



City of
FARMINGTON

New Mexico

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Photo: Entry Monument



For the Fiscal Year Ended June 30, 2017



Photo: Pinon Hill Golf Course



Photo: Berg Park

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

For The Year Ended June 30, 2017

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INTRODUCTORY SECTION



CITY OF FARMINGTON

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November 29, 2017

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, 2017.

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.

CliftonLarsonAllen 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, 2017, 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, 2017, 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 xiii). The City was originally incorporated in 1901 and has a current land area of 34.9 square miles and serves a population of 41,629. 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, 2017, the total in-city GRT rate was 7.625% and includes the City's local option taxes in the amount of 1.4375%. Together with the 1.225% State share, the City's tax rate amounts to 2.6625%. Another 1.125% in local option tax authority is available to the City plus another .125% 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, this comparison is presented on page 24 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

Farmington is a Sun Belt city and marked by a local economy that has historically been based on the natural resources extractive industry, two large coal-fired electric generating stations, and the City's geographical position as a regional retail center catering to a retail trade market population base of more than 350,000. The City's population more than doubles on weekends as shoppers from the Navajo Nation and other regional neighborhoods flock into town. The City's average of 273 sunny days per year means that outdoor activities can be enjoyed year-round.

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 FY2017 and the local natural gas industry continues in a depressed state. Crude oil prices have risen moderately, compared to the thirteen-year low experienced in FY2016 and natural gas reached a low of \$2.55 per BTU in November, 2016, a clear improvement over the record low of \$1.73 per BTU from March, 2016, which was unseen since 1995. Crude oil prices, based on the West Texas Intermediate (WTI) market, rose from \$44.65 a barrel in July 2016 to \$46.63 a barrel by June 30, 2017 while natural gas prices, according to the Nymex Henry Hub, increased slightly from \$2.82 per BTU to \$2.98 per BTU during the same time period.

The Farmington, NM, unemployment rate began FY2017 at 9.1% and ended FY2017 at 7.1%, considerably higher than both the State of New Mexico rate of 6.4% and the national unemployment rate of 4.4% in June, 2017 according to the New Mexico Department of Workforce Solutions. The Bureau of Labor Statistics reported numbers for unemployment decreased from 4,862 at the start of FY2017 to 3,713 at the end of FY2017. By way of comparison, the unemployment number was 4,300 at the beginning of FY2016. The New Mexico Department of Workforce Solutions reported that the Farmington MSA employment contracted by 300 jobs, or 0.6% in June. Employment in the MSA has been negatively affected by the downturn in mining and is currently in its 23rd month of consecutive losses. However, the size of losses has been trending down over the year, in parallel with the recovery in mining. Private sector employment was down 300 jobs, or 0.8% from a year earlier. All private losses were in the goods-producing industries, which were down 500 jobs, or 5.5%, whereas the private service-providing industries were up 200 jobs, or 0.7%. Overall government employment remained unchanged over the prior year.

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.

There are 388 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. According to recent data, Farmington is ranked 334 for its relative economic strength when compared to all 388 MSAs. In the prior year, Farmington was ranked 325 out of 382 MSAs.

Major employers include the regional medical center, four public school districts, a community college, city and county local governments, a coal mining operation, two electrical power generation plants, two Wal-Mart superstores, Sam's Club, and various oil and gas companies. Additionally, the Farmington community continues to attract new businesses with Five Guys Burgers and Fries and Blake's Lotaburger opening on the east end of Farmington, along with Sleep Number, Ulta Beauty, and Sephora retailers opening in FY2017, which bodes well for the local economy's future. Starbucks opened a second free-standing location in Farmington in late July 2017. Also to be noted, construction is under way for Chipotle Mexican Grill.

The City has embraced its regional role as a way to prevent further financial chaos stemming from the boom-and-bust cycle of the oil and gas industry. In 2010, for every tax dollar the City lost when the industry crashed, all other sectors declined by 50 percent as well. Currently, with the oil and gas sector still struggling, the City is seeing other sectors down by only 7 percent. This trend shows a healthy transition away from reliance on a single, volatile source of revenue, into a well-diversified municipality.

Financial picture

The City's largest revenue stream for the general fund is gross receipts tax revenue (GRT) which comprises 68% of the City's FY2017 general fund total revenue sources. Overall, the gross receipts tax revenue (GRT) in FY2017 decreased (5.8%) over FY2016. The financial impact of the decline in oil and gas production in the Farmington area was reflected in the significant reduction in GRT generated by the mining, oil, and gas industry sector, which decreased by (39%) in FY2017 as compared to FY2016. One industry sector that showed declining GRT trends was the manufacturing sector which produced a (22%) decrease in GRT. The wholesale trade service sector also declined (28%) as compared to FY2016, while the other services sector experienced a (26%) decline in GRT. The retail sector, which gained a modest 2% in FY2017, comprises 40% of Farmington's total GRT. The construction sector experienced a slight increase in GRT (1%). The largest industry gain in FY2017 was in the accommodations and food services industry sector which increased a moderate 3% as compared to FY2016, reflecting the continuing development of popular hotel chains and restaurants expansion to the Farmington area.

During FY2017, the 977 building permits issued represented a decrease of 16.5% from FY2016 permits. With respect to building permit valuations, the \$31.0 million in FY2017 valuations totaled an \$11.8 million decrease or 27.6% decline from FY2016. Timing differences between permits issued for several major construction projects in FY2016 as compared to the actual construction GRT paid by contractors accounts for the disparity between permits issued and GRT collected.

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 certain 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 began phasing out over a period of 15 years. For fiscal years 2015 – 2019, annual reductions of 6% per year will be incurred in a cumulative manner. Subsequently, 7% annual cumulative reductions will be incurred in fiscal years 2020 – 2029 which will result in a 100% reduction by FY2029. GRT on food sales and medical services currently represents 12.1% of all GRT received by the City or approximately \$5.9 million annually. Consequently, beginning in July 2015, the City began budgeting a reduction in GRT revenue. The first year actual reductions were \$377K and the second year \$644K. The third year (FY2018) reductions are forecasted to be \$945K. Reductions will continue to increase until year fifteen (15) when the annual loss will total \$6.1 million or possibly greater, depending on the local economy, and when ignoring inflation. The cumulative loss over the 15 year period will amount to more than \$47 million. Nevertheless, the 2013 legislation also granted local governments three (3) new one-eighth percent (1/8%) "hold harmless" GRT increments that local governments could impose on the remaining tax base to "cover" the loss of the hold harmless reimbursements. For the City of Farmington, a one-eighth percent (1/8%) increment would raise \$2.0 million in GRT revenue, but would eventually require the imposition of all three increments to fully cover the \$6.1 million loss. In order to cover the beginning and continuing loss of the "hold harmless" revenue, the City Council took action and imposed two of the 1/8% increments, effective January 1, 2016.

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 FY2016, the City Council approved amending the general fund cash reserve policy by modifying the "prudent cash reserve" level from 20.8% of the annual expenditures budget to 16.7% (two months of expenditures) of the annual expenditure budget. In FY2012, FY2013, FY2014, FY2015 and FY2016 surplus amounts of \$3.6 million, \$4.1 million, \$2.9 million, \$3.2 million, and \$5.9 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 at the municipal operations center, street paving, fire facilities equipment, police facilities improvements, airport taxiway maintenance, upgrading city-wide communication equipment, baseball stadium renovation, vehicle replacements, storm drainage improvements, metropolitan redevelopment area improvements, and constructing fiber optic connectivity to various city facilities. In accordance with the revised cash reserve policy, after the FY2016 final cash balance was determined, there were no funds available to transfer to the General Governmental Capital Projects Fund for FY2017 use. Thus, the cash balance at June 30, 2017 in the Governmental Capital Projects Fund dropped from \$2.3 million in FY2016 to \$1.2 million in FY2017 as cash reserves were utilized for necessary capital outlays throughout the year.

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 (completed FY2014 for \$4.6 million including state grants, City and County contributions, and local donations), the civic center remodel (completed FY2015 for \$1.2 million), Gateway Museum expansion (completed FY2014 for \$2.3 million), replacement of Fire Station #1 (completed FY2017 for \$4.6 million including State fire funds), and a new storm water detention pond (completed FY2015 for \$852 thousand).

In FY2017, the City entered into two loan agreements with the New Mexico Finance Authority for funding the \$10,165,000 Gross Receipts Tax Civic Center Improvement Revenue Bonds and \$4,743,999 Taxable Gross Receipts Tax Qualified Energy Conservation Bonds (QECCB). With the goal of creating a financing plan for improvements to the City's civic center, in FY2015 the City Council approved the passage of a convention center fee which imposes a \$2.50 fee per room night on vendees for the use of lodging facilities. The new revenue generated \$871K in FY2016 and \$750K in FY2017. The convention center fee revenue was pledged along with State shared GRT in financing the new Civic Center debt and will be used to cover the annual debt service payments. Initial design and architectural plans for the expansion of the Civic Center began in FY2017 and construction is set to begin in FY2018, adding an outdoor event area, making improvements to the theater, and expanding meeting spaces. Improvements also include renovation of the kitchen facility and replacing plumbing and electrical systems.

The City participated in an energy audit in FY2016, in which every city building was assessed to determine what its energy uses were and what technology could be installed that would pay for itself in the long run. Based on the results of the energy audit, along with the new QECCB debt financing, the City will begin improvements on 23 of the 100-plus City-owned facilities in the form of upgrades and replacements to old energy and power units in an effort to save energy and money. Improvements will include installing LED lighting, new energy-efficient boilers, and automatic "smart meter" controls for heating and air conditioning. The upgrades will result in a projected 30 percent energy savings overall. The QECCB pledge is based on State shared GRT and will be paid back by long-term energy savings. The company overseeing the project, Opterra Energy Services, guaranteed an energy and maintenance cost savings of \$6.4 million over the span of 15 years. The upgrades, which began in FY2017, will meet Occupational Health and Safety Administration requirements and will mitigate potential liability by

creating safer workplaces. The City will also receive a tax-credit subsidy from the IRS to offset the debt service interest costs paid semiannually.

Resolution No. 2017-1642 was passed in September 2017 declaring the intent of the City Council to consider for adoption an ordinance authorizing the issuance of State shared GRT improvement and refunding revenue bonds not to exceed \$26 million. The intent of the new financing is for the following proposed projects: purchase a new fire engine (\$550K); purchase new fire ladder truck (\$1.2M); construct water park (\$6.0M); complete river trails connection (\$2.0M); revitalize downtown complete streets (\$5.6M); replace Aquatic Center roof (\$500K); and additional Civic Center remodel costs (\$500K).

Relative to the City's downtown street routes, the City has engaged consultants to develop a design-ready plan to rebuild downtown's Main Street using a concept called "Complete Streets." The plan would revitalize the City's Main Street by including roundabouts, fewer traffic lights, fewer lanes, more parking, wider sidewalks and additional green space. A street that meets the concept's standards is designed for all users, i.e., pedestrians, bicyclists, drivers, motorists and bus riders, so that crossing the street and walking to stores and biking to work are safe and easy. The concept is that if a city is going to be sustainable, it must plan its downtown around the human footprint and therefore attract the public to downtown. In FY2016, the City Council gave the Metropolitan Redevelopment Agency Commission \$250K to hire an engineer and draw up plans for the renovation of the downtown area, part of phase one of the project. Phase one includes replacing traffic lights with two roundabouts and securing land. With the project estimated to cost \$5.6 million, the City will seek bond funding in FY2018 as previously mentioned.

Another future renovation planned is for the design of a new water park facility in place of the City's 60 year-old Brookside pool. The City Council made the decision not to reopen Brookside pool for the summer of 2016 based on studies indicating failing infrastructure and costly repairs necessary to maintain operations for the safety of the public. The City conducted feasibility studies and held public input sessions to determine the type of facility that could be built to replace the pool. Different options included a basic replication of the original pool, built up to code with new aquatic facility standards, to a high-end water park complete with water slides, lazy river, and additional splash features. After considering input from citizens, the Council decided to replace the Brookside pool with a high-end aquatic facility, complete with lap lanes and the added features previously listed. Design of the new facility is currently underway, with hopes of construction to begin in FY2018, once funding is obtained, with an estimated project completion in FY2019. The City believes in the importance of continuing to provide and improve services to the public, even in economic downturns. This new facility could be a draw for both the community and tourists, providing a "wow" factor to all visitors.

The river trails system is a project that has been in progress over the past 35 years in conjunction with the nonprofit River Reach Foundation. With bond funding of roughly \$2.0 million, the City will be able to extend the river trails $\frac{3}{4}$ of a mile from the Bisti Highway to US HWY 64 at Murray Drive, which will include benches, fencing, and footbridges. The project also encompasses the addition of a north trail connection from the Gateway Museum to Largo Street, a 2.25 mile trail addition complete with benches, a boardwalk, and a footbridge. The river trail system is utilized by many Farmington residents and nearby residents of Colorado and Arizona year-round thanks to the generous days of sunshine and relatively mild winters in the Farmington area. Expansion of the trail system, along with the other projects mentioned above is believed to spur additional economic development, improve quality of life, and touch many people in the community.

During FY2017, the City's water utility completed a major electrical upgrade at Animas Pump Station No. 2 (\$330K). This upgrade replaced the original motor control centers (MCC) with state of the art MCC's and added automatic controls of the intake structures control gates. Under the Water Fund's infrastructure renewal and replacement program, the major projects completed in FY2017 included the Foothills Drive Project - Phase II (\$788K), which was the replacement of an existing steel waterline with a 16" PVC waterline from Holmes Dr. to Hill-n-Dale, and the 2P Waterline Replacement Project (Phase I) (\$3.2M), which began in FY2017 and will be completed in FY2018.

In 2004, the City completed its wastewater treatment plant expansion, Phases I and II, which were financed with a 3% interest, \$14.2M, 20-year construction 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. In 2016, the City acquired a loan from NMED for Phase III improvements to treatment processes that include constructing two sludge (MRAS) basins (one complete and one concrete structure only), two additional final clarifiers, 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. The Phase III project is funded through the New Mexico Environmental Department (NMED) with a 3% interest, \$22.0M, 20-year construction loan from the State's Clean Water Revolving Fund (CWSRF) Program. This construction began in August 2016. To date in FY2017, the following concrete structures are under construction: MRAS basin 1 (90% complete) & 3 (70% complete); Final Clarifier 1 (90% complete) & 3 (50% complete); Solids Handling Building (50% complete); and UV Disinfection (10% complete). The estimated Phase III construction completion is between FY2018 and FY2019. During FY2017, the East Sanitary Sewer Interceptor Rehab project (\$1.8M) began, which is the slip lining of an existing 30" RCP with a 27" FRP pipe, and includes rehabilitation of existing manholes. Estimated construction completion for this project is FY2018.

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, Kirtland, 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. The FEUS generation portfolio is diverse, consisting of generation in gas, coal, and hydro generation. The flagship generation asset remains the Bluffview combined cycle generation facility installed in 2005. Bluffview is capable of supplying 63 MW of reliable generation to the customers within our system. FEUS also completed an integrated resource plan evaluation in 2017. The utility is in the process of evaluating and executing on that plan for potential new generation assets.

FEUS' primary objective is to ensure a safe, secure, reliable, and economical power source for its utility customers. The electric utility is fiscally sound and has no outstanding debt. Through the years the municipal structure of the electric utility has kept customer electric rates very reasonable and Farmington customers enjoy some of the lowest rates in the region. The Utility in FY2017 completed a cost of service study. Upon approval, the result was a three year phase in of a 7.7% rate increase for residential customers. Benchmarking of other regional utilities shows that after completion of this implementation, the utility remains one of the lowest providers in the region. It is the goal of the electric utility to conduct a cost of service study every three to four years to help ensure the utility remains fiscally sound, with an adequate revenue stream to maintain infrastructure for a secure and reliable electric system.

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 should be updated approximately every 10 years, an update is anticipated to begin in the near future. In addition, the Comprehensive Plan served as a springboard for the designation of the

Metropolitan Redevelopment Authority (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, 2016. This was the 23rd 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 20th consecutive Distinguished Budget Presentation Award from GFOA for its annual budget document for FY2017. 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 FY2016 Citizen's Financial Report was judged for the 7th 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**

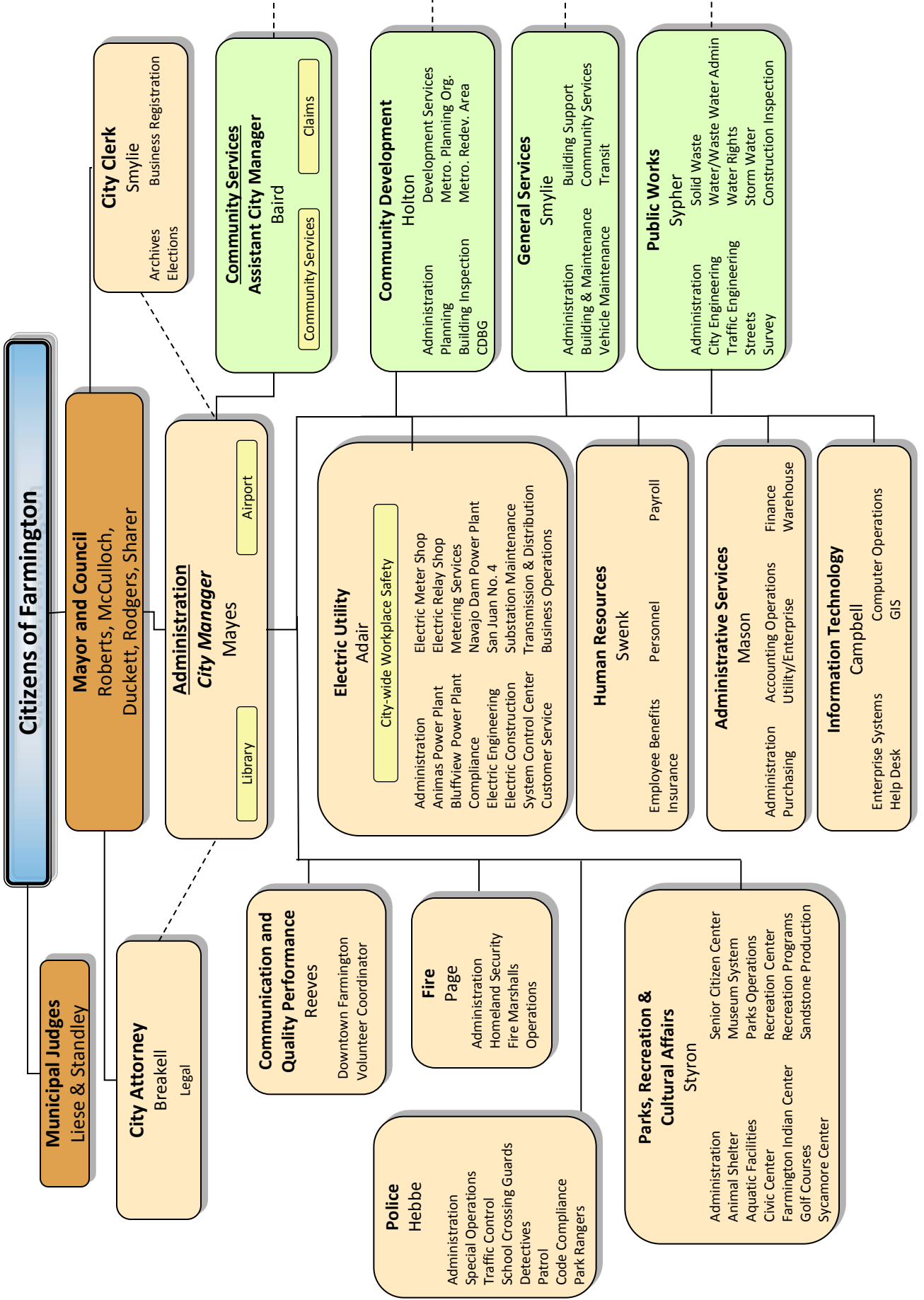
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

City of Farmington – Organizational Chart

February, 2017



CITY OF FARMINGTON

Principal Officials

June 30, 2017

MAYOR

Tommy Roberts

CITY COUNCIL

Linda Rodgers

Nate Duckett

Sean Sharer

Gayla McCulloch

CITY MANAGER

Robert Mayes

ASSISTANT CITY MANAGER

Julie Baird

ADMINISTRATIVE SERVICES DIRECTOR

H. Andrew Mason

COMMUNITY DEVELOPMENT DIRECTOR

Mary Holton

ELECTRIC UTILITY DIRECTOR

Hank Adair

FIRE CHIEF

Terry Page

GENERAL SERVICES DIRECTOR

Edward Smylie

HUMAN RESOURCES DIRECTOR

Tom Swenk

INFORMATION TECHNOLOGY DIRECTOR

James Campbell

PARKS & RECREATION DIRECTOR

Cory Styron

POLICE CHIEF

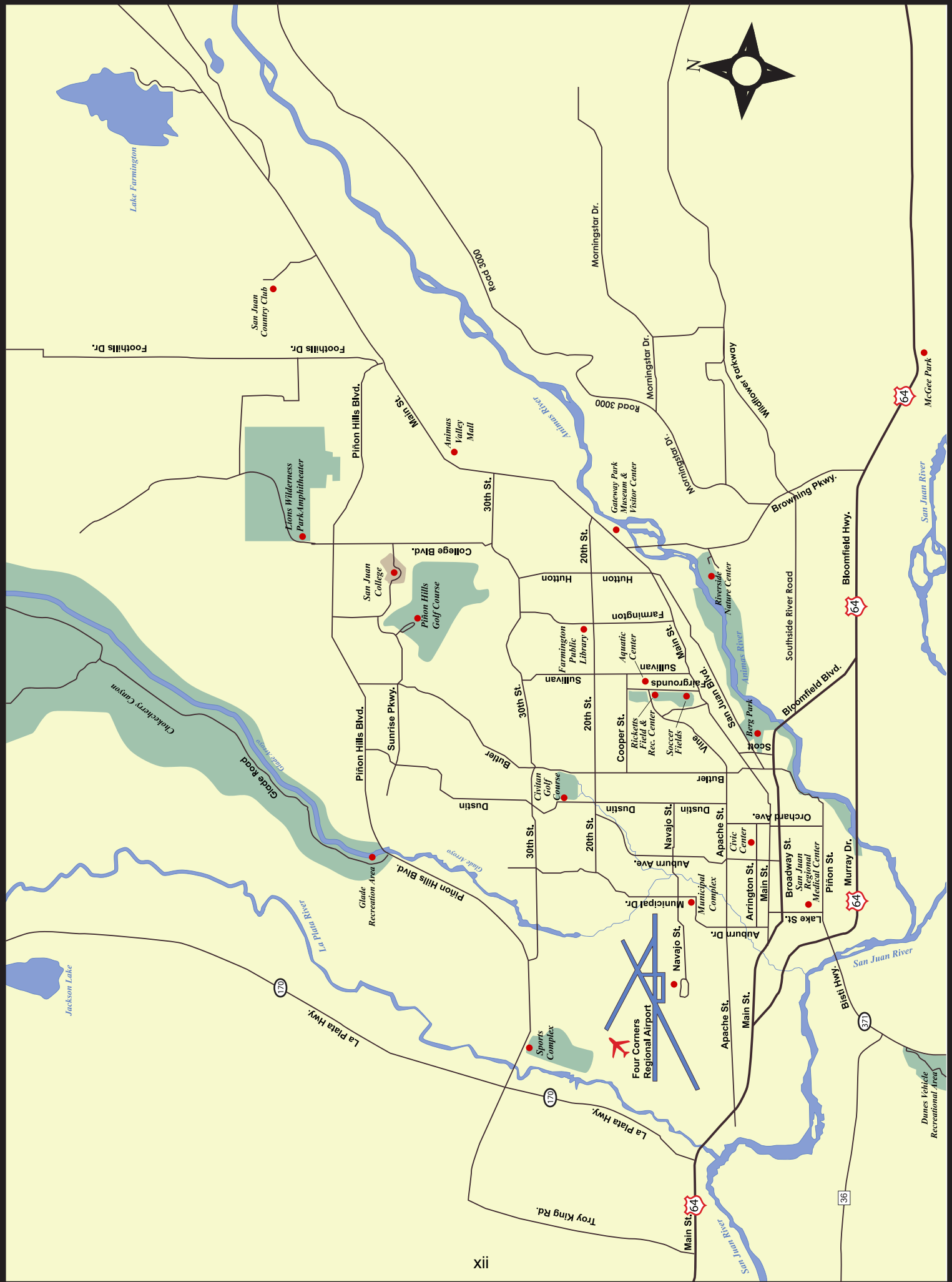
Steven Hebbe

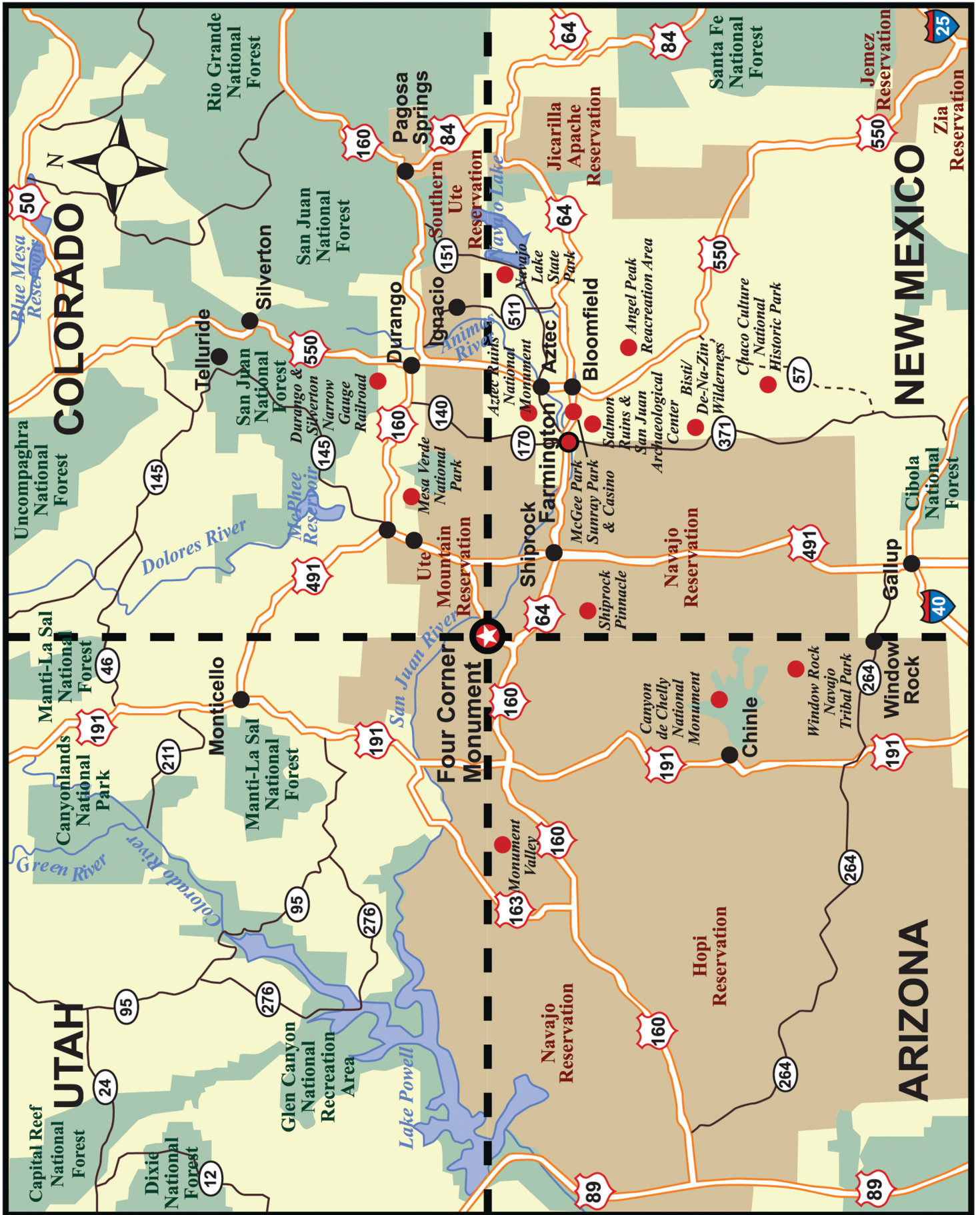
PUBLIC WORKS DIRECTOR

David Sypher

CONTROLLER

Brooke Quintana





MAP COURTESY OF FARMINGTON CONVENTION & VISITORS BUREAU



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

City of Farmington, New Mexico
Honorable Mayor and City Council
Mr. Timothy Keller, 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, and the aggregate remaining fund information and the budgetary comparison for the general fund of the City of Farmington, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

City of Farmington, New Mexico
Honorable Mayor and City Council
Mr. Timothy Keller, New Mexico State Auditor

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmington as of June 30, 2017, and the respective changes in financial position, the respective budgetary comparison for the general fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5-18 and the schedule of the City's proportionate share of the net pension liability and the schedule of the City's contributions on pages 63-66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Farmington's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections, the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the schedule of PFC revenues and expenditures as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, schedules of capital assets used in the operation of governmental funds, and other schedules required by 2.2.2 NMAC included as Other Information as listed in the table of contents, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of PFC revenues and expenditures, schedules of capital assets used in the operation of governmental funds (2017 amounts only), other schedules required by 2.2.2 NMAC included as Other Information as listed in the table of contents, combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of PFC revenues and expenditures, schedules of capital assets used in the operation of governmental funds, other schedules required by 2.2.2 NMAC included as Other Information as listed in the table of contents, combining and individual nonmajor fund financial

City of Farmington, New Mexico
Honorable Mayor and City Council
Mr. Timothy Keller, New Mexico State Auditor

statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedules of capital assets used in the operation of governmental funds (2016 amounts only), 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 29, 2017, on our consideration of the City of Farmington'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Farmington's 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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 29, 2017

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MANAGEMENT'S 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, 2017. 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 and deferred outflows of resources of the City of Farmington exceeded its liabilities and deferred inflows of resources at the close of FY2017 by \$530,981,242 (net position). Of this amount, \$22,703,329 represents unrestricted net position, which may be used to meet the City's ongoing obligations.
- As of June 30, 2017, the City of Farmington's governmental funds reported combined ending fund balances of \$40,903,937, an increase of \$14,998,282, or 57.9% in comparison with the prior year. A total of \$12,992,747 (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 \$14,093,088, or 26.6% of the total general fund expenditures.
- The City's total net debt increased by \$28,068,819, or 125.0% 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, and public works. 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-five (25) 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, which is considered to be a major fund. Data from the other twenty-four (24) 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 71-82).

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 21-24 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 109-112 of this report. Fund data for the internal service fund is provided on page 108 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 31-59 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 \$530,981,242 at the close of FY2017.

The largest portion of the City of Farmington's net position (\$487,661,176 or 91.8%) 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	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Current and other assets	\$ 50,682,586	\$ 37,116,508	\$ 115,398,391	\$ 121,599,534	\$ 166,080,977	\$ 158,716,042
Capital assets	108,680,465	114,626,907	414,915,469	382,969,933	523,595,934	497,596,840
Total assets	159,363,051	151,743,415	530,313,860	504,569,467	689,676,911	656,312,882
Deferred outflow from pension	27,584,055	7,560,752	7,870,679	1,180,295	35,454,734	8,741,047
Long-term liabilities outstanding	116,877,973	77,983,662	51,405,168	27,838,200	168,283,141	105,821,862
Other liabilities	3,204,420	3,717,277	14,442,941	13,835,710	17,647,361	17,552,987
Total liabilities	120,082,393	81,700,939	65,848,109	41,673,910	185,930,502	123,374,849
Deferred inflow from pension	1,448,990	1,354,644	472,280	355,316	1,921,270	1,709,960
Deferred inflow from regulatory activity	-	-	6,298,631	3,255,087	6,298,631	3,255,087
Total deferred inflows of resources	1,448,990	1,354,644	6,770,911	3,610,403	8,219,901	4,965,047
Net position						
Net investment in capital assets	100,348,301	104,540,398	387,312,875	370,083,482	487,661,176	474,623,880
Restricted	18,954,830	4,724,748	1,661,907	1,661,907	20,616,737	6,386,655
Unrestricted (deficit)	(53,887,408)	(33,016,562)	76,590,737	88,720,060	22,703,329	55,703,498
Total net position	\$ 65,415,723	\$ 76,248,584	\$ 465,565,519	\$ 460,465,449	\$ 530,981,242	\$ 536,714,033

Another portion of the City of Farmington's net position, \$20,616,737 or 3.9%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$22,703,329 or 4.3% is unrestricted and may be used to meet the City's ongoing obligations.

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

The City of Farmington's net position decreased \$5,732,791 during the current fiscal year. Almost all of this decrease is due to significant increases in net pension liability, along with increases in deferred inflows and outflows of resources related to pensions. There was also a 93.5% increase in deferred inflows from regulatory activities in FY2017.

Governmental activities. Governmental activities decreased the City of Farmington's net position by \$10,832,861. Key elements of the change in net position are as follows:

City of Farmington's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Revenues:						
Program revenues:						
Charges for services	\$ 8,961,368	\$ 14,240,395	\$ 124,898,816	\$ 131,645,574	\$ 133,860,184	\$ 145,885,969
Operating grants and Contributions	5,443,467	6,110,984	260,919	59,056	5,704,386	6,170,040
Capital grants and Contributions	651,930	1,040,337	1,464,161	1,020,091	2,116,091	2,060,428
General revenues:						
Property taxes	1,991,521	1,936,699	-	-	1,991,521	1,936,699
GRT taxes	48,512,535	49,290,956	-	-	48,512,535	49,290,956
Other taxes	4,966,744	5,235,329	1,174,658	1,251,293	6,141,402	6,486,622
Other	1,408,511	1,268,216	643,771	776,699	2,052,282	2,044,915
Total revenues	71,936,076	79,122,916	128,442,325	134,752,713	200,378,401	213,875,629
Expenses:						
General Government	28,889,926	36,120,890	-	-	28,889,926	36,120,890
Police	19,782,931	18,127,957	-	-	19,782,931	18,127,957
Fire	12,000,794	10,680,758	-	-	12,000,794	10,680,758
Parks, rec & cultural affairs	17,390,900	18,906,482	-	-	17,390,900	18,906,482
Public Works	11,930,760	9,667,963	-	-	11,930,760	9,667,963
Electric	-	-	90,838,532	90,435,253	90,838,532	90,435,253
Water	-	-	12,304,070	11,086,095	12,304,070	11,086,095
Wastewater	-	-	6,969,969	6,460,670	6,969,969	6,460,670
Sanitation	-	-	5,412,808	5,497,700	5,412,808	5,497,700
Other	590,502	350,142	-	-	590,502	350,142
Total expenses	90,585,813	93,854,192	115,525,379	113,479,718	206,111,192	207,333,910
Increase (decrease) in net position before transfers	(18,649,737)	(14,731,276)	12,916,946	21,272,995	(5,732,791)	6,541,719
Transfers	7,816,876	6,869,616	(7,816,876)	(6,869,616)	-	-
Increase (decrease) in net position	(10,832,861)	(7,861,660)	5,100,070	14,403,379	(5,732,791)	6,541,719
Net position - beginning	76,248,584	84,110,244	460,465,449	446,062,070	536,714,033	530,172,314
Net position - ending	\$ 65,415,723	\$ 76,248,584	\$ 465,565,519	\$ 460,465,449	\$ 530,981,242	\$ 536,714,033

Total accrued gross receipts tax (GRT) decreased by \$778,421 or (1.6%). This was due to an overall decrease in receipts from the majority of industry sectors. The largest notable decreases were found in the mining, retail trade, and services sectors.

Operating grants decreased \$667,515 mainly due to decreases in federal funding for Red Apple Transit (\$382,305), CDBG (\$235,394), fire (\$105,762), and in decreases in funding from the state for Red Apple Transit (\$66,411) and public works (\$504,000); increases in federal funding for public safety (\$188,252) and public works (\$259,827).

Capital grants and contributions decreased \$388,407 during the year. This was due mainly to a decrease in federal funding for the airport (\$46,311), a decrease in state funding for the airport (\$92,087), and decreases in federal and state funding for various traffic and road improvements (\$250,010).

Charges for services decreased \$5,279,027 or (37.1%) due mainly to the elimination of the activities reported in the internal service fund also reported in the governmental funds (\$4,774,067), a change in presentation from the prior fiscal year. Charges for services were also impacted by the net effect of increases in health insurance premiums (\$317,270) and decreases in stop loss payments (\$208,492), interdepartmental fleet charges (\$28,389), licenses and permits (\$47,635), parks and recreation fees (\$299,670), and decreases in museum ticket sales and museum store purchases (\$47,951). Fines collected during the year decreased (\$138,636).

Total transfers increased \$947,260 due to a one time transfer of (\$1,200,000) from the sanitation fund to the streets fund to pay for street repairs resulting from damages caused by large trucks and heavy equipment in the sanitation fleet. An additional factor relating to the transfer changes in FY2017 was a result of a decrease in dividends from the electric utility (\$342,602) caused in part to an increase in purchased power and fuel costs in FY2015 (the year that the current dividend is based upon).

Total expenses decreased \$3,268,379 or (3.5%) during the year due to the reduction in internal service activities reported in governmental funds (\$4,774,067), previously included in general government expenses for the prior fiscal year. The overall change includes an increase in pension expense (\$5,713,185) as a result of increases in net pension liability, along with increases in deferred inflows and outflows of resources related to pensions, and a decrease in operating expenditures for police protection (\$1,477,628) and general governmental expenditures (\$855,475), and decreased capital outlay expenditures for highways and streets (\$1,413,479) and general governmental expenditures (\$3,729,903). Decreases were also incurred in workers' compensation claims (\$1,975,208) for FY2017.

Business-type activities. Business-type activities increased the City of Farmington's net position by \$5,100,070. Overall change in the government's net position was a reduction of \$(5,732,791) from FY2016. Although the business-type activities had a positive change, the governmental activities had a net position change of \$(10,832,861). Much of this change was due to the issuance of debt, changes in capital assets, and the changes related to pensions for the governmental activities. Key financial elements for the business-type activities over the past fiscal year are as follows:

- For FY2017, the total net pension liability increased \$34.6 million, which is a 46.6% increase from last fiscal year. Of this change, the business-type increase was \$8.8 million, or 25.4% of the total increase. The remaining change was all for governmental activities. Due to a low return market, PERA did not reach their return target which resulted in increases in net pension liability, deferred inflows and outflows for the City.
- Operating expenses were 92.2% of operating revenues, resulting in \$9,702,659 in operating income.
- Total electric revenue decreased by \$8.6 million or (8.3%). Electric sales to customers were down \$9.1 million. All sales to all customer classes (residential, commercial, industrial, and wholesale) were down from last year, roughly \$5.6 million. In FY2016, the electric utility lost a major wholesale customer. This resulted

in a \$1.2 million or (67.6%) reduction in wholesale revenues for FY2017. Total consumption for residential, commercial, and industrial customers decreased 85 megawatts from the prior year, which resulted in lower sales revenue for those customers. The power cost adjustment (PCA) decreased a net total of \$5.0 million. Billed revenues for the PCA decreased \$8.4 million and per FASB 71, revenues were increased by \$3.4 million for regulatory activities. This overall decrease in revenues is shown as deferred inflows of resources on the financial statements. During FY2017 the PCA rates had been reduced twice, which in turn reduced the billing revenues. Operating revenues dropped \$9.0 million but operating expenses increased \$403 thousand, which resulted in a \$9.4 million decrease in operating income. During FY2017 the electric utility completed a rate study and implemented a three phase rate increase. The first phase was effective March 1, 2017. Phase II will begin in FY2018 and Phase III in FY2019.

- Total water revenue increased \$1.6 million or 9.7%. Water sales to customers increased \$1.4 million. Residential customer sales were up \$282 thousand. Commercial customer sales were \$302 thousand higher in FY2017. Contract/raw water customer sales increased \$311 thousand. With increased customer sales, the renewal replacement fees were also up, by \$469 thousand. FY2017 was the third year of water utility rate increases. These rate increase are phased in over 5 years, FY2015 thru FY2019.
- Total wastewater revenue increased by \$638 thousand or 7.2% during FY2017. Wastewater sales to customers were up \$739 thousand. Sales to residential customer increased \$373 thousand. Commercial customer sales were also up by \$217 thousand. As a result, renewal replacement fees were \$244 thousand higher in FY2017. Along with water rates, the wastewater utility is also in their third year of rate increases, phased in from FY2015 to FY2019. Non-operating revenues had decreased \$100 thousand, mainly due to decreases in environmental taxes received from the State of New Mexico.
- Total sanitation revenue increased \$63 thousand due to a higher demand for sanitation services.
- Investment earnings for business-type activities were down by \$133 thousand, a 17.1% decrease over last year.

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, 2017, the City of Farmington's governmental funds reported combined ending fund balances of \$40,903,937, an increase of \$14,998,282 in comparison with the prior year. Approximately 31.8% of this total amount or \$12,992,747 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* (\$531,731), *restricted* (\$18,954,830), *committed* (\$6,227,897), or *assigned* (\$2,196,732).

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 \$14,093,088, while total fund balance was \$14,642,518. 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 26.6% of total general fund expenditures, while total fund balance represents 27.7% of that same amount. The fund balance of the City of Farmington's general fund increased \$2,257,435 or 18.2% during the current fiscal year.

The total decrease in general fund revenue was \$330,896 or (0.7%). This is due partly because of a decrease in GRT collections (\$165,184) in the oil & gas, wholesale, and manufacturing sectors. Other factors affecting general fund revenues are decreases in court related fines and forfeitures (\$138,636) and decreases in charges for services from aquatic facilities (\$34,824), golf courses (\$140,653), and civic center (\$153,379). Franchise fees and royalty revenues increased in the general fund (\$106,506) in FY2017, along with increases in miscellaneous fees related to conduit debt refinancing and remarketing (\$174,500).

Total general fund expenditures decreased \$5,949,800 or (10.1%) over the prior year. Key elements of this change were decreases in general government type expenditures related to municipal court detention fees (\$414,022), costs for incurred but not reported (IBNR) health care claims (\$2,119,487), and a decrease in services provided by building and maintenance division (\$290,850). The parks, recreation and cultural affairs type expenditures contributed to the overall decrease in general fund expenditures due to a decline in special events hosted at the civic center during FY2017 (\$169,700) and the police operations contributed to the decrease mainly due to reductions in operating costs including fuel and maintenance (\$295,914) and decreases in non-capital equipment purchases (\$869,642).

Total incoming transfers decreased by \$3,280,671 or (33.2%) due to a decrease in the transfer from the governmental capital projects fund (\$3,000,000) and a decrease in dividends transferred from the electric utility (\$342,602) caused in part to an increase in purchased power and fuel costs in the year that the current dividend is based upon (FY2015).

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. GRT revenues in both GRT funds, GRT streets (\$459,928) and GRT parks (\$153,309), decreased in FY2017 when compared to the prior year. This corresponds with the decrease in GRT revenues in the general fund.

Total revenues in the nonmajor governmental funds increased \$6,690,807 or (65.3%) due mainly to the reclassification of the GRT Streets fund from a major fund in FY2016 to a nonmajor fund in FY2017. Total revenue for the GRT Streets fund in FY2017 was \$8,145,931. Other factors related to the overall increase in nonmajor governmental funds resulted from decreases in lodgers' taxes and convention center fees collected in FY2017 (\$318,867), reduction in state funding for public works projects, specifically the Porter Arroyo Detention Pond (\$504,000), federal grants for public works bridge project (\$83,764), state funding for community development projects including Transportation Alternative Projects and Safe Routes to School (\$166,246), federal grants related to the Red Apple Transit (\$382,305), state grants for Red Apple Transit (\$66,411), and reductions in federal (\$46,311) and state (\$92,087) grants for the airport.

Expenditures in the governmental funds (not including the general fund) decreased \$1,607,076 or (6.4%) during FY2017 as a result of conservative capital purchases and reduced capital projects planning throughout the course of the year. Key elements of this decrease are related to lowered expenditures in the GRT street fund (\$700,418) including increases in construction (\$705,150) for the Calle Norte Trail reconstruction and Main/English intersection and decreases in street resurfacing (\$1,804,562). Expenditures decreased in the GRT Parks fund based on a reduction in non-capital hardware/software and operating supplies (\$256,570) and in capital outlay from prior year funding related to Beckland Hills and Foothills playground equipment (\$461,343). Increases in the GRT Parks fund were related to the purchase of the Kendrick Property (\$434,283). A decrease in capital outlay funding for the Red Apple Transit fund resulted from a prior year vehicle purchase (\$360,296), whereas no funds were expended for capital in the current fiscal year. The completion of the Joint Intervention Program (JIP) in FY2017 resulted in decreased expenditures in the CDBG fund (\$250,822) and Governmental Capital Projects fund (\$584,661). Expenditures in the Gross Receipts Tax Bond Projects fund increased (\$2,221,197) related to costs incurred for energy improvements funded by the new bond issue, Taxable Gross Receipts Tax Qualified Energy Conservation Bonds, Series 2016A (QECB) and the related bond issuance costs (\$76,135). FY2017 expenditures, along with subsequent years' expenditures will be related to energy conservation and efficiency improvements to City owned facilities. The Governmental Capital Projects fund also contributed to the overall decrease in governmental funds expenditures due to a reduction in City fleet purchases in FY2017 (\$1,281,591), decreases in expenditures related to the Energy Savings Performance Audit as it neared completion (\$79,891), the completion of the MOC paving project (\$50,506), and completion of the sidewalk project at the Sports Complex/Baseball Fields. Increased expenditures in the Governmental Capital Projects fund were a result of costs incurred for the bathroom/locker-room remodel at the Police Administration facility (\$136,266) and an increase in expenditures related to the City Hall remodel project (\$220,450). Expenditures in the Convention Center Capital Projects fund increased (\$442,140) related to costs incurred for the Civic Center expansion and remodel project funded by the new bond issue, Gross Receipts Tax Civic Center Improvement Revenue Bonds, Series 2016 and the related bond issuance costs (\$115,542).

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 \$50,344,694 in the electric utility system, \$13,970,856 in the water utility system, \$10,629,245 in the wastewater

utility system, and \$1,645,942 in the sanitation utility. The total reduction in net position was \$981,140 in the electric fund and \$882,476 in the sanitation fund. Total growth in net position was \$4,782,889 in the water fund and \$2,180,797 in the wastewater fund.

Budgetary Highlights

Gross Receipts Tax (GRT) is the largest revenue source for the City of Farmington (City) General Fund. In FY2008, GRT was 88% of the total General Fund revenue. This percentage, however, has dropped significantly over the last 9 years. In FY2017, only 68% (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 FY2017, the electric dividend comprised 9.6%, or \$5.3 million, of the General Fund revenue. Also in FY2011, and later revised in FY2016, 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. In previous years, this policy proved to be significant to the balancing of the City's budget. In FY2017, however, this was not a viable revenue source. The General Fund cash level had dropped below the reserve amount requiring the General Fund budget to be balanced by cash reserves.

The budget for FY2017 predicted a 1.8% increase in GRT revenue. This conservative yet optimistic forecast for Farmington's economy in FY2017 was based on several factors. The history of Farmington's economy was a large factor in the GRT projection for FY2017. In FY2010, GRT plummeted 17.3%, which had a financial effect of almost \$7.4 million less revenue dollars than the previous year. FY2011 and FY2012 showed slight improvement with a 4.0% 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). GRT slowly climbed 1.8% in FY2014 and 5.7% in FY2015. FY2016 and FY2017 continued the roller coaster ride with a 3.0% and a 5.8% dip in GRT, proving the economy had not fully recovered. As of FY2017, GRT levels still remain at 11.48% below the City's historically highest GRT in FY2009.

Another factor relates to the importance of the natural gas and oil production industry to the City of Farmington. Natural gas and oil production are among the leading industries supporting Farmington and this industry has been struggling, not only locally but nationally and internationally as well. Prior to 2017, natural gas and oil prices dropped significantly forcing companies to decommission rigs, sharply cut investments and lay off thousands of skilled employees nationwide. In 2012, natural gas markets became saturated with supply stifling production and resulted 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. For years 2016 and 2017, there were signs of recovery, however, nowhere near the boom days of 2008.

Once trading over \$100 per barrel, oil prices currently trade around \$48 per barrel but dipped below \$40/barrel in December 2015. Although there are many factors to the 50+% decrease in oil prices, the overall reason for the oil bust can be explained using the simple economics of supply and demand. The boom and bust of the oil industry must be viewed on an international level as opposed to local level. In 2016, efforts were made by OPEC to flood the marketplace. This increase in supply drove the price of oil downward. On November 2016, OPEC agreed to a historic deal to alleviate the supply glut and attempt to stabilize the market price. This deal was eventually extended in May 2017 reducing output by 1.8 million bpd until March 2018. Although the market price of oil has increased, the result of the deal is leading to slower than expected market rebounding. US companies, through the use of new, innovative technologies and reduction in skilled staff and capital investment, have learned to operate on \$50 per barrel and have begun to increase drilling again. In addition, Nigeria and Libya, which are exempt from the OPEC deal, have been increasing output. Overall, 2017 prices are higher than 2016 prices, but analysts predict it will be years, if at all, until the days of \$100 per barrel will be seen again.

Natural Gas is benefiting from the advancement of technology within the industry. The development of hydraulic fracturing or “fracking” has increased supply of a potentially inexpensive new fuel source for energy consumers. Unfortunately, demand, coupled with warmer temperatures, did not keep pace with the increasing supply. This resulted in a decrease in natural gas prices. Recently, however, as a result of a 2016 December cold blast coupled with slowing output, the natural gas industry has made a dramatic turnaround. Natural gas ended 2016 just below \$4.00 per MMBtu, the best in many years.

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. Once having experienced unemployment rates of 4-5%, the average unemployment rate for Farmington was 8.7% for FY2017. 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 other employment. According to the USA Today article dated April 8, 2016, “America’s Fastest Shrinking Cities”, Farmington (MSA) population shrank 8.8% from 2010 to 2015 and was among the highest outward migration in the nation.

On the expenditure side, the original General Fund budget of \$64,079,712 was decreased to \$59,154,665 during FY2017. The \$4.9 million difference is comprised of several adjustments. The largest General Fund expenditure budget adjustment was related to the cash reserve transfer. In FY2011, 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. In FY2016, the Cash Reserve Policy was revised to 16.7% of the current expenditure budget from the 20.8%. The total FY2016 cash reserve transfer was originally budgeted at an estimated \$3.0 million. Once the FY2016 final cash balance was determined, there were no funds available to transfer to the General Governmental Capital Projects Fund for FY2017 and an adjustment was made to reflect the unrealized reduction in revenue. Operating and capital expenditures were adjusted to

reflect the reduction of anticipated revenue accordingly. The remaining General Fund adjustments reflected grants received during the fiscal year.

During the year, four separate budget revisions were presented to Council for approval to adjust the original FY2017 expenditure budget. For the City as a whole, these adjustments totaled \$15,257,337 and equaled 5.6% 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, and enterprise funds. Additional grant funds were received during FY2017 for library, parks, police and fire operations resulting in an increase in expenditures relative to the increase in revenue. Large adjustments include a budget decrease as a result of the elimination of monies transferred in accordance with the Cash Reserve Transfer Policy to the General Fund from the General Governmental Capital Projects Fund. Various other budget adjustments were made to establish capital project budgets in the General Governmental Capital Projects Fund. The airport capital project was placed on hold until FY2018. As a result, the related budget was adjusted to reflect true capital intentions. Budget adjustments were also made to reflect the construction budgets of two separate bond issuances received. Finally, the Wastewater Enterprise Fund required a budget increase to reflect the construction costs of the \$22 million MRAS Water Treatment Plant construction.

In FY2017 for the City as a whole, capital expenditures were more than the previous year by \$12.2 million or 23.2%. The majority of the increase in capital expenditures made in FY2017, \$11.4 million or 93.9%, were attributable to the construction of the MRAS Water Treatment Plant. The Electric Fund has been using cash reserves to make large improvements in the Electric infrastructure. FY2017 Electric Fund capital expenditures were \$23.5 million, up \$2.9 million or 12.4% from FY2016 capital expenditures of \$20.6 million.

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, 2017, was \$523,595,934 (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 \$414,915,469 or 79.2% 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 \$31,945,536 or 8.3%. The governmental activities investment in capital assets accounted for \$108,680,465 or 20.8% of all capital assets owned by the City. The total change in governmental activities investment in capital assets was a decrease for the current fiscal year (\$5,946,442) or (5.2%).

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	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Land	\$ 30,215,043	\$ 29,695,641	\$ 4,053,642	\$ 3,884,334	\$ 34,268,685	\$ 33,579,975
Land rights	-	-	2,198,620	2,218,772	2,198,620	2,218,772
Buildings	35,386,439	32,202,429	51,008,949	54,033,945	86,395,388	86,236,374
Improvements	9,967,457	11,444,421	107,163,870	101,111,051	117,131,327	112,555,472
Equipment	8,149,728	9,167,451	166,720,251	165,545,320	174,869,979	174,712,771
Infrastructure	17,548,303	17,432,511	-	-	17,548,303	17,432,511
Construction in progress	7,413,495	14,684,454	83,770,137	56,176,511	91,183,632	70,860,965
Total	\$ 108,680,465	\$ 114,626,907	\$ 414,915,469	\$ 382,969,933	\$ 523,595,934	\$ 497,596,840

Capital expenditures for the electric utility system will average approximately \$39,262,273 per year over the next five fiscal years. Some large projects included in the FY2018 capital budget are distribution upgrades (\$1,650,000), customer work order system (\$2,750,040), metering upgrades (\$970,000), new Cottonwood substation (\$4,379,710), new Twin Peaks substation (\$5,181,324), and a new T-1 line (\$1,300,000). The City expects to fund these projects from electric customer-generated revenues.

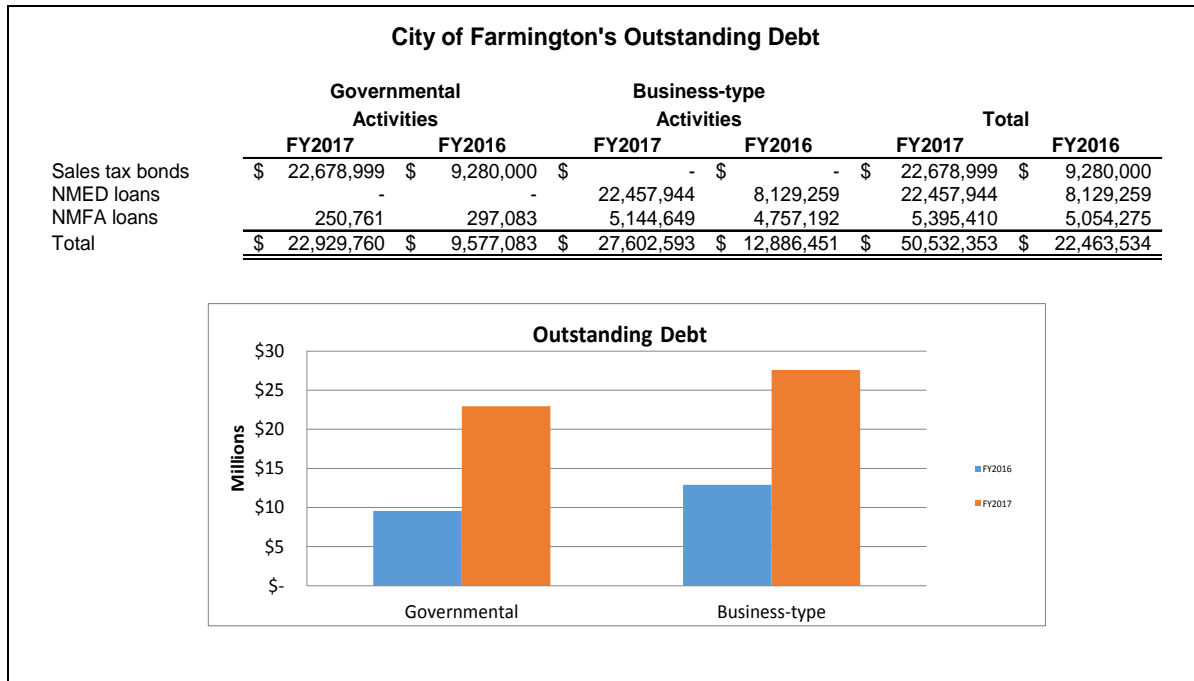
Capital expenditures for the water utility system scheduled in the current five-year capital improvements plan principally include upgrades and replacements of existing facilities to maintain the existing system and meet future demand requirements. Capital expenditures average \$11,755,000 per year, totaling \$58,775,000 for fiscal years 2018 through 2022. The FY2018 capital budget includes the NMFA-2P waterline replacement – phase 1 (\$1,900,000) and phase 2 (\$3,600,000). It also includes the 4P pump station replacement (\$1,000,000).

Capital expenditures scheduled for the wastewater utility system in FY2018 include lift station upgrades (\$750,000) and the expansion of the Wastewater Treatment Plant (\$11,000,000).

Additional information on the City of Farmington’s capital assets can be found in Note IV.C on pages 42-43 of this report.

Long-term debt. At the end of the current fiscal year, the City of Farmington had total bonded debt outstanding of \$22,678,999, 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 increased \$28,068,819 or 125% during FY2017. This increase was a result of two new bond issuances the City entered into through New Mexico Finance Authority loans in FY2017. The new issues are for \$10,165,000 in Gross

Receipts Tax Civic Center Improvement Revenue Bonds and \$4,743,999 in Taxable Gross Receipts Tax Qualified Energy Conservation Bonds. For additional bond information, reference pages 46-47 of this report.



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 2017 assessed valuation of \$1,152,631,914, the City’s general obligation debt limit is \$46,105,277. The City presently has no general obligation bonds outstanding. For more detailed information on the City’s debt, see pages 46-49 in the Notes to the Financial Statements.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

**BASIC FINANCIAL
STATEMENTS**

CITY OF FARMINGTON, NEW MEXICO
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 37,448,781	\$ 80,692,866	\$ 118,141,647
Receivables (net, where applicable, of allowances for uncollectibles):	750,086	7,193,391	7,943,477
Accrued unbilled revenues	-	7,036,570	7,036,570
Intergovernmental receivable	13,051,988	-	13,051,988
Regulatory Asset	-	5,059,341	5,059,341
Internal balances	(1,100,000)	1,100,000	-
Inventories	162,868	7,147,174	7,310,042
Prepays	368,863	132,432	501,295
Restricted assets			
Temporarily restricted:			
Cash and cash equivalents	-	7,036,617	7,036,617
Capital assets (not being depreciated):			
Land	30,215,043	4,053,642	34,268,685
Construction in progress	7,413,495	83,770,137	91,183,632
Capital assets (net of accumulated depreciation):			
Land rights	-	2,198,620	2,198,620
Buildings	35,386,439	51,008,949	86,395,388
Improvements other than buildings	9,967,457	107,163,870	117,131,327
Equipment	8,149,728	166,720,251	174,869,979
Infrastructure	17,548,303	-	17,548,303
Total assets	<u>159,363,051</u>	<u>530,313,860</u>	<u>689,676,911</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension	27,584,055	7,870,679	35,454,734
LIABILITIES			
Accounts payable and other current liabilities	1,974,589	7,291,542	9,266,131
Wages and benefits payable	851,116	324,846	1,175,962
Other accrued liabilities	252,261	1,262,843	1,515,104
Accrued claims liabilities	-	189,000	189,000
Retainage deposits payable	60,206	-	60,206
Accrued interest payable	66,248	-	66,248
Customer deposits	-	2,982,953	2,982,953
Coal reclamation liability	-	2,391,757	2,391,757
Non-current liabilities:			
Due within one year	4,655,334	1,620,075	6,275,409
Due in more than one year	25,954,864	27,162,601	53,117,465
Net pension liability	86,267,775	22,622,492	108,890,267
Total liabilities	<u>120,082,393</u>	<u>65,848,109</u>	<u>185,930,502</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension	1,448,990	472,280	1,921,270
Deferred inflows from regulatory activity	-	6,298,631	6,298,631
Total deferred inflows of resources	<u>1,448,990</u>	<u>6,770,911</u>	<u>8,219,901</u>
NET POSITION			
Net investment in capital assets	100,348,301	387,312,875	487,661,176
Restricted for:			
Fire	272,917	-	272,917
Lodgers promotion	1,817,747	-	1,817,747
Capital projects	16,595,119	-	16,595,119
Debt service	269,047	1,661,907	1,930,954
Unrestricted (deficit)	(53,887,408)	76,590,737	22,703,329
Total net position	<u>\$ 65,415,723</u>	<u>\$ 465,565,519</u>	<u>\$ 530,981,242</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, 2017

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	\$ 28,889,926	\$ 5,744,673	\$ 3,094,147	\$ 235,692	\$ (19,815,414)	\$ -	\$ (19,815,414)
Police	19,782,931	937,351	813,478	-	(18,032,102)	-	(18,032,102)
Fire	12,000,794	-	845,372	-	(11,155,422)	-	(11,155,422)
Parks, recreation, cultural affairs	17,390,900	2,257,877	140,648	-	(14,992,375)	-	(14,992,375)
Public works	11,930,760	21,467	549,822	416,238	(10,943,233)	-	(10,943,233)
Interest on long-term debt	590,502	-	-	-	(590,502)	-	(590,502)
Total governmental activities	90,585,813	8,961,368	5,443,467	651,930	(75,529,048)	-	(75,529,048)
Business-type activities:							
Electric	90,838,532	93,276,798	-	1,464,161	-	3,902,427	3,902,427
Water	12,304,070	17,580,790	260,919	-	-	5,537,639	5,537,639
Wastewater	6,969,969	8,326,736	-	-	-	1,356,767	1,356,767
Sanitation	5,412,808	5,714,492	-	-	-	301,684	301,684
Total business-type activities	115,525,379	124,898,816	260,919	1,464,161	-	11,098,517	11,098,517
Total government	\$ 206,111,192	\$ 133,860,184	\$ 5,704,386	\$ 2,116,091	(75,529,048)	11,098,517	(64,430,531)
General revenues:							
Property taxes					1,991,521	-	1,991,521
Sales taxes					48,512,535	-	48,512,535
Franchise taxes					2,594,535	-	2,594,535
Gasoline taxes					472,136	-	472,136
Lodgers' taxes					1,900,073	-	1,900,073
Environmental taxes					-	1,174,658	1,174,658
Miscellaneous					1,163,081	-	1,163,081
Unrestricted investment earnings					245,430	643,771	889,201
Transfers					7,816,876	(7,816,876)	-
Total general revenues and transfers					64,696,187	(5,998,447)	58,697,740
Change in net position					(10,832,861)	5,100,070	(5,732,791)
Net position - beginning					76,248,584	460,465,449	536,714,033
Net position - ending					\$ 65,415,723	\$ 465,565,519	\$ 530,981,242

CITY OF FARMINGTON, NEW MEXICO

Balance Sheet

Governmental Funds

June 30, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental funds</u>
ASSETS:			
Cash and investments	\$ 8,919,261	\$ 25,902,441	\$ 34,821,702
Receivables (net, where applicable, of allowances for uncollectibles)	419,304	74,565	493,869
Due from other funds	122,380	341	122,721
Inventories, at cost	162,868	-	162,868
Prepaid items	356,347	12,516	368,863
Intergovernmental	9,932,871	3,119,117	13,051,988
Total assets	<u>\$ 19,913,031</u>	<u>\$ 29,108,980</u>	<u>\$ 49,022,011</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 400,293	\$ 1,574,296	\$ 1,974,589
Wages and benefits payable	800,572	50,544	851,116
Other accrued liabilities	42,070	-	42,070
Accrued claims payable	1,863,933	-	1,863,933
Retainage/deposits payable	60,206	-	60,206
Due to other funds	-	122,721	122,721
Advance from other funds	-	1,100,000	1,100,000
Total liabilities	<u>3,167,074</u>	<u>2,847,561</u>	<u>6,014,635</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	<u>2,103,439</u>	<u>-</u>	<u>2,103,439</u>
FUND BALANCES:			
Nonspendable:			
Inventories and prepaids	519,215	12,516	531,731
Restricted to:			
Fire	-	272,917	272,917
Lodgers' promotion	-	1,817,747	1,817,747
Capital projects	30,215	16,564,904	16,595,119
Debt service	-	269,047	269,047
Committed to:			
Police	-	132,381	132,381
Parks, recreation, cultural affairs	-	863,422	863,422
Public works	-	5,232,094	5,232,094
Assigned to:			
Parks, recreation, cultural affairs	-	484,185	484,185
Library	-	295,935	295,935
Community development	-	178,003	178,003
Capital projects	-	1,238,609	1,238,609
Unassigned	<u>14,093,088</u>	<u>(1,100,341)</u>	<u>12,992,747</u>
Total fund balances	<u>14,642,518</u>	<u>26,261,419</u>	<u>40,903,937</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,913,031</u>	<u>\$ 29,108,980</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.	108,680,465
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,103,439
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.	1,947,561
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(28,086,969)
Net pension liability	(86,267,775)
Deferred outflows from pension	27,584,055
Deferred inflows from pension	(1,448,990)
Net position of governmental activities	<u>\$ 65,415,723</u>

CITY OF FARMINGTON, NEW MEXICO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes:			
Property	\$ 1,925,009	\$ -	\$ 1,925,009
Gross receipts tax	39,114,767	9,397,768	48,512,535
Franchise taxes	2,594,535	-	2,594,535
Gasoline taxes	-	472,136	472,136
Lodgers' taxes/fees	-	1,900,073	1,900,073
Licenses and permits	558,078	5,399	563,477
Intergovernmental:			
Federal	359,611	2,301,372	2,660,983
State	157,605	2,002,525	2,160,130
Other	1,183,605	90,679	1,274,284
Charges for services	2,719,667	243,704	2,963,371
Fines	772,435	112,058	884,493
Investment earnings	65,703	162,613	228,316
Miscellaneous	908,825	254,224	1,163,049
Total revenues	<u>50,359,840</u>	<u>16,942,551</u>	<u>67,302,391</u>
EXPENDITURES:			
Current:			
General government	17,252,844	4,105,071	21,357,915
Police	16,137,497	928,454	17,065,951
Fire	8,925,289	400,729	9,326,018
Parks, recreation, and cultural affairs	10,241,395	3,640,398	13,881,793
Public works	342,618	6,423,935	6,766,553
Airport	-	2,375	2,375
Bond issuance costs	-	191,677	191,677
Debt service:			
Principal	-	1,556,322	1,556,322
Interest	-	547,468	547,468
Capital outlay:			
General government	-	534,326	534,326
Police	-	180,160	180,160
Fire	-	131,850	131,850
Parks, recreation, and cultural affairs	-	1,342,909	1,342,909
Airport	-	238,888	238,888
Highways and streets	-	3,166,398	3,166,398
Total expenditures	<u>52,899,643</u>	<u>23,390,960</u>	<u>76,290,603</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,539,803)</u>	<u>(6,448,409)</u>	<u>(8,988,212)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	6,616,876	5,029,334	11,646,210
Transfers out	(1,819,638)	(2,009,696)	(3,829,334)
Qualified Energy Conservation Bonds issued	-	4,743,999	4,743,999
QECCB transfer from Civic Center Bonds	-	1,176,858	1,176,858
Civic Center Improvement Bonds issued	-	10,165,000	10,165,000
Civic Center Improvement Bonds premium	-	1,260,619	1,260,619
Civic Center Bonds transfer to QECCB bonds	-	(1,176,858)	(1,176,858)
Total other financing sources (uses)	<u>4,797,238</u>	<u>19,189,256</u>	<u>23,986,494</u>
Net change in fund balances	2,257,435	12,740,847	14,998,282
Fund balances-beginning	<u>12,385,083</u>	<u>13,520,572</u>	<u>25,905,655</u>
Fund balances-ending	<u>\$ 14,642,518</u>	<u>\$ 26,261,419</u>	<u>\$ 40,903,937</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, 2017

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)	\$ 14,998,282
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.	(5,946,442)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	66,512
The issuance of long-term debt (e.g. bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, 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.	(14,538,345)
The net revenue/expense of certain activities of internal services funds is reported with governmental activities.	470,005
Net effect of pension entries on the statement of activities	<u>(5,882,873)</u>
Change in net position of governmental activities (page 20)	<u>\$ (10,832,861)</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property	\$ 1,842,172	\$ 1,842,172	\$ 1,927,078	\$ 84,906
Gross receipts tax	40,422,257	40,422,257	38,009,762	(2,412,495)
Franchise taxes	2,447,376	2,447,376	2,586,447	139,071
Licenses and permits	600,250	600,250	535,144	(65,106)
Intergovernmental:				
Federal	121,643	271,239	317,328	46,089
State	14,591	56,602	92,902	36,300
Other	1,245,684	1,256,208	1,158,378	(97,830)
Charges for services	3,276,727	3,276,727	2,710,106	(566,621)
Fines	1,090,000	1,090,000	765,739	(324,261)
Investment earnings	110,000	110,000	88,754	(21,246)
Miscellaneous	327,904	336,267	907,146	570,879
Total revenues	51,498,604	51,709,098	49,098,784	(2,610,314)
EXPENDITURES:				
Current:				
General government:				
Council	301,688	281,199	276,534	4,665
Municipal court	2,177,164	2,152,014	1,859,081	292,933
Administrative	10,007,232	9,346,430	9,893,264	(546,834)
Legal	848,205	830,865	687,859	143,006
Administrative services	709,925	662,887	592,694	70,193
General services	4,786,509	4,690,108	4,671,922	18,186
Community development	958,255	920,911	755,256	165,655
Total general government	19,788,978	18,884,414	18,736,610	147,804
Public safety:				
Police	18,009,959	17,365,340	16,186,344	1,178,996
Fire	9,214,295	9,138,812	8,912,928	225,884
Total public safety	27,224,254	26,504,152	25,099,272	1,404,880
Public works	834,460	790,534	337,847	452,687
Parks, recreation, and cultural affairs	11,455,930	11,155,927	10,279,999	875,928
Total expenditures	59,303,622	57,335,027	54,453,728	2,881,299
Excess (deficiency) of revenues over (under) expenditures	(7,805,018)	(5,625,929)	(5,354,944)	270,985
OTHER FINANCING SOURCES (USES):				
Transfers in	9,581,108	6,581,108	6,616,876	35,768
Transfers out	(4,776,090)	(1,819,638)	(1,819,638)	-
Total other financing sources (uses)	4,805,018	4,761,470	4,797,238	35,768
Net change in fund balances	(3,000,000)	(864,459)	(557,706)	\$ 306,753
ADJUSTMENTS TO GAAP:				
Change in receivables			(5,115)	
Change in intergovernmental			1,266,171	
Change in accrued payables			1,554,085	
			2,815,141	
GAAP BASIS CHANGE IN FUND BALANCES:				
			2,257,435	
Fund balances-beginning	12,385,083	12,385,083	12,385,083	
Fund balances-ending	\$ 9,385,083	\$ 11,520,624	\$ 14,642,518	

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, 2017

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 56,320,345	\$ 12,466,271	\$ 10,079,143	\$ 1,827,107	\$ 80,692,866
Accounts receivable (net of allowance for doubtful accounts)	3,412,404	1,787,933	1,725,157	267,897	7,193,391
Accrued unbilled revenues	5,286,370	1,106,949	404,802	238,449	7,036,570
Advance to other funds	1,100,000	-	-	-	1,100,000
Regulatory asset	5,059,341	-	-	-	5,059,341
Inventories	7,147,174	-	-	-	7,147,174
Prepaid items	116,511	9,619	6,302	-	132,432
Restricted cash, cash equivalents and investments	4,866,064	508,646	1,661,907	-	7,036,617
Total current assets	<u>83,308,209</u>	<u>15,879,418</u>	<u>13,877,311</u>	<u>2,333,453</u>	<u>115,398,391</u>
Noncurrent assets:					
Capital assets:					
Land and land rights	3,758,240	3,078,778	479,388	23,341	7,339,747
Building and system	73,133,518	14,028,074	24,306,649	80,323	111,548,564
Improvements other than buildings	84,296,097	70,404,324	19,259,643	-	173,960,064
Machinery and equipment	325,488,100	17,579,968	4,884,074	99,706	348,051,848
Construction in progress	56,967,571	5,921,261	20,881,305	-	83,770,137
Less accumulated depreciation	<u>(239,399,878)</u>	<u>(44,532,406)</u>	<u>(25,732,311)</u>	<u>(90,296)</u>	<u>(309,754,891)</u>
Total capital assets (net of accumulated depreciation)	<u>304,243,648</u>	<u>66,479,999</u>	<u>44,078,748</u>	<u>113,074</u>	<u>414,915,469</u>
Total noncurrent assets	<u>304,243,648</u>	<u>66,479,999</u>	<u>44,078,748</u>	<u>113,074</u>	<u>414,915,469</u>
Total assets	<u>387,551,857</u>	<u>82,359,417</u>	<u>57,956,059</u>	<u>2,446,527</u>	<u>530,313,860</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on pension	\$ 7,496,999	\$ 199,728	\$ 156,991	\$ 16,961	\$ 7,870,679
					\$ -

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, 2017

	Business-type Activities					Governmental Activities
	Enterprise Funds					
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Totals	Internal Service Fund
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 4,658,533	\$ 788,759	\$ 1,190,207	\$ 654,043	\$ 7,291,542	\$ -
Accrued liabilities	1,432,186	148,664	6,148	691	1,587,689	210,191
Compensated absences	631,494	15,504	15,504	-	662,502	-
Accrued claims payable	139,000	20,000	30,000	-	189,000	725,544
Customer deposits payable	2,474,307	508,646	-	-	2,982,953	-
Coal reclamation liability	2,391,757	-	-	-	2,391,757	-
NMED loan	-	-	730,393	-	730,393	-
NMFA loan	-	227,180	-	-	227,180	-
Total current liabilities	<u>11,727,277</u>	<u>1,708,753</u>	<u>1,972,252</u>	<u>654,734</u>	<u>16,063,016</u>	<u>935,735</u>
Noncurrent liabilities:						
Compensated absences	436,238	40,671	40,671	-	517,580	-
NMED loan	-	-	21,727,552	-	21,727,552	-
NMFA loan	-	4,917,469	-	-	4,917,469	-
Net Pension Liability	21,548,509	574,062	451,200	48,721	22,622,492	-
Total noncurrent liabilities	<u>21,984,747</u>	<u>5,532,202</u>	<u>22,219,423</u>	<u>48,721</u>	<u>49,785,093</u>	<u>-</u>
Total liabilities	<u>33,712,024</u>	<u>7,240,955</u>	<u>24,191,675</u>	<u>703,455</u>	<u>65,848,109</u>	<u>935,735</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred amount on pension	449,859	11,984	9,420	1,017	472,280	-
Deferred amount on regulatory activity	6,298,631	-	-	-	6,298,631	-
Total deferred inflows of resources	<u>6,748,490</u>	<u>11,984</u>	<u>9,420</u>	<u>1,017</u>	<u>6,770,911</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	304,243,648	61,335,350	21,620,803	113,074	387,312,875	-
Restricted for debt service	-	-	1,661,907	-	1,661,907	-
Unrestricted	50,344,694	13,970,856	10,629,245	1,645,942	76,590,737	1,947,561
Total net position	<u>\$ 354,588,342</u>	<u>\$ 75,306,206</u>	<u>\$ 33,911,955</u>	<u>\$ 1,759,016</u>	<u>\$ 465,565,519</u>	<u>\$ 1,947,561</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, 2017

	Business-type Activities Enterprise Funds				Totals	Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation		
Operating revenues:						
Charges for sales and services:						
Electric	\$ 92,105,967	\$ -	\$ -	\$ -	\$ 92,105,967	\$ -
Water	-	17,548,908	-	-	17,548,908	-
Wastewater	-	-	8,324,239	-	8,324,239	-
Sanitation	-	-	-	5,602,253	5,602,253	-
Health	-	-	-	-	-	9,324,094
Other revenues	1,170,831	31,882	2,497	112,239	1,317,449	-
Total operating revenues	<u>93,276,798</u>	<u>17,580,790</u>	<u>8,326,736</u>	<u>5,714,492</u>	<u>124,898,816</u>	<u>9,324,094</u>
Operating expenses:						
Salaries and fringe benefits	16,336,706	800,267	546,223	12,755	17,695,951	-
Purchased power, fuel and chemicals	38,096,049	-	-	-	38,096,049	-
Other operating expenses	18,187,112	8,745,372	4,744,548	5,393,403	37,070,435	8,871,235
Depreciation and amortization	18,218,665	2,673,087	1,435,320	6,650	22,333,722	-
Total operating expenses	<u>90,838,532</u>	<u>12,218,726</u>	<u>6,726,091</u>	<u>5,412,808</u>	<u>115,196,157</u>	<u>8,871,235</u>
Operating income (loss)	<u>2,438,266</u>	<u>5,362,064</u>	<u>1,600,645</u>	<u>301,684</u>	<u>9,702,659</u>	<u>452,859</u>
Nonoperating revenues (expenses):						
Intergovernmental-environmental tax	-	-	1,174,658	-	1,174,658	-
Investment earnings	456,241	110,540	61,150	15,840	643,771	17,146
Revenue from grants	-	260,919	-	-	260,919	-
Interest expense	-	(85,344)	(243,878)	-	(329,222)	-
Total nonoperating revenues (expenses)	<u>456,241</u>	<u>286,115</u>	<u>991,930</u>	<u>15,840</u>	<u>1,750,126</u>	<u>17,146</u>
Income (loss) before transfers	2,894,507	5,648,179	2,592,575	317,524	11,452,785	470,005
Capital contributions	1,464,161	-	-	-	1,464,161	-
Transfers in	4,968	-	-	-	4,968	-
Transfers out	(5,344,776)	(865,290)	(411,778)	(1,200,000)	(7,821,844)	-
Change in net position	(981,140)	4,782,889	2,180,797	(882,476)	5,100,070	470,005
Net position - beginning	355,569,482	70,523,317	31,731,158	2,641,492	460,465,449	1,477,556
Net position - ending	<u>\$ 354,588,342</u>	<u>\$ 75,306,206</u>	<u>\$ 33,911,955</u>	<u>\$ 1,759,016</u>	<u>\$ 465,565,519</u>	<u>\$ 1,947,561</u>

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

(Continued)

CITY OF FARMINGTON, NEW MEXICO
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities				Totals	Governmental Activities Internal Service Fund
	Enterprise Funds					
	Electric Utility	Water Utility	Wastewater Utility	Sanitation		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers/users	\$ 101,735,312	\$ 17,034,608	\$ 7,254,748	\$ 5,780,476	\$ 131,805,144	\$ 9,846,336
Payments to suppliers	(53,912,568)	(9,235,728)	(3,721,949)	(5,408,711)	(72,278,956)	(9,031,581)
Payments to employees	(16,354,160)	(791,920)	(541,864)	(13,068)	(17,701,012)	-
Net cash provided (used) by operating activities	31,468,584	7,006,960	2,990,935	358,697	41,825,176	814,755
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer to other funds	(5,344,776)	(865,290)	(411,778)	(1,200,000)	(7,821,844)	-
Transfer from other funds	4,968	-	-	-	4,968	-
Grants-federal	-	260,919	-	-	260,919	-
Intergovernmental-environmental tax	-	-	1,174,658	-	1,174,658	-
Net cash provided (used) by noncapital financing activities	(5,339,808)	(604,371)	762,880	(1,200,000)	(6,381,299)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from capital debt	-	610,671	15,037,805	-	15,648,476	-
Capital contributions	1,464,161	-	-	-	1,464,161	-
Acquisition and construction of capital assets	(30,614,138)	(7,918,689)	(15,746,431)	-	(54,279,258)	-
Principal paid on capital debt	-	(223,214)	(709,119)	-	(932,333)	-
Interest paid on capital debt	-	(85,344)	(243,878)	-	(329,222)	-
Net cash used by capital and related financing activities	(29,149,977)	(7,616,576)	(1,661,623)	-	(38,428,176)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends received	456,241	110,540	61,150	15,840	643,771	17,146
Net increase (decrease) in cash and cash equivalents	(2,564,960)	(1,103,447)	2,153,342	(825,463)	(2,340,528)	831,901
Cash and cash equivalents - beginning	63,751,369	14,078,364	9,587,708	2,652,570	90,070,011	1,795,178
Cash and cash equivalents - ending	\$ 61,186,409	\$ 12,974,917	\$ 11,741,050	\$ 1,827,107	\$ 87,729,483	\$ 2,627,079

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, 2017

	Business-type Activities Enterprise Funds				Totals	Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation		
	\$ 2,438,266	\$ 5,362,064	\$ 1,600,645	\$ 301,684	\$ 9,702,659	\$ 452,859
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	18,218,665	2,673,087	1,435,320	6,650	22,333,722	-
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	1,390,907	(529,732)	(1,037,710)	54,471	(122,064)	522,242
Depreciation and amortization	684,052	(89,735)	(34,278)	11,513	571,552	-
(Increase) decrease in regulatory asset	3,015,214	-	-	-	3,015,214	-
(Increase) decrease in inventories	365,380	-	-	-	365,380	-
(Increase) decrease in prepaid items	8,620	5,234	16,679	-	30,533	-
(Increase) decrease in deferred outflow on pension	(6,368,994)	(172,669)	(136,757)	(11,964)	(6,690,384)	-
Increase (decrease) in other accrued expenses	(17,454)	8,347	4,359	(313)	(5,061)	-
Increase (decrease) in accrued claims payable	(57,000)	(15,000)	(10,000)	-	(82,000)	(160,346)
Increase (decrease) in customer deposits	324,797	73,285	-	-	398,082	-
Increase (decrease) in coal reclamation	1,052,153	-	-	-	1,052,153	-
Increase (decrease) in accounts payable	(1,031,055)	(591,728)	912,093	6,799	(703,891)	-
Increase (decrease) in net pension liability	8,292,357	279,397	236,678	(9,659)	8,798,773	-
Increase (decrease) in deferred inflow on pension	109,132	4,410	3,906	(484)	116,964	-
Increase (decrease) in deferred inflow on regulatory activity	3,043,544	-	-	-	3,043,544	-
Total adjustments	29,030,318	1,644,896	1,390,290	57,013	32,122,517	361,896
Net cash provided (used) by operating activities	\$ 31,468,584	\$ 7,006,960	\$ 2,990,935	\$ 358,697	\$ 41,825,176	\$ 814,755

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



NOTES TO FINANCIAL STATEMENTS

**NOTES TO THE
FINANCIAL STATEMENTS**

CITY OF FARMINGTON, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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 41,629 living within an area of 34.9 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, 2017.

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 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 fund:

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

The government reports the following major proprietary 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 of 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. There are no investments held in the State Treasurer's Investment Pool as of June 30, 2017.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Regulatory Activities

The City’s electric utility had incurred 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. This regulatory asset was \$5,059,341 as of June 30, 2017.

5. Restricted assets

Certain resources of enterprise funds are classified as restricted assets on the Statement of Net Position 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 acquisition 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 paid from the respective fund where the liability is incurred.

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 has recognized deferred outflows of resources for its FY2017 pension contributions.

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 reported the following in this category:

- In the governmental funds balance sheet, it has reported *unavailable revenue*. The unavailable revenue is from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.
- 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. At year end, the deferred inflow of resources recorded on the statement of net position related to the PCA was \$6,298,631.
- The City has recognized deferred inflows of resources for its pension liability based on actuarial valuation that was performed.

For additional pension information, refer to Note V.D.

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 \$20,616,737 as of June 30, 2017.

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, 2017, 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 and nonmajor governmental funds that have not been restricted, committed, or assigned to specific purposes within the general fund. The

General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

As of June 30, 2017, fund balances are composed of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Inventories/prepays	\$ 519,215	\$ 12,516	\$ 531,731
Restricted:			
Fire	-	272,917	272,917
Lodgers' promotion	-	1,817,747	1,817,747
Capital projects	30,215	16,564,904	16,595,119
Debt service	-	269,047	269,047
Committed:			
Police	-	132,381	132,381
Parks, rec, cultural affairs	-	863,422	863,422
Public works	-	5,232,094	5,232,094
Assigned:			
Parks, rec, cultural affairs	-	484,185	484,185
Library	-	295,935	295,935
Community development	-	178,003	178,003
Capital projects	-	1,238,609	1,238,609
Unassigned	14,093,088	(1,100,341)	12,992,747
Total fund balances	<u>\$ 14,642,518</u>	<u>\$ 26,261,419</u>	<u>\$ 40,903,937</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 \$28,086,969 difference are as follows:

Bond payable	\$ 22,678,999
Bond premium (to be amortized over the life of the debt)	1,675,554
Accrued interest payable	66,248
NMFA loan payable	250,761
Compensated absences payable	<u>3,415,407</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ 28,086,969</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balance-total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” Details of this (\$5,946,442) difference are as follows:

Capital outlay (includes loss on disposal of \$122,489)	\$ 3,342,097
Depreciation	<u>(9,288,539)</u>
Net adjustment to decrease <i>net changes in fund balance – total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u>\$ (5,946,442)</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 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 (\$14,538,345) are as follows:

Principal repayments	\$ 1,556,322
Debt issued	(14,908,999)
Bond premium (net of amortization of \$94,491)	(1,166,128)
Accrued interest	(43,034)
Compensated absences	<u>23,494</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>\$ (14,538,345)</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 \$470,005 difference are as follows:

Internal service charges for services and other non-operating revenue	\$ 9,341,240
Internal service operating expenses	<u>(8,871,235)</u>
Net adjustment to decrease <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 470,005</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, 2017:

General Fund	\$	121,272
Gross Receipts Tax Streets Fund		2,303,658
Gross Receipts Tax Parks Fund		28
Red Apple Grant Fund		6,306
CDBG Fund		13,485
Lodgers' Tax Fund		23,650
State Fire Grant Fund		674
Community Development Capital Projects Fund		22,437
General Government Capital Projects Fund		519,646
Electric Utility Fund		148,679
Water Utility Fund		2,612,877
Wastewater Utility Fund		1,497,458
Sanitation Fund		17,474
Total Encumbrances	\$	<u>7,287,644</u>

B. Excess of expenditures over appropriations

Expenditures for all funds were within budgeted appropriations for FY2017.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Cash and investments		
Governmental activities	\$	37,448,781
Business activities		80,692,866
Restricted cash and investments		
Business activities		7,036,617
Total cash and investments	\$	<u>125,178,264</u>

As of June 30, 2017, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Weighted Average Maturity (Years)</u>
Money markets	\$ 5,190,126	\$ 5,190,126	-	-	0.08
Certificates of deposit	49,000,000	49,000,000	-	-	1.18
Federal agency securities	<u>49,741,199</u>	<u>49,741,199</u>	-	-	<u>2.10</u>
Total Fair Value	\$ <u>103,931,325</u>	\$ <u>103,931,325</u>			
Portfolio weighted average maturity					<u>1.67</u>

Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities or offer same day liquidity at a price of par.

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). 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, 2017, with more than 5% of the total in securities of the federal agency securities. These investments represented 48% 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 money markets, certificates of deposits, and 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, 2017, the City was in compliance with state statute. The City's carrying amount of deposits as of June 30, 2017, was \$57,772,291 and the bank balance was \$59,488,402. Of the bank balance, \$1,000,000 was covered by federal depository insurance, \$46,638,129 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and \$11,850,273 was uninsured and 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, 2017, that are exposed to custodial credit risk.

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

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

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

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

B. Receivables

Receivables as of June 30, 2017, are as follows:

	<u>General</u>	<u>Nonmajor Govern- mental Funds</u>	<u>Enterprise</u>	<u>Internal Service Fund</u>	<u>Total</u>
Receivables:					
Accounts Receivable	\$ 419,304	\$ 74,565	\$ 7,734,639	\$ 256,217	\$ 8,484,725
Unbilled Revenue	-	-	7,036,570	-	7,036,570
Intergovernmental	<u>9,932,871</u>	<u>3,119,117</u>	<u>-</u>	<u>-</u>	<u>13,051,988</u>
Gross Receivables	10,352,175	3,193,682	14,771,209	256,217	28,573,283
Less: Allowance for					
Uncollectibles	<u>-</u>	<u>-</u>	<u>(541,248)</u>	<u>-</u>	<u>(541,248)</u>
Net Total Receivables:	\$ <u>10,352,175</u>	\$ <u>3,193,682</u>	\$ <u>14,229,961</u>	\$ <u>256,217</u>	\$ <u>28,032,035</u>

Intergovernmental receivables are made up of the following amounts in the general and special revenue funds: gross receipts taxes \$9,334,289, property taxes \$2,103,439, federal and state grants \$1,128,112, franchise taxes \$139,360, lodgers' taxes and fees \$308,416, and other taxes \$38,372.

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	\$ 77,207
Uncollectibles related to water sales	21,242
Uncollectibles related to wastewater charges	9,074
Uncollectibles related to sanitation charges	7,262
Total uncollectibles of the current fiscal year	<u>\$ 114,785</u>

C. Capital assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Governmental activities:				
Non-Depreciable Assets:				
Land	\$ 29,695,641	\$ 519,402	\$ -	\$ 30,215,043
Construction in progress	14,684,454	1,770,261	(9,041,220)	7,413,495
Total Non-Depreciable Assets	<u>44,380,095</u>	<u>2,289,663</u>	<u>(9,041,220)</u>	<u>37,628,538</u>
Depreciable Assets:				
Buildings	75,976,960	5,189,259	(426,042)	80,740,177
Improvements other than buildings	33,219,426	393,702	-	33,613,128
Equipment	35,752,562	1,310,951	(1,009,651)	36,053,862
Infrastructure	74,969,616	3,322,231	-	78,291,847
Total Depreciable Assets	<u>219,918,564</u>	<u>10,216,143</u>	<u>(1,435,693)</u>	<u>228,699,014</u>
Total Governmental Asset	<u>264,298,659</u>	<u>12,505,806</u>	<u>(10,476,913)</u>	<u>266,327,552</u>
Accumulated Depreciation:				
Buildings	(43,774,531)	(1,989,889)	410,682	(45,353,738)
Improvements other than buildings	(21,775,005)	(1,870,666)	-	(23,645,671)
Equipment	(26,585,111)	(2,221,545)	902,522	(27,904,134)
Infrastructure	(57,537,105)	(3,206,439)	-	(60,743,544)
Total Accumulated Depreciation	<u>(149,671,752)</u>	<u>(9,288,539)</u>	<u>1,313,204</u>	<u>(157,647,087)</u>
Net Governmental Assets	<u>\$ 114,626,907</u>	<u>\$ 3,217,267</u>	<u>\$ (9,163,709)</u>	<u>\$ 108,680,465</u>

Business-type activities:	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Non-Depreciable Assets:				
Land	\$ 3,884,334	\$ 169,308	\$ -	\$ 4,053,642
Construction in progress	56,176,511	53,141,701	(25,548,075)	83,770,137
Total Non-Depreciable Assets	60,060,845	53,311,009	(25,548,075)	87,823,779
Depreciable Assets:				
Land Rights	3,280,105	6,000	-	3,286,105
Buildings	111,522,629	25,935	-	111,548,564
*Improvements other than buildings	164,062,456	10,103,876	(206,268)	173,960,064
Equipment	336,681,666	12,587,672	(1,217,490)	348,051,848
Total Depreciable Assets	615,546,856	22,723,483	(1,423,758)	636,846,581
Total Business-type Assets	675,607,701	76,034,492	(26,971,833)	724,670,360
Accumulated Depreciation:				
Land rights	(1,061,333)	(26,152)	-	(1,087,485)
Buildings	(57,488,684)	(3,050,931)	-	(60,539,615)
*Improvements other than buildings	(62,951,405)	(4,876,738)	1,031,949	(66,796,194)
Equipment	(171,136,346)	(11,364,686)	1,169,435	(181,331,597)
Total Accumulated Depreciation	(292,637,768)	(19,318,507)	2,201,384	(309,754,891)
Net Business-type Assets	\$ 382,969,933	\$ 56,715,985	\$ (24,770,449)	\$ 414,915,469

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

Business-type Capital Assets – by fund

	Electric	Water	Wastewater	Sanitation
Land and Land Rights	\$ 3,758,240	\$ 3,078,778	\$ 479,388	\$ 23,341
Buildings and Structures	73,133,518	14,028,074	24,306,649	80,323
Improvements other than buildings	84,296,097	70,404,324	19,259,643	-
Equipment	325,488,100	17,579,968	4,884,074	99,706
Total	486,675,955	105,091,144	48,929,754	203,370
Less accumulated depreciation	(239,399,878)	(44,532,406)	(25,732,311)	(90,296)
Construction in progress	56,967,571	5,921,261	20,881,305	-
Net Enterprise Capital Assets	\$ 304,243,648	\$ 66,479,999	\$ 44,078,748	\$ 113,074

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

Governmental activities:

General government	\$ 893,590
Airport	1,129,424
Police	513,489
Fire	669,481
Parks, recreation, cultural affairs	2,142,928
Public works/Community development	285,817
Highways and streets	3,653,810
Total depreciation expense – governmental activities	\$ 9,288,539

Business-type activities:

Electric	\$ 15,203,450
Water	2,673,087
Wastewater	1,435,320
Sanitation	6,650
Total depreciation expense – business-type activities	\$ 19,318,507

D. Interfund receivables, payables and transfers

The composition of other accrued liabilities as of June 30, 2017, is as follows:

<u>Other Accrued Liabilities</u>	<u>Governmental Funds</u>
Taxes	\$ 10,092
Intergovernmental	16,608
Court collections	15,369
Miscellaneous insurance	210,192
	<u>\$ 252,261</u>

The composition of other accrued liabilities as of June 30, 2017, 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	\$ 310,143	\$ 7,898	\$ 6,148	\$ 657	\$ 324,846
Gross receipt taxes	422,603	126,102	-	34	548,739
Water conservation fee	-	14,664	-	-	14,664
Ad valorem taxes	422,500	-	-	-	422,500
Franchise taxes	211,794	-	-	-	211,794
Other PNM liabilities	32,025	-	-	-	32,025
Billed customer deposits	33,121	-	-	-	33,121
Total	<u>\$ 1,432,186</u>	<u>\$ 148,664</u>	<u>\$ 6,148</u>	<u>\$ 691</u>	<u>\$ 1,587,689</u>

The composition of interfund balances as of June 30, 2017, is as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Major Fund:		
General fund	\$ 122,380	\$ -
Nonmajor governmental funds:		
Convention Center Fees fund	341	-
General government grant fund	-	52,912
Region II Narcotics grant fund	-	53,179
COPS program grant fund	-	16,289
Convention Center Capital Projects fund	-	341
	<u>\$ 122,721</u>	<u>\$ 122,721</u>

Federal and state grants (e.g., General Government grants, Region II Narcotics grants, and COPS program 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.

The following interfund advance is expected to be repaid within one year from revenues:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric Utility Enterprise Fund	Convention Center Capital Project Fund	\$ 1,100,000

Receivable set up to reimburse Electric Utility Enterprise fund for purchasing of convention center property.

Interfund transfers for the year ended June 30, 2017, 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	\$ -	\$ 8,002
General fund – operating transfer to debt service fund	-	1,216,088
General fund – operating transfer to region II fund	-	30,000
General fund – operating transfer from electric/water/wastewater utility funds	6,616,876	-
General fund – operating transfer to red apple transit grant fund	-	421,625
General fund – operating transfer to general government grant fund	-	57,344
General fund – operating transfer to COPS program grant fund	-	86,579
GRT streets fund – operating transfer to capital projects fund	-	962,537
GRT streets fund – operating transfer to debt service fund	-	305,738
GRT streets fund – operating transfer from sanitation	1,200,000	-
Convention Center fees fund – operating transfer to Convention Center capital projects fund	-	108,005
Convention Center fees fund – operating transfer to debt service fund	-	471,210
Red apple transit – operating transfer from general fund	421,625	-
General government grant – operating transfer from general fund	57,344	-
Region II fund – matching funds for grant from general fund	30,000	-
COPS program grant fund – matching funds for grant from general fund	86,579	-
State fire grant fund – operating transfer to debt service fund	-	162,206
Governmental capital projects fund – operating transfer from GRT streets fund	962,537	-
Airport construction grant projects fund – operating transfer from general fund	8,002	-
Convention Center capital projects fund – operating transfer from Convention Center fees fund	108,005	-
Debt service fund – operating transfer from state fire grant fund	162,206	-
Debt service fund – operating transfer from GRT streets fund	305,738	-
Debt service fund – operating transfer from general fund	1,216,088	-
Debt service fund – operating transfer from Convention Center fees fund	471,210	-

Total governmental funds transfers \$ 11,646,210 \$ 3,829,334

Net governmental funds transfers **\$ 7,816,876**

Business-type funds

Electric utility fund – operating transfer to general fund	\$ -	\$ 5,344,776
Water utility fund – operating transfer to general fund	-	862,470
Wastewater utility fund – operating transfer to general fund	-	409,630
Water utility fund – operating transfer to electric utility fund	-	2,820
Wastewater utility fund – operating transfer to electric utility fund	-	2,148
Sanitation utility fund – operating transfer to GRT streets fund	-	1,200,000
Electric utility fund – operating transfer from water utility fund	2,820	-
Electric utility fund – operating transfer from wastewater utility fund	2,148	-

Total business-type funds transfers \$ 4,968 7,821,844

Net business-type transfers **\$ 7,816,876**

Government-wide Financial Statements – Transfers

	<u>In</u>	<u>Out</u>
Net governmental and business-type transfers	7,816,876	7,816,876
	\$ 7,816,876	\$ 7,816,876

E. Leases

Operating Leases

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

<u>Year Ending</u>	<u>Amount</u>
2018	83,881
2019	20,970
	<u>\$ 104,851</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, 2017, 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 were 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. By the end of FY2017, all improvements and remaining projects for Fire Station #1 and various drainage projects were completed.

In December 2016, the City entered into a loan agreement with the New Mexico Finance Authority (NMFA Loan 3616-PP) for the issuance of \$10,165,000 for Gross Receipts Tax Civic Center Improvement Revenue Bonds, Series 2016. A transfer in the amount of \$1,176,858 was disbursed from this account to NMFA Loan 3617-PP to be used for energy upgrades at the Civic Center. The bonds were purchased at a premium of \$1,260,619. The balance of the proceeds after paying costs of issuance and NMFA's processing fees are to be used for the purpose of improving, equipping, furnishing, and rehabilitating the City's convention center.

In December 2016, the City entered into an additional loan agreement with the New Mexico Finance Authority (NMFA Loan 3617-PP) for the issuance of \$4,743,999 in Taxable Gross Receipts Tax Qualified Energy Conservation Bonds, Series 2016A (QECB). Additional funds in the amount of \$1,176,858 were transferred from NMFA Loan 3616-PP. This transfer, along with the balance of the proceeds after paying costs of issuance and NMFA's processing fees are to be used for acquiring, constructing, and equipping energy conservation and efficiency improvements within the City. The City will receive a tax-credit subsidy semi-annually after filing form 8038-CP with the Internal

Revenue Service. The payment received will reduce the City's portion of the interest expense due on the loan.

Revenue bonds outstanding as of June 30, 2017, are as follows:

Governmental Activities	<u>Interest Rates</u>		<u>General Govt.</u>
2005 Sales Tax Bonds	4.00%	\$	1,020,000
2012 Sales Tax Bonds	1.50 – 5.00%		6,995,000
2016 Qual Energy Cons Bonds	1.27 – 3.19%		4,743,999
2016 Civic Center Impr Bonds	3.00 – 5.00%		9,920,000
Total		\$	<u><u>22,678,999</u></u>

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

<u>Year Ending June 30</u>	General Govt.	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,808,934	\$ 872,872
2019	1,872,413	807,993
2020	1,611,519	754,699
2021	1,546,164	710,554
2022	1,621,401	642,317
2023-2027	5,376,545	2,447,147
2028-2032	3,792,023	1,701,293
2033-2037	2,530,000	1,021,500
2038-2041	2,520,000	322,500
Total	\$ <u><u>22,678,999</u></u>	\$ <u><u>9,280,875</u></u>

For governmental fund types, bond issuance costs are recognized in the current period. Bond proceeds, bond premiums, and bond discounts are reported as other financing sources (uses). Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

New Mexico Finance Authority – 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 pumpers. The NMFA loan repayment schedule is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 47,355	\$ 7,851
2019	48,576	6,629
2020	49,980	5,225
2021	51,550	3,656
2022	53,300	1,903
Total	\$ <u><u>250,761</u></u>	\$ <u><u>25,264</u></u>

New Mexico Environment Department Loan – Wastewater Treatment Plant Expansion. 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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 730,393	\$ 222,604
2019	752,305	200,692
2020	774,874	178,123
2021	798,120	154,877
2022	822,064	130,934
2023-2026	3,542,383	269,605
Total	\$ 7,420,139	\$ 1,156,835

New Mexico Environment Department Loan – Wastewater Treatment Facility Improvement. In FY2015, the City entered into a loan agreement with the New Mexico Environment Department (NMED) for \$14 million to improve the City’s existing Wastewater Treatment Facility. In FY2016 the agreement was amended to increase the loan to \$22 million with a 3% annual percentage rate. Construction at the facility began in FY2017 and according to the amended agreement, construction is to be completed by July 31, 2019. Repayment of the loan will begin no later than one year after the completion of the project and will be paid over 20 years with an annual payment of \$1,478,746.

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 loan 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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>
2018	\$ 50,350	\$ 6,079	\$ 2,026
2019	50,853	5,701	1,900
2020	51,362	5,319	1,773
2021	51,875	4,934	1,645
2022	52,394	4,545	1,515
2023-2027	269,936	16,753	5,585
2028-2032	283,705	6,426	2,142
Total	\$ 810,475	\$ 49,757	\$ 16,586

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) to replace and upgrade water meters and any ancillary equipment for meter reading in the City’s water utility system. Upon project completion in August 2015, the total project cost was \$5,412,414, which was less than the original amount of \$5,959,000 that was approved to be used for the project. Of the final amount, 25% of the total would be forgiven and the amount to be repaid is \$4,059,311 with a 2% interest rate (includes .025% for administrative fees).

The NMFA loan repayment schedule for the Water Meter Replacement project is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>
2018	\$ 176,830	\$ 65,161	\$ 9,309
2019	180,366	62,067	8,867
2020	183,973	58,910	8,416
2021	187,653	55,691	7,956
2022	191,406	52,407	7,487
2023-2027	1,016,006	210,431	30,061
2028-2032	1,121,753	117,902	16,843
2033-2035	665,516	22,362	3,194
Total	\$ 3,723,503	\$ 644,931	\$ 92,133

New Mexico Finance Authority Loan – 2P Waterline Replacement Phase I. In August 2016, the City entered into a loan and subsidy agreement with the New Mexico Finance Authority (NMFA) for \$3,232,000 for improving the City's water utility system for the 2P waterline. The 2P waterline project has been divided into three phases and each phase will have a separate loan from NMFA. As part of the agreement, 25% of the principal total will be forgiven and an interest rate of 2% (which includes an Administrative Fee). Construction began at the end of FY2017 and must be completed in 2 years.

New Mexico Finance Authority Loan – 2P Waterline Replacement Phase II. In June 2017, the City entered in to a loan and subsidy agreement with the New Mexico Finance Authority (NMFA) for \$3,595,600 for improving the City's water utility system for the 2P waterline. Phase II will consist of replacing approximately 2.3 miles of waterlines for the 2P waterline replacement project. The agreement states a forgiveness of principal of 25% and an interest rate of 2% (which includes an Administrative Fee). At the end of FY2017 construction on this phase of the project had not begun but construction must be completed in 2 years.

Changes in Long-term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>					
Bonds payable:					
2005 Sales tax revenue bonds	\$ 1,500,000	\$ -	\$ (480,000)	\$ 1,020,000	\$ 500,000
2012 Sales tax revenue bonds	7,780,000	-	(785,000)	6,995,000	805,000
2016 Qualified Energy Conserv. bonds	-	4,743,999	-	4,743,999	273,934
2016 Civic Center Improvement bonds	-	10,165,000	(245,000)	9,920,000	230,000
Premium on bonds-2012 bonds	509,426	-	(64,476)	444,950	64,476
Premium on bonds-2016 Civic Center	-	1,260,619	(30,015)	1,230,604	51,454
Total Bonds payable	9,789,426	16,169,618	(1,604,491)	24,354,553	1,924,864
NMFA Fire Pumper Loan	297,083	-	(46,322)	250,761	47,355
Claims and judgments	4,002,307	6,478,704	(7,891,534)	2,589,477	2,512,345
Compensated absences	3,438,901	1,973,703	(1,997,197)	3,415,407	170,770
Net pension liability	60,455,945	25,811,830	-	86,267,775	-
Total long-term liabilities					
Governmental activities	\$ 77,983,662	\$ 50,433,855	\$ (11,539,544)	\$ 116,877,973	\$ 4,655,334
<u>Business-type activities:</u>					
NMED loan	\$ 8,129,259	\$ -	\$ (709,120)	\$ 7,420,139	\$ 730,393
NMED loan-2016 WWTP improvements	-	15,037,805	-	15,037,805	-
NMFA loan-Animas Waterline	860,326	-	(49,851)	810,475	50,350
NMFA loan-Meter Replacement	3,896,866	-	(173,363)	3,723,503	176,830
NMFA loan-2P Waterline Phase I	-	610,671	-	610,671	-
Compensated absences	1,128,030	714,555	(662,502)	1,180,083	662,502
Net pension liability	13,823,719	8,798,773	-	22,622,492	-
Total long-term liabilities					
Net Business-type Capital Assets	\$ 27,838,200	\$ 25,161,804	\$ (1,594,836)	\$ 51,405,168	\$ 1,620,075

The liabilities for compensated absences and for claims and judgments will be liquidated by the respective fund where the liabilities were incurred.

G. Restricted Assets

The following is a summary of restricted assets as of June 30, 2017:

Business-Type Activities

	<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	2,391,757	-	-	2,391,757
Customer deposits/overpayments	2,474,307	508,646	-	2,982,953
	<u>\$ 4,866,064</u>	<u>\$ 508,646</u>	<u>\$ 1,661,907</u>	<u>\$ 7,036,617</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 \$550,000.

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:

	FY2016		FY2017	
	<u>Health</u>	<u>Risk Mgmt</u>	<u>Health</u>	<u>Risk Mgmt</u>
Unpaid claims, beginning of fiscal year	\$ 809,352	\$ 2,910,640	\$ 776,754	\$ 3,225,553
Incurred claims and changes in estimate	6,798,538	2,070,763	6,250,669	228,035
Claim payments	<u>(6,831,136)</u>	<u>(1,755,850)</u>	<u>(6,301,879)</u>	<u>(1,589,655)</u>
Unpaid claims, end of fiscal year	<u>\$ 776,754</u>	<u>\$ 3,225,553</u>	<u>\$ 725,544</u>	<u>\$ 1,863,933</u>
Due within one year			<u>\$ 725,544</u>	<u>\$ 1,786,801</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).

On July 31, 2015 all parties to the PPA executed the San Juan Project Restructuring Agreement in response to environmental compliance issues at SJGS and California laws and regulations affecting some of the plant participants. Some participants will exit SJGS on December 31, 2017 as a result of operations ceasing for Units #2 and #3. Various other agreements were also executed on July 31, 2015 to provide for this event, which the City was a party to.

Coal for the operation of the project is supplied by San Juan Coal Company (SJCC), owned and operated by Westmoreland Coal Company (Westmoreland), and is mined from the San Juan Mine located adjacent to the project. PNM is a party to a Coal Sales Agreement (CSA), a Reclamation Services Agreement (RSA) and a Coal Combustion Residuals Disposal Agreement (CCRDA), all dated July 1, 2015, with Westmoreland. The contract years for the three agreements commenced on January 1, 2016. The CSA and CCRDA will expire on June 30, 2022 unless extended by the parties. The RSA will continue in effect until full release of all reclamation and similar bonds. The City’s share is 2.559%.

All Participants 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. An Amended and Restated Mine Reclamation Trust Funds Agreement among all participants was executed on July 31, 2015 as a result of the plant restructuring. The trust funds will continue until SJCC achieves Reclamation Bond Release. 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. This agreement was amended and restated on April 26, 2016 as a result of the plant restructuring. 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 December 31, 2017, 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.

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 FY2017, 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 FY2017, 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 has purchased 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). In 2009 NMMEAA issued Series 2009 Gas Supply Variable Rate Revenue Bonds to provide a lump sum payment to RBC for the Prepaid Agreement. Due to new guidelines adopted by the Canadian Office of the Superintendent of Financial Institutions ("OSFI") which RBC determined materially affected the 2009 transaction, the Series 2009 bonds were refunded with Series 2014 Refunding Bunds for an initial 5 year period with a potential to continue beyond 5 years. The refunding took place on August 1, 2014, and has resulted in the City receiving a discount of \$0.02894 per MMBtu of gas under the gas supply agreement. 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 \$1,320,387 per year under this agreement.

D. Employee Retirement Systems and Plans

Pensions. For purposes of measuring the net pension liability, deferred outflows and inflows of resources, related to pensions, and pension expense, information about the fiduciary net position of the (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For a complete description of significant accounting policies, please refer to the PERA's June 30, 2016 CAFR.

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

Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2016 available at

http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf

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

Contributions and Funding Policy. The contribution requirements of defined benefit plan members and the City are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of legislature. For the employer and employee contribution rates in effect for FY16 for the various PERA coverage options, for both Tier I and Tier II, see the table available in the note disclosure on page 43 of the PERA FY16 annual audit report at

https://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2016.pdf

The PERA coverage options that apply to the City are: Municipal General Division, Municipal Police Division, and Municipal Fire Division. Statutorily required contributions to the pension plan from the City were \$5,199,776 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016. These assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Although all the assets of the PERA fund are held in one trust, there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members, and legislative members) for whom separate contribution rates are determined each year. Paragraph 49 of GASB 68 provides that "to the extent that different contribution rates are assessed based on separate relationships that constitute the net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those separate relationships." Therefore, the calculations of the net pension liability, pension expense, and deferred inflows and outflows were performed separately for each of the membership groups; municipal general members, municipal police members, municipal fire members, state general members, state police members, and legislative

members. The City's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2016. The Schedule of Employer Allocations reflects fiscal year 2016 employer contributions received during the period July 1, 2015 to June 30, 2016. Only pay period *end dates* that fell within the period July 1, 2015 to June 30, 2016 are included in the total contributions for that employer. Regular and adjustment contributions that applied to fiscal year 2016 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) has been used to project the unremitted employer contributions. This allows for fair and consistent measurement of the contributions with the total population. This methodology was used in order to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For Municipal General Division. At June 30, 2017, the City reported a liability of \$52,957,752 for its proportionate share of the net pension liability. At June 30, 2016, the proportion was 3.31%, which was a slight decrease from the prior year proportionate share of 3.39%.

For the year ended June 30, 2017, the City recognized Municipal General Division pension expense of \$5,853,601. At June 30, 2017, the City reported Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,645,988	\$ 516,837
Changes of assumptions	3,105,351	8,806
Net difference between projected and actual earnings on pension plan investments	9,744,126	-
Changes in proportion and differences the City's contributions and proportionate share of contributions	180,890	579,933
City's contributions subsequent to the measurement date	2,748,348	-
Total	\$ 18,424,703	\$ 1,105,576

\$2,748,348 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	
2017	\$ 3,157,591
2018	3,157,591
2019	5,806,966
2020	2,448,631
2021	-

For Municipal Police Division. At June 30, 2017, the City reported a liability of \$28,428,580 for its proportionate share of the net pension liability. At June 30, 2016, the proportion was 3.85%, which was a slight increase from the prior year proportionate share of 3.75%.

For the year ended June 30, 2017, the City recognized Municipal Police Division pension expense of \$3,990,867. At June 30, 2017, the City reported Municipal Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,087,072	\$ -
Changes of assumptions	1,882,950	512,703
Net difference between projected and actual earnings on pension plan investments	4,496,143	-
Changes in proportion and differences the City's contributions and proportionate share of contributions	520,406	-
City's contributions subsequent to the measurement date	1,556,500	-
Total	<u>\$ 10,543,071</u>	<u>\$ 512,703</u>

\$1,556,500 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	
2017	\$ 2,086,123
2018	2,086,123
2019	3,140,660
2020	1,160,962
2021	-

For Municipal Fire Division. At June 30, 2017, the City reported a liability of \$27,503,935 for its proportionate share of the net pension liability. At June 30, 2016, the proportion was 4.12%, which was a slight decrease from the prior year proportionate share of 4.21%.

For the year ended June 30, 2017, the City recognized Municipal Fire Division pension expense of \$3,558,285. At June 30, 2017, the City reported Municipal Fire Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,245,512	\$ -
Changes of assumptions	1,454,850	-
Net difference between projected and actual earnings on pension plan investments	2,290,935	-
Changes in proportion and differences the City's contributions and proportionate share of contributions	387,646	302,991
City's contributions subsequent to the measurement date	1,108,017	-
Total	<u>\$ 6,486,960</u>	<u>\$ 302,991</u>

\$1,108,017 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	
2017	\$ 1,458,269
2018	1,458,269
2019	1,574,894
2020	584,520
2021	-

Actuarial Assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2015 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation. The total pension liability in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair Value
Actuarial Assumptions:	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years, 2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

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

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	20.00	7.35
Total	<u>100.00%</u>	

Discount rate. The rate is 7.25% for the first 10 years (select period) and 7.75% for all other years (ultimate). The equivalent blended rate is 7.48% and will be used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that future

contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.48% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following table presents the net pension liability of PERA Fund, calculated using the discount rate of 7.48%. In particular, the tables present the City's net pension liability in each PERA Fund Division that the City participates in, under the current single rate assumption, as if it were calculated using a discount rate that is one percentage point lower (6.48%) or one percentage point higher (8.48%) than the current rate.

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Municipal General Division			
City's proportionate share of the net pension liability	\$ 78,955,299	\$ 52,957,752	\$ 31,394,081

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Municipal Police Division			
City's proportionate share of the net pension liability	\$ 41,825,499	\$ 28,428,580	\$ 17,471,469

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Municipal Fire Division			
City's proportionate share of the net pension liability	\$ 35,975,005	\$ 27,503,935	\$ 20,545,835

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 PERA financial report. This report is available at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf

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 <https://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, 2017, 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, 2017, 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, 2017, 2016, and 2015 were \$887,676, \$920,983, and \$870,038, respectively, which equal the required contributions for each year. The City will implement GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2018.

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 position of the Unit and is included in the electric utility capital assets.

G. Contracted Water and Wastewater Services

In January 2016, 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 2023. The company is responsible for operating expenditures, as well as repairs and replacements up to \$2,000. The City paid approximately \$9 million for contracted services for the year ended June 30, 2017.

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, 2017, was \$950,905,000. 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.



REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF FARMINGTON, NEW MEXICO
Schedules of Required Supplementary Information
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	Measurement Date		
	June 30, 2014	June 30, 2015	June 30, 2016
City's proportion of the net pension liability (asset)			
Municipal General	3.36%	3.39%	3.31%
Municipal Police	3.69%	3.75%	3.85%
Municipal Fire	4.05%	4.21%	4.12%
City's proportionate share of the net pension liability			
Municipal General	\$ 26,184,302	\$ 34,544,615	\$ 52,957,752
Municipal Police	12,021,827	18,029,698	28,428,580
Municipal Fire	16,887,561	21,705,351	27,503,935
	<u>\$ 55,093,690</u>	<u>\$ 74,279,664</u>	<u>\$ 108,890,267</u>
City's covered payroll			
Municipal General	\$ 20,344,393	\$ 21,096,761	\$ 21,820,572
Municipal Police	10,709,715	10,950,699	11,488,018
Municipal Fire	7,799,937	8,184,359	9,124,897
	<u>\$ 38,854,045</u>	<u>\$ 40,231,819</u>	<u>\$ 42,433,487</u>
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll			
Municipal General	128.71%	163.74%	242.70%
Municipal Police	112.25%	164.64%	247.46%
Municipal Fire	216.51%	265.21%	301.42%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%	69.18%

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

CITY OF FARMINGTON, NEW MEXICO
Schedules of Required Supplementary Information
SCHEDULE OF THE CITY'S CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
Municipal General Division
Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 2,493,089	\$ 2,678,614	\$ 2,748,348
Contributions in relation to contractually required contribution	<u>2,493,089</u>	<u>2,678,614</u>	<u>2,748,348</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 20,344,393	\$ 21,096,761	\$ 20,807,915
Contributions as a percentage of covered payroll	12.25%	12.70%	13.21%

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

CITY OF FARMINGTON, NEW MEXICO
Schedules of Required Supplementary Information
SCHEDULE OF THE CITY'S CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
Municipal Police Division
Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 1,313,907	\$ 1,388,780	\$ 1,556,500
Contributions in relation to contractually required contribution	<u>1,313,907</u>	<u>1,388,780</u>	<u>1,556,500</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 10,709,715	\$ 10,950,699	\$ 11,784,622
Contributions as a percentage of covered payroll	12.27%	12.68%	13.21%

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

CITY OF FARMINGTON, NEW MEXICO
Schedules of Required Supplementary Information
SCHEDULE OF THE CITY'S CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
Municipal Fire Division
Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 957,615	\$ 1,037,164	\$ 1,108,017
Contributions in relation to contractually required contribution	<u>957,615</u>	<u>1,037,164</u>	<u>1,108,017</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 7,799,937	\$ 8,184,359	\$ 8,388,900
Contributions as a percentage of covered payroll	12.28%	12.67%	13.21%

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

CITY OF FARMINGTON, NEW MEXICO
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA FY16 audit available at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.16_FINAL-with-corrections.pdf

Changes of assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2016-PERA-Valuation-Report-FINAL.pdf>
The summary of Key Findings for PERA Fund (on page 2 of the report) states "based on the current statutory rates and actuarial assumptions, the UAAL is projected to be fully amortized in 56 years." For details about changes in the actuarial assumptions, see Appendix B on page 53 of the report.



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 Streets Fund - City management established this fund to account for the City's share of gross receipts that is legally restricted to the maintenance of streets and storm drainage.

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.

Convention Center Fees Fund - State Statute 5-13-4 NMSA and City Ordinance 1272 established this fund to account for the City-imposed convention center fee on the use of a room within a lodging facility within the city limits in the amount of \$2.50 per room for each day the room is occupied by a vendee not otherwise exempted by the Act or the Ordinance.

State Police Protection Grant Fund - City management established this fund to account for state grants restricted for the purchase of police approved 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 Bond Projects Fund - This fund is used to account for capital projects that are funded with proceeds from GRT bonds issued.

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.

Convention Center Capital Projects Fund - This fund is used to account for civic center capital projects funded primarily with convention center fees and proceeds from GRT bonds issued.

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, 2017

	Special Revenue				
	Gross Receipts Tax Streets	Gross Receipts Tax Parks	Park Development Fees	Library Gifts and Grants	Parks/ Recreation Gifts and Grants
ASSETS:					
Cash and investments	\$ 4,314,458	\$ 157,993	\$ 277,709	\$ 295,935	\$ 218,014
Accounts receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid items	9,965	-	-	-	-
Intergovernmental receivable	1,393,077	451,568	-	-	64,147
Total assets	<u>\$ 5,717,500</u>	<u>\$ 609,561</u>	<u>\$ 277,709</u>	<u>\$ 295,935</u>	<u>\$ 282,161</u>
LIABILITIES:					
Accounts payable	\$ 474,620	\$ -	\$ 8	\$ -	\$ 10,224
Wages and benefits payable	821	23,840	-	-	-
Due to other funds	-	-	-	-	-
Advance from other funds	-	-	-	-	-
Total liabilities	<u>475,441</u>	<u>23,840</u>	<u>8</u>	<u>-</u>	<u>10,224</u>
FUND BALANCES:					
Nonspendable:					
Inventories and prepaids	9,965	-	-	-	-
Restricted to:					
Fire	-	-	-	-	-
Lodgers' promotion	-	-	-	-	-
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Committed to:					
Police	-	-	-	-	-
Parks, recreation, cultural affairs	-	585,721	277,701	-	-
Public works	5,232,094	-	-	-	-
Assigned to:					
Parks, recreation, cultural affairs	-	-	-	-	271,937
Library	-	-	-	295,935	-
Community development	-	-	-	-	-
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>5,242,059</u>	<u>585,721</u>	<u>277,701</u>	<u>295,935</u>	<u>271,937</u>
Total liabilities and fund balances	<u>\$ 5,717,500</u>	<u>\$ 609,561</u>	<u>\$ 277,709</u>	<u>\$ 295,935</u>	<u>\$ 282,161</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, 2017

	Special Revenue			
	Museum Gifts and Grants	Red Apple Transit Grant	General Government Grant	CDBG Grant
ASSETS:				
Cash and investments	\$ 212,424	\$ 23,770	\$ -	\$ 91,466
Accounts receivable	-	11,439	63,126	-
Due from other funds	-	-	-	-
Prepaid items	-	-	2,551	-
Intergovernmental receivable	-	145,724	60,465	88,639
Total assets	\$ 212,424	\$ 180,933	\$ 126,142	\$ 180,105
LIABILITIES:				
Accounts payable	\$ 177	\$ 179,642	\$ -	\$ 69,060
Wages and benefits payable	-	1,290	2,377	1,344
Due to other funds	-	-	52,912	-
Advance from other funds	-	-	-	-
Total liabilities	177	180,932	55,289	70,404
FUND BALANCES:				
Nonspendable:				
Inventories and prepaids	-	-	2,551	-
Restricted to:				
Fire	-	-	-	-
Lodgers' promotion	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Police	-	-	-	-
Parks, recreation, cultural affairs	-	-	-	-
Public works	-	-	-	-
Assigned to:				
Parks, recreation, cultural affairs	212,247	1	-	-
Library	-	-	-	-
Community development	-	-	68,302	109,701
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	212,247	1	70,853	109,701
Total liabilities and fund balances	\$ 212,424	\$ 180,933	\$ 126,142	\$ 180,105

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

CITY OF FARMINGTON, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			
	Lodgers' Tax	Convention Center Fees	State Police Protection Grant	Region II Narcotics Grant
ASSETS:				
Cash and investments	\$ 322,500	\$ 1,255,394	\$ -	\$ 100,491
Accounts receivable	-	-	-	-
Due from other funds	-	341	-	-
Prepaid items	-	-	-	-
Intergovernmental receivable	182,618	125,799	-	76,377
Total assets	<u>\$ 505,118</u>	<u>\$ 1,381,534</u>	<u>\$ -</u>	<u>\$ 176,868</u>
LIABILITIES:				
Accounts payable	\$ 60,718	\$ -	\$ -	\$ 18,811
Wages and benefits payable	8,187	-	-	4,792
Due to other funds	-	-	-	53,179
Advance from other funds	-	-	-	-
Total liabilities	<u>68,905</u>	<u>-</u>	<u>-</u>	<u>76,782</u>
FUND BALANCES:				
Nonspendable:				
Inventories and prepaids	-	-	-	-
Restricted to:				
Fire	-	-	-	-
Lodgers' promotion	436,213	1,381,534	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Police	-	-	-	100,086
Parks, recreation, cultural affairs	-	-	-	-
Public works	-	-	-	-
Assigned to:				
Parks, recreation, cultural affairs	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>436,213</u>	<u>1,381,534</u>	<u>-</u>	<u>100,086</u>
Total liabilities and fund balances	<u>\$ 505,118</u>	<u>\$ 1,381,534</u>	<u>\$ -</u>	<u>\$ 176,868</u>

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

CITY OF FARMINGTON, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue				
	COPS Program Grant	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	Total Special Revenue
ASSETS:					
Cash and investments	\$ -	\$ -	\$ 273,051	\$ 8,346	\$ 7,551,551
Accounts receivable	-	-	-	-	74,565
Due from other funds	-	-	-	-	341
Prepaid items	-	-	-	-	12,516
Intergovernmental receivable	56,477	-	-	-	2,644,891
Total assets	<u>\$ 56,477</u>	<u>\$ -</u>	<u>\$ 273,051</u>	<u>\$ 8,346</u>	<u>\$ 10,283,864</u>
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ 134	\$ 8,346	\$ 821,740
Wages and benefits payable	7,893	-	-	-	50,544
Due to other funds	16,289	-	-	-	122,380
Advance from other funds	-	-	-	-	-
Total liabilities	<u>24,182</u>	<u>-</u>	<u>134</u>	<u>8,346</u>	<u>994,664</u>
FUND BALANCES:					
Nonspendable:					
Inventories and prepaids	-	-	-	-	12,516
Restricted to:					
Fire	-	-	272,917	-	272,917
Lodgers' promotion	-	-	-	-	1,817,747
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Committed to:					
Police	32,295	-	-	-	132,381
Parks, recreation, cultural affairs	-	-	-	-	863,422
Public works	-	-	-	-	5,232,094
Assigned to:					
Parks, recreation, cultural affairs	-	-	-	-	484,185
Library	-	-	-	-	295,935
Community development	-	-	-	-	178,003
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>32,295</u>	<u>-</u>	<u>272,917</u>	<u>-</u>	<u>9,289,200</u>
Total liabilities and fund balances	<u>\$ 56,477</u>	<u>\$ -</u>	<u>\$ 273,051</u>	<u>\$ 8,346</u>	<u>\$ 10,283,864</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, 2017

	Capital Projects			
	Community Development Grant Projects	Gross Receipts Tax Bond Projects	Governmental Capital Projects	Airport Construction Grant Projects
ASSETS:				
Cash and investments	\$ 1,495,779	\$ 4,141,856	\$ 1,238,609	\$ 35,479
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Intergovernmental receivable	474,226	-	-	-
Total assets	\$ 1,970,005	\$ 4,141,856	\$ 1,238,609	\$ 35,479
 LIABILITIES:				
Accounts payable	\$ 187,414	\$ 496,676	\$ -	\$ -
Wages and benefits payable	-	-	-	-
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
Total liabilities	187,414	496,676	-	-
 FUND BALANCES:				
Nonspendable:				
Inventories and prepaids	-	-	-	-
Restricted to:				
Fire	-	-	-	-
Lodgers' promotion	-	-	-	-
Capital projects	1,782,591	3,645,180	-	35,479
Debt service	-	-	-	-
Committed to:				
Police	-	-	-	-
Parks, recreation, cultural affairs	-	-	-	-
Public works	-	-	-	-
Assigned to:				
Parks, recreation, cultural affairs	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital projects	-	-	1,238,609	-
Unassigned	-	-	-	-
Total fund balances	1,782,591	3,645,180	1,238,609	35,479
Total liabilities and fund balances	\$ 1,970,005	\$ 4,141,856	\$ 1,238,609	\$ 35,479

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

CITY OF FARMINGTON, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	<u>Capital Projects</u>			<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Metro Redevelop Authority</u>	<u>Convention Center Capital Projects</u>	<u>Total Capital Projects</u>		
ASSETS:					
Cash and investments	\$ 1,260,023	\$ 9,910,097	\$ 18,081,843	\$ 269,047	\$ 25,902,441
Accounts receivable	-	-	-	-	74,565
Due from other funds	-	-	-	-	341
Prepaid items	-	-	-	-	12,516
Intergovernmental receivable	-	-	474,226	-	3,119,117
Total assets	<u>\$ 1,260,023</u>	<u>\$ 9,910,097</u>	<u>\$ 18,556,069</u>	<u>\$ 269,047</u>	<u>\$ 29,108,980</u>
LIABILITIES:					
Accounts payable	\$ 68,466	\$ -	\$ 752,556	\$ -	\$ 1,574,296
Wages and benefits payable	-	-	-	-	50,544
Due to other funds	-	341	341	-	122,721
Advance from other funds	-	1,100,000	1,100,000	-	1,100,000
Total liabilities	<u>68,466</u>	<u>1,100,341</u>	<u>1,852,897</u>	<u>-</u>	<u>2,847,561</u>
FUND BALANCES:					
Nonspendable:					
Inventories and prepaids	-	-	-	-	12,516
Restricted to:					
Fire	-	-	-	-	272,917
Lodgers' promotion	-	-	-	-	1,817,747
Capital projects	1,191,557	9,910,097	16,564,904	-	16,564,904
Debt service	-	-	-	269,047	269,047
Committed to:					
Police	-	-	-	-	132,381
Parks, recreation, cultural affairs	-	-	-	-	863,422
Public works	-	-	-	-	5,232,094
Assigned to:					
Parks, recreation, cultural affairs	-	-	-	-	484,185
Library	-	-	-	-	295,935
Community development	-	-	-	-	178,003
Capital projects	-	-	1,238,609	-	1,238,609
Unassigned	-	(1,100,341)	(1,100,341)	-	(1,100,341)
Total fund balances	<u>1,191,557</u>	<u>8,809,756</u>	<u>16,703,172</u>	<u>269,047</u>	<u>26,261,419</u>
Total liabilities and fund balances	<u>\$ 1,260,023</u>	<u>\$ 9,910,097</u>	<u>\$ 18,556,069</u>	<u>\$ 269,047</u>	<u>\$ 29,108,980</u>

The notes to the financial statement 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, 2017

	Special Revenue				
	Gross Receipts Tax Streets	Gross Receipts Tax Parks	Park Development Fees	Library Gifts and Grants	Parks/ Recreation Gifts and Grants
REVENUES:					
Taxes:					
Gross receipts tax	\$ 7,048,326	\$ 2,349,442	\$ -	\$ -	-
Gasoline taxes	472,136	-	-	-	-
Lodgers' taxes/fees	-	-	-	-	-
Licenses and permits	-	-	5,399	-	-
Intergovernmental:					
Federal	549,822	-	-	-	-
State	-	-	-	159,043	137,594
Other	-	-	-	-	977
Charges for services	-	-	-	-	-
Fines	-	-	-	-	-
Investment earnings	37,633	1,339	2,246	1,442	1,872
Donations	-	-	-	49,911	92,029
Miscellaneous	38,014	13,170	379	97	11,359
Total revenues	<u>8,145,931</u>	<u>2,363,951</u>	<u>8,024</u>	<u>210,493</u>	<u>243,831</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Parks, recreation, and cultural affairs	-	2,004,777	4,699	207,040	91,210
Public works	6,423,935	-	-	-	-
Airport	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
General government	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Parks, recreation, and cultural affairs	-	629,053	56,213	-	113,440
Airport	-	-	-	-	-
Highways and streets	2,204,593	-	-	-	-
Total expenditures	<u>8,628,528</u>	<u>2,633,830</u>	<u>60,912</u>	<u>207,040</u>	<u>204,650</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(482,597)</u>	<u>(269,879)</u>	<u>(52,888)</u>	<u>3,453</u>	<u>39,181</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	1,200,000	-	-	-	-
Transfers out	(1,268,275)	-	-	-	-
Qualified Energy Conservation Bonds issued	-	-	-	-	-
QECCB transfer from Civic Center Bonds	-	-	-	-	-
Civic Center Improvement Bonds issued	-	-	-	-	-
Civic Center Improvement Bonds premium	-	-	-	-	-
Civic Center Bonds transfer to QECCB bonds	-	-	-	-	-
Total other financing sources (uses)	<u>(68,275)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(550,872)	(269,879)	(52,888)	3,453	39,181
Fund balances-beginning	5,792,931	855,600	330,589	292,482	232,756
Fund balances-ending	<u>\$ 5,242,059</u>	<u>\$ 585,721</u>	<u>\$ 277,701</u>	<u>\$ 295,935</u>	<u>\$ 271,937</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, 2017

	Special Revenue			
	Museum Gifts and Grants	Red Apple Transit Grant	General Government Grant	CDBG Grant
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	-
Gasoline taxes	-	-	-	-
Lodgers' taxes/fees	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal	-	441,189	224,131	200,969
State	2,077	-	316,292	-
Other	-	51,702	-	-
Charges for services	51,157	92,608	-	-
Fines	-	-	-	-
Investment earnings	1,468	-	-	840
Donations	11,609	-	-	-
Miscellaneous	1,498	1,274	344	80
Total revenues	<u>67,809</u>	<u>586,773</u>	<u>540,767</u>	<u>201,889</u>
EXPENDITURES:				
Current:				
General government	-	1,008,397	563,397	130,623
Police	-	-	-	-
Fire	-	-	-	-
Parks, recreation, and cultural affairs	54,604	-	-	-
Public works	-	-	-	-
Airport	-	-	-	-
Bond issuance costs	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
General government	-	-	-	72,598
Police	-	-	-	-
Fire	-	-	-	-
Parks, recreation, and cultural affairs	6,595	-	-	-
Airport	-	-	-	-
Highways and streets	-	-	-	-
Total expenditures	<u>61,199</u>	<u>1,008,397</u>	<u>563,397</u>	<u>203,221</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,610</u>	<u>(421,624)</u>	<u>(22,630)</u>	<u>(1,332)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	421,625	57,344	-
Transfers out	-	-	-	-
Qualified Energy Conservation Bonds issued	-	-	-	-
QECCB transfer from Civic Center Bonds	-	-	-	-
Civic Center Improvement Bonds issued	-	-	-	-
Civic Center Improvement Bonds premium	-	-	-	-
Civic Center Bonds transfer to QECCB bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>421,625</u>	<u>57,344</u>	<u>-</u>
Net change in fund balances	6,610	1	34,714	(1,332)
Fund balances-beginning	205,637	-	36,139	111,033
Fund balances-ending	<u>\$ 212,247</u>	<u>\$ 1</u>	<u>\$ 70,853</u>	<u>\$ 109,701</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, 2017

	Special Revenue			
	Lodgers' Tax	Convention Center Fees	State Police Protection Grant	Region II Narcotics Grant
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Gasoline taxes	-	-	-	-
Lodgers' taxes/fees	1,149,993	750,080	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal	-	-	-	193,548
State	-	-	107,400	156,656
Other	-	-	-	38,000
Charges for services	99,939	-	-	-
Fines	-	-	-	-
Investment earnings	3,022	12,013	670	153
Donations	-	-	-	-
Miscellaneous	5,016	-	21	10,856
Total revenues	<u>1,257,970</u>	<u>762,093</u>	<u>108,091</u>	<u>399,213</u>
EXPENDITURES:				
Current:				
General government	-	-	-	-
Police	-	-	4,134	416,299
Fire	-	-	-	-
Parks, recreation, and cultural affairs	1,278,068	-	-	-
Public works	-	-	-	-
Airport	-	-	-	-
Bond issuance costs	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Police	-	-	103,957	9,085
Fire	-	-	-	-
Parks, recreation, and cultural affairs	-	-	-	-
Airport	-	-	-	-
Highways and streets	-	-	-	-
Total expenditures	<u>1,278,068</u>	<u>-</u>	<u>108,091</u>	<u>425,384</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,098)</u>	<u>762,093</u>	<u>-</u>	<u>(26,171)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	30,000
Transfers out	-	(579,215)	-	-
Qualified Energy Conservation Bonds issued	-	-	-	-
QECB transfer from Civic Center Bonds	-	-	-	-
Civic Center Improvement Bonds issued	-	-	-	-
Civic Center Improvement Bonds premium	-	-	-	-
Civic Center Bonds transfer to QECB bonds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(579,215)</u>	<u>-</u>	<u>30,000</u>
Net change in fund balances	(20,098)	182,878	-	3,829
Fund balances-beginning	456,311	1,198,656	-	96,257
Fund balances-ending	<u>\$ 436,213</u>	<u>\$ 1,381,534</u>	<u>\$ -</u>	<u>\$ 100,086</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, 2017

	Special Revenue				Total Special Revenue
	COPS Program Grant	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	
REVENUES:					
Taxes:					
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	9,397,768
Gasoline taxes	-	-	-	-	472,136
Lodgers' taxes/fees	-	-	-	-	1,900,073
Licenses and permits	-	-	-	-	5,399
Intergovernmental:					
Federal	242,122	75,752	186,193	-	2,113,726
State	-	-	659,179	-	1,538,241
Other	-	-	-	-	90,679
Charges for services	-	-	-	-	243,704
Fines	-	-	-	112,058	112,058
Investment earnings	-	183	2,105	76	65,062
Donations	-	-	12,572	-	166,121
Miscellaneous	-	79	4,747	-	86,934
Total revenues	<u>242,122</u>	<u>76,014</u>	<u>864,796</u>	<u>112,134</u>	<u>16,191,901</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	1,702,417
Police	386,168	9,719	-	112,134	928,454
Fire	-	-	400,729	-	400,729
Parks, recreation, and cultural affairs	-	-	-	-	3,640,398
Public works	-	-	-	-	6,423,935
Airport	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
General government	-	-	-	-	72,598
Police	-	67,118	-	-	180,160
Fire	-	-	131,850	-	131,850
Parks, recreation, and cultural affairs	-	-	-	-	805,301
Airport	-	-	-	-	-
Highways and streets	-	-	-	-	2,204,593
Total expenditures	<u>386,168</u>	<u>76,837</u>	<u>532,579</u>	<u>112,134</u>	<u>16,490,435</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(144,046)</u>	<u>(823)</u>	<u>332,217</u>	<u>-</u>	<u>(298,534)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	86,579	-	-	-	1,795,548
Transfers out	-	-	(162,206)	-	(2,009,696)
Qualified Energy Conservation Bonds issued	-	-	-	-	-
QECCB transfer from Civic Center Bonds	-	-	-	-	-
Civic Center Improvement Bonds issued	-	-	-	-	-
Civic Center Improvement Bonds premium	-	-	-	-	-
Civic Center Bonds transfer to QECCB bonds	-	-	-	-	-
Total other financing sources (uses)	<u>86,579</u>	<u>-</u>	<u>(162,206)</u>	<u>-</u>	<u>(214,148)</u>
Net change in fund balances	(57,467)	(823)	170,011	-	(512,682)
Fund balances-beginning	89,762	823	102,906	-	9,801,882
Fund balances-ending	<u>\$ 32,295</u>	<u>\$ -</u>	<u>\$ 272,917</u>	<u>\$ -</u>	<u>\$ 9,289,200</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, 2017

	Capital Projects			
	Community Development Grant Projects	Gross Receipts Tax Bond Projects	Governmental Capital Projects	Airport Construction Grant Projects
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Gasoline taxes	-	-	-	-
Lodgers' taxes/fees	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal	(35,952)	-	-	223,598
State	452,190	-	-	12,094
Other	-	-	-	-
Charges for services	-	-	-	-
Fines	-	-	-	-
Investment earnings	4,525	21,655	10,760	152
Donations	-	-	-	-
Miscellaneous	-	-	1,065	-
Total revenues	<u>420,763</u>	<u>21,655</u>	<u>11,825</u>	<u>235,844</u>
EXPENDITURES:				
Current:				
General government	-	2,221,197	20,054	-
Police	-	-	-	-
Fire	-	-	-	-
Parks, recreation, and cultural affairs	-	-	-	-
Public works	-	-	-	-
Airport	-	-	-	2,375
Bond issuance costs	-	76,135	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
General government	-	-	442,032	-
Police	-	-	-	-
Fire	-	-	-	-
Parks, recreation, and cultural affairs	-	-	-	-
Airport	-	-	-	238,888
Highways and streets	961,805	-	-	-
Total expenditures	<u>961,805</u>	<u>2,297,332</u>	<u>462,086</u>	<u>241,263</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(541,042)</u>	<u>(2,275,677)</u>	<u>(450,261)</u>	<u>(5,419)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	962,537	-	-	8,002
Transfers out	-	-	-	-
Qualified Energy Conservation Bonds issued	-	4,743,999	-	-
QECB transfer from Civic Center Bonds	-	1,176,858	-	-
Civic Center Improvement Bonds issued	-	-	-	-
Civic Center Improvement Bonds premium	-	-	-	-
Civic Center Bonds transfer to QECB bonds	-	-	-	-
Total other financing sources (uses)	<u>962,537</u>	<u>5,920,857</u>	<u>-</u>	<u>8,002</u>
Net change in fund balances	421,495	3,645,180	(450,261)	2,583
Fund balances-beginning	1,361,096	-	1,688,870	32,896
Fund balances-ending	<u>\$ 1,782,591</u>	<u>\$ 3,645,180</u>	<u>\$ 1,238,609</u>	<u>\$ 35,479</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, 2017

	<u>Capital Projects</u>				
	<u>Metro Redevelop Authority</u>	<u>Convention Center Capital Projects</u>	<u>Total Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES:					
Taxes:					
Gross receipts	\$ -	\$ -	\$ -	\$ -	\$ 9,397,768
Gasoline taxes	-	-	-	-	472,136
Lodgers' taxes/fees	-	-	-	-	1,900,073
Licenses and permits	-	-	-	-	5,399
Intergovernmental:					
Federal	-	-	187,646	-	2,301,372
State	-	-	464,284	-	2,002,525
Other	-	-	-	-	90,679
Charges for services	-	-	-	-	243,704
Fines	-	-	-	-	112,058
Investment earnings	9,721	43,091	89,904	7,647	162,613
Donations	-	-	-	-	166,121
Miscellaneous	-	104	1,169	-	88,103
Total revenues	<u>9,721</u>	<u>43,195</u>	<u>743,003</u>	<u>7,647</u>	<u>16,942,551</u>
EXPENDITURES:					
Current:					
General government	161,403	-	2,402,654	-	4,105,071
Police	-	-	-	-	928,454
Fire	-	-	-	-	400,729
Parks, recreation, and cultural affairs	-	-	-	-	3,640,398
Public works	-	-	-	-	6,423,935
Airport	-	-	2,375	-	2,375
Bond issuance costs	-	115,542	191,677	-	191,677
Debt service:					
Principal	-	-	-	1,556,322	1,556,322
Interest	-	-	-	547,468	547,468
Capital outlay:					
General government	19,696	-	461,728	-	534,326
Police	-	-	-	-	180,160
Fire	-	-	-	-	131,850
Parks, recreation, and cultural affairs	-	537,608	537,608	-	1,342,909
Airport	-	-	238,888	-	238,888
Highways and streets	-	-	961,805	-	3,166,398
Total expenditures	<u>181,099</u>	<u>653,150</u>	<u>4,796,735</u>	<u>2,103,790</u>	<u>23,390,960</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(171,378)</u>	<u>(609,955)</u>	<u>(4,053,732)</u>	<u>(2,096,143)</u>	<u>(6,448,409)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	108,005	1,078,544	2,155,242	5,029,334
Transfers out	-	-	-	-	(2,009,696)
Qualified Energy Conservation Bonds issued	-	-	4,743,999	-	4,743,999
QECB transfer from Civic Center Bonds	-	-	1,176,858	-	1,176,858
Civic Center Improvement Bonds issued	-	10,165,000	10,165,000	-	10,165,000
Civic Center Improvement Bonds premium	-	1,260,619	1,260,619	-	1,260,619
Civic Center Bonds transfer to QECB bonds	-	(1,176,858)	(1,176,858)	-	(1,176,858)
Total other financing sources (uses)	<u>-</u>	<u>10,356,766</u>	<u>17,248,162</u>	<u>2,155,242</u>	<u>19,189,256</u>
Net change in fund balances	(171,378)	9,746,811	13,194,430	59,099	12,740,847
Fund balances-beginning	1,362,935	(937,055)	3,508,742	209,948	13,520,572
Fund balances-ending	<u>\$ 1,191,557</u>	<u>\$ 8,809,756</u>	<u>\$ 16,703,172</u>	<u>\$ 269,047</u>	<u>\$ 26,261,419</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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Gross receipts taxes	\$ 7,259,291	\$ 7,259,291	\$ 6,852,972	\$ (406,319)
Intergovernmental				
Federal	-	-	769,374	769,374
Gasoline taxes	556,320	556,320	476,361	(79,959)
Investment earnings	55,000	55,000	48,614	(6,386)
Miscellaneous	12,500	12,500	38,014	25,514
Total revenues	7,883,111	7,883,111	8,185,335	302,224
EXPENDITURES:				
Current:				
Public Works	6,490,513	6,653,513	6,445,885	207,628
Capital Outlay:				
Highways and streets	5,307,000	5,144,000	2,551,142	2,592,858
Total expenditures	11,797,513	11,797,513	8,997,027	2,800,486
Excess (deficiency) of revenues over (under) expenditures	(3,914,402)	(3,914,402)	(811,692)	3,102,710
OTHER FINANCING SOURCES (USES):				
Transfers in	1,200,000	1,200,000	1,200,000	-
Transfers out	(1,268,275)	(1,268,275)	(1,268,275)	-
	(68,275)	(68,275)	(68,275)	-
Net change in fund balances	(3,982,677)	(3,982,677)	(879,967)	\$ 3,102,710
ADJUSTMENTS TO GAAP:				
Change in accounts receivable			191,129	
Change in intergovernmental receivable - federal			(219,552)	
Change in fair market value - investments			(10,981)	
Change in accounts payable			368,499	
			329,095	
GAAP BASIS CHANGE IN FUND BALANCES:			(550,872)	
Fund balances - beginning	5,792,931	5,792,931	5,792,931	
Fund balances - ending	\$ 1,810,254	\$ 1,810,254	\$ 5,242,059	

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

CITY OF FARMINGTON, NEW MEXICO
Gross Receipts Tax Parks Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Gross receipts taxes	\$ 2,419,764	\$ 2,419,764	\$ 2,284,324	\$ (135,440)
Investment earnings	7,500	7,500	1,784	(5,716)
Miscellaneous	3,000	3,000	13,170	10,170
Total revenues	2,430,264	2,430,264	2,299,278	(130,986)
EXPENDITURES:				
Current:				
Parks, recreation, and cultural affairs	2,249,846	2,249,846	2,054,168	195,678
Capital Outlay:				
Parks, recreation, and cultural affairs	1,028,488	1,028,488	629,053	399,435
Total expenditures	3,278,334	3,278,334	2,683,221	595,113
Excess (deficiency) of revenues over (under) expenditures	(848,070)	(848,070)	(383,943)	\$ 464,127
ADJUSTMENTS TO GAAP:				
Change in accounts receivable			65,118	
Change in fair market value - investments			(445)	
Change in accounts payable			49,391	
			114,064	
GAAP BASIS CHANGE IN FUND BALANCES:			(269,879)	
Fund balances - beginning	855,600	855,600	855,600	
Fund balances - ending	\$ 7,530	\$ 7,530	\$ 585,721	

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

CITY OF FARMINGTON, NEW MEXICO
Park Development Fees Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Licenses and permits	\$ 5,000	\$ 5,000	\$ 5,399	\$ 399
Investment earnings	3,000	3,000	2,952	(48)
Miscellaneous	-	-	379	379
Total revenues	8,000	8,000	8,730	730
EXPENDITURES:				
Current:				
Parks, recreation, and cultural affairs	-	-	4,699	(4,699)
Capital Outlay:				
Parks, recreation, and cultural affairs	75,000	75,000	56,213	18,787
Total expenditures	75,000	75,000	60,912	14,088
Excess (deficiency) of revenues over (under) expenditures	(67,000)	(67,000)	(52,182)	\$ 14,818
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			(706)	
GAAP BASIS CHANGE IN FUND BALANCES:				
Fund balances - beginning	330,589	330,589	330,589	
Fund balances - ending	\$ 263,589	\$ 263,589	\$ 277,701	

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

CITY OF FARMINGTON, NEW MEXICO
Library Gifts and Grants Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental				
State	\$ 82,500	\$ 158,811	\$ 159,043	\$ 232
Investment earnings	2,500	2,500	2,187	(313)
Donations	17,200	17,200	49,911	32,711
Miscellaneous	-	-	97	97
Total revenues	102,200	178,511	211,238	32,727
EXPENDITURES:				
Current:				
Parks, recreation, and cultural affairs	75,000	223,813	207,040	16,773
Excess (deficiency) of revenues over (under) expenditures	27,200	(45,302)	4,198	\$ 49,500
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			(745)	
GAAP BASIS CHANGE IN FUND BALANCES:				
			3,453	
Fund balances - beginning	292,482	292,482	292,482	
Fund balances - ending	\$ 319,682	\$ 247,180	\$ 295,935	

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

CITY OF FARMINGTON, NEW MEXICO
Parks/Recreation Gifts and Grants Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental				
State	\$ 404,748	\$ 639,248	\$ 89,712	\$ (549,536)
Other	10,000	10,000	977	(9,023)
Investment earnings	1,500	1,500	2,423	923
Donations	38,167	38,167	92,029	53,862
Miscellaneous	-	-	11,359	11,359
Total revenues	454,415	688,915	196,500	(492,415)
EXPENDITURES:				
Current:				
Parks, recreation, and cultural affairs	157,900	195,400	110,031	85,369
Capital Outlay:				
Parks, recreation, and cultural affairs	329,748	564,248	110,739	453,509
Total expenditures	487,648	759,648	220,770	538,878
Excess (deficiency) of revenues over (under) expenditures	(33,233)	(70,733)	(24,270) \$	46,463
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - state			47,882	
Change in fair market value - investments			(551)	
Change in accounts payable			16,120	
			63,451	
GAAP BASIS CHANGE IN FUND BALANCES:			39,181	
Fund balances - beginning	232,756	232,756	232,756	
Fund balances - ending	\$ 199,523	\$ 162,023	\$ 271,937	

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

CITY OF FARMINGTON, NEW MEXICO
Museum Gifts and Grants Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental				
State	\$ -	\$ -	2,077	\$ 2,077
Charges for services	60,000	60,000	51,369	(8,631)
Investment earnings	1,500	1,500	1,998	498
Donations	19,000	19,000	11,609	(7,391)
Miscellaneous	-	-	1,286	1,286
Total revenues	80,500	80,500	68,339	(12,161)
EXPENDITURES:				
Current:				
Parks, recreation, and cultural affairs	136,100	136,100	54,604	81,496
Capital Outlay:				
Parks, recreation, and cultural affairs	-	-	6,595	(6,595)
Total expenditures	136,100	136,100	61,199	74,901
Excess (deficiency) of revenues over (under) expenditures	(55,600)	(55,600)	7,140	\$ 62,740
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			(530)	
GAAP BASIS CHANGE IN FUND BALANCES:			6,610	
Fund balances - beginning	205,637	205,637	205,637	
Fund balances - ending	\$ 150,037	\$ 150,037	\$ 212,247	

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

CITY OF FARMINGTON, NEW MEXICO
Red Apple Transit Grant Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental				
Federal	\$ 837,206	\$ 1,132,041	\$ 570,070	\$ (561,971)
State	53,234	-	-	-
Other	123,236	123,236	51,717	(71,519)
Charges for services	92,000	92,000	79,808	(12,192)
Miscellaneous	70	70	1,274	1,204
Total revenues	1,105,746	1,347,347	702,869	(644,478)
EXPENDITURES:				
Current:				
General government	1,471,744	1,538,286	911,300	626,986
Capital Outlay:				
General government	66,542	-	-	-
Total expenditures	1,538,286	1,538,286	911,300	626,986
Excess (deficiency) of revenues over (under) expenditures	(432,540)	(190,939)	(208,431)	(17,492)
OTHER FINANCING SOURCES (USES):				
Transfers in	432,540	421,625	421,625	-
Net change in fund balances	-	230,686	213,194	\$ (17,492)
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - federal			(128,881)	
Change in intergovernmental receivable - other			(15)	
Change in charges for services receivable			12,800	
Change in accounts payable			(97,097)	
			(213,193)	
GAAP BASIS CHANGE IN FUND BALANCES:				
			1	
Fund balances - beginning	-	-	-	
Fund balances - ending	\$ -	\$ 230,686	\$ 1	

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

CITY OF FARMINGTON, NEW MEXICO
General Government Grant Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental				
Federal	\$ 271,402	\$ 271,402	\$ 283,104	\$ 11,702
State	488,763	488,763	391,292	(97,471)
Miscellaneous	-	800	344	(456)
Total revenues	760,165	760,965	674,740	(86,225)
EXPENDITURES:				
Current:				
General government	651,480	651,480	565,949	85,531
Excess (deficiency) of revenues over (under) expenditures	108,685	109,485	108,791	(694)
OTHER FINANCING SOURCES (USES):				
Transfers in	58,144	57,344	57,344	-
Net change in fund balances	166,829	166,829	166,135	\$ (694)
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - federal			(58,973)	
Change in intergovernmental receivable - state			(75,000)	
Change in accounts payable			2,552	
			(131,421)	
GAAP BASIS CHANGE IN FUND BALANCES:				
			34,714	
Fund balances - beginning	36,139	36,139	36,139	
Fund balances - ending	\$ 202,968	\$ 202,968	\$ 70,853	

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

CITY OF FARMINGTON, NEW MEXICO
CDBG Grant Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental				
Federal	\$ 520,134	\$ 556,752	\$ 132,680	\$ (424,072)
Investment earnings	900	900	840	(60)
Miscellaneous	-	-	80	80
Total revenues	521,034	557,652	133,600	(424,052)
EXPENDITURES:				
Current:				
General government	150,963	150,963	130,623	20,340
Capital Outlay:				
General government	498,445	498,445	3,538	494,907
Total expenditures	649,408	649,408	134,161	515,247
Excess (deficiency) of revenues over (under) expenditures	(128,374)	(91,756)	(561)	\$ 91,195
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - federal			68,289	
Change in accounts payable			(69,060)	
			(771)	
GAAP BASIS CHANGE IN FUND BALANCES:				
			(1,332)	
Fund balances - beginning	111,033	111,033	111,033	
Fund balances - ending	\$ (17,341)	\$ 19,277	\$ 109,701	

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

CITY OF FARMINGTON, NEW MEXICO
Lodgers' Tax Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Lodgers taxes/fees	\$ 1,200,000	\$ 1,200,000	\$ 1,169,299	\$ (30,701)
Charges for services	82,500	82,500	99,939	17,439
Investment earnings	3,000	3,000	3,833	833
Miscellaneous	-	-	5,016	5,016
Total revenues	1,285,500	1,285,500	1,278,087	(7,413)
EXPENDITURES:				
Current:				
Parks, recreation, and cultural affairs	1,363,991	1,376,491	1,279,360	97,131
Excess (deficiency) of revenues over (under) expenditures	(78,491)	(90,991)	(1,273)	\$ 89,718
ADJUSTMENTS TO GAAP:				
Change in accounts receivable			(19,306)	
Change in fair market value - investments			(811)	
Change in accounts payable			1,292	
			(18,825)	
GAAP BASIS CHANGE IN FUND BALANCES:				
			(20,098)	
Fund balances - beginning	456,311	456,311	456,311	
Fund balances - ending	\$ 377,820	\$ 365,320	\$ 436,213	

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

CITY OF FARMINGTON, NEW MEXICO
Convention Center Fees Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Lodgers taxes/fees	\$ 800,000	\$ 800,000	\$ 760,729	\$ (39,271)
Investment earnings	2,000	2,000	12,013	10,013
Total revenues	802,000	802,000	772,742	(29,258)
EXPENDITURES:				
Capital Outlay				
Parks, recreation, and cultural affairs	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	802,000	802,000	772,742	(29,258)
OTHER FINANCING SOURCES (USES):				
Transfers out	(173,832)	(579,215)	(579,215)	-
Net change in fund balances	628,168	222,785	193,527	\$ (29,258)
ADJUSTMENTS TO GAAP:				
Change in accounts receivable			(10,649)	
GAAP BASIS CHANGE IN FUND BALANCES:				
			182,878	
Fund balances - beginning	1,198,656	1,198,656	1,198,656	
Fund balances - ending	\$ 1,826,824	\$ 1,421,441	\$ 1,381,534	

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

CITY OF FARMINGTON, NEW MEXICO
State Police Protection Grant Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	<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	\$ 107,400	\$ 107,400	\$ 107,400	\$ -
Investment earnings	750	750	670	(80)
Miscellaneous	500	500	21	(479)
Total revenues	<u>108,650</u>	<u>108,650</u>	<u>108,091</u>	<u>(559)</u>
EXPENDITURES:				
Current:				
Police operations	108,650	57,650	4,134	53,516
Capital Outlay:				
Police operations	-	51,000	103,957	(52,957)
Total expenditures	<u>108,650</u>	<u>108,650</u>	<u>108,091</u>	<u>559</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	\$ <u>-</u>
Fund balances - beginning	-	-	-	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

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

CITY OF FARMINGTON, NEW MEXICO
Region II Narcotics Grant Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental				
Federal	\$ 346,881	\$ 346,881	\$ 155,480	\$ (191,401)
State	150,000	150,000	165,086	15,086
Other	38,000	38,000	38,000	-
Investment earnings	200	200	153	(47)
Miscellaneous	60,000	60,000	7,630	(52,370)
Total revenues	595,081	595,081	366,349	(228,732)
EXPENDITURES:				
Current:				
Police operations	430,419	430,419	416,299	14,120
Capital Outlay:				
Police operations	-	-	9,085	(9,085)
Total expenditures	430,419	430,419	425,384	5,035
Excess (deficiency) of revenues over (under) expenditures	164,662	164,662	(59,035)	(223,697)
OTHER FINANCING SOURCES (USES):				
Transfers in	30,000	30,000	30,000	-
Net change in fund balances	194,662	194,662	(29,035)	\$ <u><u>(223,697)</u></u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - federal			38,068	
Change in intergovernmental receivable - state			(8,430)	
Change in accounts receivable			3,226	
			32,864	
GAAP BASIS CHANGE IN FUND BALANCES:				
			3,829	
Fund balances - beginning	96,257	96,257	96,257	
Fund balances - ending	\$ 290,919	\$ 290,919	\$ 100,086	

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

CITY OF FARMINGTON, NEW MEXICO
COPS Program Grant Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental				
Federal	\$ 201,854	\$ 211,715	\$ 185,645	\$ (26,070)
EXPENDITURES:				
Current:				
Police operations	388,433	388,433	386,168	2,265
Excess (deficiency) of revenues over (under) expenditures	(186,579)	(176,718)	(200,523)	(23,805)
OTHER FINANCING SOURCES (USES):				
Transfers in	86,579	86,579	86,579	-
Net change in fund balances	(100,000)	(90,139)	(113,944)	\$ (23,805)
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - federal			56,477	
GAAP BASIS CHANGE IN FUND BALANCES:				
Fund balances - beginning	89,762	89,762	89,762	
Fund balances - ending	\$ (10,238)	\$ (377)	\$ 32,295	

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

CITY OF FARMINGTON, NEW MEXICO
Law Enforcement Block Grant Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	<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	\$ 33,277	\$ 33,277	\$ 33,277	\$ -
Investment earnings	200	183	183	-
Miscellaneous	-	79	79	-
Total revenues	<u>33,477</u>	<u>33,539</u>	<u>33,539</u>	<u>-</u>
EXPENDITURES:				
Current:				
Police operations	33,477	8,570	9,719	(1,149)
Capital Outlay				
Police operations	-	68,267	67,118	1,149
Total expenditures	<u>33,477</u>	<u>76,837</u>	<u>76,837</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(43,298)</u>	<u>(43,298)</u>	<u>\$ -</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - federal			<u>42,475</u>	
GAAP BASIS CHANGE IN FUND BALANCES:				
			(823)	
Fund balances - beginning	823	823	823	
Fund balances - ending	<u>\$ 823</u>	<u>\$ (42,475)</u>	<u>\$ -</u>	

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

CITY OF FARMINGTON, NEW MEXICO
State Fire Grant Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	<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	\$ -	\$ -	\$ 186,193	\$ 186,193
State	591,108	659,179	659,179	-
Investment earnings	4,000	4,000	2,774	(1,226)
Donations	-	-	12,572	12,572
Miscellaneous	1,500	1,500	4,747	3,247
Total revenues	<u>596,608</u>	<u>664,679</u>	<u>865,465</u>	<u>200,786</u>
EXPENDITURES:				
Current:				
Fire operations	310,032	512,492	418,729	93,763
Capital Outlay:				
Fire operations	-	110,883	131,850	(20,967)
Total expenditures	<u>310,032</u>	<u>623,375</u>	<u>550,579</u>	<u>72,796</u>
Excess (deficiency) of revenues over (under) expenditures	286,576	41,304	314,886	273,582
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(162,206)</u>	<u>(162,206)</u>	<u>(162,206)</u>	<u>-</u>
Net change in fund balances	124,370	(120,902)	152,680	<u>\$ 273,582</u>
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			(669)	
Change in accounts payable			18,000	
			<u>17,331</u>	
GAAP BASIS CHANGE IN FUND BALANCES:				
			170,011	
Fund balances - beginning	102,906	102,906	102,906	
Fund balances - ending	<u>\$ 227,276</u>	<u>\$ (17,996)</u>	<u>\$ 272,917</u>	

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

CITY OF FARMINGTON, NEW MEXICO
Penalty Assessment Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Fines	\$ 155,000	\$ 155,000	\$ 112,058	\$ (42,942)
Investment earnings	150	150	101	(49)
Total revenues	155,150	155,150	112,159	(42,991)
EXPENDITURES:				
Current:				
Public Safety	155,000	155,000	113,449	41,551
Excess (deficiency) of revenues over (under) expenditures	150	150	(1,290)	\$ (1,440)
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			(25)	
Change in accounts payable			1,315	
			1,290	
GAAP BASIS CHANGE IN FUND BALANCES:				
Fund balances - beginning	-	-	-	
Fund balances - ending	\$ 150	\$ 150	\$ -	

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

CITY OF FARMINGTON, NEW MEXICO
Community Development Grant Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental				
Federal	\$ 3,707,500	\$ 3,707,500	\$ 862	\$ (3,706,638)
State	2,082,266	2,082,266	991,031	(1,091,235)
Investment earnings	-	-	8,178	8,178
Total revenues	5,789,766	5,789,766	1,000,071	(4,789,695)
EXPENDITURES:				
Capital Outlay:				
Highways and streets	6,640,460	6,640,460	1,002,988	5,637,472
Excess (deficiency) of revenues over (under) expenditures	(850,694)	(850,694)	(2,917)	847,777
OTHER FINANCING SOURCES (USES):				
Transfers in	962,537	962,537	962,537	-
Net change in fund balances	111,843	111,843	959,620	\$ 847,777
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - federal			(36,814)	
Change in intergovernmental receivable - state			(538,841)	
Change in fair market value - investments			(3,653)	
Change in accounts payable			41,183	
			(538,125)	
GAAP BASIS CHANGE IN FUND BALANCES:				
			421,495	
Fund balances - beginning	1,361,096	1,361,096	1,361,096	
Fund balances - ending	\$ 1,472,939	\$ 1,472,939	\$ 1,782,591	

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

CITY OF FARMINGTON, NEW MEXICO
Gross Receipts Tax Bond Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	<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	\$ -	\$ -	\$ 21,655	\$ 21,655
EXPENDITURES:				
Current:				
General government	-	5,843,000	1,724,521	4,118,479
Bond issuance costs	-	77,857	76,135	1,722
	-	5,920,857	1,800,656	4,120,201
Excess (deficiency) of revenues over (under) expenditures	-	(5,920,857)	(1,779,001)	4,141,856
OTHER FINANCING SOURCES (USES):				
Qualified Energy Conservation Bonds issued	-	4,743,999	4,743,999	-
QECCB transfer from Civic Center Bonds	-	1,176,858	1,176,858	-
	-	5,920,857	5,920,857	-
Net change in fund balances	-	-	4,141,856	\$ 4,141,856
ADJUSTMENTS TO GAAP:				
Change in accounts payable			(496,676)	
GAAP BASIS CHANGE IN FUND BALANCES:				
			3,645,180	
Fund balances - beginning	-	-	-	
Fund balances - ending	\$ -	\$ -	\$ 3,645,180	

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

CITY OF FARMINGTON, NEW MEXICO
Governmental Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Investment earnings	\$ 35,000	\$ 35,000	\$ 14,008	\$ (20,992)
Miscellaneous	-	-	1,065	1,065
Total revenues	35,000	35,000	15,073	(19,927)
EXPENDITURES:				
Current:				
General government	-	20,055	20,055	-
Capital Outlay:				
General government	1,317,358	1,606,063	1,028,193	577,870
Total expenditures	1,317,358	1,626,118	1,048,248	577,870
Excess (deficiency) of revenues over (under) expenditures	(1,282,358)	(1,591,118)	(1,033,175)	557,943
OTHER FINANCING SOURCES (USES):				
Transfers in	3,000,000	-	-	-
Transfers out	(3,000,000)	-	-	-
	-	-	-	-
Net change in fund balances	(1,282,358)	(1,591,118)	(1,033,175)	\$ <u>557,943</u>
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			(3,248)	
Change in accounts payable			586,162	
			582,914	
GAAP BASIS CHANGE IN FUND BALANCES:				
			(450,261)	
Fund balances - beginning	1,688,870	1,688,870	1,688,870	
Fund balances - ending	\$ 406,512	\$ 97,752	\$ 1,238,609	

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

CITY OF FARMINGTON, NEW MEXICO
Airport Construction Grant Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Intergovernmental				
Federal	\$ 1,443,369	\$ 236,644	\$ 223,598	\$ (13,046)
State	48,112	10,026	17,818	7,792
Investment earnings	-	-	241	241
Total revenues	1,491,481	246,670	241,657	(5,013)
EXPENDITURES:				
Current:				
Airport	-	-	2,375	(2,375)
Capital Outlay:				
Airport	1,539,593	254,796	238,888	15,908
Total expenditures	1,539,593	254,796	241,263	13,533
Excess (deficiency) of revenues over (under) expenditures	(48,112)	(8,126)	394	8,520
OTHER FINANCING SOURCES (USES):				
Transfers in	8,002	8,002	8,002	-
Net change in fund balances	(40,110)	(124)	8,396	\$ <u>8,520</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable - state			(5,724)	
Change in fair market value - investments			(89)	
			(5,813)	
GAAP BASIS CHANGE IN FUND BALANCES:				
			2,583	
Fund balances - beginning	32,896	32,896	32,896	
Fund balances - ending	\$ (7,214)	\$ 32,772	\$ 35,479	

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

CITY OF FARMINGTON, NEW MEXICO
Metro Redevelop Authority Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Investment earnings	\$ 8,000	\$ 8,000	\$ 12,908	\$ 4,908
EXPENDITURES:				
Current:				
General government	225,000	225,000	92,937	132,063
Capital Outlay:				
General government	75,000	115,000	19,696	95,304
Total expenditures	300,000	340,000	112,633	227,367
Excess (deficiency) of revenues over (under) expenditures	(292,000)	(332,000)	(99,725)	\$ 232,275
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			(3,187)	
Change in accounts payable			(68,466)	
			(71,653)	
GAAP BASIS CHANGE IN FUND BALANCES:			(171,378)	
Fund balances - beginning	1,362,935	1,362,935	1,362,935	
Fund balances - ending	\$ 1,070,935	\$ 1,030,935	\$ 1,191,557	

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

CITY OF FARMINGTON, NEW MEXICO
Convention Center Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment earnings	\$ -	\$ -	\$ 43,091	\$ 43,091
Miscellaneous	-	-	104	104
Total revenues	<u>-</u>	<u>-</u>	<u>43,195</u>	<u>43,195</u>
EXPENDITURES:				
Current:				
Bond issuance costs	-	133,301	115,542	17,759
Capital Outlay:				
Parks, recreation and cultural affairs	174,020	10,386,411	537,608	9,848,803
Total expenditures	<u>174,020</u>	<u>10,519,712</u>	<u>653,150</u>	<u>9,866,562</u>
Excess (deficiency) of revenues over (under) expenditures	(174,020)	(10,519,712)	(609,955)	9,909,757
OTHER FINANCING SOURCES (USES):				
Transfers in	173,832	108,005	108,005	-
Civic Center Improvement bonds issued	-	10,165,000	10,165,000	-
Civic Center Improvement bonds premium	-	1,260,619	1,260,619	-
Civic Center Bonds transfer to QECB bond	-	(1,176,858)	(1,176,858)	-
	<u>173,832</u>	<u>10,356,766</u>	<u>10,356,766</u>	<u>-</u>
Net change in fund balances	(188)	(162,946)	9,746,811	<u>\$ 9,909,757</u>
Fund balances - beginning	(937,055)	(937,055)	(937,055)	
Fund balances - ending	<u>\$ (937,243)</u>	<u>\$ (1,100,001)</u>	<u>\$ 8,809,756</u>	

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

CITY OF FARMINGTON, NEW MEXICO
Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Investment earnings	\$ 5,000	\$ 5,000	\$ 8,317	\$ 3,317
EXPENDITURES:				
Debt Service:				
Principal	1,311,322	1,556,322	1,556,322	-
Interest	317,447	598,920	547,468	51,452
Total expenditures	1,628,769	2,155,242	2,103,790	51,452
Excess (deficiency) of revenues over (under) expenditures	(1,623,769)	(2,150,242)	(2,095,473)	54,769
OTHER FINANCING SOURCES (USES):				
Transfers in	1,628,769	2,155,242	2,155,242	-
Net change in fund balances	5,000	5,000	59,769	\$ <u>54,769</u>
ADJUSTMENTS TO GAAP:				
Change in fair market value - investments			(670)	
GAAP BASIS CHANGE IN FUND BALANCES:				
			59,099	
Fund balances - beginning	209,948	209,948	209,948	
Fund balances - ending	\$ 214,948	\$ 214,948	\$ 269,047	

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

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 9,775,000	\$ 9,775,000	\$ 9,846,336	\$ 71,336
Operating expenses:				
Costs of services	9,731,415	9,731,415	9,031,581	699,834
Operating income (loss)	43,585	43,585	814,755	771,170
Nonoperating revenues (expenses):				
Investment earnings	20,000	20,000	23,665	3,665
Change in net position	63,585	63,585	838,420	\$ 774,835
ADJUSTMENTS TO GAAP:				
Change in accounts receivable			(528,761)	
Change in accounts payable			(8,328)	
Change in accrued claims payable			168,674	
			(368,415)	
GAAP BASIS CHANGE IN NET POSITION:			470,005	
Net position - beginning	1,477,556	1,477,556	1,477,556	
Net position - ending	\$ 1,541,141	\$ 1,541,141	\$ 1,947,561	

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Electric	\$ 99,802,477	\$ 99,802,477	\$ 92,688,466	\$ (7,114,011)
Other revenues	794,900	794,900	1,224,193	429,293
Total operating revenues	100,597,377	100,597,377	93,912,659	(6,684,718)
Operating expenses:				
Salaries and fringe benefits	15,279,434	15,279,434	14,304,211	975,223
Purchased power, fuel and chemicals	42,342,748	42,342,748	38,085,548	4,257,200
Other operating expenses	20,821,835	20,821,835	18,276,993	2,544,842
Capital outlay	27,128,924	27,128,924	28,911,568	(1,782,644)
Total operating expenses	105,572,941	105,572,941	99,578,320	5,994,621
Operating income	(4,975,564)	(4,975,564)	(5,665,661)	(690,097)
Nonoperating revenues (expenses):				
Investment earnings	400,000	400,000	604,834	204,834
Income (loss) before operating transfers	(4,575,564)	(4,575,564)	(5,060,827)	(485,263)
Capital contributions	800,000	800,000	1,464,161	664,161
Transfers in	4,968	4,968	4,968	-
Transfers out	(5,344,776)	(5,344,776)	(5,344,776)	-
Change in net position	(9,115,372)	(9,115,372)	(8,936,474)	\$ <u>178,898</u>
ADJUSTMENTS TO GAAP:				
Depreciation			(15,203,450)	
Amortization			(3,015,215)	
Capital outlay capitalized			28,911,568	
Change in accounts receivable			(784,454)	
Change in accounts payable			(1,953,115)	
			7,955,334	
GAAP BASIS CHANGE IN NET POSITION:			(981,140)	
Net position - beginning	355,569,482	355,569,482	355,569,482	
Net position - ending	\$ 346,454,110	\$ 346,454,110	\$ 354,588,342	

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

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Water	\$ 16,762,123	\$ 16,762,123	\$ 17,459,173	\$ 697,050
Other revenues	-	-	37,112	37,112
Total operating revenues	16,762,123	16,762,123	17,496,285	734,162
Operating expenses:				
Salaries and fringe benefits	724,633	724,633	689,129	35,504
Other operating expenses	8,359,296	8,359,296	8,960,366	(601,070)
Capital outlay	14,775,000	14,775,000	7,981,716	6,793,284
Total operating expenses	23,858,929	23,858,929	17,631,211	6,227,718
Operating income	(7,096,806)	(7,096,806)	(134,926)	6,961,880
Nonoperating revenues (expenses):				
Investment earnings	75,000	75,000	143,384	68,384
NMFA loan proceeds	2,200,000	2,200,000	610,671	(1,589,329)
Revenue from grants	1,000,000	1,000,000	260,919	(739,081)
Interest expense	(91,540)	(91,540)	(85,344)	6,196
Principal on debt service	(223,214)	(223,214)	(223,214)	-
Total nonoperating revenues (expenses)	2,960,246	2,960,246	706,416	(2,253,830)
Income (loss) before operating transfers	(4,136,560)	(4,136,560)	571,490	4,708,050
Transfers out	(837,068)	(837,068)	(871,813)	(34,745)
Change in net position	(4,973,628)	(4,973,628)	(300,323)	\$ 4,673,305
ADJUSTMENTS TO GAAP:				
Depreciation			(2,673,087)	
Capital outlay capitalized			7,981,716	
Principal on debt service			223,214	
NMFA loan proceeds			(610,671)	
Change in accounts receivable			51,661	
Change in accounts payable			110,379	
			5,083,212	
GAAP BASIS CHANGE IN NET POSITION:			4,782,889	
Net position - beginning	70,523,317	70,523,317	70,523,317	
Net position - ending	\$ 65,549,689	\$ 65,549,689	\$ 75,306,206	

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

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Wastewater	\$ 8,089,749	\$ 8,089,749	\$ 8,270,306	\$ 180,557
Other revenues	4,000	4,000	2,497	(1,503)
Total operating revenues	8,093,749	8,093,749	8,272,803	179,054
Operating expenses:				
Salaries and fringe benefits	480,329	480,329	442,396	37,933
Other operating expenses	5,524,700	5,524,700	4,630,950	893,750
Capital outlay	12,466,355	18,596,355	14,631,712	3,964,643
Total operating expenses	18,471,384	24,601,384	19,705,058	4,896,326
Operating income	(10,377,635)	(16,507,635)	(11,432,255)	5,075,380
Nonoperating revenues (expenses):				
Intergovernmental-environmental tax	1,209,882	1,209,882	1,142,091	(67,791)
Investment earnings	94,000	94,000	90,483	(3,517)
NMED loan proceeds	8,000,000	14,130,000	15,037,805	907,805
Interest expense	(243,878)	(243,878)	(243,878)	-
Principal on debt service	(709,119)	(709,119)	(709,119)	-
Total nonoperating revenues (expenses)	8,350,885	14,480,885	15,317,382	836,497
Income (loss) before operating transfers	(2,026,750)	(2,026,750)	3,885,127	5,911,877
Transfers out	(404,232)	(404,232)	(413,921)	(9,689)
Change in net position	(2,430,982)	(2,430,982)	3,471,206	\$ <u>5,902,188</u>
ADJUSTMENTS TO GAAP:				
Depreciation			(1,435,320)	
Capital outlay capitalized			14,631,712	
Principal on debt service			709,119	
NMED loan proceeds			(15,037,805)	
Change in accounts receivable			57,167	
Change in accounts payable			(215,282)	
			(1,290,409)	
GAAP BASIS CHANGE IN NET POSITION:			2,180,797	
Net position - beginning	31,731,158	31,731,158	31,731,158	
Net position - ending	\$ 29,300,176	\$ 29,300,176	\$ 33,911,955	

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

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Sanitation	\$ 5,926,152	\$ 5,926,152	\$ 5,613,766	\$ (312,386)
Other revenues	90,000	90,000	119,815	29,815
Total operating revenues	6,016,152	6,016,152	5,733,581	(282,571)
Operating expenses:				
Salaries and fringe benefits	34,023	34,023	34,862	(839)
Other operating expenses	5,918,403	5,918,403	5,408,392	510,011
Total operating expenses	5,952,426	5,952,426	5,443,254	509,172
Operating income	63,726	63,726	290,327	226,601
Nonoperating revenues (expenses):				
Investment earnings	20,000	20,000	20,545	545
Income (loss) before operating transfers	83,726	83,726	310,872	227,146
Transfers out	(1,200,000)	(1,200,000)	(1,200,000)	-
Change in net position	(1,116,274)	(1,116,274)	(889,128)	\$ 227,146
ADJUSTMENTS TO GAAP:				
Depreciation			(6,650)	
Change in accounts receivable			(23,794)	
Change in accounts payable			37,096	
			6,652	
GAAP BASIS CHANGE IN NET POSITION:			(882,476)	
Net position - beginning	2,641,492	2,641,492	2,641,492	
Net position - ending	\$ 1,525,218	\$ 1,525,218	\$ 1,759,016	

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

CAPITAL ASSETS - GOVERNMENTAL FUNDS

CITY OF FARMINGTON, NEW MEXICO
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
June 30, 2016 and 2017

	<u>2017</u>	<u>2016</u>
Governmental funds capital assets:		
Land	\$ 30,215,043	\$ 29,695,641
Buildings	80,740,177	75,976,960
Improvements other than buildings	33,613,128	33,219,426
Machinery and equipment	36,053,862	35,752,562
Infrastructure	78,291,847	74,969,616
Construction In Progress	7,413,495	14,684,454
Total governmental funds capital assets	<u>\$ 266,327,552</u>	<u>\$ 264,298,659</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 68,749,524	\$ 76,842,502
Special revenue fund	129,497,722	124,497,226
Capital projects funds	63,723,365	58,525,225
Donations	4,356,941	4,433,706
Total governmental funds capital assets	<u>\$ 266,327,552</u>	<u>\$ 264,298,659</u>

CITY OF FARMINGTON, NEW MEXICO
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
For the Year Ended June 30, 2017

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction In Progress	Total
GENERAL GOVERNMENT:							
Legislative	\$ 4,000	\$ -	\$ -	\$ 42,071	\$ -	\$ -	\$ 46,071
Judicial	-	111,855	-	118,759	-	-	230,614
Operations center	-	26,363	-	604,923	-	-	631,286
Fleet maintenance	-	133,282	-	434,100	-	-	567,382
Stores	-	38,467	270,135	260,990	-	16,318	585,910
Finance administration	-	-	-	16,515	-	-	16,515
Personnel administration	-	-	-	163,815	-	-	163,815
Law enforcement	-	-	-	38,544	-	-	38,544
Administrative services	1,670,752	13,143,633	98,638	1,850,719	-	247,219	17,010,961
Planning and zoning	-	-	-	59,329	-	-	59,329
Data processing	-	98,671	-	691,387	324,220	69,563	1,183,841
Total general government	<u>1,674,752</u>	<u>13,552,271</u>	<u>368,773</u>	<u>4,281,152</u>	<u>324,220</u>	<u>333,100</u>	<u>20,534,268</u>
PUBLIC SAFETY:							
Police	532,770	3,689,746	130,561	7,511,220	23,866	165,911	12,054,074
Fire	60,098	7,931,595	51,766	9,027,043	33,151	12,256	17,115,909
Inspection	-	-	-	228,929	-	-	228,929
Traffic	-	39,403	-	800,613	3,908,981	1,694,717	6,443,714
Total public safety	<u>592,868</u>	<u>11,660,744</u>	<u>182,327</u>	<u>17,567,805</u>	<u>3,965,998</u>	<u>1,872,884</u>	<u>35,842,626</u>
PUBLIC WORKS/ COMMUNITY DEVELOPMENT:							
Streets	16,204,382	263,453	3,735,517	3,808,942	56,520,123	4,053,028	84,585,445
Bridges and storm drains	227,783	-	-	-	17,459,247	69,391	17,756,421
Administration	1,071,147	462,632	63,362	47,135	-	71,842	1,716,118
Survey	-	-	-	146,210	-	-	146,210
Engineering	-	-	-	108,745	-	-	108,745
Total public works/ community development	<u>17,503,312</u>	<u>726,085</u>	<u>3,798,879</u>	<u>4,111,032</u>	<u>73,979,370</u>	<u>4,194,261</u>	<u>104,312,939</u>
CULTURE AND RECREATION:							
Parks and recreation	5,517,688	19,829,565	12,483,996	6,629,330	-	321,174	44,781,753
Civic center	918,688	4,454,817	-	310,587	-	616,718	6,300,810
Senior citizens center	250,627	1,324,293	37,161	273,171	-	21,310	1,906,562
Museum	1,131,932	7,499,623	134,173	145,069	-	36,552	8,947,349
Animal shelter	132,392	4,567,174	-	105,747	-	17,496	4,822,809
Golf Courses	100,000	1,286,458	2,934,616	779,430	22,259	-	5,122,763
Total culture and recreation	<u>8,051,327</u>	<u>38,961,930</u>	<u>15,589,946</u>	<u>8,243,334</u>	<u>22,259</u>	<u>1,013,250</u>	<u>71,882,046</u>
LIBRARIES	<u>1,391,668</u>	<u>8,686,494</u>	<u>106,000</u>	<u>576,788</u>	<u>-</u>	<u>-</u>	<u>10,760,950</u>
AIRPORT	<u>1,001,116</u>	<u>7,152,653</u>	<u>13,567,203</u>	<u>1,273,751</u>	<u>-</u>	<u>-</u>	<u>22,994,723</u>
Total governmental funds capital asset	<u>\$ 30,215,043</u>	<u>\$ 80,740,177</u>	<u>\$ 33,613,128</u>	<u>\$ 36,053,862</u>	<u>\$ 78,291,847</u>	<u>\$ 7,413,495</u>	<u>\$ 266,327,552</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, 2017

Function and Activity	Capital Assets June 30, 2016	Additions	Deductions	Net Transfers	Capital Assets June 30, 2017
GENERAL GOVERNMENT:					
Legislative	\$ 46,071	\$ -	\$ -	\$ -	46,071
Judicial	230,614	-	-	-	230,614
Operations center	631,286	-	-	-	631,286
Fleet maintenance	587,774	23,030	(24,304)	(19,118)	567,382
Stores	569,592	16,318	-	-	585,910
Finance administration	16,515	-	-	-	16,515
Personnel administration	178,739	-	(14,924)	-	163,815
Law enforcement	38,544	-	-	-	38,544
Administrative services	17,229,576	859,868	(1,090,894)	12,411	17,010,961
Planning and zoning	71,740	-	(12,411)	-	59,329
Data processing	1,114,278	69,563	-	-	1,183,841
Total general government	<u>20,714,729</u>	<u>968,779</u>	<u>(1,142,533)</u>	<u>(6,707)</u>	<u>20,534,268</u>
PUBLIC SAFETY:					
Police	11,805,350	400,809	(153,703)	1,618	12,054,074
Fire	17,129,409	5,226,009	(5,218,807)	(20,702)	17,115,909
Inspection	228,929	-	-	-	228,929
Traffic	5,789,983	1,145,304	(482,579)	(8,994)	6,443,714
Total public safety	<u>34,953,671</u>	<u>6,772,122</u>	<u>(5,855,089)</u>	<u>(28,078)</u>	<u>35,842,626</u>
PUBLIC WORKS/ COMMUNITY DEVELOPMENT:					
Streets	84,760,702	3,990,017	(4,174,268)	8,994	84,585,445
Bridges and storm drains	17,780,498	-	(24,077)	-	17,756,421
Administration	1,355,914	360,204	-	-	1,716,118
Survey	146,210	-	-	-	146,210
Engineering	90,468	28,247	(9,970)	-	108,745
Total public works/ community development	<u>104,133,792</u>	<u>4,378,468</u>	<u>(4,208,315)</u>	<u>8,994</u>	<u>104,312,939</u>
CULTURE AND RECREATION:					
Parks and recreation	44,353,411	715,446	(287,104)	-	44,781,753
Civic center	5,763,202	537,608	-	-	6,300,810
Senior citizens center	1,824,545	88,063	(6,046)	-	1,906,562
Museum	8,910,797	36,552	-	-	8,947,349
Animal Shelter	4,805,313	17,496	(19,084)	19,084	4,822,809
Golf Courses	5,090,233	32,530	-	-	5,122,763
Total culture and recreation	<u>70,747,501</u>	<u>1,427,695</u>	<u>(312,234)</u>	<u>19,084</u>	<u>71,882,046</u>
LIBRARIES	10,760,950	-	-	-	10,760,950
AIRPORT	22,988,016	-	-	6,707	22,994,723
Total general capital assets	<u>\$ 264,298,659</u>	<u>\$ 13,547,064</u>	<u>\$ (11,518,171)</u>	<u>\$ -</u>	<u>\$ 266,327,552</u>
Accumulated depreciation	<u>\$ 149,671,752</u>	<u>\$ 9,288,539</u>	<u>\$ (1,313,204)</u>	<u>\$ -</u>	<u>\$ 157,647,087</u>



STATISTICAL SECTION

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>	118
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>	123
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>	134
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>	138
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>	140
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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities					Restated					
Net invested in capital assets	\$ 74,066,951	\$ 82,050,200	\$ 94,776,714	\$ 91,574,976	\$ 83,813,002	\$ 95,018,930	\$ 102,345,158	\$ 105,735,450	\$ 104,540,398	\$ 100,348,301
Restricted	4,599,840	4,085,917	4,195,660	2,630,553	10,998,211	8,253,150	5,936,973	3,161,762	4,724,748	18,964,830
Unrestricted (deficit)	21,548,521	20,137,410	20,043,161	31,572,545	34,265,211	28,214,098	28,860,863	(24,786,968)	(33,016,562)	(53,887,408)
Total governmental activities net position	\$ 100,215,312	\$ 106,273,527	\$ 119,015,535	\$ 125,778,074	\$ 129,076,424	\$ 131,486,178	\$ 137,142,994	\$ 84,110,244	\$ 76,248,584	\$ 65,415,723
Business-type activities										
Net invested in capital assets	\$ 263,888,952	\$ 290,777,764	\$ 299,184,651	\$ 309,610,312	\$ 316,889,337	\$ 28,083,837	\$ 345,992,235	\$ 351,217,980	\$ 370,083,482	\$ 387,312,875
Restricted	3,139,945	3,438,741	3,657,082	5,243,850	4,852,866	-	1,661,907	1,661,907	1,661,907	1,661,907
Unrestricted	54,174,692	59,170,526	75,894,328	80,045,226	92,897,685	334,361,892	99,209,034	93,182,183	88,720,060	76,590,737
Total business-type activities net position	\$ 321,203,589	\$ 353,387,031	\$ 378,736,061	\$ 394,899,388	\$ 414,639,888	\$ 362,445,729	\$ 446,863,176	\$ 446,062,070	\$ 460,465,449	\$ 465,565,519
Primary government										
Net invested in capital assets	\$ 340,276,555	\$ 372,827,964	\$ 393,961,365	\$ 401,185,288	\$ 400,702,339	\$ 123,102,767	\$ 448,337,393	\$ 456,953,430	\$ 474,623,880	\$ 487,661,176
Restricted	7,739,785	7,524,658	7,852,742	7,874,403	15,851,077	8,253,150	7,598,880	4,823,669	6,386,655	20,616,737
Unrestricted	77,309,002	79,307,936	95,937,489	111,617,771	127,162,896	362,575,990	128,069,897	68,395,215	55,703,498	22,703,329
Total primary government net position	\$ 421,418,901	\$ 459,660,558	\$ 497,751,596	\$ 520,677,462	\$ 543,716,312	\$ 493,931,907	\$ 584,006,170	\$ 530,172,314	\$ 536,714,033	\$ 530,981,242

Source: City of Farmington CAFRs

Note: 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.
 In 2015, the city implemented GASB 68 which resulted in a deficit governmental activities unrestricted net position.

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 24,773,909	\$ 30,738,756	\$ 25,732,424	\$ 29,114,460	\$ 32,642,985	\$ 37,156,707	\$ 35,295,440	\$ 38,752,681	\$ 36,120,890	\$ 28,889,926
Police	16,405,749	14,551,370	14,918,275	15,021,697	15,645,349	15,824,298	16,371,812	16,544,038	18,127,957	19,782,931
Fire	8,702,072	9,461,309	8,808,809	8,665,126	9,595,679	8,804,530	10,224,591	7,460,513	10,680,758	12,000,794
Parks, recreation, cultural affairs	15,479,059	8,959,793	13,349,714	13,714,785	14,251,614	8,345,000	13,504,216	17,017,698	18,906,482	17,390,900
Public works/community development	11,857,265	2,144,831	8,425,359	10,800,128	11,044,820	11,068,146	8,778,072	9,708,202	9,667,963	11,930,760
Interest on long term debt	468,360	423,713	377,304	328,280	288,476	537,023	441,145	407,023	350,142	590,502
Total governmental activities	\$ 77,686,414	\$ 66,279,772	\$ 71,611,885	\$ 77,644,476	\$ 83,468,923	\$ 81,535,704	\$ 84,615,276	\$ 89,890,155	\$ 93,854,192	\$ 90,585,813
Business-type activities:										
Electric	79,473,997	75,669,922	75,094,411	77,933,334	76,465,532	85,104,921	86,071,781	93,164,509	90,435,253	90,838,532
Water	6,854,699	7,670,708	8,540,615	8,662,030	9,368,428	9,388,141	9,895,015	10,362,693	11,086,095	12,304,070
Wastewater	5,227,357	5,066,171	5,263,247	5,674,564	5,829,583	5,850,820	6,014,663	6,239,817	6,460,670	6,969,969
Sanitation	4,130,295	4,404,269	4,393,018	5,318,445	5,100,718	5,081,821	5,239,556	5,529,374	5,497,700	5,412,808
Golf	1,312,463	1,331,765	1,285,065	1,468,586	1,157,049	1,132,150	-	-	-	-
Airport	1,557,946	1,639,916	-	-	-	-	-	-	-	-
Total business-type activities	\$ 98,556,757	\$ 95,782,751	\$ 94,576,356	\$ 99,056,959	\$ 97,921,310	\$ 106,557,853	\$ 107,221,015	\$ 115,296,393	\$ 113,479,718	\$ 115,525,379
Total expenses	\$ 176,243,171	\$ 162,062,523	\$ 166,188,241	\$ 176,701,435	\$ 181,390,233	\$ 188,093,557	\$ 191,836,291	\$ 205,186,548	\$ 207,333,910	\$ 206,111,192
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 7,008,648	\$ 6,420,991	\$ 8,003,589	\$ 8,866,978	\$ 11,555,421	\$ 9,195,215	\$ 12,104,821	\$ 11,688,723	\$ 10,483,519	\$ 5,744,673
Police	1,366,974	1,483,251	1,518,646	1,185,576	1,200,551	1,185,579	1,082,132	1,148,476	1,090,033	937,351
Parks, recreation, cultural affairs	831,845	884,964	844,503	838,839	1,094,483	1,227,346	2,538,777	2,818,948	2,607,028	2,257,877
Public works/community development	86,766	67,296	58,237	50,940	61,644	61,841	63,430	58,583	59,815	21,467
Operating grants and contributions	3,623,209	4,242,763	4,090,058	6,243,941	3,546,860	4,535,975	5,188,416	5,254,695	6,110,984	5,443,467
Capital grants and contributions	12,917,442	13,099,265	18,743,051	20,629,255	18,757,582	20,342,446	24,739,442	23,843,181	21,391,716	15,056,765
Total governmental activities	\$ 24,136,889	\$ 25,938,475	\$ 34,612,536	\$ 35,109,741	\$ 38,354,655	\$ 35,347,166	\$ 46,808,807	\$ 43,383,821	\$ 46,676,341	\$ 34,408,542
Business-type activities:										
Charges for services:										
Electric	102,193,403	97,122,636	94,173,433	91,451,673	95,742,961	102,124,215	99,529,498	105,907,531	102,230,879	93,276,798
Water	10,783,517	11,052,694	12,324,629	12,897,358	14,025,394	13,576,405	13,232,372	13,932,663	16,184,867	17,580,790
Wastewater	6,240,272	6,910,478	7,445,521	6,163,722	6,475,468	6,598,137	6,640,367	6,875,136	7,588,925	8,326,736
Sanitation	4,228,681	4,774,637	5,007,853	5,092,625	5,423,632	5,452,441	5,547,113	5,667,995	5,640,903	5,714,492
Golf	1,146,652	1,167,456	1,106,499	1,019,226	1,043,005	957,766	-	-	-	-
Airport	540,360	464,337	-	-	-	-	-	-	-	-
Operating grants and contributions	1,585,215	5,826,268	12,949,631	6,282,404	2,706,388	4,192,656	-	-	59,056	260,919
Capital grants and contributions	2,617,273	1,050,875	-	-	-	-	2,067,760	1,886,666	1,020,091	1,464,161
Total business-type activities	\$ 129,335,373	\$ 128,369,381	\$ 133,007,566	\$ 122,907,008	\$ 125,416,848	\$ 132,901,620	\$ 127,017,110	\$ 134,269,991	\$ 132,724,721	\$ 126,623,896
Total program revenues	\$ 142,252,815	\$ 141,468,646	\$ 151,750,617	\$ 143,536,263	\$ 144,174,430	\$ 153,244,066	\$ 151,756,552	\$ 158,113,172	\$ 154,116,437	\$ 141,680,661

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 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 Cvtlan Golf Course operations to governmental activities which had previously been accounted for as a business-type activity. In 2012, a change in accounting principle adjustment was made to correct costs associated with regulatory costs for business-type activity.

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expenses)/Revenues					Restated					
Governmental activities	\$ (64,768,972)	\$ (53,180,507)	\$ (52,868,834)	\$ (57,015,221)	\$ (64,711,341)	\$ (61,193,258)	\$ (59,875,834)	\$ (66,046,974)	\$ (72,462,476)	\$ (75,529,048)
Business-type activities	30,778,616	32,586,630	38,431,210	23,850,049	27,495,538	26,343,767	19,796,095	18,973,598	19,245,003	11,098,517
Total net expenses	<u>\$ (33,990,356)</u>	<u>\$ (20,593,877)</u>	<u>\$ (14,437,624)</u>	<u>\$ (33,165,172)</u>	<u>\$ (37,215,803)</u>	<u>\$ (34,849,491)</u>	<u>\$ (40,079,739)</u>	<u>\$ (47,073,376)</u>	<u>\$ (53,217,473)</u>	<u>\$ (64,430,531)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Gross receipts taxes	\$ 54,401,730	\$ 52,406,771	\$ 44,760,879	\$ 47,605,170	\$ 50,432,706	\$ 47,951,282	\$ 49,107,699	\$ 52,453,868	\$ 49,290,956	\$ 48,512,535
Property taxes	1,330,285	1,550,503	1,556,401	1,806,123	1,687,900	1,712,368	1,864,221	1,907,059	1,936,699	1,991,521
Franchise taxes	992,050	865,346	649,388	614,627	2,325,998	2,340,395	2,422,641	2,308,529	2,488,029	2,594,536
Other taxes	2,124,381	1,992,189	2,048,944	1,828,644	1,982,191	1,790,196	1,774,724	2,195,553	2,747,300	2,372,209
Other revenue	1,386,242	1,789,230	1,782,477	1,541,494	1,601,517	1,277,670	964,113	1,093,197	1,004,418	1,163,081
Unrestricted investment earnings	962,448	701,039	405,946	364,522	257,782	76,860	357,959	317,162	263,798	245,430
Loss on disposition	-	(1,381,262)	-	-	-	-	-	-	-	-
Reassignment of capital assets	-	-	-	-	-	-	1,870,844	-	-	-
Transfers	1,420,720	1,923,630	14,406,807	10,017,180	9,721,597	8,454,241	7,170,449	7,900,683	6,869,616	7,816,876
Total general revenues, transfers and special items	<u>62,617,856</u>	<u>59,847,446</u>	<u>65,610,842</u>	<u>63,777,760</u>	<u>68,009,691</u>	<u>63,603,012</u>	<u>65,532,650</u>	<u>68,176,051</u>	<u>64,600,816</u>	<u>64,696,187</u>
Business-type activities:										
Environmental taxes	-	-	-	1,258,718	1,333,554	1,268,748	1,298,901	1,384,982	1,251,293	1,174,658
Unrestricted investment earnings	2,800,336	2,128,575	1,324,627	1,071,740	633,005	186,344	824,967	742,813	776,699	643,771
Loss on disposition	-	(1,013,059)	-	-	-	-	-	-	-	-
Reassignment of capital assets	-	-	-	-	-	-	(1,870,844)	-	-	-
Transfers	(1,420,720)	(1,923,630)	(14,406,807)	(10,017,180)	(9,721,597)	(8,454,241)	(7,170,449)	(7,900,683)	(6,869,616)	(7,816,876)
Total business-type activities	<u>1,379,616</u>	<u>(808,114)</u>	<u>(13,082,180)</u>	<u>(7,686,722)</u>	<u>(7,755,038)</u>	<u>(6,999,149)</u>	<u>(6,917,425)</u>	<u>(5,772,888)</u>	<u>(4,841,624)</u>	<u>(5,998,447)</u>
Total primary government	<u>\$ 63,997,472</u>	<u>\$ 59,039,332</u>	<u>\$ 52,528,662</u>	<u>\$ 56,091,038</u>	<u>\$ 60,254,653</u>	<u>\$ 56,603,863</u>	<u>\$ 58,615,225</u>	<u>\$ 62,403,163</u>	<u>\$ 59,759,192</u>	<u>\$ 58,697,740</u>
Change in Net Position										
Governmental activities	\$ (2,151,116)	\$ 6,666,939	\$ 12,742,008	\$ 6,762,539	\$ 3,298,350	\$ 2,409,754	\$ 5,656,816	\$ 2,129,077	\$ (7,861,660)	\$ (10,832,861)
Business-type activities	32,158,232	31,778,516	25,349,030	16,163,327	19,740,500	19,344,618	12,878,670	13,200,710	14,403,379	5,100,070
Total change in net position	<u>\$ 30,007,116</u>	<u>\$ 38,445,455</u>	<u>\$ 38,091,038</u>	<u>\$ 22,925,866</u>	<u>\$ 23,038,850</u>	<u>\$ 21,754,372</u>	<u>\$ 18,535,486</u>	<u>\$ 15,329,787</u>	<u>\$ 6,541,719</u>	<u>\$ (5,732,791)</u>

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 Beginning in 2010, only Public works expenses and revenues are reported and Community Development data is combined with General 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)

<u>Fiscal Year</u>	<u>Reserved</u>	<u>Unreserved</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Unassigned</u>	<u>Total</u>
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
2015	-	-	498,907	-	17,777,859	18,276,766
2016	-	-	542,959	-	11,842,124	12,385,083
2017	-	-	519,215	30,215	14,093,088	14,642,518

All Other Governmental Funds

<u>Fiscal Year</u>	<u>Reserved</u>	<u>Unreserved</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>
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
2015	-	-	-	3,161,762	9,477,535	2,989,483	(865,230)	14,763,550
2016	-	-	8,434	4,724,748	7,157,528	2,566,917	(937,055)	13,520,572
2017	-	-	12,516	18,924,615	6,227,897	2,196,732	(1,100,341)	26,261,419

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 58,848,446	\$ 56,705,030	\$ 48,954,845	\$ 51,685,802	\$ 56,484,330	\$ 53,853,728	\$ 55,151,896	\$ 58,820,037	\$ 56,422,321	\$ 55,404,288
Licenses and permits	794,169	618,877	693,743	606,378	671,676	651,586	642,505	614,845	613,553	563,477
Intergovernmental	3,623,207	4,242,763	8,318,076	9,686,922	5,320,909	8,672,465	8,950,282	8,128,451	7,151,321	6,095,397
Charges for services	1,789,334	1,749,034	2,557,192	2,506,687	2,849,685	2,998,608	3,787,921	3,730,888	3,356,055	2,963,371
Fines	1,341,297	1,431,718	1,491,288	1,171,028	1,183,536	1,153,942	1,031,722	1,114,213	1,052,001	884,493
Special assessments	18,591	6,667	600	1,970	22	-	-	-	-	-
Investment earnings	962,448	701,039	402,421	364,660	257,782	76,579	350,469	303,777	243,539	228,316
Miscellaneous	1,386,242	1,789,230	1,782,477	1,541,494	1,601,517	1,277,670	964,113	1,093,197	1,004,412	1,163,049
Total revenues	68,743,734	67,244,358	64,200,642	67,564,941	68,369,457	68,684,578	70,878,908	73,805,408	69,843,202	67,302,391
Expenditures										
Current										
General government	18,153,620	18,766,806	16,970,629	17,895,393	20,407,349	19,080,247	20,813,820	22,627,523	21,314,078	20,602,659
Police	15,536,666	14,636,567	14,588,008	14,892,808	15,709,376	15,337,268	16,703,106	17,189,754	18,558,468	17,065,951
Fire	8,298,829	8,654,998	8,281,693	8,279,658	10,068,829	9,154,839	9,238,467	9,538,833	9,846,379	9,326,018
Parks, recreation and cultural affairs	14,551,969	13,828,963	11,795,902	12,200,221	12,863,218	12,581,191	14,488,935	14,876,178	14,998,411	13,881,793
Community development	7,147,609	1,336,120	1,100,251	1,218,263	1,296,445	1,199,310	969,916	1,026,919	901,687	755,256
Public works	-	1,049,097	5,510,298	6,276,055	6,572,566	8,347,154	7,039,486	6,626,188	6,170,887	6,766,553
Airport	-	-	-	-	-	-	-	-	-	2,375
Bond issuance costs	-	-	-	-	-	-	-	-	-	191,677
Debt service										
Principal	1,180,000	1,225,000	1,270,000	1,315,000	3,440,000	1,098,878	1,189,238	1,224,760	1,280,467	1,556,322
Interest	470,217	425,643	379,342	330,393	258,145	547,717	443,054	411,133	352,200	547,468
Capital outlay	4,787,620	10,807,397	9,425,646	4,580,112	6,927,790	13,753,055	12,107,601	14,902,012	10,424,902	5,594,531
Total expenditures	70,126,530	70,730,591	69,321,769	66,987,903	77,543,718	81,099,659	81,964,357	88,423,300	83,847,479	76,290,603
Excess of revenues over (under) expenditures	(1,382,796)	(3,486,233)	(5,121,127)	577,038	(9,174,261)	(12,415,081)	(11,085,449)	(14,617,892)	(14,004,277)	(8,986,212)
Other Financing Sources (Uses)										
Transfers in	7,168,448	7,935,092	7,798,162	12,142,893	16,753,124	14,551,873	16,719,859	16,523,465	19,297,453	11,646,210
Transfers out	(5,747,728)	(6,011,462)	(2,686,511)	(2,125,713)	(8,002,626)	(6,097,632)	(9,549,410)	(8,622,782)	(12,427,837)	(3,829,334)
Sale tax debt issuance	-	-	-	-	11,197,390	-	-	-	-	16,169,618
Total other financing sources and uses	1,420,720	1,923,630	5,111,651	10,017,180	19,947,888	8,454,241	7,170,449	7,900,683	6,869,616	23,986,494
Net change in fund balances	\$ 37,924	\$ (1,562,603)	\$ (9,476)	\$ 10,594,218	\$ 10,773,627	\$ (3,960,840)	\$ (3,915,000)	\$ (6,717,209)	\$ (7,134,661)	\$ 14,999,282
Debt service as a percentage of noncapital expenditures	2.6%	3.0%	2.8%	2.6%	5.4%	2.5%	2.4%	2.2%	2.1%	2.9%

Source: City of Farmington CAFRs

Note: In 2009, the City separated Public Works from Community Development.
In 2010, the City added airport services to governmental activities which had previously been accounted for as a business-type activity.

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

Fiscal Year	Industrial		Commercial		Residential		* Total	
	kWh	Revenue	kWh	Revenue	kWh	Revenue	kWh	Revenue
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
2015	429,200,554	29,743,138	421,102,778	43,953,556	262,207,686	28,391,172	1,112,511,018	102,087,866
2016	374,762,380	28,215,055	416,383,208	45,201,681	266,476,087	30,650,732	1,057,621,675	104,067,468
2017	313,551,784	22,718,088	401,488,997	41,718,166	257,259,042	28,740,391	972,299,823	93,176,645
Change								
2008-2017	-38.8%	-20.5%	-8.6%	5.3%	-2.1%	20.3%	-19.9%	1.2%

Source: Farmington Electric Utility System

* Total does not include Wholesale revenue or any service charges.

Type of Customer

Industrial (Bulk Power)

\$70.00 Customer charge
\$8.50/kW of billing demand
\$0.04756/kWh energy charge

Commercial

Small General Service

\$7.00 Customer charge
\$0.09851/kWh energy charge

Medium General Service

\$9.00 Customer charge
\$4.25/kW of billing demand
\$0.07744/kWh energy charge

Large General Service

\$10.00 Customer charge
\$9.50/kW of billing demand
\$0.06031/kWh energy charge

Residential

\$4.75 Customer charge
\$0.09751/kWh energy charge
\$10.00 monthly minimum charge

Street Lighting

\$8.53 100 W sodium 7/94
\$12.93 100 W sodium 8/94
\$15.41 250 W sodium 7/94
\$16.23 250 W sodium 8/94
\$8.53 175 W mercury
\$15.41 400 W mercury
\$12.93 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>2017</u>			<u>2008</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 LLC	\$21,218,580	1	22.77%	\$22,878,924	1	24.85%
Praxair, Inc.	2,884,112	2	3.10%	1,670,978	4	1.81%
San Juan Regional Medical Center	1,908,389	3	2.05%	1,398,067	5	1.52%
Western Refining Southwest, Inc.	1,422,790	4	1.53%	2,602,968	3	2.83%
Hilcorp San Juan / ConocoPhillips	1,091,842	5	1.17%	1,255,973	6	1.36%
Wal-Mart Inc. / Sam's Club	1,027,430	6	1.10%	1,052,696	7	1.14%
Transwestern Pipeline Co.	991,107	7	1.06%	5,568,614	2	6.05%
San Juan College	845,617	8	0.91%	985,412	8	1.07%
BP America	680,681	9	0.73%	-	-	-
Central Consolidated	668,115	10	0.72%	426,327	10	0.46%
Animas Valley Mall	-	-	-	498,468	9	0.54%
Total	\$32,738,663		35.14%	\$38,338,427		41.64%

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
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
2015	52,453,868	1,862,087	2,308,529	2,810,398	59,434,882
2016	49,290,956	1,896,036	2,488,029	2,747,300	56,422,321
2017	48,512,535	1,925,009	2,594,535	2,372,209	55,404,288

Change
2008-2017 -10.8% 44.7% 161.5% 11.7% -5.9%

Source: City of Farmington CAFRs

Note: From 2008 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Agriculture	\$ 3,284	\$ (2,519)	\$ 609	\$ 612	\$ 566	\$ 1,718	\$ 2,006	\$ 1,487	\$ 355	\$ 447
Mining	185,838	163,216	113,859	121,889	118,975	80,493	83,254	93,211	88,282	57,459
Construction	121,996	157,749	117,169	109,321	102,464	115,958	77,959	96,966	127,401	123,760
Manufacturing	86,755	79,094	57,270	73,713	119,218	86,003	78,803	70,489	89,896	66,406
Trans/Comm/Utility	32,545	30,259	24,207	22,033	18,627	21,451	21,402	19,454	33,092	24,652
Wholesale Trade	164,098	163,014	99,166	97,962	104,251	94,400	80,010	87,412	82,776	60,538
Retail Trade	753,122	772,111	675,796	676,094	683,041	636,026	558,638	522,079	825,009	784,618
Information and Cultural	51,018	53,838	55,436	57,180	65,236	67,570	59,466	55,095	72,288	71,627
Finance/Ins/Real Estate	34,686	33,594	39,232	46,227	32,194	36,326	25,947	24,337	33,221	33,428
Services	580,933	601,162	502,840	579,917	597,330	602,024	515,494	498,116	689,509	582,585
Unclassified	14,923	8,359	8,883	6,880	14,612	11,640	17,501	114,164	12,818	5,953
Undisclosed (a)	28,647	31,054	28,235	29,402	28,629	26,402	27,799	21,040	31,659	32,349
Total (b)	\$ 2,057,845	\$ 2,090,931	\$ 1,722,702	\$ 1,821,230	\$ 1,885,143	\$ 1,780,011	\$ 1,548,279	\$ 1,603,850	\$ 2,086,306	\$ 1,843,823
City Direct Sales Tax Rate	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.4375%	1.4375%

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.

**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
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%
2015	3.9000%	1.2250%	1.1875%	1.0625%	7.3750%
2016	3.9000%	1.2250%	1.4375%	1.0625%	7.6250%
2017	3.9000%	1.2250%	1.4375%	1.0625%	7.6250%

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 2017				Fiscal Year 2008			
	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (thousands)	Percentage of Total	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (thousands)	Percentage of Total	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (thousands)	Percentage of Total
Agriculture	4	0.14%	\$ 447	0.02%	7	0.25%	\$ 3,284	0.16%				
Mining	52	1.74%	57,459	3.12%	59	2.07%	185,838	9.03%				
Construction	227	7.61%	123,760	6.71%	265	9.31%	121,996	5.93%				
Manufacturing	150	5.03%	66,406	3.60%	108	3.79%	86,755	4.22%				
Trans/Comm/Utility	44	1.48%	24,652	1.34%	42	1.48%	32,545	1.58%				
Wholesale Trade	202	6.78%	60,538	3.28%	189	6.64%	164,098	7.97%				
Retail Trade	631	21.17%	784,618	42.56%	639	22.45%	753,122	36.60%				
Information and Cultural	114	3.82%	71,627	3.89%	93	3.27%	51,018	2.48%				
Finance/Ins/Real Estate	159	5.33%	33,428	1.81%	121	4.25%	34,686	1.69%				
Services	1,339	44.92%	582,585	31.60%	1,294	45.47%	580,933	28.23%				
Unclassified	56	1.88%	5,953	0.32%	24	0.84%	14,923	0.73%				
Undisclosed (a)	3	0.10%	32,349	1.75%	5	0.18%	28,647	1.39%				
Total (b)	2,981	100.00%	\$ 1,843,823	100.00%	2,846	100.00%	\$ 2,057,845	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.

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

Fiscal Year Ended June 30	Residential Property		Nonresidential		Personal		Less: Tax-Exempt Property		Total Taxable Assessed Value		Total Direct Residential Tax Rate		Total Direct Non Residential Tax Rate		Estimated Actual Taxable Value		Taxable Assessed Value as a Percentage of Actual Taxable Value	
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%
2015		731,502,146		554,682,386		66,037,125		257,150,613		1,095,071,044	1.410	2.225				3,288,501,634		33.3%
2016		749,006,669		561,254,523		67,060,107		256,373,378		1,120,947,921	1.392	2.209				3,366,209,973		33.3%
2017		767,332,374		583,811,362		67,172,099		265,683,921		1,152,631,914	1.394	2.218				3,461,357,099		33.3%

Source: San Juan County Assessor's Office

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

City of Farmington Residential Direct Rates				Overlapping Rates				Total Direct and Overlapping Rates	
Fiscal Year	General Fund	Service Fund	Total Direct Rate	State	County	School District #5	San Juan College		Secondary Vocational
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
2015	1.410	-	1.410	1.360	6.231	9.736	3.114	0.600	22.451
2016	1.392	-	1.392	1.360	6.529	9.691	3.263	0.600	22.835
2017	1.394	-	1.394	1.360	6.545	9.723	3.314	0.600	22.936

City of Farmington Nonresidential Direct Rates				Overlapping Rates				Total Direct and Overlapping Rates	
Fiscal Year	General Fund	Service Fund	Total Direct Rate	State	County	School District #5	San Juan College		Secondary Vocational
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
2015	2.225	-	2.225	1.360	8.500	9.939	4.500	0.600	27.124
2016	2.209	-	2.209	1.360	8.500	9.921	4.500	0.600	27.090
2017	2.218	-	2.218	1.360	8.500	9.947	4.500	0.600	27.125

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>2017</u>			<u>2008</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Animas Valley Mall, LLC	\$ 10,003,456	1	0.9%	\$ 7,513,411	4	0.8%
San Juan Regional Medical Center	9,901,890	2	0.9%	-	-	-
New Mexico Gas Company	7,005,304	3	0.6%	-	-	-
Burlington Resources Oil and Gas LP	6,837,419	4	0.6%	5,988,558	5	0.6%
Farmington Station, LLC	4,643,094	5	0.4%	-	-	-
Qwest Corporation	3,931,155	6	0.3%	8,029,921	3	0.9%
Dugan Production Corp	3,815,900	7	0.3%	-	-	-
Wal Mart Stores East LTD	3,568,903	8	0.3%	-	-	-
Animas Valley Leasing LLC	2,869,094	9	0.2%	-	-	-
Farmington Hotel Assets LLC	2,795,866	10	0.2%	-	-	-
Transwestern Pipeline Co.	-	-	-	10,982,738	1	1.2%
Compressor Systems, Inc.	-	-	-	8,032,118	2	0.9%
Alltel Communications	-	-	-	5,952,269	6	0.6%
Enterprise Field Service, LLC	-	-	-	5,454,509	7	0.6%
PNM Gas Services	-	-	-	4,948,533	8	0.5%
XTO Energy, Inc	-	-	-	4,097,419	9	0.4%
EES Leasing LLC	-	-	-	3,937,279	10	0.4%
Total	\$ 55,372,081		4.8%	\$ 64,936,755		7.0%

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
2008	\$ 1,320,531	\$ 1,257,590	95%	\$ 62,924	\$ 1,320,514	100%
2009	1,432,967	1,363,140	95%	69,643	1,432,783	100%
2010	1,571,124	1,415,035	90%	155,887	1,570,922	100%
2011	1,643,334	1,568,062	95%	74,628	1,642,690	100%
2012	1,716,603	1,641,482	96%	74,925	1,716,407	100%
2013	1,793,656	1,725,822	96%	66,664	1,792,486	100%
2014	1,817,355	1,757,847	97%	56,019	1,813,866	100%
2015	1,848,900	1,786,657	97%	53,728	1,840,385	100%
2016	1,899,062	1,831,776	96%	40,243	1,872,018	99%
2017	1,927,210	1,856,411	96%	-	1,856,411	96%

Source: San Juan County Treasurer

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

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

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

Fiscal Year	General 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	NMFA Loan	NMED Loan	NMFA Loan				Capital Leases
2008	\$ -	N/A	N/A	\$ 10,621,361	\$ -	\$ 27,940,131	\$ 13,107,058	\$ -	\$ 250,269	\$ -	\$ 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	-	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	-	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	-	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	-	-	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	-	-	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	-	-	9,486,137	2,056,450	-	24,263,275	2.1%	534
2015	-	N/A	N/A	11,088,902	342,550	-	8,817,724	4,968,995	-	-	8,817,724	4,968,995	-	25,218,171	2.3%	567
2016	-	N/A	N/A	9,789,426	297,083	-	8,129,259	4,757,192	-	-	8,129,259	4,757,192	-	22,972,960	2.1%	536
2017	-	N/A	N/A	24,354,553	250,761	-	22,457,944	5,144,649	-	-	22,457,944	5,144,649	-	52,207,907	4.8%	1,254

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, 2017**

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	\$ 79,700,000	100.000%	\$ 79,700,000
San Juan College	12,110,000	97.931%	11,859,423
Subtotal Overlapping Debt			91,559,423
City direct debt			24,605,314
Total direct and overlapping debt			\$ 116,164,737

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed Value (a)	\$ 862,849,412	\$ 933,242,749	\$ 864,520,964	\$ 768,940,119	\$ 783,257,495	\$ 799,659,984	\$ 1,319,118,368	\$ 1,352,221,657	\$ 1,377,321,299	\$ 1,418,315,835
Exempt property	68,326,659	88,515,732	92,000,870	213,971,715	224,872,472	237,362,094	254,161,110	257,150,613	256,373,378	265,683,921
Total Taxable Assessed Value	931,176,071	1,021,758,481	956,521,834	982,911,834	1,008,129,967	1,037,022,078	1,573,279,478	1,609,372,270	1,120,947,921	1,152,631,914
Legal Debt Margin										
Debt limitation - 4 % of total assessed value	37,247,043	40,870,339	38,260,873	39,316,473	40,325,199	41,480,883	42,598,290	43,802,842	44,837,917	46,105,277
Debt applicable to limitation:										
Total bonded debt	37,300,000	30,735,000	23,940,000	16,820,000	17,940,000	12,840,000	11,695,000	10,515,000	9,280,000	22,678,999
Less: Revenue bonds	(37,300,000)	(30,735,000)	(23,940,000)	(16,820,000)	(17,940,000)	(12,840,000)	(11,695,000)	(10,515,000)	(9,280,000)	(22,678,999)
Total net debt applicable to limitation	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 37,247,043	\$ 40,870,339	\$ 38,260,873	\$ 39,316,473	\$ 40,325,199	\$ 41,480,883	\$ 42,598,290	\$ 43,802,842	\$ 44,837,917	\$ 46,105,277

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 (a)					Sales Tax Revenue bonds				
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Sales Tax Revenue	Principal	Interest	Coverage
2008	\$ 121,977,607	\$ 77,084,567	\$ 44,893,040	\$ 5,135,000	\$ 1,421,305	6.85	\$ 27,625,198	\$ 1,180,000	\$ 470,217	16.74
2009	117,183,511	73,688,514	43,494,997	5,340,000	1,215,905	6.63	26,612,158	1,225,000	425,643	16.12
2010	115,238,191	73,490,029	41,748,162	5,525,000	1,029,005	6.37	22,729,574	1,270,000	379,342	13.78
2011	111,560,052	75,470,531	36,089,521	5,805,000	752,755	5.50	24,173,905	1,315,000	330,393	14.69
2012	116,864,599	82,266,307	34,598,292	6,095,000	462,504	5.28	25,609,728	400,000	258,145	38.91
2013	122,482,385	82,015,303	40,467,082	4,045,000	157,755	9.63	24,348,319	1,055,000	526,289	15.40
2014	-	-	-	-	-	-	24,935,516	1,145,000	432,088	15.81
2015	-	-	-	-	-	-	26,634,607	1,180,000	400,688	16.85
2016	-	-	-	-	-	-	22,678,468	1,235,000	342,463	14.38
2017	-	-	-	-	-	-	22,320,321	1,510,000	590,034	10.63

Source: City of Farmington CAFRs and budgets

Note: (a) City of Farmington no longer has any outstanding utility revenue bonds. The bonds were were paid off in May 2013.

City of Farmington
 Demographic and Economic Status
 Last Ten Calendar Years

Schedule 20

Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Percentage		Unemployment Rate
						High School Graduate	Bachelor's Degree	
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%
2014	44,445	1,104,413,805	24,849	33.1	11,062	86.0%	20.3%	6.3%
2015	42,871	1,114,774,613	26,003	33.0	11,701	86.5%	19.9%	7.0%
2016	41,629	1,094,884,329	26,301	33.5	11,669	86.5%	20.3%	8.9%

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>	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
San Juan Regional Medical Center	1,646	1	3.1%	1,465	1	2.5%
Farmington Municipal Schools	1,610	2	3.0%	1,213	2	2.1%
Central Consolidated Schools	1,477	3	2.7%	1,157	3	2.0%
City of Farmington	786	4	1.5%	742	5	1.3%
Conoco Phillips (a)	646	5	1.2%	620	9	1.1%
San Juan County	630	6	1.2%	721	6	1.2%
San Juan College	481	7	0.9%	-	-	-
Bloomfield Municipal Schools	480	8	0.9%	-	-	-
Raytheon Dine Facility	450	9	0.8%	-	-	-
Aztec Municipal Schools	392	10	0.7%	-	-	-
BHP Billiton/New Mexico Coal	-	-	-	1,057	4	1.8%
Arizona Public Service	-	-	-	700	7	1.2%
Aztec Oil & Well	-	-	-	700	8	1.2%
Key Energy Service	-	-	-	620	10	1.1%
Total	<u>8,598</u>		<u>16.0%</u>	<u>8,995</u>		<u>15.3%</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.

(a) In 2017, this employer opted to not disclose their current number of employees. Because of this, the most recent data from 2015 was used.

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government										
Administration	72.5	79.5	77.5	70.5	71.5	66.5	67.5	67.5	65.5	64.5
Administrative Services	31.0	29.0	29.0	29.0	29.0	28.0	29.0	29.0	29.0	28.0
General Services (b)	52.5	58.0	58.0	53.0	51.0	46.0	47.0	50.0	51.0	51.0
Police	174.5	165.5	165.0	165.0	163.0	164.5	164.0	173.0	182.0	182.0
Fire	96.0	95.0	95.0	91.0	92.0	92.0	92.0	92.0	92.0	92.0
Parks, Recreation & Cultural Affairs	104.0	106.0	106.0	96.0	97.0	101.0	107.0	106.0	106.0	106.0
Community Development	26.0	22.0	20.0	19.0	19.0	19.0	19.0	20.0	19.0	18.0
Public Works (a)	49.0	50.0	50.0	46.0	46.0	46.0	46.0	46.0	48.0	47.0
Electric	177.0	178.0	172.0	175.0	178.0	178.0	181.0	180.0	180.0	180.0
Human Resources	12.0	12.0	12.0	11.0	11.0	11.0	9.0	9.0	9.0	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 (c)	7.0	7.0	7.0	7.0	7.0	6.0	6.0	-	-	-
Total Employees	809.5	810.0	799.5	770.5	772.5	766.0	775.5	780.5	789.5	785.5

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.

(c) In 2014, Golf was moved to General Fund. As of FY2015, Golf full-time equivalents are now reflected in Parks, Recreation & Cultural Affairs.

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Total number of business registration/licenses	3,926	4,212	3,848	3,660	3,659	3,634	3,547	3,620	3,840	3,547
Police										
Police reports	6,770	7,723	7,894	6,731	8,218	8,036	8,094	9,105	9,083	11,128
Arrests	4,113	6,882	6,274	5,418	6,328	6,132	6,186	6,199	5,479	6,161
Traffic citations	24,449	24,586	27,372	13,058	21,638	19,455	20,937	23,203	12,319	10,445
Fire (f)										
Structure fires	53	40	65	65	50	50	58	44	45	55
Vehicle fires	25	36	31	29	26	19	25	28	16	24
Brush/grass fires	58	45	48	47	72	43	38	29	61	47
Rubbish/dumpster fires	27	36	46	38	46	31	38	26	32	28
Other fires	53	46	34	32	33	26	28	19	14	10
Rescue/emergency medical calls	3,946	3,935	4,419	5,466	5,058	4,848	5,349	5,554	5,705	6,228
False alarms	318	310	307	379	349	362	344	440	337	351
Mutual aid given	90	45	12	20	16	34	35	30	29	18
Hazardous materials response	129	103	114	92	115	95	119	109	113	82
General hazard response	84	81	84	89	101	121	108	123	117	121
Other responses	1,603	1,666	925	729	1,785	1,949	2,322	2,668	2,555	2,680
Parks, Recreation & Cultural Affairs										
Parks and recreation participants (d)	349,042	438,179	494,845	606,384	592,154	524,276	532,898	638,189	625,569	502,776
Golf course participants (c)	65,791	53,612	49,009	50,687	55,931	47,772	45,826	53,305	44,553	41,368
Museum patrons (a)	65,784	97,003	81,366	108,156	106,506	137,481	119,446	125,928	130,864	114,865
Library										
Library visits	503,148	517,452	530,119	468,455	455,516	427,659	404,997	374,192	358,417	349,718
Circulation	489,126	513,588	530,918	506,247	482,886	460,235	457,171	435,581	426,610	385,126
Number of computer users (e)	125,210	131,295	126,215	102,443	94,424	90,218	84,060	70,373	65,651	58,361
Number of public WiFi logins (g)	-	-	-	-	-	-	30,131	28,669	26,517	24,930
Community Development										
Summary plats	66	63	54	54	61	46	54	62	69	50
Building permits issued	1,334	1,225	1,194	1,310	1,302	1,163	1,200	1,152	1,170	977
Permit valuation (in \$)	82,560,865	66,119,298	49,316,168	44,138,834	47,275,559	50,385,326	55,399,382	38,388,520	42,753,874	30,966,374
Public Works										
Asphalt placed (sq.ft.) (i)	103,006	129,349	139,464	119,745	96,370	127,539	134,942	266,811	147,842	96,727
Concrete placed (cu.yd.) (b)	574	174	438	338	439	615	588	577	769	523
Electric										
Meter connections	8,484	7,956	8,329	7,650	8,413	8,367	8,386	8,255	8,012	7,897
Meter reads	510,751	505,471	512,488	517,339	518,238	525,035	526,086	531,175	533,386	532,133
Water/Wastewater										
Water treated (millions of gallons)	4,346	4,512	4,630	4,409	4,627	4,452	4,075	4,115	3,922	3,899
Effluent treated (millions of gallons)	1,906	1,894	1,845	1,864	1,856	1,815	1,640	1,760	1,751	1,668
New water meter installations	262	158	156	116	131	141	123	101	99	61
Airport										
Total enplanements (h)	26,472	13,617	14,628	16,655	19,335	17,401	11,248	3,658	1,993	3,208
Transit										
Total Ridership	109,992	120,298	138,246	143,073	146,140	133,580	135,179	135,918	143,569	125,609

Source: Provided by various City departments

Note: (a) Fluctuation in museum patronage is due to special exhibits.
 (b) The 2008 concrete placed (cu. yd.) reported has been restated in 2009 to the correct figure.
 (c) In 2009, Civitan Golf Course was closed for remodel improvements which resulted in fewer golf course participants when compared to previous years.
 (d) In 2009, a full 12 months of participants in the newly opened Sycamore Park Community Center were included which resulted in the increase in participants when compared to previous years.
 (e) In 2011, number of computer users was added. This item replaced number of items in collection, which was not considered to be as meaningful of a measure.
 (f) In 2012, 2006-2011 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.
 (h) In 2013, a change in federal regulations significantly increased hours of experience for pilots. As a result, there are fewer pilots which results in fewer flights available.
 (i) In 2015, there was an increase in asphalt placed due to additional cold mill patching of streets.

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	Restated	Restated	Restated	Restated						
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	196	206	125	125	123	83	84	91	102	93
Fire stations	6	6	6	6	6	6	6	6	6	6
Parks, Recreation & Cultural Affairs										
Developed acres (a)	594	1,364	1,364	1,364	1,364	1,364	1,364	1,364	1,364	1,364
Undeveloped acres (b)	1,283	309	309	309	270	283	283	283	300	322
Number of parks/facilities (c)	80	87	88	88	88	88	88	88	88	88
Baseball/softball diamonds	24	23	23	23	23	23	23	23	23	23
Soccer/football fields	14	11	11	11	11	11	11	11	11	11
Number of golf courses	2	2	2	2	2	2	2	2	2	2
Public Works										
Streets (miles)	N/A	268	270	274	274	276	280	281	281	286
Highway (miles)	17	17	17	17	17	17	19	19	19	21
Traffic Signals	79	80	80	81	83	83	85	85	86	85
Electric										
Streetlights (d)	4,135	4,238	4,226	4,251	4,298	4,298	4,342	4,343	4,344	4,346
Water										
Water mains (miles)	340	340	340	340	340	340	341	341	341	348
Fire hydrants	2,470	2,500	2,511	2,556	2,560	2,576	2,613	2,627	2,641	2,664
Storage capacity (thousands of gallons)	24,300	24,860	24,860	26,860	26,860	26,860	26,860	26,860	26,860	26,860
Wastewater										
Sanitary sewers (miles) (e)	233	233	233	233	233	233	235	235	235	237
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	11	11	16	12	12	15	15	15	17	16

Source: Provided by various City departments

Note: (a-b) In FY2009, developed acres was redefined from previous years to include parks that are partially developed but still maintained by Parks, Recreation & Cultural Affairs. 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 BLM.

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

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

(e) FY2008-2011 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, 2017

Grantor / Pass-through ID Number	CFDA Number	PROGRAM NAME	Expenditures
DIRECT PROGRAMS			
U.S. Department of Housing and Urban Development	14.218-Community Development Block Grants/Entitlement Grants	CDBG B-14-MC-35-0005	\$ 23,367
		CDBG B-15-MC-35-0005	65,067
		CDBG B-16-MC-35-0005	81,983
			170,417
U.S. Department of Justice	16.710-Public Safety Partnership and Community Policing Grants	COPS Grant - 2014UMWX0132	198,457
	16.738-Edward Byrne Memorial Justice Assistance Grant Program	2014-DJ-BX-0828	43,397
		2016-DJ-BX-0533	33,440
		76,837	
U.S. Department of Transportation	20.106-Airport Improvement Program	AIP Project No. 3-35-0016-040-2016	223,598
	20.507-Federal Transit Formula Grants	Federal Transit - Metropolitan Transit Operations and Capital - Red Apple Transit NM-90-X136-00	298,324
		NM-2017-007-00	208,105
			506,429
	20.703-Interagency Hazardous Materials Public Sector	HM-HMP-0519-15-01-00	56,110
Executive Office of the President	95.001-High Intensity Drug Trafficking Area Grant	G15SN0010A	1,107
		G16SN0010A	272,412
			273,519
PASS THROUGH PROGRAMS			
<u>From the State of New Mexico Crime Victims Reparation Commission</u>			
U.S. Department of Justice	16.021-Justice Systems Response to Families	2015-WF-AX-0014	39,025
<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 15-JAG-REG2-SFY16 16-JAG-REG2-SFY17	52,621 87,794 <u>140,415</u>
<u>From the US Marshal Service</u>			
U.S. Department of Justice	16.738-Edward Byrne Memorial Justice Assistance Grant Program	U.S. Marshal Service	28,241
<u>From the New Mexico Department of Transportation</u>			
Federal Transit Authority	20.505-Metropolitan Transportation Planning	Federal Transit - Metropolitan Transit Operations Control P515110 MPO Control P517020 MPO	90,048 134,083 <u>224,131</u>
Department of Transportation National Highway Traffic Safety (NHTSA)	20.608-Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Operation DWI-16-AL-64-035 Operation DWI-17-AL-64-035	29,006 67,988 <u>96,994</u>
Department of Transportation Federal Highway Administration (FHWA)	20.205-Highway Planning and Construction	Control#F100200-SJ Blvd/Scott Ave. Traffic Signal Control#F100130-20th Street Sidewalks Phase 1 Control#F100131-20th Street Sidewalks Phase 2	158,088 27,259 51,426 <u>236,773</u>
<u>From the New Mexico Environmental Department</u>			
Environmental Protection Agency	66.458-Capitalization Grants for Clean Water State Revolving Funds	Project #CWSRF 012-2016 WWTP Improvements	15,037,805
<u>From the New Mexico Finance Authority</u>			
Environmental Protection Agency	66.468-Capitalization Grants for Drinking Water State Revolving Funds	Loan #3397-DW 2P Waterline Phase 1	610,671
Total Federal Assistance			\$ 17,919,422

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, 2017

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the City of Farmington under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principle contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Farmington has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City of Farmington, New Mexico
Honorable Mayor and City Council
Mr. Timothy Keller, 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, and the aggregate remaining fund information and the budgetary comparison for the general fund of the City of Farmington, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Farmington's basic financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Farmington'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 of Farmington's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Farmington's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

City of Farmington, New Mexico
Honorable Mayor and City Council
Mr. Timothy Keller, New Mexico State Auditor

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Farmington'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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 29, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

City of Farmington, New Mexico
Honorable Mayor and City Council
Mr. Timothy Keller, New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the City of Farmington's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Farmington's major federal programs for the year ended June 30, 2017. The City of Farmington's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Farmington's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Farmington'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 of Farmington's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Farmington 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, 2017.

City of Farmington, New Mexico
Honorable Mayor and City Council
Mr. Timothy Keller, 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 the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

The City of Farmington's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Farmington'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 of Farmington 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 of Farmington'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Farmington's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-001 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-002 to be a significant deficiency.

City of Farmington, New Mexico
Honorable Mayor and City Council
Mr. Timothy Keller, New Mexico State Auditor

The City of Farmington's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Farmington'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 29, 2017

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City of Farmington, New Mexico
Schedule of Findings and Questioned Costs
June 30, 2017

Section I - Summary of Auditors' 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 that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major program: Unmodified

Any audit findings, disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

CFDA Numbers

20.507
66.458

Name of Federal Program

Federal Transit Formula Grants
Capitalization Grants for Clean Water State
Revolving Fund Cluster

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

Auditee qualified as low-risk auditee? yes no

**City of Farmington, New Mexico
Schedule of Findings and Questioned Costs
June 30, 2017**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**2017-001 PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(MATERIAL WEAKNESS AND FEDERAL NON-COMPLIANCE)**

Federal Program: CFDA 20.507 Federal Transit Formula Grants
CFDA 66.458 Clean Water State Revolving Fund Cluster (CWSRF)
CFDA 66.468 Drinking Water State Revolving Fund Cluster (DWSRF)

Federal Agency: U.S. Department of Transportation (20.507)
U.S. Environmental Protection Agency (66.458 & 66.468)

Federal Award Number: 20.507: 2015 (NM-90-X136-00) & 2017 (NM-2017-007-00)
66.458: #CWSRF 012-2016 WWTP Improvements
66.468: #3397-DW 29 Waterline Phase 1

Questioned Costs: None

Condition: During our program testing, the following exceptions were noted relating to the preparation of the schedule of expenditures of Federal awards (SEFA):

-Project expenditures related to the CWSRF and DWSRF programs were not included as federal expenditures on the SEFA. CWSRF project expenditures were in the amount of \$15,037,805 and DWSRF project expenditures were \$610,671.

- Federal expenditures of \$506,429 for CFDA 20.507 were assigned CFDA 20.505 on the schedule of expenditures of Federal awards.

- CFDA 16.111 was listed in the schedule. However, the U.S. Department of Justice removed the CFDA number from the CFDA in 2014.

Context:

We reviewed underlying agreements to aid in determining programs that should and should not be included on the City's SEFA.

Criteria:

- Per §200.510 Financial Statements, the auditee must prepare a schedule of expenditures of Federal

City of Farmington, New Mexico
Schedule of Findings and Questioned Costs
June 30, 2017

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2017-001 PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (MATERIAL WEAKNESS and FEDERAL NON-COMPLIANCE) (Continued)

awards for the period covered by the auditee's financial statements. At a minimum, the schedule must provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

- Per the CWSRF and DWSRF compliance supplements, amounts are awarded by EPA to States as grants. The States then makes subawards in the form of loans to its subrecipients.

Therefore, in determining the amount of Federal funds expended to be reported on the Schedule of Expenditures of Federal Awards (SEFA), subrecipients receiving CWSRF and DWSRF loans should include project expenditures incurred under these loans during the audit period.

Effect: The SEFA provided to us for testwork was materially misstated but has since been updated.

Cause: Lack of effective internal controls in place to ensure compliance with the terms and conditions of Federal awards.

Recommendation: We recommend that the City establish adequate internal controls surrounding the preparation of the SEFA to ensure the completeness and accuracy of the information presented.

Management's Response: Once notified of the correct CFDA number for the Red Apple Transit grant (20.507), the Grant Accountant made the correction on the current year SEFA. CFDA 16.111 for U.S. Marshal Service was also removed from the SEFA to correct the federal awards balance. Expenditures related to the CWSRF and DWSRF incurred during FY2017 were added to the SEFA, upon clarification of the audit team and review of the loan agreement.

As part of the annual SEFA preparation, the Grant Accountant will review all grant agreements in effect throughout the fiscal year to determine the correct CDFA number. This process will also include additional review to verify whether or not funding sources have changed, in order to determine reporting qualifications and proper presentation in the SEFA. The Enterprise Accountant will review all new loan agreements received during the fiscal year to determine funding source and whether or not SEFA presentation is required.

2017-002 EQUIPMENT AND REAL PROPERTY MANAGEMENT (SIGNIFICANT DEFICIENCY and OTHER MATTERS)

Federal Program: CFDA 20.507 Federal Transit Formula Grants

Federal Agency: U.S. Department of Transportation

Federal Award Number: 20.507: 2015 (NM-90-X136-00) & 2017 (NM-2017-007-00)

City of Farmington, New Mexico
Schedule of Findings and Questioned Costs
June 30, 2017

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2017-002 EQUIPMENT AND REAL PROPERTY MANAGEMENT (SIGNIFICANT DEFICIENCY and OTHER MATTERS) (Continued)

Questioned Costs: None

Condition: During our equipment testing, we noted the proceeds of \$30,205 for the sale of a bus were not recorded to the Red Apple Transit Grant Fund. Instead, the proceeds were recorded to the General Fund. In addition, the ending fund balance was not restricted for the identified purpose. Subsequent to our identification, the City restricted the fund balance.

Context:

This was the only sale that took place, so we tested the entire population of transactions.

Criteria: Per the U.S. Department of Transportation Cross-Cutting Section, if a recipient sells the asset, the proceeds must be used to reduce the gross project costs of another federally funded capital transit project (49 USC 5334(h)(4)) or handled as stated in 49 CFR sections 18.31 or 18.32/2 CFR sections 200.311 or 200.313 (49 USC 5334(h)) and FTA Circular 5010.1). Per Federal Transit Administration (FTA) Grant Administrator guidance, the proceeds are to be used for a new bus.

Effect: Noncompliance with Federal regulations.

Cause: Management oversight.

Recommendation: The City implement a review process of the Red Apple Transit Grant Fund to ensure sale proceeds are appropriately recorded to the fund for future use in another federally funded capital transit project.

Management's Response: When the Grant Accountant pulled information for the auditor related to Uniform Guidance testing, the auction proceeds deposit error was identified. The proceeds were reclassified as restricted in the General Fund balance to correct the FY2017 financial statements. The Budget Officer was notified and a FY2018 budget adjustment was prepared to correct the cash balance of the Red Apple fund and appropriate the proceeds to be invested in a new bus purchase. In the future, the Grant Accountant will verify cash receipts postings to the general ledger for grant funds received throughout the fiscal year, with additional checks to be completed when preparing the Schedule of Expenditures of Federal Awards annually.

**City of Farmington, New Mexico
Schedule of Findings and Questioned Costs
June 30, 2017**

STATUS OF PRIOR YEAR FINDINGS

Financial Statement Findings:

Finding Reference		Status
2016-001	Procurement Violation	Resolved
2016-002	Special Tests	Resolved

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

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE**

City of Farmington, New Mexico
Honorable Mayor and City Council

Report on Compliance for the Passenger Facility Charge Program

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, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of laws and regulations applicable to its passenger facility program.

Auditors' Responsibility

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 standards 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 on compliance with the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. However, our audit does not provide a legal determination of the Airport's compliance.

Opinion on Compliance

In our opinion, the Airport complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations of 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 internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on compliance, internal control over compliance, and the Schedule of Expenditures of Passenger Facility Charges are based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.



Albuquerque, New Mexico
November 29, 2017

Schedule of PFC Revenues and Expenditures

Four Corners Regional Airport

FY2017

7/1/16 - 6/30/17

	FY2016 Program Total	Quarter 1 Jul. - Sept.	Quarter 2 Oct. - Dec.	Quarter 3 Jan. - Mar.	Quarter 4 Apr. - Jun.	FY2017 Total	FY2017 Program Total
Revenue							
Collections	\$ 632,554	146	1,361	2,804	3,418	7,729	\$ 640,283
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	30,157	-	-	-	-	-	30,157
Proj. 1-L Improve Service Roads	13,900	-	-	-	-	-	13,900
Proj. 1-M PFC Administrative Costs	27,452	146	1,361	2,804	3,418	7,729	35,181
Total App -01	632,554	146	1,361	2,804	3,418	7,729	640,283
Total Disbursements	632,554	146	1,361	2,804	3,418	7,729	640,283
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, 2017**

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 the 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 or 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.

**CITY OF FARMINGTON
 FOUR CORNERS REGIONAL AIRPORT
 PFC PROGRAM AUDIT SUMMARY
 YEAR ENDED JUNE 30, 2017**

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

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CITY OF FARMINGTON
EXIT CONFERENCE
Year Ended June 30, 2017

An exit conference was held on November 29, 2017. In attendance were:

For the City of Farmington:

Tommy Roberts	Mayor
Rob Mayes	City Manager
Andy Mason	Administrative Services Director
Brooke Quintana	Controller
Sheree Wilson	Enterprise Accountant
Sarah Talley	Staff Accountant II
Michelle Bedonie	Staff Accountant II
Ross DeVargas	Staff Accountant I

For CliftonLarsenAllen LLP (auditors):

Matthew Bone	Principal
Laura Beltran-Schmitz	Assurance Director
Jeff Roybal	Senior Associate



OTHER INFORMATION

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

For the Year Ended June 30, 2017

	<u>Citizens Bank of Farmington</u>	<u>Wells Fargo</u>	<u>Vectra Bank</u>	<u>Washington Federal Bank</u>	<u>Total</u>
<u>City of Farmington Deposits</u>					
Demand Deposit Accounts	\$ 1,090,245	\$ 4,197,177	\$ -	\$ 195	\$ 5,287,617
Non-Interest Bearing Accounts	-	5,197,785	3,000	-	5,200,785
Certificates of Deposit	41,000,000	-	6,000,000	2,000,000	49,000,000
Sub-Total	<u>42,090,245</u>	<u>9,394,962</u>	<u>6,003,000</u>	<u>2,000,195</u>	<u>59,488,402</u>
Less FDIC insurance	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>1,000,000</u>
Uninsured amount	41,840,245	9,144,962	5,753,000	1,750,195	58,488,402
<u>Pledge Collateral Required</u>					
50 percent - deposits	<u>20,920,123</u>	<u>4,572,481</u>	<u>2,876,500</u>	<u>875,098</u>	<u>29,244,202</u>
Pledged collateral	<u>31,584,151</u>	<u>10,458,571</u>	<u>3,548,746</u>	<u>1,046,661</u>	<u>46,638,129</u>
Excess of pledged collateral	\$ <u>10,664,028</u>	\$ <u>5,886,090</u>	\$ <u>672,246</u>	\$ <u>171,564</u>	\$ <u>17,393,928</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>Seattle</u>	
Federal Home Loan Bank						
cusip # 3137AWKX2	4/15/2032	\$ 5,400,000	\$ -	\$ -	\$ -	\$ 5,400,000
cusip # 3137ACNK1	6/15/2041	5,185,500				5,185,500
cusip # 3137BPGE3	5/15/2045	3,460,601				3,460,601
cusip # 38379WXJ6	12/20/2039	4,076,466				4,076,466
cusip # 3137AL3A5	1/15/2032	5,253,784				5,253,784
cusip # 38377U2A5	3/20/2041	5,204,500				5,204,500
cusip # 3130A7KM6	3/23/2026	3,003,300				3,003,300
FHLMC						
cusip # 3128JL4T3	4/1/2034			680,310		680,310
cusip # 3128JMX28	8/1/2034			290,916		290,916
cusip # 3128JNVM4	1/1/2037			197,200		197,200
cusip # 3128JPXA3	2/1/2039			307,967		307,967
cusip # 3128QPGW6	2/1/2036			354,201		354,201
cusip # 31336CL43	2/1/2034			61,853		61,853
cusip # 31336R2W9	3/1/2032			315,506		315,506
cusip # 31336SL22	1/1/2033			900,634		900,634
FAMC						
cusip # 31317JAK7	1/25/2020			440,159		440,159
FNMA						
cusip # 3140F1S78	6/1/2031		10,458,571			10,458,571
cusip # 3140EW4W2	11/1/2046				1,046,661	1,046,661
		<u>\$ 31,584,151</u>	<u>\$ 10,458,571</u>	<u>\$ 3,548,746</u>	<u>\$ 1,046,661</u>	<u>\$ 46,638,129</u>

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

June 30, 2017

Participants (including City of Farmington)	Responsible Party	Description	Dates of Agreement	Total Amount/ City Share	FY17 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 & 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	\$ 26,043	San Juan County
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	7/28/15 until terminated	\$41,603 / \$24,962	\$ 24,962	City
San Juan County	San Juan County	Detention Center	06/26/07 until terminated	\$13,828,988 / \$1,121,767	\$ 1,121,767	San Juan County
San Juan County	San Juan County	DWI Treatment Ctr	11/17/07 until terminated	\$3,009,097 / \$440,000	\$ 440,000	San Juan County
NM Energy, Minerals and Natural Resources Department (NMEMNRD)	NMEMNRD	Wildfire Firefighting	04/06/09 until terminated	\$318,717 / \$ -	\$ -	NMEMNRD