District #5	San Juan College	Secondary Vocational	Total Direct and Overlapping Rates
	General Fund	Service Fund	-							
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
2014	2.225	-	-	2.225	1.360	8.500	9.931	4.500	0.600	27.116

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>2014</u>			<u>2005</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>
XTO Energy	\$ 10,001,017	1	0.9%	\$ -	-	-
Animas Valley Land and Water Co, LLC	9,576,142	2	0.9%	-	-	-
Animas Valley Mall, LLC	9,343,103	3	0.9%	10,610,680	1	1.5%
Enterprise Field Service, LLC	8,889,867	4	0.8%	-	-	-
New Mexico Gas Company	7,179,415	5	0.7%	-	-	-
San Juan Regional Medical Center	6,634,133	6	0.6%	-	-	-
Compressor Systems, Inc.	5,371,527	7	0.5%	-	-	-
Transwestern Pipeline Company	4,683,796	8	0.4%	-	-	-
Qwest Corp.	4,284,216	9	0.4%	6,417,092	2	0.9%
BP America Production Company	4,059,269	10	0.4%	-	-	-
Alltel	-	-	-	4,712,401	3	0.7%
Burlington Resources Oil and Gas LP.	-	-	-	4,649,752	4	0.7%
Wal-Mart/Sam's Club	-	-	-	3,357,079	5	0.5%
Hanover Compression Limited Partnership	-	-	-	3,352,278	6	0.5%
Plaza Farmington II, LLC	-	-	-	2,738,565	7	0.4%
Fleet Capital Corp.	-	-	-	2,663,203	8	0.4%
Henry Production	-	-	-	2,567,985	9	0.4%
SW Farmington Incorporated (The Inn)	-	-	-	2,532,376	10	0.4%
Total	\$ 70,022,485		6.6%	\$ 43,601,410		6.1%

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	
		Amount Collected	Percentage of Levy	Amount Collected		Percentage of Levy	
2005	\$ 1,019,895	\$ 982,868	96%	\$ 37,027	\$ 1,019,895	100%	
2006	1,095,925	1,055,826	96%	40,094	1,095,920	100%	
2007	1,196,804	1,158,836	97%	37,958	1,196,794	100%	
2008	1,307,318	1,257,590	96%	49,692	1,307,282	100%	
2009	1,411,307	1,363,140	97%	47,945	1,411,085	100%	
2010	1,482,493	1,415,035	95%	66,560	1,481,595	100%	
2011	1,624,967	1,568,062	96%	55,079	1,623,141	100%	
2012	1,700,129	1,641,482	97%	54,707	1,696,189	100%	
2013	1,793,758	1,725,822	96%	46,074	1,771,896	99%	
2014	1,817,347	1,757,847	97%	-	1,757,847	97%	

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 Bonded Debt		Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita	Sales Tax Revenue Bonds		NMFA Fire Pumper Loan	Utility Revenue Bonds	NMED Loan	NMFA Loan	Capital Leases	Total				
				\$	N/A							\$			
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		
2014	-	N/A	N/A	12,333,378	387,310	-	-	9,486,137	2,056,450	-	24,263,275	2.1%	534		

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, 2014**

Schedule 17

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Amount Applicable to City of Farmington
Debt repaid with property taxes (a)			
Farmington Municipal Schools	\$ 66,975,000	100.000%	\$ 66,975,000
San Juan College	13,100,000	97.941%	12,830,242
Subtotal Overlapping Debt			79,805,242
City direct debt			12,720,688
Total direct and overlapping debt			\$ 92,525,930

Sources: Outstanding debt provided by each governmental unit. San Juan College actual assessed values provided by San Juan County Assessor's Office.

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 actual assessed property values. Applicable percentages were estimated by determining the portion of each governmental unit's actual assessed value that is within the city's boundaries and dividing it by that governmental unit's total assessed value.

City of Farmington
 Legal Debt Margin Information
 Last Ten Fiscal Years

Schedule 18

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed Value (a)	\$ 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	\$ 1,319,118,368
Exempt property	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	254,161,110
Total Taxable Assessed Value	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	1,064,957,258
Legal Debt Margin										
Debt limitation - 4 % of total assessed value	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	42,598,290
Debt applicable to limitation:										
Total bonded debt	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	11,695,000
Less: Revenue bonds	(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)	(11,695,000)
Total net debt applicable to limitation	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 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	\$ 42,598,290

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	Coverage	Principal	Interest	Revenue	Coverage
2005	\$ 104,017,779	\$73,226,886	\$ 30,790,893	4.10	\$ 5,470,000	\$ 2,048,221	\$ 21,903,624	9.18
2006	104,286,825	64,874,653	39,412,172	6.01	4,770,000	1,790,605	25,021,449	15.18
2007	107,924,587	65,220,228	42,704,359	6.52	4,905,000	1,647,505	26,313,679	16.02
2008	121,977,607	77,084,567	44,893,040	6.85	5,135,000	1,421,305	27,625,198	16.74
2009	117,183,511	73,688,514	43,494,997	6.63	5,340,000	1,215,905	26,612,158	16.12
2010	115,238,191	73,490,029	41,748,162	6.37	5,525,000	1,029,005	22,729,574	13.78
2011	111,560,052	75,470,531	36,089,521	5.50	5,805,000	752,755	24,173,905	14.69
2012	116,864,599	82,266,307	34,598,292	5.28	6,095,000	462,504	25,609,728	38.91
2013	122,482,385	82,015,303	40,467,082	9.63	4,045,000	157,755	24,348,319	15.40
2014	120,205,169	82,502,542	37,702,627	-	-	-	24,935,516	15.81

Source: City of Farmington CAFRs and budgets

Schedule 20

City of Farmington
Demographic and Economic Status
Last Ten Calendar Years

Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Percentage		Unemployment Rate
						High School Graduate	Bachelor's Degree	
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	10,728	80.9%	16.4%	6.8%
2013	45,426	1,181,484,834	26,009	33.1	10,976	86.6%	19.9%	6.7%

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>	<u>2014</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
San Juan Regional Medical Center	1,500	1	2.7%	1,375	1	2.6%
Farmington Municipal Schools	1,247	2	2.2%	1,252	2	2.4%
Central Consolidated Schools	1,028	3	1.9%	1,125	3	2.1%
BHP Billiton/New Mexico Coal	931	4	1.7%	950	5	1.8%
Aztec Well Servicing	775	5	1.4%	-	-	-
City of Farmington	775	6	1.4%	685	6	1.3%
Conoco Phillips	705	7	1.3%	-	-	-
San Juan County	637	8	1.1%	-	-	-
San Juan College	527	9	1.0%	1,000	4	1.9%
Bloomfield Municipal Schools	427	10	0.8%	500	10	0.9%
Wal-Mart	-	-	-	677	7	1.3%
Basin Home Health	-	-	-	640	8	1.2%
Arizona Public Service	-	-	-	590	9	1.1%
Total	<u>8,552</u>		<u>15.4%</u>	<u>8,794</u>		<u>16.6%</u>

Source: Four Corners Economic Development 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Administration	38.5	39.5	40.5	72.5	79.5	77.5	70.5	71.5	66.5	67.5
Administrative Services	31.0	31.0	32.0	31.0	29.0	29.0	29.0	29.0	28.0	29.0
General Services (b)	41.5	42.5	52.5	52.5	58.0	58.0	53.0	51.0	46.0	47.0
Police	148.5	159.5	172.5	174.5	165.5	165.0	165.0	163.0	164.5	164.0
Fire	73.0	82.0	96.0	96.0	95.0	95.0	91.0	92.0	92.0	92.0
Parks, Recreation and Cultural Affairs	114.0	118.0	124.0	104.0	106.0	106.0	96.0	97.0	101.0	107.0
Community Development	24.0	27.0	26.0	26.0	22.0	20.0	19.0	19.0	19.0	19.0
Public Works (a)	46.0	46.0	48.0	49.0	50.0	50.0	46.0	46.0	46.0	46.0
Electric	144.0	146.0	166.0	177.0	178.0	172.0	175.0	178.0	178.0	181.0
Human Resources	10.0	11.0	11.0	12.0	12.0	12.0	11.0	11.0	11.0	9.0
Water/Wastewater	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Golf	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	6.0	6.0
Total Employees	686.5	717.5	783.5	809.5	810.0	799.5	770.5	772.5	766.0	775.5

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

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

(a) In 2009, Public Works was separated from Community Development. For comparative purposes, the number of full-time equivalents for each department 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	Restated	Restated	Restated	Restated	Restated	Restated	Restated	Restated		
General Government										
Total number of business registration/licenses	2,680	2,739	2,839	3,926	4,212	3,848	3,660	3,659	3,634	3,547
Police										
Police reports	6,636	6,254	6,500	6,770	7,723	7,894	6,731	8,218	8,036	8,094
Arrests	4,400	3,814	3,787	4,113	6,882	6,274	5,418	6,328	6,132	6,186
Traffic citations	17,473	16,263	18,982	24,449	24,586	27,372	13,058	21,638	19,455	20,937
Fire (f)										
Structure fires	40	54	47	53	40	65	65	50	50	58
Vehicle fires	24	41	34	25	36	31	29	26	19	25
Brush/grass fires	76	119	48	58	45	48	47	72	43	38
Rubbish/dumpster fires	18	37	27	18	27	36	38	46	31	32
Other fires	28	59	43	53	46	34	32	33	26	28
Rescue/emergency medical calls	3,089	3,309	3,724	3,946	3,935	4,419	5,466	5,058	4,848	5,349
False alarms	151	239	230	318	310	307	379	349	362	344
Mutual aid given	87	96	100	90	45	12	20	16	34	35
Hazardous materials response	101	113	120	129	103	114	92	115	95	119
General hazard response	89	110	91	84	81	84	89	101	121	108
Other responses	1,181	1,280	1,358	1,603	1,666	925	729	1,785	1,949	2,322
Parks and Recreation										
Parks and recreation participants (d)	299,248	309,546	305,279	349,042	438,179	494,845	606,384	592,154	524,276	532,898
Library										
Library Visits	337,595	481,315	503,584	503,148	517,452	530,119	488,455	455,516	427,659	404,997
Circulation	488,392	521,676	491,621	489,126	513,588	530,918	506,247	482,886	460,235	457,171
Number of computer users (e)	69,403	117,516	120,483	125,210	131,295	126,215	102,443	94,424	90,218	84,060
Number of public WiFi logins (g)	-	-	-	-	-	-	-	-	-	30,131
Museum										
Patrons (a)	64,572	75,427	71,332	65,784	97,003	81,366	108,156	106,506	137,481	119,446
Community Development										
Summary plats	89	77	71	66	63	54	54	61	46	54
Building permits issued	1,554	1,494	1,539	1,334	1,225	1,194	1,310	1,302	1,163	1,200
Permit valuation (in \$)	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	54,707,382
Public Works										
Asphalt placed (sq.ft.)	83,727	132,216	88,582	103,006	129,349	139,484	119,745	96,370	127,539	134,942
Concrete placed (cu.yd.) (b)	698	441	727	574	174	438	338	439	615	588
Electric										
Meter connections	9,265	9,387	8,769	8,484	7,956	8,329	7,650	8,413	8,367	8,386
Meter reads	561,898	541,090	559,121	510,751	505,471	512,488	517,339	518,238	525,035	526,086
Water/Wastewater										
Water treated (millions of gallons)	3,366	3,842	4,029	4,346	4,512	4,630	4,409	4,627	4,452	4,075
Effluent treated (millions of gallons)	1,858	1,881	2,057	1,906	1,894	1,845	1,864	1,856	1,815	1,640
New water meter installations	304	373	342	262	158	156	116	131	141	123
Golf										
Golf course participants (c)	60,999	71,689	60,455	65,791	53,612	49,009	50,687	55,931	47,772	45,826
Airport										
Total enplanements	35,503	32,575	30,177	26,472	13,617	14,628	16,655	19,335	17,401	11,248
Transit										
Total Ridership	43,999	57,043	87,298	109,992	120,298	138,246	143,073	146,140	133,580	135,179

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, Cvtan 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.
(g) In 2014, the library began tracking public WiFi logins.

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

Fiscal Year

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
			Restated	Restated	Restated	Restated	Restated			
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	155	170	186	196	206	125	125	123	83	84
Fire stations	5	6	6	6	6	6	6	6	6	6
Parks and Recreation										
Developed acres (a)	588	589	592	594	1,364	1,364	1,364	1,364	1,364	1,364
Undeveloped acres (b)	1,289	1,288	1,285	1,283	309	309	309	270	283	283
Number of parks/facilities (c)	80	80	80	80	87	88	88	88	88	88
Baseball/softball diamonds	25	25	24	24	23	23	23	23	23	23
Soccer/football fields	13	13	14	14	11	11	11	11	11	11
Number of golf courses	2	2	2	2	2	2	2	2	2	2
Public Works										
Streets (miles)	240	245	253	N/A	268	270	274	274	276	280
Highway (miles)	17	17	17	17	17	17	17	17	17	19
Streetlights (d)	3,933	3,971	4,124	4,135	4,238	4,226	4,251	4,298	4,298	4,342
Traffic Signals	76	77	78	79	80	80	81	83	83	85
Water										
Water mains (miles)	330	336	336	340	340	340	340	340	340	341
Fire hydrants	2,296	2,360	2,400	2,470	2,500	2,511	2,556	2,560	2,576	2,613
Storage capacity (thousands of gallons)	24,300	24,300	24,300	24,300	24,860	24,860	26,860	26,860	26,860	26,860
Wastewater										
Sanitary sewers (miles) (e)	203	207	233	233	233	233	233	233	233	235
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	11	11	11	16	12	12	15	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 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 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, 2014

Grantor / Pass-through ID Number	CFDA Number	PROGRAM NAME	Expenditures
DIRECT PROGRAMS			
U.S. Department of Housing and Urban	14.218-Community Development Block Grants/Entitlement Grants	CDBG B-10-MC-35-0005	\$ 12,687
		CDBG B-11-MC-35-0005	166,591
		CDBG B-12-MC-35-0005	336,408
		CDBG B-13-MC-35-0005	230,611
U.S. Department of Justice	16.710-ARRA-Public Safety Partnership and Community Policing Grants	COPS Grant - 2009RKWX0641	51,214
		16.738-Edward Byrne Memorial Justice Assistance Grant Program	
		2013-DJ-BX-0941	44,663
U.S. Department of Transportation	20.106-Airport Improvement Program	AIP Project No. 3-35-0016-034-2013	1,545,201
	20.505-Metropolitan Transportation Planning	Federal Transit - Metropolitan Transit Operations and Capital - Red Apple Transit	
		NM-90-X105-00	383,965
	NM-90-X127-00	127,963	
Executive Office of the President	95.001-High Intensity Drug Trafficking Area Grant		
	G13SN0010A	185,062	
	G14SN0010A	6,610	
Department of Homeland Security	97.044-Assistance to Firefighters Grant	FEMA- Assistance to Firefighters Grant	
		EMW-2009-FO-08445	12,170
		EMW-2010-FO-08445	101,923
		EMW-2011-FO-08445	125,473
PASS THROUGH PROGRAMS			
<u>From the State of New Mexico Department of Public Safety</u>			
U.S. Department of Justice	16.738-Edward Byrne Memorial Justice Assistance Grant Program	Region II Narcotics Task Force	
		13-JAG-REGII-SFY14	71,167
<u>From the US Marshal Service</u>			
U.S. Department of Justice	16.111-Joint Law Enforcement Operations (JLEO)	U.S. Marshal Service	4,065
		16.738-Edward Byrne Memorial Justice Assistance Grant Program	
		U.S. Marshal Service	16,647
<u>From the New Mexico Department of Transportation</u>			
Federal Transit Authority	20.505-Metropolitan Transportation Planning	Federal Transit - Metropolitan Transit Operations	
		MPO	256,870
Department of Transportation National Highway Traffic Safety (NHTSA) National Highway Traffic Safety (NHTSA)	20.608-Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Operation DWI-13-AL-64-035	11,178
		Operation DWI-14-AL-64-035	43,142
		Impaired Driving Demonstration Program-DWI Officers	
		13-AL-FTE164-035	42,706
		Impaired Driving Demonstration Program-DWI Officers	
		14-AL-FTE164-035	150,071
Department of Transportation Federal Highway Administration (FHWA)	20.205-Highway Planning and Construction	Control# F100010-East Pinon Hills Blvd	
		Extension over Animas River (bridge)	139,624
		Control #HW2 L500097- Municipal Drive	
		Repaving	175,911
		Control#F100190-Adaptive Traffic Signal	11,372
		Control #F100070-Pinon Hills Blvd. Pedestrian & Bicycle Facilities	6,885
		Control#L500053-Apache Repaving	183,771
		Control#W500040-Safe Routes to School	
		Infrastructure	26,054
<u>From the New Mexico Department of Homeland Security</u>			
Department of Homeland Security	97.036-Disaster Grants-Public Assistance	FEMA-4152-DR-NM	1,139,724
	97.039-Hazard Mitigation Assistance		
		FEMA-1936-DR-NM	17,982
Total Federal Assistance			\$ 5,627,711

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, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and the related budgetary comparisons of the City, presented as supplementary information, and have issued our report thereon dated November 24, 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. 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.

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*.

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
November 24, 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, 2014. 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, 2014.

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 2012-001 and 2013-001. 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.

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

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

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 2012-001 and 2013-001 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.

A handwritten signature in black ink that reads "Mess Adams LLP". The signature is written in a cursive, flowing style.

Albuquerque, New Mexico
November 24, 2014

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**CITY OF FARMINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

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 federal 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 Federal Programs

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

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

\$300,000

Auditee qualified as low-risk auditee?

Yes No

Section II - Financial Statement Findings

None

**CITY OF FARMINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section III - Federal Award Findings and Questioned Costs

FINDING 2012-001 [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, 2013 – June 30, 2014	N/A

Criteria: In accordance with East Pinon Hills Boulevard Extension (EPHBE; control #F100010), Municipal Drive Repaving (MDR; control #HW2L500097), Adaptive Traffic Signal (ATS; control #F100190), Pinion Hills Blvd Pedestrian & Bicycle Facilities (PHBPBF; control #F100070), Apache Repaving (AR; control #L500053) and Safe Routes to School Infrastructure (SRSI; control #W500040) 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 above grants, we noted that expenditure reimbursements were not submitted in accordance with the grant agreements. For F100100 and L500053, the City submitted one reimbursement request each during the award period in December 2013 and February 2014. The City made no other expenditure reimbursement requests for the remaining projects 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: Procedures are now in place to ensure that all grant reports are filed in a timely manner.

**CITY OF FARMINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section III - Federal Award Findings and Questioned Costs (Continued)

FINDING 2013-001 [2013-01] - 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>
97.044	Assistance to Firefighter Grant	July 1, 2013 – June 30, 2014	N/A

Criteria: In accordance with Part 6 of the OMB Circular A-133 Compliance Supplement March 2014, “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: (a) we tested two draw requests with draw dates of March 4th, 2014 and February 21st, 2014, noting that there was no evidence of review and approval of the draw request prior to submission. (b) we tested one SF-425 semi-annual financial reports for grants FFD_2009AFG covering the period July 1, 2013 to December 31, 2013 and one semi-annual performance report for grants FFD_2009AFG covering the period May 7th, 2013 to November 7th, 2013, noting that there was no evidence of review and approval before the reports were submitted.

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 report be reviewed and approved before being submitted.

Management Response: Procedures are now in place to ensure that proper reviews and approvals of grant reports and reimbursement requests are obtained prior to submission.

**CITY OF FARMINGTON
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

2011-02	Update and Test Disaster Recovery Plan	Resolved
2012-01	Timely Submission of Reimbursement Requests	Revised/Repeated
2013-01	Timely Submission of Reports and Evidence of Review and Approval of Reporting and Cash Draw Requests	Revised/Repeated

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

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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, 2014 and each quarter during the period from July 1, 2013 through June 30, 2014.

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, 2014, and each quarter during the period from July 1, 2013 through June 30, 2014, 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 November 24, 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
November 24, 2014

PFC Revenues and Expenditures Schedule

Four Corners Regional Airport

FY14

7/1/13 - 6/30/14

	FY-13 Program Total	Quarter 1 Jul. - Sept.	Quarter 2 Oct. - Dec.	Quarter 3 Jan. - Mar.	Quarter 4 Apr. - Jun.	FY-14 Total	FY-14 Program Total
Revenue							
Collections	\$ 582,753	\$ 10,732	\$ 10,011	\$ 7,612	\$ 5,590	\$ 33,945	\$ 616,698
Disbursements							
Application 01							
Proj. 1-A Runway Improvements	148,596					-	148,596
Proj. 1-B Taxiway Improvements	142,672					-	142,672
Proj. 1-C Apron Improvements	103,596					-	103,596
Proj. 1-D Drainage Improvements	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	32,264					-	32,264
Proj. 1-I Non-revenue Parking Improvement	4,982					-	4,982
Proj. 1-J Acquire Safety Equipment	12,473					-	12,473
Proj. 1-K Conduct Planning	21,708	8,449				8,449	30,157
Proj. 1-L Improve Service Roads	-	2,283	10,011	1,606	5,590	13,900	13,900
Proj. 1-M PFC Administrative Costs	-			6,006		11,596	11,596
Total App -01	582,753	10,732	10,011	7,612	5,590	33,945	616,698
Total Disbursements	582,753	10,732	10,011	7,612	5,590	33,945	616,698
Net PFC Revenue (rev-disb)							

PFC Account Balance \$ - \$ - \$ - \$ - \$ - \$ -

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, 2014**

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, 2014. 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, 2014.

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
November 24, 2014

**CITY OF FARMINGTON
 FOUR CORNERS REGIONAL AIRPORT
 PFC PROGRAM AUDIT SUMMARY
 YEAR ENDED JUNE 30, 2014**

- | | | |
|--|---|------------------------------------|
| 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 | |

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CITY OF FARMINGTON
EXIT CONFERENCE
Year Ended June 30, 2014

An exit conference was held on November 13, 2014. In attendance were:

For the City of Farmington:

Tommy Roberts	Mayor
Robert Campbell	Assistant City Manager
Andy Mason	Administrative Services Director
Eric Schlotthauer	Controller
Sheree Wilson	Enterprise Accountant
Sarah Talley	Staff Accountant II
Michelle Bedonie	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, 2014

	Citizens Bank of Farmington	Wells Fargo	Vectra Bank	Four Corners Bank	First Federal Bank
City of Farmington Deposits					
Demand Deposit Accounts	\$ 17,472	\$ 50,946	\$ -	\$ -	\$ -
Non-Interest Bearing Accounts	-	2,497,251	-	-	100
Certificates of Deposit	55,000,000	-	23,000,000	2,000,000	6,100,000
Sub-Total	<u>55,017,472</u>	<u>2,548,197</u>	<u>23,000,000</u>	<u>2,000,000</u>	<u>6,100,100</u>
Less FDIC insurance	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Uninsured amount	54,767,472	2,298,197	22,750,000	1,750,000	5,850,100
Pledge Collateral Required					
50 percent - deposits	<u>27,383,736</u>	<u>1,149,099</u>	<u>11,375,000</u>	<u>875,000</u>	<u>2,925,050</u>
Pledged collateral	<u>29,174,428</u>	<u>6,332,358</u>	<u>15,913,473</u>	<u>1,861,410</u>	<u>3,244,255</u>
Excess of pledged collateral	\$ <u>1,790,692</u>	\$ <u>5,183,259</u>	\$ <u>4,538,473</u>	\$ <u>986,410</u>	\$ <u>319,103</u>

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

Location of collateral		<u>Dallas</u>	<u>New York</u>	<u>San Francisco</u>	<u>Los Angeles</u>	<u>Seattle</u>
Federal Home Loan Bank						
cusip # 31338OTW7	10/9/2037	\$ 8,743,000	\$	\$	\$	\$
cusip # 3137ACNK1	6/15/2041	5,295,446				
cusip # 313381DM4	12/6/2032	3,617,800				
cusip # 31338OM79	9/13/2032	4,539,650				
cusip # 3137AL3A5	1/15/2032	6,978,532				
FHLMC						
cusip # 3128JL4T3	4/1/2034			1,321,626		
cusip # 3128JMX28	8/1/2034			529,713		
cusip # 3128JNV4	1/1/2037			215,961		
cusip # 3128JPXA3	2/1/2039			336,782		
cusip # 3128QPGW6	2/1/2036			725,475		
cusip # 31336CL43	2/1/2034			491,066		
cusip # 3136R2W9	3/1/2032			662,675		
cusip # 31336SMW5	1/1/2033			1,573,129		
cusip # 3620EONW2	8/20/2061					3,244,255
FAMC						
cusip # 313172AF5	1/25/2025			2,761,324		
cusip # 31317GAZ0	4/25/2017			205,597		
cusip # 31317HAZ8	7/25/2017			691,003		
cusip # 31317JAF8	7/25/2018			594,937		
cusip # 31317JAK7	1/25/2020			598,662		
cusip # 31317LAC0	7/25/2019			787,411		
cusip # 31317LAE6	1/25/2020			2,496,803		
cusip # 31317NAE2	1/25/2020			748,147		
cusip # 31318OAL5	8/25/2024			502,723		
cusip # 313181AD1	4/25/2039			670,439		
FNMA						
cusip # 3138W9AZ3	7/1/2043		257,244			
cusip # 3138X3XX5	9/1/2043		6,075,114			
cusip # 3136GOPD7	8/2/2014				1,861,410	
		\$ 29,174,428	\$ 6,332,358	\$ 15,913,473	\$ 1,861,410	\$ 3,244,255

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

June 30, 2014

Participants (including City of Farmington)	Responsible Party	Description	Dates of Agreement	Total Amount/ City Share	FY14 Amount	Audit Responsibility
Aztec, Bloomfield & San Juan County	San Juan County Communications Authority	Communications	09/02/08 until terminated	\$125,000/ up to \$55,000/yr	\$ -	San Juan County Communications Authority
Aztec, Bloomfield & San Juan County	Crime Stoppers	Law Enforcement	03/12/10 through 06/30/14	\$37,964 / \$12,420	\$ 12,420	City of Aztec
Aztec, Bloomfield, San Juan County & San Juan Water Users Assoc.	Water Commission	Water Issues	3/5/86 until terminated	\$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 terminated	As needed	\$ -	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 terminated	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 terminated	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	\$ 47,463 / \$ 28,478	\$ 28,478	City
San Juan County	San Juan County	Detention Center	06/26/07 until terminated	\$12,476,202 / \$1,885,302	\$ 1,885,302	San Juan County
San Juan County	San Juan County	DWI Treatment Ctr	11/17/07 until terminated	\$3,370,584 / \$440,000	\$ 440,000	San Juan County
NM Energy, Minerals and Natural Resources Department (NMEMNRD)	NMEMNRD	Wildfire Firefighting	04/06/09 until terminated	\$61,526 / \$ -	\$ -	NMEMNRD