



# City of Farmington, NM COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018



**COMING SOON**

**Bisti Bay at Brookside Park  
Grand Opening Summer 2019**



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

**For The Year Ended June 30, 2018**

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Picture courtesy of Parks, Recreation, and Cultural Affairs Department



# TABLE OF CONTENTS

## Page

### INTRODUCTORY SECTION

Transmittal Letter .....	i
Certificate of Achievement for Excellence in Financial Reporting .....	xi
Organizational Chart .....	xii
List of Principal Officials .....	xiii
City of Farmington Map .....	xiv
Four Corners Area Map.....	xv

### FINANCIAL SECTION

<b>Report of Independent Auditors</b> .....	1
<b>Management’s Discussion and Analysis</b> .....	5
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position .....	19
Statement of Activities.....	20
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund .....	24
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Gross Receipts Tax Streets Fund.....	25
Statement of Net Position – Proprietary Funds.....	26
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	28
Statement of Cash Flows – Proprietary Funds .....	29
<b>Notes to the Financial Statements</b> .....	31
<b>Required Supplementary Information:</b>	
Schedule of the City’s Proportionate Share of the Net Pension Liability .....	67
Schedule of the City’s Contributions	
Municipal General Division .....	68
Municipal Police Division .....	69

	<b><u>Page</u></b>
Municipal Fire Division .....	70
Notes to the Required Supplementary Information .....	71
Schedule of the City's Proportionate Share of the Net OPEB Liability .....	73
Schedule of the City's Contributions .....	74
 <b>Other Supplementary Information:</b>	
<b>Nonmajor Governmental Funds:</b>	
Description of Nonmajor Governmental Funds .....	75
Combining Balance Sheet – Nonmajor Governmental Funds.....	77
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	83
 <b>Special Revenue Funds:</b>	
Gross Receipts Tax Parks Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	89
Park Development Fees Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	90
Library Gifts and Grants Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	91
Parks/Recreation Gifts and Grants Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	92
Museum Gifts and Grants Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	93
Red Apple Transit Grant Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	94
General Government Grant Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	95
CDBG Grant Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	96

Lodgers' Tax Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	97
Convention Center Fees Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	98
State Police Protection Grant Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	99
Region II Narcotics Grant Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	100
COPS Program Grant Fund: Schedule of Revenues, Expenditures and Changes In Fund Balances - Budget to Actual .....	101
Law Enforcement Block Grant Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	102
State Fire Grant Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	103
Penalty Assessment Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	104
<b>Capital Projects Funds:</b>	
Community Development Grant Projects Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	105
Gross Receipts Tax Bond Projects Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	106
Gross Receipts 2017/2018 Bond Projects Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	107
Governmental Capital Projects Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	108

	<u>Page</u>
Airport Construction Grant Projects Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	109
Metro Redevelop Authority Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	110
Park Development Fees Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	111
Convention Center Capital Projects Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	112
<b>Debt Service Fund:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual.....	113
<b>Business-Type Funds:</b>	
<b>Internal Service Fund:</b>	
Health Insurance Fund: Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual .....	116
<b>Enterprise Funds:</b>	
Electric Utility Enterprise Fund: Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual .....	117
Water Utility Enterprise Fund: Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual .....	118
Wastewater Utility Enterprise Fund: Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual .....	119
Sanitation Enterprise Fund: Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual .....	120
<b>Capital Assets Used in the Operation of Governmental Funds:</b>	
Comparative Schedules by Source .....	121
Schedule by Function and Activity .....	122
Schedule of Changes by Function and Activity .....	123



**STATISTICAL SECTION (Unaudited)****Schedule****Page****Financial Trends:**

Net Position by Component .....	1	126
Changes in Net Position .....	2	128
Fund Balance, Governmental Funds .....	3	129
Changes in Fund Balances, Governmental Funds .....	4	130

**Revenue Capacity:**

Electric Kilowatt Sales and Revenue.....	5	131
Electric Rates by Customer Type.....	6	132
Electric Principal Revenue Payers .....	7	133
Tax Revenue by Source, Governmental Funds .....	8	134
Taxable Gross Receipts by Industry .....	9	135
Direct and Overlapping Gross Receipts Tax Rates .....	10	136
Taxable Gross Receipts Payers by Industry .....	11	137
Assessed Value and Estimated Actual Value of Taxable Property .....	12	138
Direct and Overlapping Property Tax Rates .....	13	139
Principal Property Tax Payers.....	14	140
Property Tax Levies and Collections.....	15	141

**Debt Capacity:**

Ratios of Outstanding Debt by Type .....	16	142
Direct and Overlapping Governmental Activities Debt.....	17	143
Legal Debt Margin Information.....	18	144
Pledged-Revenue Coverage.....	19	145

**Demographic and Economic Information:**

Demographic and Economic Status .....	20	146
Principal Employers .....	21	147

**Operating Information:**

Full-time Equivalent City Government Employees by Function / Program .....	22	148
Operating Indicators by Function / Program.....	23	149
Capital Asset Statistics by Function / Program.....	24	150

**Single Audit Section:**

Schedule of Expenditures of Federal Awards .....	151
Notes to Schedule of Expenditures of Federal Awards .....	152
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	153
Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by Uniform Guidance	155
Schedule of Findings and Questioned Costs .....	157
Status of Prior Year Audit Findings.....	160

**Page**

Report of Independent Auditors – PFC Schedule .....	163
Schedule of PFC Revenues and Expenditures .....	165
Notes to Schedule of PFC Revenues and Expenditures .....	166
PFC Program Audit Summary .....	167
Exit Conference .....	169

**Other Information:**

Schedule of Pledged Collateral by Institution .....	171
Schedule of Joint Powers Agreements .....	172

# INTRODUCTORY SECTION







## CITY OF FARMINGTON

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November 15, 2018

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, 2018.

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, 2018, 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, 2018, 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.

**OFFICE of the CITY MANAGER**

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

## **Profile of the Government**

The City of Farmington is located in the northwest corner of the State of New Mexico in what is commonly called the Four Corners area (see map on page xiii). The City was originally incorporated in 1901 and has a current land area of 35.0 square miles and serves a population of 45,450. 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, 2018, 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 0.125% referred to as "hold harmless" increments and described in more detail in the "Financial Picture" section below, but as of June 30, 2018, none of these options had been imposed. The City adopted Ordinance 2018-1312 on August 21, 2018 to impose 0.25% general purposes, 0.125% public safety purposes, and 0.125% public works purposes gross receipts tax. Also adopted on August 21, 2018, was Ordinance 2018-1313, imposing the final 0.125% of the hold harmless gross receipts tax available to the City. All new tax increments shall become effective January 1, 2019.

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

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

The annual budget serves as the foundation for the City of Farmington's financial planning and control. All departments of the City of Farmington are required to submit requests for appropriation to the City Manager on or before the last day in February each year. The City Manager evaluates department requests and subsequently develops a proposed budget. The City Manager presents the proposed budget to the Council for review prior to May 10. The City Council is required to hold public hearings on the proposed budget and to adopt a preliminary budget by June 1 and a final budget no later than July 31 of each year. The City of Farmington's

fiscal year begins July 1 of each year and ends on June 30. The appropriated budget is prepared according to fund, function (e.g. public safety), and department (e.g. police). Department directors may make transfers of appropriations within a fund and between their divisions. Transfers of appropriations between funds, however, require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and gross receipts tax streets fund, this comparison is presented on pages 24 and 25 as part of the basic financial statements for the governmental funds. Budget-to-actual comparisons for all other funds are presented in the non-major governmental funds, internal service fund, and enterprise funds sections of this report.

## **Factors Affecting Financial Condition**

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

### **Local economy**

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 FY2018 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 \$2.67 per BTU in February, 2018, a slight improvement over the record low of \$2.55 per BTU from November, 2016. Crude oil prices, based on the West Texas Intermediate (WTI) market, rose from \$46.63 a barrel in July 2017 to \$70.98 a barrel by June 30, 2018 while natural gas prices, according to the Nymex Henry Hub, decreased slightly from \$2.98 per BTU to \$2.83 per BTU during the same time period.

The Farmington, NM, unemployment rate began FY2018 at 6.8% and ended FY2018 at 4.8%, in line with the State of New Mexico rate of 4.9% and slightly higher than the national unemployment rate of 4.0% in June, 2018 according to the New Mexico Department of Workforce Solutions. The Bureau of Labor Statistics reported numbers for unemployment decreased from 3,625 at the start of FY2018 to 2,551 at the end of FY2018. By way of comparison, the unemployment number was 4,862 at the beginning of FY2017. The New Mexico Department of Workforce Solutions reported that the Farmington MSA employment was up 600 jobs, or 1.2 percent. All gains occurred in the private sector, which was up 700 jobs, or 1.9 percent. Employment in the public sector was down 100 jobs, or 0.9 percent, from June 2017. Within the private sector, there were gains at each component level: the goods-producing industries were up 600 jobs, or 6.1 percent, and the private service-providing industries were up 100 jobs, or 0.4 percent. In the public sector, all losses came from local government, which was down 100 jobs, or 1.1 percent. There were no changes in employment from the previous year in the other component levels (federal and state government).

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 383 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 310 for its relative economic strength when compared to all 383 MSAs. In the prior year, Farmington was ranked 334 out of 388 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 a second free-standing Starbucks location, which opened in July 2017, along with Shamrock Foodservice Warehouse that opened in December 2017, and Chipotle Mexican Grill opened on the east side of Farmington in January 2018. Stanton Optical opened its 76<sup>th</sup> store in mid-June 2018, and its first location for the Farmington area. La Quinta Inn & Suites plans to build an 88 room 4-story hotel, also on the east side of town, with construction set to begin in FY2019. The project is currently in the permitting phase. Construction is also underway on the east side of Farmington for an additional DaVita Dialysis Center. An existing facility will remain open on the west side of Farmington to serve the public. The continued interest and expansion in the region bodes well for the local economy’s future.

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 recovering, the City is seeing other sectors up by 8 percent on average. 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 70% of the City’s FY2018 general fund total revenue sources. Overall, the gross receipts tax revenue (GRT) in FY2018 increased 9.6% over FY2017. The financial impact of the production of oil and gas in the Farmington area was reflected in the significant increase in GRT generated by the mining, oil, and gas industry sector, which rose by 102% in FY2018 as compared to FY2017. One industry sector that showed rising GRT trends was the manufacturing sector which produced an 8% increase in GRT. The wholesale trade service sector also rose 5% as compared to FY2017, while the other services sector experienced a 28% rise in GRT, and the professional, scientific, and technical sector rose 10%. The retail sector, which gained a modest 3% in FY2018, comprises 40% of Farmington’s total GRT. The construction sector experienced a slight increase in GRT of 6%. Also experiencing an industry gain in FY2018 was in the accommodations and food services industry sector which increased a moderate 5% as compared to FY2017, reflecting the continuing development of popular hotel chains and restaurants expansion to the Farmington area.



During FY2018, the 1,031 building permits issued represented an increase of 5.53% from FY2017 permits. With respect to building permit valuations, the \$35.6 million in FY2018 valuations totaled a \$4.6 million increase or 14.84% rise from FY2017. Timing differences between permits issued for several major construction projects in FY2017 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 11.3% of all GRT received by the City or approximately \$6.0 million annually. Consequently, beginning in July 2015, the City began budgeting a reduction in GRT revenue. The first year actual reductions were \$309K, the second year were \$646K, and the third year were \$1.0 million. The fourth year (FY2019) reductions are forecasted to be \$1.5 million. 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 almost \$48 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 generates \$2.2 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. The final 1/8% hold harmless increment was imposed in FY2019, effective January 1, 2019.

### **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 and FY2017 final cash balances were determined, there were no funds available to transfer to the General Governmental Capital Projects Fund for FY2017 or FY2018 use. Thus, the cash balance in the Governmental Capital Projects Fund dropped from \$2.3 million in FY2016 to \$1.2 million in FY2017, and down to \$885K in FY2018 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 FY2018, the City entered into a loan agreement with the New Mexico Finance Authority for the issuance of \$7,420,000 State Shared GRT Refunding Revenue Bonds, Series 2017 for the advance refunding of the \$6,995,000 outstanding Series 2012 Sales Tax Refunding and Improvement Revenue Bonds. The bond proceeds were deposited into an escrow fund at the Bank of Albuquerque to purchase State and Local Government Securities ("SLG's") for use in redeeming the City's 2012 maturities as they become due and on the call date of June 1, 2021.

Also in FY2018, the City entered into an additional loan agreement with the New Mexico Finance Authority for the issuance of \$16,600,000 State Shared GRT Tax Improvement and Refunding Bonds, Series 2018 for both the current refunding of the \$1,020,000 outstanding Series 2005 Sales Tax Revenue Bonds and for new City projects. Bond proceeds from the Series 2018 GRT Improvement portion of the bonds were intended for the following: purchase of a fire engine (\$550K) and ladder truck (\$1.2M), improvements to the City trail system (\$1.0M), Civic Center improvements (\$500K), Aquatic Facility improvements (\$500K), Complete Streets downtown revitalization project (\$5.6M), and construction of a new outdoor water park (\$7.0M) – Bisti Bay at Brookside Park (featured on the cover of the FY2018 CAFR). Additional information regarding these new projects may be found in the following paragraphs.

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 (QECB). 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, \$750K in FY2017, and \$809K in FY2018. 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, with construction commencing in FY2018 and 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 Civic Center project has an estimated completion date of November 2018.

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 QECB debt financing in FY2017, the City began 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 were set to include installing LED lighting, new energy-efficient boilers, and automatic “smart meter” controls for heating and air conditioning. The upgrades are estimated to result in a projected 30 percent energy savings overall. The QECB pledge is based on State shared GRT and will be paid back by long-term energy savings. The company overseeing the project, Engie Services US Inc, guaranteed an energy and maintenance cost savings of \$6.4 million dollars 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. In FY2017, the IRS tax-credit subsidy totaled \$51,449, while in FY2018 the City received \$107,407 in tax-credit subsidy from the IRS. As of June 30, 2018 the energy project was roughly 97% complete.

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. Project costs are estimated at \$5.6 million with preliminary costs incurred in FY2018 for planning and design. Project construction is set to begin during FY2019.

Another renovation breaking ground during FY2018, was for the design and construction 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. Construction began in FY2018, and the estimated project completion is set for late May 2019. 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. The goal of the expansion of the trail system, along with the other projects mentioned above, is to spur additional economic development, improve quality of life, and touch many people in the community.

In August 2018, the City adopted Ordinance 2018-1312 to impose a 0.25% tax dedicated to community transformation and economic diversification with an emphasis on outdoor recreation industry initiatives. The City intends to invest in the creation of new jobs and diversify the local economy. With the potential closure of San Juan Generating Station and the San Juan Mine within four years, the City strives to pursue other means to reinvent the community of Farmington. In FY2019, a separate earmarked fund will be created to account for the dedicated funds collected, as well as separately track project expenditures. The vision for future projects and services fall under the following focus: public/private projects that fill the “gaps” that currently exist where the City is failing to attract new or grow existing businesses; City beautification efforts to build pride and improve the appearance of the City in an effort to attract residents, visitors, businesses, and professionals; place-making projects and improvements for existing amenities and facilities that are drivers of public use and increase quality of life; infrastructure improvements that will drive the economy and incentives for current property owners to improve their buildings to meet desired retail/habitational designs; and carefully vetted economic incentives for job creation. Initial plans up for consideration and proper analyzation of the community transformation and economic diversification fund include removal of dangerous and/or dilapidated buildings within the City, an industrial building development, improved recreational trail heads, a Gateway Park at the Museum, a downtown Maker Space, and several updates to existing recreational City-owned facilities. The City is excited to embark upon creating a new vision for the future of Farmington.

Under the Water Fund’s infrastructure renewal and replacement program, the major projects completed in FY2018 included: the Foothills Drive Project – Phase II (\$548K) which was replacement of an existing steel waterline with a 16” PVC waterline from Holmes Dr to Hill-n-Dale; the 2P Waterline Replacement Project – Phase I (\$3.2M) Sandstone to Bloomfield Highway (US64) to Camina Entrada; N Schwartz Ave (\$419K) Broadway to Apache replacement of 4” & 6” cast iron waterline with 12” PVC waterline; W Main St (\$209K) Auburn to Schwartz replacement of 6” cast iron waterline with 12” PVC waterline; N Dustin (\$280K) 18<sup>th</sup> St. to Tycksen: replacement of 4” & 6” cast iron waterline with 12” PVC waterline; N Behrend (\$355K) Main St to Apache – replacement of 6” cast iron with 12” PVC waterline; and, English Subdivision – Poly service line replacement (\$101K).

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 and was completed in June 2018; the project completed on schedule and on budget. Under the Wastewater Fund’s infrastructure renewal and replacement program, the major

project completed in FY2018 was the East Sanitary Sewer Interceptor Rehab (Phase I) - (\$1.8M) which was the slip lining of an existing 30"RCP with a 27" FRP pipe and included rehabilitation of existing manholes.

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, and is in the process of analysis and execution related to the short range plan for potential new generation assets. Multiple owners of the San Juan Generating Station have noted their intent not to continue the project beyond year 2022. FEUS continues to endeavor to look at all options to maintain or replace this asset in the mid-range generation portfolio for the utility.

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. 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. The most recent cost of service study was completed in FY2017, which resulted in a three year phase-in of a 7.7% rate increase for residential customers. FY2018 marks the second year of the rate increases. Benchmarking of other regional utilities revealed that after completion of this implementation, the utility will still remain one of the lowest providers in the region.

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. The City plans to update the Comprehensive Plan over the next few years. 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. The City is currently in the process of updating the MRA plan.

### **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, 2017. This was the 24<sup>th</sup> 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 21<sup>st</sup> consecutive Distinguished Budget Presentation Award from GFOA for its annual budget document for FY2018. 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 FY2017 Citizen's Financial Report was judged for the 8<sup>th</sup> 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

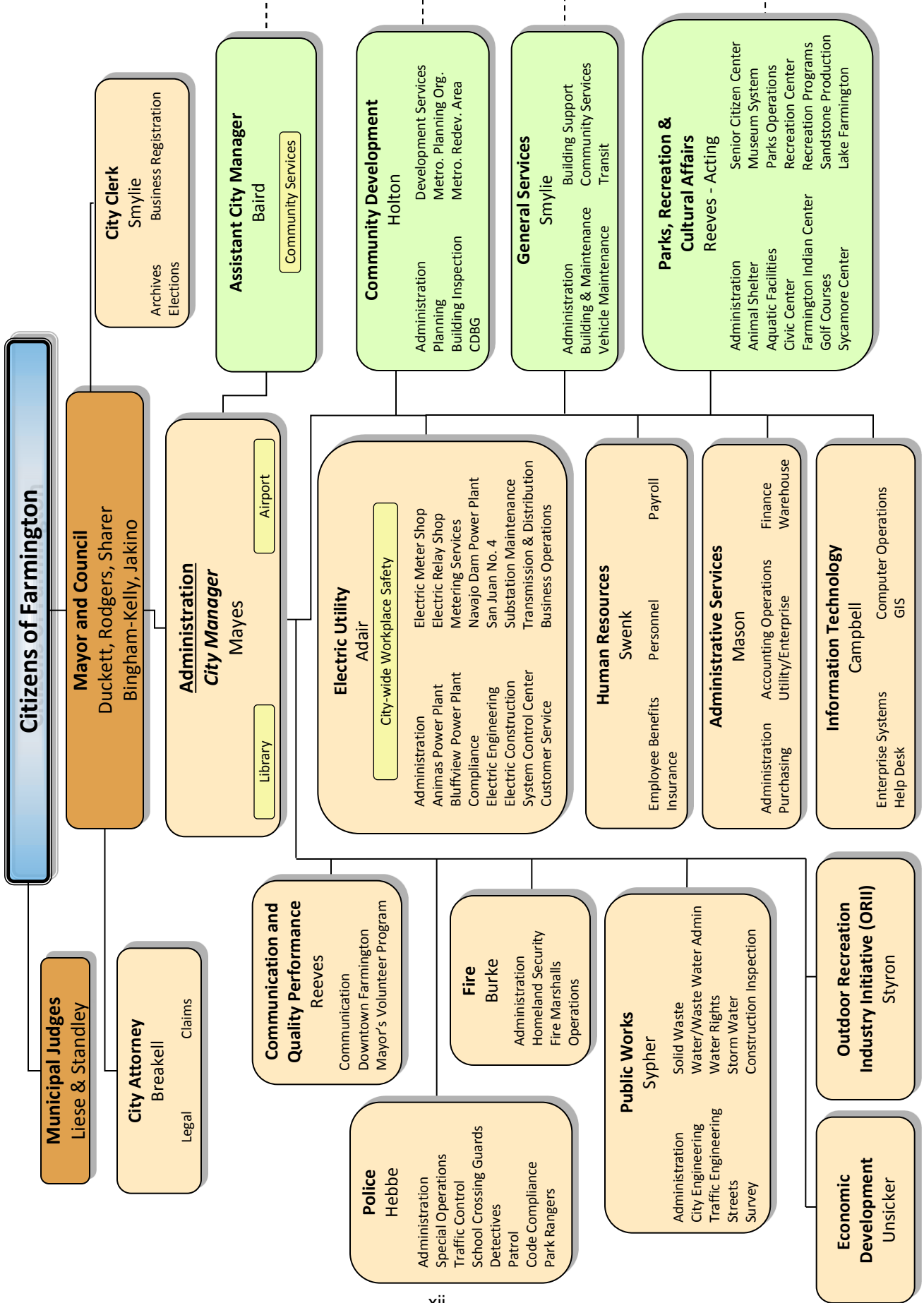
**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

# City of Farmington – Organizational Chart

October, 2018





# **CITY OF FARMINGTON**

## **Principal Officials**

**June 30, 2018**

**MAYOR**  
Nate Duckett

**CITY COUNCIL**  
Linda Rodgers  
Sean Sharer  
Jeanine Bingham-Kelly  
Janis Jakino

**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**  
David Burke

**GENERAL SERVICES DIRECTOR**  
Edward Smylie

**HUMAN RESOURCES DIRECTOR**  
Tom Swenk

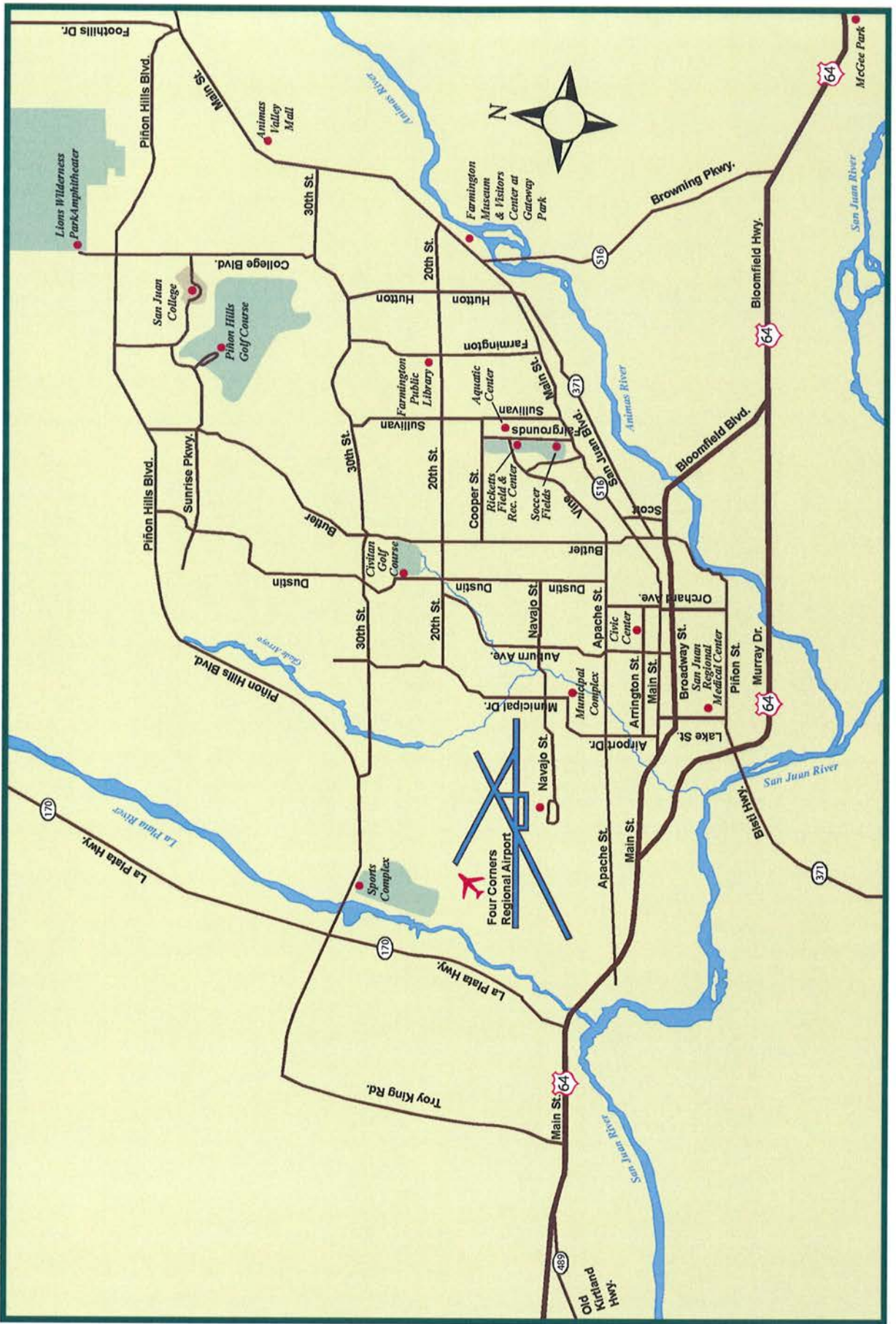
**INFORMATION TECHNOLOGY DIRECTOR**  
James Campbell

**PARKS & RECREATION DIRECTOR**  
Shana Reeves - Acting

**POLICE CHIEF**  
Steven Hebbe

**PUBLIC WORKS DIRECTOR**  
David Sypher

**CONTROLLER**  
Brooke Quintana









# FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

City of Farmington, New Mexico  
Honorable Mayor and City Council and  
Mr. Wayne Johnson, New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison schedules for the general fund and major special revenue fund of the City of Farmington, as of and for the year ended June 30, 2018, 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 and  
Mr. Wayne Johnson, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

As discussed in Note V.F to the financial statements, during the year ending June 30, 2018, the City adopted new accounting guidance, GASB No. 75 *Postemployment Benefits Other than Pensions* (OPEB). Our opinion is not modified with respect to this matter.

### **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, OPEB liability, and the schedules of the City's contributions on pages 67-74 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 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 (2018 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



City of Farmington, New Mexico  
Honorable Mayor and City Council and  
Mr. Wayne Johnson, New Mexico State Auditor

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 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 (2017 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 15, 2018, 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 15, 2018

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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, 2018. 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 the City of Farmington exceeded its liabilities and deferred inflows at the close of FY2018 by \$475,568,001 (net position). Of this amount, (\$22,684,349) represents unrestricted net position, which may be used to meet the City's ongoing obligations.
- As of June 30, 2018, the City of Farmington's governmental funds reported combined ending fund balances of \$39,331,858, a decrease of \$1,572,079, or 3.84% in comparison with the prior year. A total of \$12,048,998 (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 \$12,048,998, or 20.6% of the total general fund expenditures.
- The City's total net debt increased by \$20,502,670, or 40.6% during the current fiscal year.

### Overview of Financial Statements

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

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

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

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

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

Both government-wide financial statements distinguish functions of the City of Farmington that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Farmington include general government, police, fire, parks, recreation, cultural affairs, community development, public works, highways, streets, and airport operations. The business-type activities of the City of Farmington include electric, water, wastewater, and sanitation operations. The government-wide financial statements can be found on pages 19-20 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Farmington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Farmington can be divided into two categories: (1) governmental funds and (2) proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Farmington maintains twenty-seven (27) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and gross receipts tax streets fund, both of which are considered to be major funds. Data from the other twenty-five (25) 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 77-88).

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

The basic governmental fund financial statements can be found on pages 21-25 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The individual proprietary fund financial statements provide separate information for the electric, water, wastewater, and sanitation operations and are found on pages 117-120 of this report. Fund data for the internal service fund is provided on page 116 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 31-63 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 and deferred outflows exceeded liabilities and deferred inflows by \$475,568,001 at the close of FY2018.

The largest portion of the City of Farmington's net position (\$493,292,101 or 103.7%) 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	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Current and other assets	\$ 53,664,710	\$ 50,682,586	\$ 122,799,100	\$ 115,398,391	\$ 176,463,810	\$ 166,080,977
Capital assets	117,704,099	108,680,465	427,987,981	414,915,469	545,692,080	523,595,934
Total assets	171,368,809	159,363,051	550,787,081	530,313,860	722,155,890	689,676,911
Deferred outflow from pension	15,760,722	27,584,055	4,419,370	7,870,679	20,180,092	35,454,734
Deferred outflow from OPEB	647,080	-	246,031	-	893,111	-
Total deferred outflows of resources	16,407,802	27,584,055	4,665,401	7,870,679	21,073,203	35,454,734
Long-term liabilities outstanding	150,369,500	116,877,973	68,801,212	51,405,168	219,170,712	168,283,141
Other liabilities	5,594,026	3,204,420	19,120,389	14,442,941	24,714,415	17,647,361
Total liabilities	155,963,526	120,082,393	87,921,601	65,848,109	243,885,127	185,930,502
Deferred inflow from pension	11,183,927	1,448,990	1,505,437	472,280	12,689,364	1,921,270
Deferred inflow from OPEB	8,033,463	-	3,053,138	-	11,086,601	-
Deferred inflow from regulatory activity	-	-	-	6,298,631	-	6,298,631
Total deferred inflows of resources	19,217,390	1,448,990	4,558,575	6,770,911	23,775,965	8,219,901
Net position						
Net investment in capital assets	99,720,673	100,348,301	393,571,428	387,312,875	493,292,101	487,661,176
Restricted	3,298,342	18,954,830	1,661,907	1,661,907	4,960,249	20,616,737
Unrestricted (deficit)	(90,423,320)	(53,887,408)	67,738,971	76,590,737	(22,684,349)	22,703,329
Total net position	\$ 12,595,695	\$ 65,415,723	\$ 462,972,306	\$ 465,565,519	\$ 475,568,001	\$ 530,981,242

Another portion of the City of Farmington's net position, \$4,960,249 or 1.0%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$22,684,349) or (4.8%) 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 net investment in capital assets and restricted net position for the government as a whole, and positive balances for all three categories of net position for its business-type activities. Governmental activities held positive balances for both net investment in capital assets and restricted net position. In the prior fiscal year, the City held positive balances in all three categories of net position for the government as a whole, and for business-type activities, whereas governmental activities held positive balances in both net investment in capital assets and restricted net position.

The City of Farmington's net position increased \$2,448,155 during the current fiscal year, combined with the decrease resulting from the cumulative effect of implementing GASB 75 (\$57,861,396), the overall net position decreased \$55,413,241. Almost all of this increase represents the cumulative effect of GASB Statement No. 68, Accounting and Financial Reporting for Pensions along with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and the resulting changes reported in the current fiscal year, including significant increases in net OPEB liability, along with increases in deferred inflows from pensions and OPEB and deferred outflows from OPEB. Net pension liability, along with deferred outflows from pensions, decreased in FY2018. There was also a 108.6% decrease in deferred inflows from



regulatory activities in FY2018 as the PCA regulatory asset component changed by (\$6,841,196) and is reported as a regulatory asset for FY2018.

**Governmental activities.** Governmental activities decreased the City of Farmington's net position by \$9,963,249. 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	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Revenues:						
Program revenues:						
Charges for services	\$ 8,696,969	\$ 8,961,368	\$ 134,744,342	\$ 124,898,816	\$ 143,441,311	\$ 133,860,184
Operating grants and Contributions	5,301,872	5,443,467	-	260,919	5,301,872	5,704,386
Capital grants and Contributions	5,115,364	651,930	2,620,971	1,464,161	7,736,335	2,116,091
General revenues:						
Property taxes	2,039,855	1,991,521	-	-	2,039,855	1,991,521
GRT taxes	51,388,261	48,512,535	-	-	51,388,261	48,512,535
Other taxes	5,207,151	4,966,744	1,242,160	1,174,658	6,449,311	6,141,402
Other	1,472,403	1,408,511	726,061	643,771	2,198,464	2,052,282
Total revenues	79,221,875	71,936,076	139,333,534	128,442,325	218,555,409	200,378,401
Expenses:						
General Government	37,487,301	28,889,926	-	-	37,487,301	28,889,926
Police	18,247,022	19,782,931	-	-	18,247,022	19,782,931
Fire	11,408,649	12,000,794	-	-	11,408,649	12,000,794
Parks, rec & cultural affairs	17,152,218	17,390,900	-	-	17,152,218	17,390,900
Public Works	11,579,158	11,930,760	-	-	11,579,158	11,930,760
Electric	-	-	92,629,799	90,838,532	92,629,799	90,838,532
Water	-	-	13,748,989	12,304,070	13,748,989	12,304,070
Wastewater	-	-	7,078,538	6,969,969	7,078,538	6,969,969
Sanitation	-	-	5,575,831	5,412,808	5,575,831	5,412,808
Other	1,199,749	590,502	-	-	1,199,749	590,502
Total expenses	97,074,097	90,585,813	119,033,157	115,525,379	216,107,254	206,111,192
Increase (decrease) in net position before transfers	(17,852,222)	(18,649,737)	20,300,377	12,916,946	2,448,155	(5,732,791)
Transfers	7,888,973	7,816,876	(7,888,973)	(7,816,876)	-	-
Increase (decrease) in net position	(9,963,249)	(10,832,861)	12,411,404	5,100,070	2,448,155	(5,732,791)
Net position - beginning	65,415,723	76,248,584	465,565,519	460,465,449	530,981,242	536,714,033
Cumulative effect of GASB No. 75	(42,856,779)	-	(15,004,617)	-	(57,861,396)	-
Net position - ending	\$ 12,595,695	\$ 65,415,723	\$ 462,972,306	\$ 465,565,519	\$ 475,568,001	\$ 530,981,242

Total accrued gross receipts tax (GRT) increased by \$2,875,726 or 5.9%. This was due to an overall increase in receipts from the majority of industry sectors. The largest notable increases were found in the mining, retail trade, and services sectors.

Operating grants decreased \$141,595 mainly due to decreases in state funding for Library GO Bonds (\$151,311) and public safety (\$129,629), federal funding from FEMA for prior year flood reimbursements (\$549,822) and federal funding for police department grant reimbursements (\$147,122); increases in federal funding for wildland firefighting (\$99,600), Red Apple Transit (\$256,592), Boys and Girls Club CDBG project (\$116,009), County (other) funding for the animal shelter contract (\$155,303), and state funding for the Animas River Restoration project (\$221,303).

Capital grants and contributions increased \$4,463,434 during the year. This was due mainly to an increase in federal funding for the airport (\$3,589,375) an increase in state funding for the airport (\$114,974), and increases in state funding for various traffic and road improvements (\$720,769) including the Villa View and Foothills enhancement projects.

Charges for services decreased \$264,399 or (3.0%) due mainly to the net effect of increases in health insurance premiums (\$104,225) and decreases in stop loss payments (\$321,617), increases in interdepartmental fleet charges (\$29,231), admission fees for Farmington Lake (\$46,330), golf fees for Pinon Hills and Civitan golf courses (\$57,162), animal shelter fees (\$34,260), museum ticket sales and store purchases (\$61,928), and plan checking fees (\$12,070); decreases in licenses and permits (\$52,277), Red Apple transportation fees (\$15,557), Civic Center admissions and fees (\$133,843), Sandstone admissions and concessions (\$19,139), and special police services (\$16,031). Fines collected during the year decreased (\$47,118).

Total transfers increased \$72,097 due to an increased transfer of (\$156,601) 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 FY2018 was a result of a decrease in dividends from the electric utility (\$76,515) caused in part to a decrease in electric revenues and an increase in operating expenses, depreciation, and amortization costs in FY2016 (the year that the current dividend is based upon). The reassignment of capital assets from the governmental activities to business-type activities attributed to a decrease of (\$7,989).

Total expenses increased \$6,488,284 or 7.2% during the year due to an increase in operating expenditures for general government (\$5,106,495) and increased capital outlay expenditures for general government (\$4,162,366), along with an increase in interest expenditures (\$609,247). The overall change includes a decrease in pension expense (\$2,252,124) as a result of decreases in net pension liability and deferred outflows from pension, along with an increase in deferred inflows of resources related to pensions. A component of the general governmental expenditure increase was a result of increased workers' compensation claims (\$1,398,460) for FY2018.

**Business-type activities.** Business-type activities increased the City of Farmington's net position by \$12,411,404. Overall change in the government's net position was an increase of \$2,448,155 from FY2017. Although the business-type activities had a positive change, the governmental activities had a net position change of \$(9,963,249). Much of the changes for both business-type and governmental activities was due to implementing GASB 75 for OPEB reporting, the issuance of debt, and changes in capital assets. Key financial elements for the business-type activities over the past fiscal year are as follows:

- For FY2018, the total net pension liability decreased \$21.4 million, which is a 19.7% decrease from last fiscal year. Of this change, the business-type decrease was \$3.5 million, or 15.5% of the total decrease. The remaining change was all for governmental activities. Although the PERA fund continued to underperform its benchmark return for both the one-year and three-year measurement, actual returns increased over the prior year. The PERA fund returned 11.1% and generated investment gains of approximately \$1.5 billion, which contributed to the decrease in the net pension liability for the City.
- Operating expenses were 88.12% of operating revenues, resulting in \$16,014,330 in operating income.
- Total electric revenue increased by \$6.8 million or 7.1%. Electric sales to customers were up \$5.9 million. Sales to all customer classes (residential, commercial, industrial, and wholesale) were up from last year, \$8.2 million or 10.2%. In FY2018, the second phase of a three phase rate increase was implemented for all rate classes. Total consumption for these rate classes increased 53 megawatts or 5.5% overall from FY2017. The power cost adjustment (PCA) decreased a net total of \$1.4 million. Billed revenues for the PCA decreased \$11.3 million and for regulated accounting under GASB 62, revenues were increased by \$9.9 million. Operating revenues were \$6.1 million higher and operating expenses increased \$1.8 million, which resulted in a \$4.3 million increase in operating income.
- Total water revenue increased \$2.3 million or 12.7%. Water sales to customers increased \$2 million. Residential customer sales were up \$779 thousand. Commercial customer sales were \$676 thousand higher in FY2018. Contract/raw water customer sales increased \$108 thousand. With increased customer sales, the renewal replacement fees were also up, by \$427 thousand. FY2018 was the fourth year of water utility rate increases. FY2019 will be the final phase of the five year rate increase and another rate study will be performed after the final phase.
- Total wastewater revenue increased \$1.5 million or 16.0% during FY2018. Wastewater sales to customers were up \$1.4 million. Sales to residential customer increased \$676 thousand. Commercial customer sales were also up by \$469 thousand. As a result, renewal replacement fees were \$264 thousand higher in FY2018. Along with water rates, the wastewater utility is also in their fourth year of rate increases. The utility will also perform another rate study after the fifth and final phase is implemented in FY2019.
- Total sanitation revenue increased \$282 thousand due to a higher demand for sanitation services.
- Investment earnings for business-type activities increased \$82 thousand over last year, or 12.8%.

## 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, 2018, the City of Farmington's governmental funds reported combined ending fund balances of \$39,331,858, a decrease of \$1,572,079 in comparison with the prior year. Approximately 30.6% of this total amount or \$12,048,998 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* (\$513,485), *restricted* (\$20,017,217), *committed* (\$4,484,022), or *assigned* (\$1,904,136).

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 \$12,048,998, while total fund balance was \$12,551,267. 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 20.6% of total general fund expenditures, while total fund balance represents 21.4% of that same amount. The fund balance of the City of Farmington's general fund decreased \$2,091,251 or (14.3%) during the current fiscal year.

The total increase in general fund revenue was \$2,226,597 or 4.4%. This is due partly because of an increase in GRT collections (\$2,335,729) in the oil & gas, retail, and other services sectors. Other factors affecting general fund revenues are increases in intergovernmental revenue received from San Juan County for animal shelter costs (\$155,303), along with decreases in miscellaneous fees related to conduit debt refinancing and remarketing (\$174,500), and decreases in auction proceeds (\$104,977). Franchise fees and royalty revenues increased in the general fund (\$68,142) in FY2018.

Total general fund expenditures increased \$5,677,120 or 10.7% over the prior year. Key elements of this change were increases in administration/intra-government purchase of a wildland fire engine (\$331,608), costs for incurred but not reported (IBNR) health care claims (\$1,122,669), and legal/general liability expenses mainly generated from police liability insurance (\$2,062,083). The police administration type expenditures contributed to the overall increase in general fund expenditures due to purchases of laptops, printers, and in-car camera systems and related kits during FY2018 (\$90,931) and the police Region II division contributed to the increase mainly due to lack of grant funding in FY2018 to cover salary and benefits of both certified and civilian personnel (\$213,094) and in operating costs (\$29,902). Fire operations contributed to the increase in general fund expenditures as a result of increased wages, call-out pay, and benefits (\$404,700) and motor vehicle fuel, labor, and parts costs (\$37,567).

Total incoming transfers increased by \$167,492 or 2.5% due to an increase in the transfer from the state fire fund (\$150,000) and metro redevelopment authority fund (\$94,007) and a decrease in dividends transferred from the electric utility (\$76,515) caused in part to a decrease in electric revenues and an increase in operating expenses, depreciation, and amortization costs in the year that the current dividend is based upon (FY2016).

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 (\$404,998) and GRT parks (\$134,999), increased in FY2018 when compared to the prior year. This corresponds with the increase in GRT revenues in the general fund. The GRT streets fund also experienced a decrease in federal funding over the prior year as a result of a FEMA reimbursement received in FY2017 (\$549,822). Current expenditures related to public works in the GRT streets fund decreased (\$1,026,718) due to the completion of the English Rd irrigation repair in FY2017 (\$106,083), reduction in costs related to street maintenance materials and supplies (\$181,192), completion of various street resurfacing and crack-seal maintenance projects (\$486,997); increased costs were related to contract expenses (\$90,053) and professional services for mobile image data collection and pavement condition index (\$100,310). Capital outlay expenditures in the GRT streets fund increased (\$3,071,513) as a result of fleet purchases in FY2018 (\$658,094), construction and capitalized street resurfacing project expenditures (\$2,082,728), and emergency storm drain repair costs for 20<sup>th</sup> Street from Main to Clayton (\$327,432). Transfers from the GRT streets fund to the capital projects fund decreased in FY2018 as result of project matches required for several projects including the 20<sup>th</sup> Street sidewalks, San Juan Blvd/Scott intersection project, Foothills extension project, Pinon Hills Blvd project, and traffic signal upgrades in FY2017 (\$962,537).

Total revenues in the nonmajor governmental funds decreased \$2,643,680 or (15.6%) due mainly to the reclassification of the GRT Streets fund from a nonmajor fund in FY2017 to a major fund in FY2018. Total revenue for the GRT Streets fund in FY2018 was \$7,954,536. Other factors related to the overall decrease in nonmajor governmental funds resulted from increases in lodgers' taxes and convention center fees collected in FY2018 (\$194,806), increases in federal funding for Red Apple Transit (\$256,592), CDBG federal funding for the Boys & Girls Club project (\$116,009), and federal grants for the airport (\$3,589,375). State funding increased for the Parks/Recreation Gifts and Grants fund for the Animas River Restoration project (\$221,303), and for public works projects, specifically the Villa View project (\$480,923) and Foothills enhancement project (\$193,964). An increase in donations resulted from a one-time contribution received from the Convention and Visitors Bureau in FY2018 for their share of three entry monuments constructed in town (\$164,607).

Expenditures in the governmental funds (not including the general fund) increased \$20,108,438 or 86.0% during FY2018. Key elements of this increase resulted from additional expenditures in the Gross Receipts Tax Bond Projects fund (\$1,278,188) related to costs incurred for energy conservation and efficiency improvements to City owned facilities funded by the bond issue, Taxable Gross Receipts Tax Qualified Energy Conservation Bonds, Series 2016A (QECB). In FY2018, both current operating (\$576,510) and capital outlay costs (\$2,726,239) were incurred in relation to the Gross Receipts Tax 2017/2018 Bond Capital Project Fund, along with debt service costs for

bond issuance fees (\$312,315). The majority of the capital purchases within the fund for FY2018 consisted of the purchase of a new ladder truck for the fire department (\$1,691,223), public works complete streets/downtown revitalization project (\$464,328), and parks, recreation, and cultural affairs new water park facility (\$570,688). Also contributing to the overall increase in governmental funds expenditures resulted from an additional (\$4,070,517) for the resurfacing of taxiway E, F, and G at the City airport. Expenditures in the Convention Center Capital Projects fund increased (\$6,105,751) related to costs incurred for the Civic Center expansion and remodel project funded by the bond issue, Gross Receipts Tax Civic Center Improvement Revenue Bonds, Series 2016. The estimated completion date for the Civic Center expansion and remodel is November, 2018. Debt service expenditures increased with the additional principle (\$1,765,000) and interest (\$220,233) payments related to the new bond issues, 2017 NMFA Refunding 2012 bonds and 2018 NMFA Improvements and Refunding 2005 bonds, debt service requirements. Capital outlay expenditures for parks, recreation, and cultural affairs increased (\$143,512) for the construction of a new campground facility at Farmington Lake, whereas, capital outlay expenditures for general government decreased (\$132,132) in relation to the City Hall remodel project, which is expected to be completed in FY2019. The San Juan Blvd/Scott traffic signal project completed in FY2017, resulting in decreased public works capital outlay costs of (\$232,147), whereas, the Villa View storm water project contributed to increased public works capital outlay costs (\$481,202) for FY2018 continued construction. Capital outlay expenditures related to parks, recreation, and cultural affairs increased in the parks/recreation gifts and grants fund (\$303,250) for the Animas River restoration project and construction costs for the new entry monuments signs built at three City entry-point locations.

**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 \$36,435,844 in the electric utility system, \$18,504,972 in the water utility system, \$12,129,447 in the wastewater utility system, and \$668,708 in the sanitation utility. The total growth in net position was \$4,275,918 in the electric fund, \$5,217,578 in the water fund, and \$3,838,145 in the wastewater fund. Total reduction in net position for the sanitation fund was \$920,237.

## **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 10 years. GRT only contributed 70% (cash basis) of the total General Fund revenue in FY2018. 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 FY2018, the electric dividend comprised 8.5%, or \$5.2 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 FY2018, 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 FY2018 remained essentially the same as FY2017 actual in GRT revenue. Several factors influenced this conservative forecast for Farmington's economy in FY2018. The history of Farmington's economy was a large factor in the GRT projection for FY2018. 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 4.0% dip in GRT proving the economy had not yet recovered. FY2018 was the first year to indicate Farmington's GRT was recovering with a 9.6% increase. Even with this boost in the economy, FY2018 remains 3.0% 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. There were signs of recovery, however, nowhere near the boom days of 2008. Once trading over \$100 per barrel, oil prices are optimistically currently trading around \$70 per barrel but dipped below \$40 per barrel in December 2015. 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. Natural Gas is currently trading around \$3.00 per million Btu, far from the winter months of 2008 at \$12.69 per million Btu.

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 6.0% for FY2018, much lower than the previous year's rate of 8.7%. 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.

On the expenditure side, the original General Fund budget of \$59,424,029 increased to \$60,670,765 during FY2018. The \$1.2 million difference is comprised of several adjustments. The largest General Fund expenditure budget adjustment is associated to the refinancing of the 2005 & 2012 Series GRT Bonds, issuance of the 2017/2018 Series GRT bonds and the related debt service. In addition, the fire wildland operation purchased a brush-truck for \$331 thousand. Remaining General Fund adjustments reflected grants received during the fiscal year.

During the year, Council approved five separate budget revisions to adjust the original FY2018 expenditure budget. For the City as a whole, these adjustments totaled \$27,737,906, a 9.6% increase. The number of revisions is indicative of the ongoing budget process during the year of controlling expenditures to adjust to available revenue.

The largest percentage increase in budgeted expenditures during the year was in the special revenue and capital funds. Additional grant funds received during FY2018 for parks, police, and fire operations resulted in an increase in expenditures relative to the increase in revenue. Budget adjustments also included converting the Parks Development Fee special revenue fund into a capital fund. Various other budget adjustments made established the capital project budgets in the various capital funds in order to reflect the true capital intentions. Finally, adjustments included creating capital project construction budgets funded by the 2017/2018 Series GRT bond issuance.

In FY2018 for the City as a whole, capital expenditures were less than the previous year by \$8.1 million or 15.6%. Of the majority of capital expenditures made in FY2018, \$5.6 million, or 12.7%, were attributable to additional street construction and maintenance. The Civic Center Expansion project spent \$5.6 million and the Fire Department invested \$1.7 million on a new fire engine and ladder truck. The Electric Utility capital expenditures were down from FY2017 by \$10.8 million, or 37.5%. Many projects are in the planning stage with future capital investment in subsequent years.

### **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, 2018, was \$545,692,080 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, utility systems, machinery and equipment, park facilities, roads, highways, and bridges. The business-type capital assets accounted for \$427,987,981 or 78.4% of the total City of Farmington capital assets. The total increase in the business-type investment in capital assets for the current fiscal year was \$13,072,512 or 3.2%. The governmental activities investment in capital assets accounted for \$117,704,099 or 21.6% of all capital assets owned by the City. The total change in governmental activities investment in capital assets was an increase for the current fiscal year \$9,023,634 or 8.3%.

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	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Land	\$ 30,259,051	\$ 30,215,043	\$ 4,061,842	\$ 4,053,642	\$ 34,320,893	\$ 34,268,685
Land rights	-	-	2,197,337	2,198,620	2,197,337	2,198,620
Buildings	33,425,560	35,386,439	47,977,987	51,008,949	81,403,547	86,395,388
Improvements	8,389,968	9,967,457	110,500,748	107,163,870	118,890,716	117,131,327
Equipment	8,660,635	8,149,728	159,774,412	166,720,251	168,435,047	174,869,979
Infrastructure	14,995,238	17,548,303	-	-	14,995,238	17,548,303
Construction in progress	21,973,647	7,413,495	103,475,655	83,770,137	125,449,302	91,183,632
Total	\$ 117,704,099	\$ 108,680,465	\$ 427,987,981	\$ 414,915,469	\$ 545,692,080	\$ 523,595,934

Capital expenditures for the electric utility system will average approximately \$45,385,629 per year over the next five fiscal years. Some large projects included in the FY2019 capital budget are 20<sup>th</sup> Street project (\$3,000,000), Cottonwood substation feeder (\$1,600,000), customer work order system (\$2,760,000), Bluffview short-term new generation (\$3,250,000), new Twin Peaks substation (\$3,000,000), transmission line west loop to Hood Mesa (\$3,891,677), and a new line west loop to Bluffview (\$1,234,075). The City expects to fund these projects from electric customer-generated revenues.

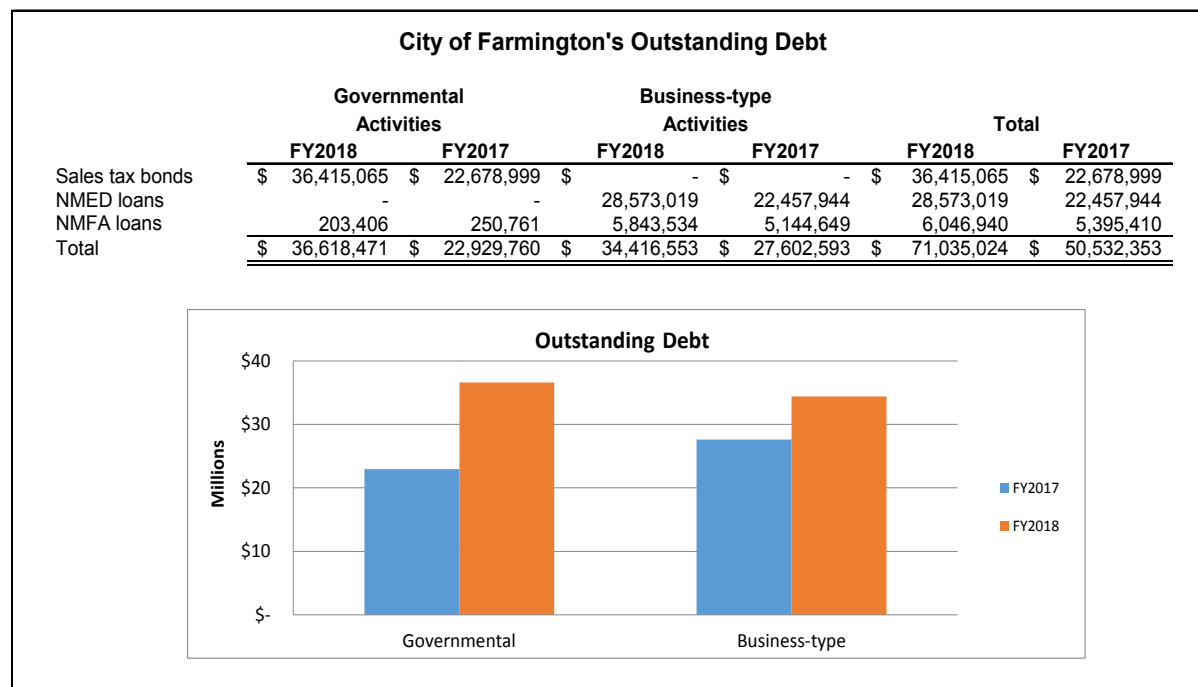
Capital expenditures for the water utility system scheduled in the current five-year capital improvements plan principally include upgrades and replacements of existing facilities to maintain the existing system and meet future demand requirements. Capital expenditures average \$12,554,000 per year, totaling \$62,770,000 for fiscal years 2019 through 2023. The FY2019 capital budget includes the NMFA-2P waterline replacement – phase 2 (\$2,600,000) and phase 3 (\$2,900,000). It also includes the 4P pump station replacement (\$1,100,000).

Capital expenditures scheduled for the wastewater utility system in FY2019 include lift station upgrades (\$1,000,000) and capital purchases for software, vehicles, and various improvements (\$1,060,000).

Additional information on the City of Farmington’s capital assets can be found in Note IV.C on pages 42-44 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Farmington had total bonded debt outstanding of \$36,415,065, 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 \$20,502,671 or 40.6% during FY2018. This increase was a result of two new bond issuances the City entered into through New

Mexico Finance Authority loans in FY2018. The new issues are for \$7,420,000 in Gross Receipts Tax Refunding Revenue Bonds, Series 2017 and \$16,600,000 in Gross Receipts Tax Improvement and Refunding Revenue Bonds, Series 2018. For additional bond information, reference pages 46-48 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 2018 assessed valuation of \$1,167,361,615, the City’s general obligation debt limit is \$46,694,465. The City presently has no general obligation bonds outstanding. For more detailed information on the City’s debt, see pages 46-51 in the Notes to the Financial Statements.

**Requests for Information**

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

# **BASIC FINANCIAL STATEMENTS**

**BASIC FINANCIAL  
STATEMENTS**



**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Net Position**  
**June 30, 2018**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 37,830,211	\$ 86,322,563	\$ 124,152,774
Receivables (net, where applicable, of allowances for uncollectibles):	694,762	8,394,203	9,088,965
Accrued unbilled revenues	-	6,703,624	6,703,624
Intergovernmental receivable	14,626,252	-	14,626,252
Regulatory Asset	-	4,178,286	4,178,286
Inventories	149,448	6,914,912	7,064,360
Prepays	364,037	130,947	494,984
Restricted assets			
Temporarily restricted:			
Cash and cash equivalents	-	10,154,565	10,154,565
Capital assets (not being depreciated):			
Land	30,259,051	4,061,842	34,320,893
Construction in progress	21,973,647	103,475,655	125,449,302
Capital assets (net of accumulated depreciation):			
Land rights	-	2,197,337	2,197,337
Buildings	33,425,560	47,977,987	81,403,547
Improvements other than buildings	8,389,968	110,500,748	118,890,716
Equipment	8,660,635	159,774,412	168,435,047
Infrastructure	14,995,238	-	14,995,238
Total assets	<u>171,368,809</u>	<u>550,787,081</u>	<u>722,155,890</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pension	15,760,722	4,419,370	20,180,092
Deferred outflows from OPEB	647,080	246,031	893,111
Total deferred outflows of resources	<u>16,407,802</u>	<u>4,665,401</u>	<u>21,073,203</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	4,297,362	8,960,494	13,257,856
Wages and benefits payable	940,299	346,765	1,287,064
Other accrued liabilities	184,816	1,320,472	1,505,288
Retainage deposits payable	33,549	-	33,549
Unearned revenue	29,788	-	29,788
Accrued interest payable	108,212	-	108,212
Customer deposits	-	3,088,737	3,088,737
Coal reclamation liability	-	5,251,392	5,251,392
Decommissioning liability	-	152,529	152,529
Non-current liabilities:			
Due within one year	4,454,787	2,197,524	6,652,311
Due in more than one year	42,277,688	34,068,899	76,346,587
Net pension liability	68,340,254	19,120,154	87,460,408
Net OPEB liability	35,296,771	13,414,635	48,711,406
Total liabilities	<u>155,963,526</u>	<u>87,921,601</u>	<u>243,885,127</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension	11,183,927	1,505,437	12,689,364
Deferred inflows from OPEB	8,033,463	3,053,138	11,086,601
Total deferred inflows of resources	<u>19,217,390</u>	<u>4,558,575</u>	<u>23,775,965</u>
<b>NET POSITION</b>			
Net investment in capital assets	99,720,673	393,571,428	493,292,101
Restricted for:			
Fire	242,246	-	242,246
Lodgers promotion	827,973	-	827,973
Capital projects	2,028,037	-	2,028,037
Debt service	200,086	1,661,907	1,861,993
Unrestricted (deficit)	(90,423,320)	67,738,971	(22,684,349)
Total net position	<u>\$ 12,595,695</u>	<u>\$ 462,972,306</u>	<u>\$ 475,568,001</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, 2018**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 37,487,301	\$ 5,456,990	\$ 3,505,742	\$ 3,940,041	\$ (24,584,528)	\$ -	\$ (24,584,528)
Police	18,247,022	881,564	608,555	-	(16,756,903)	-	(16,756,903)
Fire	11,408,649	-	769,478	-	(10,639,171)	-	(10,639,171)
Parks, recreation, cultural affairs	17,152,218	2,325,325	418,097	-	(14,408,796)	-	(14,408,796)
Public works	11,579,158	33,090	-	1,175,323	(10,370,745)	-	(10,370,745)
Interest on long-term debt	1,199,749	-	-	-	(1,199,749)	-	(1,199,749)
Total governmental activities	97,074,097	8,696,969	5,301,872	5,115,364	(77,959,892)	-	(77,959,892)
Business-type activities:							
Electric	92,629,799	99,363,946	-	2,108,726	-	8,842,873	8,842,873
Water	13,748,989	19,609,290	-	512,245	-	6,372,546	6,372,546
Wastewater	7,078,538	9,773,334	-	-	-	2,694,796	2,694,796
Sanitation	5,575,831	5,997,772	-	-	-	421,941	421,941
Total business-type activities	119,033,157	134,744,342	-	2,620,971	-	18,332,156	18,332,156
Total government	\$ 216,107,254	\$ 143,441,311	\$ 5,301,872	\$ 7,736,335	(77,959,892)	18,332,156	(59,627,736)
General revenues:							
Property taxes					2,039,855	-	2,039,855
Sales taxes					51,388,261	-	51,388,261
Franchise taxes					2,662,677	-	2,662,677
Gasoline taxes					449,595	-	449,595
Lodgers' taxes					2,094,879	-	2,094,879
Environmental taxes					-	1,242,160	1,242,160
Miscellaneous					1,066,978	-	1,066,978
Unrestricted investment earnings					405,425	726,061	1,131,486
Reassignment of capital assets					(7,989)	7,989	-
Transfers					7,896,962	(7,896,962)	-
Total general revenues and transfers					67,996,643	(5,920,752)	62,075,891
Change in net position					(9,963,249)	12,411,404	2,448,155
Net position - beginning as previously reported					65,415,723	465,565,519	530,981,242
Cumulative effect of implementing GASB 75					(42,856,779)	(15,004,617)	(57,861,396)
Net position - beginning as restated					22,558,944	450,560,902	473,119,846
Net position - ending					\$ 12,595,695	\$ 462,972,306	\$ 475,568,001

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

**CITY OF FARMINGTON, NEW MEXICO**

**Balance Sheet  
Governmental Funds  
June 30, 2018**

	<u>General</u>	<u>Gross Receipts Tax Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental funds</u>
<b>ASSETS:</b>				
Cash and investments	\$ 9,000,108	\$ 2,351,593	\$ 23,689,536	\$ 35,041,237
Receivables (net, where applicable, of allowances for uncollectibles)	296,233	-	7,942	304,175
Due from other funds	943,213	-	-	943,213
Inventories, at cost	149,448	-	-	149,448
Prepaid items	352,821	8,283	2,933	364,037
Intergovernmental	9,648,646	1,350,107	3,627,499	14,626,252
Total assets	<u>\$ 20,390,469</u>	<u>\$ 3,709,983</u>	<u>\$ 27,327,910</u>	<u>\$ 51,428,362</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
Liabilities:				
Accounts payable	\$ 1,067,640	\$ 145,755	\$ 3,083,967	\$ 4,297,362
Wages and benefits payable	885,720	836	53,743	940,299
Other accrued liabilities	45,390	-	-	45,390
Accrued claims payable	3,652,474	-	-	3,652,474
Retainage/deposits payable	33,549	-	-	33,549
Unearned revenue	-	-	29,788	29,788
Due to other funds	-	-	943,213	943,213
Total liabilities	<u>5,684,773</u>	<u>146,591</u>	<u>4,110,711</u>	<u>9,942,075</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue - property taxes	<u>2,154,429</u>	<u>-</u>	<u>-</u>	<u>2,154,429</u>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories and prepaids	502,269	8,283	2,933	513,485
Restricted to:				
Fire	-	-	242,246	242,246
Lodgers' promotion	-	-	827,973	827,973
Capital projects	-	-	18,746,912	18,746,912
Debt service	-	-	200,086	200,086
Committed to:				
Police	-	-	126,810	126,810
Parks, recreation, cultural affairs	-	-	1,166,103	1,166,103
Public works	-	3,555,109	-	3,555,109
Assigned to:				
Parks, recreation, cultural affairs	-	-	628,898	628,898
Library	-	-	288,470	288,470
Community development	-	-	150,292	150,292
Capital projects	-	-	836,476	836,476
Unassigned	12,048,998	-	-	12,048,998
Total fund balances	<u>12,551,267</u>	<u>3,563,392</u>	<u>23,217,199</u>	<u>39,331,858</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,390,469</u>	<u>\$ 3,709,983</u>	<u>\$ 27,327,910</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.	117,704,099
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,154,429
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.	2,306,283
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(42,454,361)
Net pension liability	(68,340,254)
Deferred outflows from pension	15,760,722
Deferred inflows from pension	(11,183,927)
Net OPEB liability	(35,296,771)
Deferred outflows from OPEB	647,080
Deferred inflows from OPEB	(8,033,463)
Net position of governmental activities	<u>\$ 12,595,695</u>

**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	<u>General</u>	<u>Gross Receipts Tax Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Taxes:				
Property	\$ 1,988,865	\$ -	\$ -	\$ 1,988,865
Gross receipts tax	41,450,496	7,453,324	2,484,441	51,388,261
Franchise taxes	2,662,677	-	-	2,662,677
Gasoline taxes	-	449,595	-	449,595
Lodgers' taxes/fees	-	-	2,094,879	2,094,879
Licenses and permits	505,801	-	-	505,801
Intergovernmental:				
Federal	436,561	-	5,623,166	6,059,727
State	132,718	-	2,794,785	2,927,503
Other	1,298,271	-	131,735	1,430,006
Charges for services	2,756,532	-	278,658	3,035,190
Fines	725,317	-	120,449	845,766
Investment earnings	79,235	24,946	280,442	384,623
Miscellaneous	549,964	26,671	490,316	1,066,951
Total revenues	<u>52,586,437</u>	<u>7,954,536</u>	<u>14,298,871</u>	<u>74,839,844</u>
<b>EXPENDITURES:</b>				
Current:				
General government	21,662,569	-	4,804,216	26,466,785
Police	16,708,080	-	904,377	17,612,457
Fire	9,449,264	-	542,412	9,991,676
Parks, recreation, and cultural affairs	10,373,259	-	5,095,904	15,469,163
Public works	383,591	5,397,217	-	5,780,808
Airport	-	-	4,072,892	4,072,892
Debt service:				
Principal	-	-	3,336,289	3,336,289
Interest	-	-	864,049	864,049
Bond issuance costs	-	-	312,649	312,649
Capital outlay:				
General government	-	-	862,688	862,688
Police	-	-	78,748	78,748
Fire	-	-	1,762,742	1,762,742
Parks, recreation, and cultural affairs	-	-	8,421,098	8,421,098
Public works	-	5,276,106	1,768,011	7,044,117
Total expenditures	<u>58,576,763</u>	<u>10,673,323</u>	<u>32,826,075</u>	<u>102,076,161</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,990,326)</u>	<u>(2,718,787)</u>	<u>(18,527,204)</u>	<u>(27,236,317)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	6,784,368	1,356,601	7,262,529	15,403,498
Transfers out	(2,885,293)	(316,481)	(4,304,762)	(7,506,536)
GRT refunding revenue bonds, series 2017 issued	-	-	7,420,000	7,420,000
Payment - refunded bond escrow agent, series 2017	-	-	(7,288,736)	(7,288,736)
GRT refunding revenue bonds, series 2018 issued	-	-	970,000	970,000
GRT refunding revenue bonds, series 2018 premium	-	-	73,595	73,595
GRT improvement revenue bond, series 2018 issued	-	-	15,630,000	15,630,000
GRT improvement revenue bond, series 2018 premium	-	-	962,417	962,417
Total other financing sources (uses)	<u>3,899,075</u>	<u>1,040,120</u>	<u>20,725,043</u>	<u>25,664,238</u>
Net change in fund balances	(2,091,251)	(1,678,667)	2,197,839	(1,572,079)
Fund balances-beginning	14,642,518	5,242,059	21,019,360	40,903,937
Fund balances-ending	<u>\$ 12,551,267</u>	<u>\$ 3,563,392</u>	<u>\$ 23,217,199</u>	<u>\$ 39,331,858</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, 2018**

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)	\$ (1,572,079)
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.	9,023,634
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	50,990
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.	(14,367,392)
The net revenue/expense of certain activities of internal services funds is reported with governmental activities.	358,722
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	<u>(3,457,124)</u>
Change in net position of governmental activities (page 20)	<u>\$ (9,963,249)</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes:				
Property	\$ 1,869,734	\$ 1,869,734	\$ 1,994,571	\$ 124,837
Gross receipts tax	39,592,107	39,592,107	41,686,124	2,094,017
Franchise taxes	2,569,028	2,569,028	2,661,371	92,343
Licenses and permits	600,250	600,250	528,735	(71,515)
Intergovernmental:				
Federal	103,643	323,351	504,133	180,782
State	14,591	49,574	166,040	116,466
Other	1,275,440	1,276,790	1,301,945	25,155
Charges for services	3,174,627	3,174,627	2,753,651	(420,976)
Fines	1,090,000	1,090,000	732,012	(357,988)
Investment earnings	80,000	80,000	118,840	38,840
Miscellaneous	331,180	341,382	549,423	208,041
Total revenues	<u>50,700,600</u>	<u>50,966,843</u>	<u>52,996,845</u>	<u>2,030,002</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
Council	324,940	324,940	319,045	5,895
Municipal court	2,057,905	2,057,905	1,948,127	109,778
Administrative	9,352,643	9,752,901	10,697,737	(944,836)
Legal	857,826	857,826	708,754	149,072
Administrative services	561,090	564,590	452,516	112,074
General services	4,670,311	4,820,311	4,569,273	251,038
Community development	900,998	900,998	789,467	111,531
Total general government	<u>18,725,713</u>	<u>19,279,471</u>	<u>19,484,919</u>	<u>(205,448)</u>
Public safety:				
Police	17,368,707	17,390,017	16,714,517	675,500
Fire	9,042,833	9,101,447	9,451,289	(349,842)
Total public safety	<u>26,411,540</u>	<u>26,491,464</u>	<u>26,165,806</u>	<u>325,658</u>
Public works	806,569	806,569	384,636	421,933
Parks, recreation, and cultural affairs	11,183,790	11,207,968	10,415,174	792,794
Total expenditures	<u>57,127,612</u>	<u>57,785,472</u>	<u>56,450,535</u>	<u>1,334,937</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,427,012)</u>	<u>(6,818,629)</u>	<u>(3,453,690)</u>	<u>3,364,939</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	6,328,339	6,722,346	6,781,008	58,662
Transfers out	<u>(2,296,417)</u>	<u>(2,885,293)</u>	<u>(2,885,293)</u>	<u>-</u>
Total other financing sources (uses)	4,031,922	3,837,053	3,895,715	58,662
Net change in fund balances	(2,395,090)	(2,981,576)	442,025	<u>\$ 3,423,601</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in receivables			(22,847)	
Change in fair market value - investments			(39,605)	
Change in intergovernmental			(344,596)	
Change in accrued payables			<u>(2,126,228)</u>	
			<u>(2,533,276)</u>	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			(2,091,251)	
Fund balances-beginning	14,642,518	14,642,518	14,642,518	
Fund balances-ending	<u>\$ 12,247,428</u>	<u>\$ 11,660,942</u>	<u>\$ 12,551,267</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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Gross receipts taxes	\$ 7,118,899	\$ 7,118,899	\$ 7,495,858	\$ 376,959
Gasoline taxes	483,735	483,735	450,030	(33,705)
Investment earnings	50,000	50,000	29,123	(20,877)
Miscellaneous	12,500	22,500	26,671	4,171
Total revenues	7,665,134	7,675,134	8,001,682	326,548
<b>EXPENDITURES:</b>				
Current:				
Public works	6,454,405	6,464,405	5,440,889	1,023,516
Capital Outlay:				
Public works	3,733,500	5,733,500	5,638,619	94,881
Total expenditures	10,187,905	12,197,905	11,079,508	1,118,397
Excess (deficiency) of revenues over (under) expenditures	(2,522,771)	(4,522,771)	(3,077,826)	1,444,945
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,356,601	1,356,601	1,356,601	-
Transfers out	(306,523)	(316,481)	(316,481)	-
	1,050,078	1,040,120	1,040,120	-
Net change in fund balances	(1,472,693)	(3,482,651)	(2,037,706)	\$ 1,444,945
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts receivable			(42,969)	
Change in fair market value - investments			(4,177)	
Change in accounts payable			406,185	
			359,039	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(1,678,667)	
Fund balances - beginning	5,242,059	5,242,059	5,242,059	
Fund balances - ending	\$ 3,769,366	\$ 1,759,408	\$ 3,563,392	

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, 2018

	Business-type Activities Enterprise Funds					Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Totals	
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 55,841,254	\$ 18,498,477	\$ 11,166,224	\$ 816,608	\$ 86,322,563	\$ 2,788,974
Accounts receivable (net of allowance for doubtful accounts)	4,277,040	1,791,889	1,983,218	342,056	8,394,203	390,587
Accrued unbilled revenues	4,728,217	1,135,793	599,158	240,456	6,703,624	-
Regulatory asset	4,178,286	-	-	-	4,178,286	-
Inventories	6,914,912	-	-	-	6,914,912	-
Prepaid items	114,684	9,806	6,457	-	130,947	-
Restricted cash, cash equivalents and investments	7,938,477	554,181	1,661,907	-	10,154,565	-
Total current assets	83,992,870	21,990,146	15,416,964	1,399,120	122,799,100	3,179,561
Noncurrent assets:						
Capital assets:						
Land and land rights	3,758,240	3,086,978	479,388	23,341	7,347,947	-
Building and system	73,133,518	14,028,074	24,399,950	80,323	111,641,865	-
Improvements other than buildings	88,436,877	73,212,674	19,686,888	-	181,336,439	-
Machinery and equipment	328,869,733	17,347,924	4,791,130	99,706	351,108,493	-
Construction in progress	66,600,989	6,854,448	30,020,218	-	103,475,655	-
Less accumulated depreciation	(252,706,680)	(47,013,763)	(27,105,028)	(96,947)	(326,922,418)	-
Total capital assets	308,092,677	67,516,335	52,272,546	106,423	427,987,981	-
(net of accumulated depreciation)	308,092,677	67,516,335	52,272,546	106,423	427,987,981	-
Total noncurrent assets	392,085,547	89,506,481	67,689,510	1,505,543	550,787,081	3,179,561
Total assets						
	\$ 4,212,903	\$ 110,704	\$ 86,398	\$ 9,365	\$ 4,419,370	\$ -
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred amount on pension	234,533	6,164	4,810	524	246,031	-
Deferred amount on OPEB	4,447,436	116,868	91,208	9,889	4,665,401	-
Total deferred outflows of resources						

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, 2018**

	Business-type Activities Enterprise Funds					Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Totals	
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 5,630,576	\$ 1,840,179	\$ 829,635	\$ 660,104	\$ 8,960,494	\$ -
Accrued liabilities	1,494,507	165,007	7,028	695	1,667,237	139,426
Compensated absences	645,211	15,665	15,665	-	676,541	-
Unpaid claims liability	445,884	32,768	58,807	-	537,459	-
Customer deposits payable	2,534,556	554,181	-	-	3,088,737	-
Coal reclamation liability	5,251,392	-	-	-	5,251,392	-
Decommissioning liability	152,529	-	-	-	152,529	-
NMED loan	-	-	752,305	-	752,305	-
NMFA loan	-	231,219	-	-	231,219	-
Total current liabilities	<u>16,154,655</u>	<u>2,839,019</u>	<u>1,663,440</u>	<u>660,799</u>	<u>21,317,913</u>	<u>139,426</u>
Noncurrent liabilities:						
Unpaid claims liability	236,116	17,232	31,193	-	284,541	733,852
Compensated absences	266,673	42,328	42,328	-	351,329	-
NMED loan	-	-	27,820,714	-	27,820,714	-
NMFA loan	-	5,612,315	-	-	5,612,315	-
Net Pension Liability	18,226,895	478,981	373,839	40,439	19,120,154	-
Net OPEB Liability	12,777,002	340,493	267,913	29,227	13,414,635	-
Total noncurrent liabilities	<u>31,506,686</u>	<u>6,491,349</u>	<u>28,535,987</u>	<u>69,666</u>	<u>66,603,688</u>	<u>733,852</u>
Total liabilities	<u>47,661,341</u>	<u>9,330,368</u>	<u>30,199,427</u>	<u>730,465</u>	<u>87,921,601</u>	<u>873,278</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred amount on pension	1,435,106	37,713	29,434	3,184	1,505,437	-
Deferred amount on OPEB	2,908,015	77,495	60,976	6,652	3,053,138	-
Total deferred inflows of resources	<u>4,343,121</u>	<u>115,208</u>	<u>90,410</u>	<u>9,836</u>	<u>4,558,575</u>	<u>-</u>
<b>NET POSITION</b>						
Net investment in capital assets	308,092,677	61,672,801	23,699,527	106,423	393,571,428	-
Restricted for debt service	-	-	1,661,907	-	1,661,907	-
Unrestricted	36,435,844	18,504,972	12,129,447	668,708	67,738,971	2,306,283
Total net position	<u>\$ 344,528,521</u>	<u>\$ 80,177,773</u>	<u>\$ 37,490,881</u>	<u>\$ 775,131</u>	<u>\$ 462,972,306</u>	<u>\$ 2,306,283</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, 2018**

	Business-type Activities Enterprise Funds					Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Totals	
Operating revenues:						
Charges for sales and services:						
Electric	\$ 97,989,935	\$ -	\$ -	\$ -	\$ 97,989,935	\$ -
Water	-	19,589,692	-	-	19,589,692	-
Wastewater	-	-	9,770,388	-	9,770,388	-
Sanitation	-	-	-	5,887,511	5,887,511	-
Health	-	-	-	-	-	9,106,701
Other revenues	1,374,011	19,598	2,946	110,261	1,506,816	-
Total operating revenues	<u>99,363,946</u>	<u>19,609,290</u>	<u>9,773,334</u>	<u>5,997,772</u>	<u>134,744,342</u>	<u>9,106,701</u>
Operating expenses:						
Salaries and fringe benefits	16,352,611	846,131	541,669	7,655	17,748,066	-
Purchased power, fuel and chemicals	39,575,408	-	-	-	39,575,408	-
Other operating expenses	19,995,519	9,387,020	4,895,180	5,561,525	39,839,244	8,768,808
Depreciation and amortization	16,706,261	3,435,297	1,419,085	6,651	21,567,294	-
Total operating expenses	<u>92,629,799</u>	<u>13,668,448</u>	<u>6,855,934</u>	<u>5,575,831</u>	<u>118,730,012</u>	<u>8,768,808</u>
Operating income (loss)	<u>6,734,147</u>	<u>5,940,842</u>	<u>2,917,400</u>	<u>421,941</u>	<u>16,014,330</u>	<u>337,893</u>
Nonoperating revenues (expenses):						
Intergovernmental-environmental tax	-	-	1,242,160	-	1,242,160	-
Investment earnings	517,841	116,255	77,542	14,423	726,061	20,829
Revenue from grants	-	512,245	-	-	512,245	-
Interest expense	-	(80,541)	(222,604)	-	(303,145)	-
Reassignment of capital assets	-	-	7,989	-	7,989	-
Total nonoperating revenues (expenses)	<u>517,841</u>	<u>547,959</u>	<u>1,105,087</u>	<u>14,423</u>	<u>2,185,310</u>	<u>20,829</u>
Income (loss) before transfers	7,251,988	6,488,801	4,022,487	436,364	18,199,640	358,722
Capital contributions	2,108,726	-	-	-	2,108,726	-
Transfers in	-	-	300,000	-	300,000	-
Transfers out	(5,084,796)	(1,271,223)	(484,342)	(1,356,601)	(8,196,962)	-
Change in net position	4,275,918	5,217,578	3,838,145	(920,237)	12,411,404	358,722
Net position - beginning	354,588,342	75,306,206	33,911,955	1,759,016	465,565,519	1,947,561
Cumulative effect of implementing GASB 75	(14,335,739)	(346,011)	(259,219)	(63,648)	(15,004,617)	-
Net position - beginning as restated	<u>340,252,603</u>	<u>74,960,195</u>	<u>33,652,736</u>	<u>1,695,368</u>	<u>450,560,902</u>	<u>1,947,561</u>
Net position - ending	<u>\$ 344,528,521</u>	<u>\$ 80,177,773</u>	<u>\$ 37,490,881</u>	<u>\$ 775,131</u>	<u>\$ 462,972,306</u>	<u>\$ 2,306,283</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Business-type Activities				Governmental Activities	
	Enterprise Funds					
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Totals	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers/users	\$ 93,700,136	\$ 19,622,025	\$ 9,320,917	\$ 5,921,606	\$ 128,564,684	\$ 8,972,331
Payments to suppliers	(52,747,157)	(8,220,302)	(5,117,801)	(5,582,276)	(71,667,536)	(8,831,265)
Payments to employees	(16,446,138)	(827,970)	(538,971)	(7,651)	(17,820,730)	-
Net cash provided (used) by operating activities	<u>24,506,841</u>	<u>10,573,753</u>	<u>3,664,145</u>	<u>331,679</u>	<u>39,076,418</u>	<u>141,066</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfer to other funds	(5,084,796)	(1,271,223)	(484,342)	(1,356,601)	(8,196,962)	-
Transfer from other funds	-	-	300,000	-	300,000	-
Advances from other funds	1,100,000	-	-	-	1,100,000	-
Grants-federal	-	512,245	-	-	512,245	-
Intergovernmental-environmental tax	-	-	1,242,160	-	1,242,160	-
Net cash provided (used) by capital and related financing activities	<u>(3,984,796)</u>	<u>(758,978)</u>	<u>1,057,818</u>	<u>(1,356,601)</u>	<u>(5,042,557)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from capital debt	-	926,065	6,845,467	-	7,771,532	-
Capital contributions	2,108,726	-	-	-	2,108,726	-
Acquisition and construction of capital assets	(20,555,290)	(4,471,633)	(9,604,894)	-	(34,631,817)	-
Principal paid on capital debt	-	(227,180)	(730,393)	-	(957,573)	-
Interest paid on capital debt	-	(80,541)	(222,604)	-	(303,145)	-
Net cash used by capital and related financing activities	<u>(18,446,564)</u>	<u>(3,853,289)</u>	<u>(3,712,424)</u>	<u>-</u>	<u>(26,012,277)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest and dividends received	517,841	116,255	77,542	14,423	726,061	20,829
Net increase (decrease) in cash and cash equivalents	2,593,322	6,077,741	1,087,081	(1,010,499)	8,747,645	161,895
Cash and cash equivalents - beginning	61,186,409	12,974,917	11,741,050	1,827,107	87,729,483	2,627,079
Cash and cash equivalents - ending	<u>\$ 63,779,731</u>	<u>\$ 19,052,658</u>	<u>\$ 12,828,131</u>	<u>\$ 816,608</u>	<u>\$ 96,477,128</u>	<u>\$ 2,788,974</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Business-type Activities Enterprise Funds				Totals	Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation		
	\$ 6,734,147	\$ 5,940,842	\$ 2,917,400	\$ 421,941	\$ 16,014,330	\$ 337,893
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	16,706,261	3,435,297	1,419,085	6,651	21,567,294	-
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	(864,636)	(3,956)	(258,061)	(74,159)	(1,200,812)	(134,370)
(Increase) decrease in accounts receivable	558,153	(28,844)	(194,356)	(2,007)	332,946	-
(Increase) decrease in accrued unbilled revenues	1,423,620	-	-	-	1,423,620	-
(Increase) decrease in regulatory asset	232,262	-	-	-	232,262	-
(Increase) decrease in inventories	1,827	(187)	(155)	-	1,485	-
(Increase) decrease in prepaid items	3,284,096	89,024	70,593	7,596	3,451,309	-
(Increase) decrease in deferred outflow on pension	(234,533)	(6,164)	(4,810)	(524)	(246,031)	-
(Increase) decrease in deferred outflow on OPEB	(93,527)	18,161	2,698	4	(72,664)	-
Increase (decrease) in other accrued expenses	543,000	30,000	60,000	-	633,000	(62,457)
Increase (decrease) in accrued claims payable	60,249	45,535	-	-	105,784	-
Increase (decrease) in customer deposits	2,859,635	-	-	-	2,859,635	-
Increase (decrease) in coal reclamation	152,529	-	-	-	152,529	-
Increase (decrease) in decommissioning	972,043	1,051,420	(360,572)	-	1,668,952	-
Increase (decrease) in accounts payable	(3,321,614)	(95,081)	(77,361)	(8,282)	(3,502,338)	-
Increase (decrease) in net pension liability	(1,558,737)	(5,518)	8,694	(34,421)	(1,589,982)	-
Increase (decrease) in net OPEB liability	985,247	25,729	20,014	2,167	1,033,157	-
Increase (decrease) in deferred inflow on pension	2,908,015	77,495	60,976	6,652	3,053,138	-
Increase (decrease) in deferred inflow on OPEB	(6,841,196)	-	-	-	(6,841,196)	-
Total adjustments	17,772,694	4,632,911	746,745	(90,262)	23,062,088	(196,827)
Net cash provided (used) by operating activities	\$ 24,506,841	\$ 10,573,753	\$ 3,664,145	\$ 331,679	\$ 39,076,418	\$ 141,066
<b>Noncash Activities:</b>						
Reassignment of capital assets	\$ -	\$ -	\$ (7,989)	\$ -	\$ -	\$ -

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, 2018**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Farmington (City), New Mexico, which was incorporated in 1901, has a population of 45,450 living within an area of 35.0 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, 2018.

**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 funds:

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

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

The government reports the following major proprietary funds:

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

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

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

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

Additionally, the government reports the following fund type:

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's electric, water, wastewater, and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The utilities also recognize as operating revenue the portion of tap fees intended to

recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

#### **D. Assets, liabilities, deferred outflows/inflows 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, 2018.

##### ***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 \$3,635,721 as of June 30, 2018.

The City's electric utility enterprise fund has regulatory activities whose rates are determined based on cost of service (power cost adjustment – PCA). Revenues are recognized based on the PCA when the costs are incurred but will be billed and collected in the future to recover such costs, and a regulatory asset or deferred inflows of resources is recorded. The PCA regulatory asset is recorded on the statement of net position (\$542,565 as of June 30, 2018) and the related additional revenue is part of electric charges for services recorded on the statement of activities (\$6,841,196 for the year ended June 30,2018).

### **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 usually are paid from either the general or proprietary funds.

**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 FY2018 pension contributions and OPEB 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 has recognized deferred inflows of resources for its pension liability and OPEB liability based on actuarial valuation that was performed.

For additional pension and OPEB information, refer to Note V.D and V.E.

**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 \$4,960,249 as of June 30, 2018.

## **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, 2018, 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, 2018, fund balances are composed of the following:

	<b>General Fund</b>	<b>Gross Receipts Tax Streets Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable:				
Inventories/prepays	\$ 502,269	\$ 8,283	\$ 2,933	\$ 513,485
Restricted:				
Fire	-	-	242,246	242,246
Lodgers’ promotion	-	-	827,973	827,973
Capital projects	-	-	18,746,912	18,746,912
Debt service	-	-	200,086	200,086
Committed:				
Police	-	-	126,810	126,810
Parks, rec, cultural affairs	-	-	1,166,103	1,166,103
Public works	-	3,555,109	-	3,555,109
Assigned:				
Parks, rec, cultural affairs	-	-	628,898	628,898
Library	-	-	288,470	288,470
Community development	-	-	150,292	150,292
Capital projects	-	-	836,476	836,476
Unassigned	12,048,998	-	-	12,048,998
Total fund balances	<u>\$ 12,551,267</u>	<u>\$ 3,563,392</u>	<u>\$ 23,217,199</u>	<u>\$ 39,331,858</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 \$42,454,361 difference are as follows:

Bond payable	\$ 36,415,065
Bond premium (to be amortized over the life of the debt)	2,192,725
Accrued interest payable	108,212
NMFA loan payable	203,406
Compensated absences payable	<u>3,534,953</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ 42,454,361</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 \$9,023,634 difference are as follows:

Capital outlay	\$ 17,364,419
Depreciation	<u>(8,340,785)</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>\$ 9,023,634</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. Details of this (\$14,367,392) are as follows:

Principal repayments	\$ 10,331,289
Debt issued	(24,020,000)
Amortization of bond premium	(517,171)
Accrued interest	(41,964)
Compensated absences	<u>(119,546)</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>\$ (14,367,392)</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 \$358,722 difference are as follows:

Internal service charges for services and other non-operating revenue	\$ 9,127,530
Internal service operating expenses	<u>(8,768,808)</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>\$ 358,722</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, 2018:

General Fund	\$	445,454
Gross Receipts Tax Streets Fund		500,663
Gross Receipts Tax Parks Fund		3,539
Parks/Rec Gifts and Grants Fund		18,185
Red Apple Grant Fund		162,237
CDBG Fund		29,028
Lodgers' Tax Fund		28,250
State Police Protection Fund		25,883
State Fire Grant Fund		80,202
Community Development Capital Projects Fund		14,765
GRT 2017/2018 Bond Projects Fund		8,396
Park Development Fees Fund		3,339
Convention Center Capital Projects Fund		9,134
Electric Utility Fund		780,410
Water Utility Fund		3,643,601
Wastewater Utility Fund		1,969,976
Sanitation Fund		16,585
Health Insurance Fund		5
<b>Total Encumbrances</b>	\$	<u><u>7,739,652</u></u>

## B. Excess of expenditures over appropriations

Expenditures for all funds were within budgeted appropriations for FY2018.

## IV. DETAILED NOTES ON ALL FUNDS

### A. Deposits and investments

Cash and investments		
Governmental activities	\$	37,830,211
Business activities		86,322,563
Restricted cash and investments		
Business activities		<u>10,154,565</u>
Total cash and investments	\$	<u><u>134,307,339</u></u>

As of June 30, 2018, 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	\$ 7,593,316	\$ 7,593,316	-	-	0.08
Certificates of deposit	31,000,000	31,000,000	-	-	0.92
Federal agency securities	<u>66,126,238</u>	<u>66,126,238</u>	-	-	<u>1.47</u>
Total Fair Value	\$ <u>104,719,554</u>	\$ <u>104,719,554</u>			
Portfolio weighted average maturity					<u><u>1.30</u></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, 2018, with more than 5% of the total in securities of the federal agency securities. These investments represented 63% 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, 2018, the City was in compliance with state statute. The City's carrying amount of deposits as of June 30, 2018, was \$40,387,560 and the bank balance was \$43,772,953. Of the bank balance, \$1,000,000 was covered by federal depository insurance, \$49,026,246 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. At June 30, 2018, the City did not have any uncollateralized deposits 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, 2018, that are exposed to custodial credit risk.

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

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

<b>Savings and Loan Institutions</b>			
<b>Percentage Level of Collateralization Required</b>			
<b>Ratios</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>
<u>Net Worth Average Assets</u>	Above 3%	2% - 3%	Less than 2%
<u>4 Qtrs Avg Net Income Before Tax 4 Qtrs Avg Assets</u>	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, 2018, are as follows:

	<u>General</u>	<u>Gross Receipts Tax Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Enterprise</u>	<u>Internal Service Fund</u>	<u>Total</u>
<b>Receivables:</b>						
Accounts Receivable	\$ 296,233	\$ -	\$ 7,942	\$ 8,935,363	\$ 390,587	\$ 9,630,125
Unbilled Revenue	-	-	-	6,703,624	-	6,703,624
Intergovernmental	9,648,646	1,350,107	3,627,499	-	-	14,626,252
Gross Receivables	9,944,879	1,350,107	3,635,441	15,638,987	390,587	30,960,001
<b>Less: Allowance for Uncollectibles</b>	-	-	-	(541,160)	-	(541,160)
<b>Net Total Receivables:</b>	<u>\$ 9,944,879</u>	<u>\$ 1,350,107</u>	<u>\$ 3,635,441</u>	<u>\$ 15,097,827</u>	<u>\$ 390,587</u>	<u>\$ 30,418,841</u>

Intergovernmental receivables are made up of the following amounts in the general and special revenue funds: gross receipts taxes \$9,041,949, property taxes \$2,154,429, federal and state grants \$3,058,344, franchise taxes \$140,667, lodgers' taxes and fees \$192,927, and other taxes \$37,936.

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	\$ 50,761
Uncollectibles related to water sales	9,342
Uncollectibles related to wastewater charges	7,894
Uncollectibles related to sanitation charges	2,832
Total uncollectibles of the current fiscal year	<u>\$ 70,829</u>

## **C. Capital assets**

Capital asset activity for the year ended June 30, 2018, was as follows:

<b>Governmental activities:</b>	<u>Balance July 1, 2017</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
<b>Non-Depreciable Assets:</b>					
Land	\$ 30,215,043	\$ -	\$ 44,008	\$ -	\$ 30,259,051
Construction in progress	7,413,495	-	14,727,987	(167,835)	21,973,647
Total Non-Depreciable Assets	<u>37,628,538</u>	<u>-</u>	<u>14,771,995</u>	<u>(167,835)</u>	<u>52,232,698</u>
<b>Depreciable Assets:</b>					
Buildings	80,740,177	(93,301)	46,890	(118,312)	80,575,454
Improvements other than buildings	33,613,128	-	120,227	-	33,733,355
Equipment	36,053,862	-	2,698,822	(1,646,121)	37,106,563
Infrastructure	78,291,847	-	-	-	78,291,847
Total Depreciable Assets	<u>228,699,014</u>	<u>(93,301)</u>	<u>2,865,939</u>	<u>(1,764,433)</u>	<u>229,707,219</u>
Total Governmental Asset	<u>266,327,552</u>	<u>(93,301)</u>	<u>17,637,934</u>	<u>(1,932,268)</u>	<u>281,939,917</u>

Accumulated Depreciation:					
Buildings	(45,353,738)	85,312	(1,999,780)	118,312	(47,149,894)
Improvements other than buildings	(23,645,671)	-	(1,697,716)	-	(25,343,387)
Equipment	(27,904,134)	-	(2,090,224)	1,548,430	(28,445,928)
Infrastructure	(60,743,544)	-	(2,553,065)	-	(63,296,609)
Total Accumulated Depreciation	<u>(157,647,087)</u>	<u>85,312</u>	<u>(8,340,785)</u>	<u>1,666,742</u>	<u>(164,235,818)</u>
Net Governmental Assets	\$ <u>108,680,465</u>	\$ <u>(7,989)</u>	\$ <u>9,297,149</u>	\$ <u>(265,526)</u>	\$ <u>117,704,099</u>
<b>Business-type activities:</b>	Balance	Transfers	Additions	Deletions	Balance
	July 1, 2017				June 30, 2018
Non-Depreciable Assets:					
Land	\$ 4,053,642	\$ -	\$ 8,200	\$ -	\$ 4,061,842
*Construction in progress	83,770,137	-	33,199,997	(13,494,479)	103,475,655
Total Non-Depreciable Assets	<u>87,823,779</u>	<u>-</u>	<u>33,208,197</u>	<u>(13,494,479)</u>	<u>107,537,497</u>
Depreciable Assets:					
Land Rights	3,286,105	-	-	-	3,286,105
Buildings	111,548,564	93,301	-	-	111,641,865
*Improvements other than buildings	173,960,064	-	7,537,830	(161,455)	181,336,439
Equipment	348,051,848	-	4,997,391	(1,940,746)	351,108,493
Total Depreciable Assets	<u>636,846,581</u>	<u>93,301</u>	<u>12,535,221</u>	<u>(2,102,201)</u>	<u>647,372,902</u>
Total Business-type Assets	<u>724,670,360</u>	<u>93,301</u>	<u>45,743,418</u>	<u>(15,596,680)</u>	<u>754,910,399</u>
Accumulated Depreciation:					
Land rights	(1,087,485)	-	(1,283)	-	(1,088,768)
Buildings	(60,539,615)	(85,312)	(3,038,951)	-	(63,663,878)
*Improvements other than buildings	(66,796,194)	-	(5,160,209)	1,120,712	(70,835,691)
Equipment	(181,331,597)	-	(11,943,231)	1,940,747	(191,334,081)
Total Accumulated Depreciation	<u>(309,754,891)</u>	<u>(85,312)</u>	<u>(20,143,674)</u>	<u>3,061,459</u>	<u>(326,922,418)</u>
Net Business-type Assets	\$ <u>414,915,469</u>	\$ <u>7,989</u>	\$ <u>25,599,744</u>	\$ <u>(12,535,221)</u>	\$ <u>427,987,981</u>

\*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. This increase is also a cost during the current year that runs through Construction in progress (CIP). At year end this cost is removed from CIP but is part of accumulated depreciation totals and not part of total additions for depreciable assets.

### Business-type Capital assets – by fund

	Electric	Water	Wastewater	Sanitation
Land and Land Rights	\$ 3,758,240	\$ 3,086,978	\$ 479,388	\$ 23,341
Buildings and Structures	73,133,518	14,028,074	24,399,950	80,323
Improvements other than buildings	88,436,877	73,212,674	19,686,888	-
Equipment	328,869,733	17,347,924	4,791,130	99,706
Total	<u>494,198,368</u>	<u>107,675,650</u>	<u>49,357,356</u>	<u>203,370</u>
Less accumulated depreciation	(252,706,680)	(47,013,763)	(27,105,028)	(96,947)
Construction in progress	66,600,989	6,854,448	30,020,218	-
Net Enterprise Capital Assets	\$ <u>308,092,677</u>	\$ <u>67,516,335</u>	\$ <u>52,272,546</u>	\$ <u>106,423</u>

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

#### Governmental activities:

General government	\$ 890,768
Airport	991,980
Police	533,540
Fire	589,067
Parks, recreation, cultural affairs	2,049,885
Public works/Community development	195,399

Highways and streets		3,090,146
Total depreciation expense – governmental activities	\$	<u>8,340,785</u>
<b>Business-type activities:</b>		
Electric	\$	15,282,641
Water		3,435,297
Wastewater		1,419,085
Sanitation		6,651
Total depreciation expense – business-type activities	\$	<u>20,143,674</u>

#### **D. Accrued liabilities, interfund receivables, payables and transfers**

The composition of other accrued liabilities as of June 30, 2018, is as follows:

<u>Other Accrued Liabilities</u>		<u>Governmental Activities</u>
Taxes	\$	9,218
Intergovernmental		21,488
Court collections		14,684
Miscellaneous insurance		139,426
	\$	<u>184,816</u>

The composition of other accrued liabilities for the proprietary funds as of June 30, 2018, 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	\$ 330,431	\$ 8,637	\$ 7,028	\$ 669	\$ 346,765
Gross receipt taxes	453,697	141,710	-	26	595,433
Water conservation fee	-	14,660	-	-	14,660
Ad valorem taxes	437,500	-	-	-	437,500
Franchise taxes	212,638	-	-	-	212,638
Other PNM liabilities	20,524	-	-	-	20,524
Billed customer deposits	39,717	-	-	-	39,717
Total	\$ <u>1,494,507</u>	\$ <u>165,007</u>	\$ <u>7,028</u>	\$ <u>695</u>	\$ <u>1,667,237</u>

The composition of interfund balances as of June 30, 2018, is as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Major Fund:		
General fund	\$ 943,213	\$ -
Nonmajor governmental funds:		
General government grant fund	-	56,714
COPS program grant fund	-	27,009
Airport construction grant projects fund	-	859,490
	\$ <u>943,213</u>	\$ <u>943,213</u>

Federal and state grants (e.g., General Government grants, COPS program grants, and airport construction grant projects) are normally reimbursement oriented; therefore, the payable represents the unreimbursed expenditures at year end. All other interfund transactions represent cash transfers for operating purposes.



Interfund transfers for the year ended June 30, 2018, are as follows:

**Fund Financial Statements – Transfers**

**Governmental Funds**

	<u>In</u>	<u>Out</u>
General fund – operating transfer to debt service fund	\$ -	\$ 2,104,405
General fund – operating transfer to airport construction grant projects fund	-	113,835
General fund – operating transfer to red apple transit grant fund	-	438,383
General fund – operating transfer to region II fund	-	30,000
General fund – operating transfer to COPS program grant fund	-	153,439
General fund – operating transfer to general government grant fund	-	45,231
General fund – operating transfer from electric/water/wastewater utility funds	6,540,361	-
General fund – operating transfer from state fire fund	150,000	-
General fund – operating transfer from metro redevelopment authority fund	94,007	-
GRT streets fund – operating transfer from sanitation utility fund	1,356,601	-
GRT parks fund – operating transfer from metro redevelopment authority fund	550,000	-
Red apple transit – operating transfer from general fund	438,383	-
General government grant – operating transfer from general fund	45,231	-
Region II fund – matching funds for grant from general fund	30,000	-
COPS program grant fund – matching funds for grant from general fund	153,439	-
GRT streets fund – operating transfer to debt service fund	-	316,481
Park development fees special revenue fund – operating transfer to park development fees capital projects fund	-	278,367
Convention center fees fund – operating transfer to debt service fund	-	710,288
Convention center fees fund – operating transfer to convention center capital projects fund	-	1,133,342
State fire grant fund – operating transfer to debt service fund	-	147,280
State fire grant fund – operating transfer to general fund	-	150,000
GRT 2017/2018 bond projects fund – operating transfer to debt service fund	-	1,041,478
Metro redevelopment authority fund – operating transfer to GRT parks fund	-	550,000
Metro redevelopment authority fund – operating transfer to general fund	-	94,007
Debt service fund – operating transfer to governmental capital projects fund	-	200,000
Governmental capital projects fund – operating transfer from debt service fund	200,000	-
Airport construction grant projects fund – operating transfer from general fund	113,835	-
Park development fees capital projects fund – operating transfer from park development fees special revenue fund	278,367	-
Convention center capital projects fund – operating transfer from convention center fees fund	1,133,342	-
Debt service fund – operating transfer from GRT streets fund	316,481	-
Debt service fund – operating transfer from state fire fund	147,280	-
Debt service fund – operating transfer from GRT 2017/2018 bond projects fund	1,041,478	-
Debt service fund – operating transfer from general fund	2,104,405	-
Debt service fund – operating transfer from convention center fees fund	710,288	-
<b>Total governmental funds transfers</b>	<b>\$ 15,403,498</b>	<b>\$ 7,506,536</b>
<b>Net governmental funds transfers</b>	<b>\$ 7,896,962</b>	

**Business-type funds**

Electric utility fund – operating transfer to general fund	\$ -	\$ 5,084,796
Water utility fund – operating transfer to wastewater utility fund	-	300,000
Water utility fund – operating transfer to general fund	-	971,223
Wastewater utility fund – operating transfer to general fund	-	484,342

Sanitation utility fund – operating transfer to GRT streets fund	-	1,356,601
Wastewater utility fund – operating transfer from water utility fund	300,000	-
	<u>300,000</u>	<u>-</u>
Total business-type funds transfers	\$ 300,000	8,196,962
	<u>\$ 300,000</u>	<u>8,196,962</u>
<b>Net business-type transfers</b>		<b>\$ 7,896,962</b>
		<u><b>\$ 7,896,962</b></u>
<b><u>Government-wide Financial Statements – Transfers</u></b>		
	<b>In</b>	<b>Out</b>
Net governmental and business-type transfers	7,896,962	7,896,962
	<u>7,896,962</u>	<u>7,896,962</u>
	<u><b>\$ 7,896,962</b></u>	<u><b>\$ 7,896,962</b></u>

## **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>
2019	\$	80,160
2020		80,160
2021		80,160
2022		33,400
2023		-
	\$	<u>273,880</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, 2018, 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.

In December 2017, the City entered into a \$7,420,000 loan agreement with the New Mexico Finance Authority (NMFA Loan PPRF-4263A) for the issuance of the State Shared Gross Receipts Tax Refunding Revenue Bonds, Series 2017. Bond proceeds were utilized for the advance refunding of the \$6,995,000 outstanding Series 2012 Sales Tax Refunding and Improvement Revenue Bonds. The balance of the bond proceeds (\$7,288,736) after paying costs of issuance and NMFA's processing fees were deposited into the Series 2012 Escrow Fund at Bank of Albuquerque to be used for the purchase of State and Local Government Securities ("SLG's") to be delivered to the escrow fund and used to pay interest when due and to redeem the City's 2012 maturities as they become due and on the call date of June 1, 2021. As a result, the Series 2012 Sales Tax Refunding and Improvement Revenue Bonds are considered defeased, and the City has removed the liability from its accounts, including the unamortized bond premium balance of \$444,950. The advanced refunding resulted in an increase of total debt service payments over the next 11 years of \$502,627 and an economic loss (the difference between the present value of the debt service payment on the old and new debt) of \$110,415.

In March 2018, the City entered into a \$16,600,000 loan agreement with the New Mexico Finance Authority (NMFA Loan PPRF-4263B1 and 4263B2) for the issuance of State Shared Gross Receipts Tax Improvement and Refunding Revenue Bonds, Series 2018. Bond proceeds from NMFA Loan PPRF-4263B1 (\$970,000) were utilized for the current refunding of the \$1,020,000 outstanding Series 2005 Sales Tax Revenue Bonds. The bonds were purchased at a premium of \$73,595. The current refunding resulted in an increase of total debt service payments over the next 5 years of \$24,867 and an economic gain (the difference between the present value of the debt service payment on the old and new debt) of \$27,046. Bond proceeds from NMFA Loan PPRF-4263B2 (\$15,630,000) were utilized for several City projects. The bonds were purchased at a premium of \$962,417. The balance of the proceeds after paying costs of issuance and NMFA's processing fees are to be used for the purchase of a fire engine truck and fire ladder truck, improvements to the City trail system, Civic Center and Aquatic Facility improvements, Complete Streets downtown revitalization project, and the construction of a new outdoor water park.

Revenue bonds outstanding as of June 30, 2018, are as follows:

<b>Governmental Activities</b>	<u>Interest Rates</u>	<u>General Govt.</u>
2016 Qual Energy Cons Bonds	1.48 – 3.19%	\$ 4,470,065
2016 Civic Center Impr Bonds	4.00 – 5.00%	9,690,000
2017 Advance Refund Bonds	1.57 – 2.48%	6,565,000
2018 Current Refund Bonds	5.00%	835,000
2018 Improvement Bonds	3.25 – 5.00%	14,855,000
Total		<u>\$ 36,415,065</u>

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

<u>Year Ending June 30</u>	<b>General Govt.</b>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,722,413	\$ 1,354,304
2020	1,576,519	1,302,815
2021	1,521,164	1,255,897
2022	1,561,401	1,211,050
2023	1,647,229	1,154,842
2024-2028	9,009,519	4,772,831
2029-2033	9,706,820	3,150,016
2034-2038	7,735,000	1,332,388
2039-2041	1,935,000	196,500
Total	<u>\$ 36,415,065</u>	<u>\$ 15,730,643</u>

The City has the following amounts of outstanding defeased debt in escrow accounts:

<b>Bonds</b>	<b>06/30/17 Principal Outstanding</b>	<b>Additions</b>	<b>Deletions</b>	<b>06/30/18 Principal Outstanding</b>
2012 Sales tax revenue bonds	\$ -	\$ 6,995,000	\$ (805,000)	\$ 6,190,000

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>
2019	\$ 48,576	\$ 6,629
2020	49,980	5,225
2021	51,550	3,656
2022	53,300	1,903
Total	<u>\$ 203,406</u>	<u>\$ 17,413</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>
2019	\$ 752,305	\$ 200,692
2020	774,874	178,123
2021	798,120	154,877
2022	822,064	130,934
2023	846,726	106,272
2024-2026	2,695,657	163,333
<b>Total</b>	<b>\$ 6,689,746</b>	<b>\$ 934,231</b>

***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. Amortization schedules to be provided upon completion of the project.

***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>
2019	\$ 50,853	\$ 5,701	\$ 1,900
2020	51,362	5,320	1,773
2021	51,875	4,934	1,645
2022	52,394	4,545	1,515
2023	52,918	4,152	1,384
2024-2028	272,635	14,728	4,910
2029-2032	228,088	4,298	1,433
<b>Total</b>	<b>\$ 760,125</b>	<b>\$ 43,678</b>	<b>\$ 14,560</b>

***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>
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	195,234	49,057	7,008
2024-2028	1,036,326	192,650	27,521
2029-2033	1,144,187	98,272	14,038
2034-2035	427,528	10,715	1,531
<b>Total</b>	<b>\$ 3,546,673</b>	<b>\$ 579,769</b>	<b>\$ 82,824</b>

**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. Amortization schedules to be provided upon completion of the project.

**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 FY2018 construction on this phase of the project had not begun but construction must be completed in 2 years. Amortization schedules to be provided upon completion of the project.

**New Mexico Finance Authority Loan – 2P Waterline Replacement Phase III.** In June 2018, the City entered in to a loan and subsidy agreement with the New Mexico Finance Authority (NMFA) for \$2,929,000 for improving the City’s water utility system for the 2P waterline. Phase III will consist of replacing approximately 2.1 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 FY2018 construction on this phase of the project had not begun but construction must be completed in 2 years. Amortization schedules to be provided upon completion of the project.

**Changes in Long-term Liabilities**

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b><u>Governmental activities:</u></b>					
Bonds payable:					
2005 Sales tax revenue bonds	\$ 1,020,000	\$ -	\$ (1,020,000)	\$ -	\$ -
2012 Sales tax revenue bonds	6,995,000	-	(6,995,000)	-	-
2016 Qualified Energy Conserv. bonds	4,743,999	-	(273,934)	4,470,065	277,413
2016 Civic Center Improvement bonds	9,920,000	-	(230,000)	9,690,000	240,000
2017 Advance Refunding 2012 bonds	-	7,420,000	(855,000)	6,565,000	655,000
2018 Current Refunding 2005 bonds	-	970,000	(135,000)	835,000	205,000
2018 Improvement bonds	-	15,630,000	(775,000)	14,855,000	345,000
Premium on bonds-2012 bonds	444,950	-	(444,950)	-	-
Premium on bonds-2016 Civic Center	1,230,604	-	(51,454)	1,179,150	51,454
Premium on bonds-2018 Adv Ref 2012	-	73,595	(5,772)	67,823	17,316
Premium on bonds-2018 Improvement	-	962,417	(16,665)	945,752	49,996
Total Bonds payable	<u>24,354,553</u>	<u>25,056,012</u>	<u>(10,802,775)</u>	<u>38,607,790</u>	<u>1,841,179</u>
NMFA Fire Pumper Loan	250,761	-	(47,355)	203,406	48,576
Unpaid claims liability	2,589,477	9,668,691	(7,871,842)	4,386,326	2,388,284
Compensated absences	3,415,407	2,016,628	(1,897,082)	3,534,953	176,748
Net pension liability	86,267,775	-	(17,927,521)	68,340,254	-
Net OPEB liability	-	35,296,771	-	35,296,771	-
Total long-term liabilities					
Governmental activities	<u>\$ 116,877,973</u>	<u>\$ 72,038,102</u>	<u>\$ (38,546,575)</u>	<u>\$ 150,369,500</u>	<u>\$ 4,454,787</u>
<b><u>Business-type activities:</u></b>					
NMED loan	\$ 7,420,139	\$ -	\$ (730,393)	\$ 6,689,746	\$ 752,305
NMED loan-2016 WWTP improvements	15,037,805	6,845,468	-	21,883,273	-
NMFA loan-Animas Waterline	810,475	-	(50,350)	760,125	50,853
NMFA loan-Meter Replacement	3,723,503	-	(176,830)	3,546,673	180,366
NMFA loan-2P Waterline Phase I	610,671	926,065	-	1,536,736	-
Unpaid claims liability	-	2,593,478	(1,771,478)	822,000	537,459
Compensated absences	1,180,083	524,328	(676,541)	1,027,870	676,541

Net pension liability	22,622,492	-	(3,502,338)	19,120,154	-
Net OPEB liability	-	13,414,635	-	13,414,635	-
Total long-term liabilities					
Net Business-type Capital Assets	\$ 51,405,168	\$ 24,303,974	\$ (6,907,930)	\$ 68,801,212	\$ 2,197,524

The liability for unpaid claims, compensated absences, pension liability, and OPEB liability will be liquidated by the general and proprietary funds. The liability for unpaid claims, compensated absences, and pension liability has been historically liquidated by the general and proprietary funds.

### G. Restricted Assets

The following is a summary of restricted assets as of June 30, 2018:

#### ***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	5,251,392	-	-	5,251,392
SJ Generating Decommissioning	152,529	-	-	152,529
Customer deposits/overpayments	2,534,556	554,181	-	3,088,737
	<u>\$ 7,938,477</u>	<u>\$ 554,181</u>	<u>\$ 1,661,907</u>	<u>\$ 10,154,565</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:

	FY2017		FY2018	
	<u>Health</u>	<u>Risk Mgmt</u>	<u>Health</u>	<u>Risk Mgmt</u>
Unpaid claims, beginning of fiscal year	\$ 776,754	\$ 3,225,553	\$ 725,544	\$ 1,863,933
Incurred claims and changes in estimate	6,250,669	228,035	6,200,677	6,061,492
Claim payments	<u>(6,301,879)</u>	<u>(1,589,655)</u>	<u>(6,192,369)</u>	<u>(3,450,951)</u>
Unpaid claims, end of fiscal year	<u>\$ 725,544</u>	<u>\$ 1,863,933</u>	<u>\$ 733,852</u>	<u>\$ 4,474,474</u>
Due within one year			<u>\$ 733,852</u>	<u>\$ 2,191,891</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. As of December 31, 2017, SJGS retired Units #2 and #3 and the participants that exited were Southern California Public Power Authority, Tri-State Generation and Transmission Association, M-S-R Public Power Agency, and the City of Anaheim. Ownership in the plant reduced from nine to five participants as agreed and scheduled. 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.

**San Juan Generating Station Decommissioning.** In October 2017 a decommissioning trust was established to provide funding for the payment of decommissioning costs for the San Juan Project as set out in the July 2015 agreement. The anticipated plant closure date is December 31, 2022. All Participants agreed to establish individual trust agreements in order to have funded their share of the initial Decommissioning Funding Target Amount of \$30 million by December 31, 2022, in accordance with the direction from the SJGS Investment Committee chairperson. The decommissioning trust was fully funded in March 2018 with \$157,709.

The participants in the decommissioning of SJGS as of January 2018 are: Public Service Company of New Mexico (PNM), Tucson Electric Power Company (TEP), the Incorporated County of Los Alamos, and Utah Associated Municipal Power Systems.

The City entered into a trust agreement with the Bank of Albuquerque, as Trustee for the benefit of SJGS on March 1, 2018. Funds will be disbursed from the trust only for the City's share of decommissioning costs, and for costs and fees associated with the maintenance of the trust account.

### **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 FY2018, 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 FY2018, 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, 2017 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 Officers, 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, 2017 available at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.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 FY17 for the various PERA coverage options, for both Tier I and Tier II, see the table available in the note disclosure on page 40 of the PERA FY17 annual audit report at

[https://www.saonm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2017.pdf](https://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2017.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 \$2,742,617 for Municipal General Division, \$1,433,541 for Municipal Police Division, and \$1,012,554 for Municipal Fire Division. Employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2018.

**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, 2016. The total pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017. 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, 2017. The Schedule of Employer Allocations reflects fiscal year 2017 employer contributions received during the period July 1, 2016 to June 30, 2017. Only pay period *end dates* that fell within the period July 1, 2016 to June 30, 2017 are included in the total contributions for that employer. Regular and adjustment contributions that applied to fiscal year 2017 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, 2018, the City reported a liability of \$44,932,566 for its proportionate share of the net pension liability. At June 30, 2017, the proportion was 3.27%, which was a slight decrease from the prior year proportionate share of 3.31%.

For the year ended June 30, 2018, the City recognized Municipal General Division pension expense of \$5,202,343. At June 30, 2018, 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	\$ 1,765,546	\$ 2,301,315
Changes of assumptions	2,072,059	464,317
Net difference between projected and actual earnings on pension plan investments	3,686,446	-
Changes in proportion and differences the City's contributions and proportionate share of contributions	99,773	772,162
City's contributions subsequent to the measurement date	2,761,757	-
Total	<u>\$ 10,385,581</u>	<u>\$ 3,537,794</u>

\$2,761,757 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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>	
2018	\$ 1,039,739
2019	3,652,543
2020	471,092
2021	(1,077,344)
2022	-

**For Municipal Police Division.** At June 30, 2018, the City reported a liability of \$20,445,924 for its proportionate share of the net pension liability. At June 30, 2017, the proportion was 3.68%, which was a slight decrease from the prior year proportionate share of 3.85%.

For the year ended June 30, 2018, the City recognized Municipal Police Division pension expense of \$2,463,845. At June 30, 2018, 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	\$ 1,241,785	\$ 3,820,120
Changes of assumptions	1,216,463	475,436
Net difference between projected and actual earnings on pension plan investments	1,646,639	-
Changes in proportion and differences the City's contributions and proportionate share of contributions	332,760	680,992
City's contributions subsequent to the measurement date	1,605,093	-
Total	<u>\$ 6,042,740</u>	<u>\$ 4,976,548</u>

\$1,605,093 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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>	
2018	\$ (128,304)
2019	876,553
2020	(805,694)
2021	(481,456)
2022	-

**For Municipal Fire Division.** At June 30, 2018, the City reported a liability of \$22,081,918 for its proportionate share of the net pension liability. At June 30, 2017, the proportion was 3.86%, which was a slight decrease from the prior year proportionate share of 4.12%.

For the year ended June 30, 2018, the City recognized Municipal Fire Division pension expense of \$2,204,818. At June 30, 2018, the City reported Municipal Fire Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 721,018	\$ 2,765,021
Changes of assumptions	872,986	138,443
Net difference between projected and actual earnings on pension plan investments	828,934	-
Changes in proportion and differences the City's contributions and proportionate share of contributions	213,813	1,271,558
City's contributions subsequent to the measurement date	1,115,020	-
Total	<u>\$ 3,751,771</u>	<u>\$ 4,175,022</u>

\$1,115,020 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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>	
2018	\$ (252,187)
2019	(151,564)
2020	(895,691)
2021	(238,829)
2022	-

**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, 2016 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, 2017 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, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation. The total pension liability in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial Assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 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, 2016 (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:

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

**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 7.51%. 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 (6.51%) or one percentage point higher (8.51%) than the current rate.

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Municipal General Division			
City's proportionate share of the net pension liability	\$ 70,424,171	\$ 44,932,566	\$ 23,732,752

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Municipal Police Division			
City's proportionate share of the net pension liability	\$ 32,605,576	\$ 20,445,924	\$ 10,467,130

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Municipal Fire Division			
City's proportionate share of the net pension liability	\$ 29,595,485	\$ 22,081,918	\$ 15,890,052

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY17 PERA financial report. This report is available at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>

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

**Postemployment Benefits Other Than Pensions (OPEB)** For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Plan Description.** Employees of the City are provided with OPEB through the Retiree Health Care Fund (the Fund) – a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

**Benefits provided.** The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with

health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

**Employees covered by benefit terms.** At June 30, 2017 the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
	<u>160,035</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>97,349</u>

**Contributions.** Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstances, including termination of the employer's participation in the Fund. Contributions to the Fund from the City were \$922,904 for the year ended June 30, 2018.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** At June 30, 2018, the City reported a liability of \$48,711,406 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ended June 30, 2017. At June 30, 2017, the City's proportion was 1.07491%.

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,936,609. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 1,869,285
Change of assumptions	-	8,516,569
Differences between actual and projected earnings on OPEB plan investments	-	700,747
City's contributions subsequent to the measurement date	893,111	-
	<u>\$ 893,111</u>	<u>\$ 11,086,601</u>

Deferred outflows of resources totaling \$893,111 represent the City's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in



the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year ending June 30,</u>	
2019	\$ (2,357,089)
2020	(2,357,089)
2021	(2,357,089)
2022	(2,357,089)
2023	(1,658,245)

**Actuarial assumptions.** The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Inflation	2.50% for ERB, 2.25% for PERA
Projected payroll increase	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

**Rate of Return.** The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	4.1%
U.S. equity – large cap	9.1
Non U.S. – emerging markets	12.2
Non U.S. – developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity – small/mid cap	9.1

**Discount rate.** The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to

fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

**Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.** The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81%) or 1-percentage-point higher (4.81%) than the current discount rate:

1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
\$ 59,086,177	\$ 48,711,406	\$ 40,571,466

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates;

1% Decrease	Current Trend Rates	1% Increase
\$ 41,432,406	\$ 48,711,406	\$ 54,387,228

**OPEB plan fiduciary net position.** Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

#### F. Restatement

In FY2018, the City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This implementation has no impact on the City's governmental fund financial statements. However, as a result of this implementation, the beginning net position was restated as follows:

	Governmental Activities	Business- Type Activities	Total
Net position - as previously reported	\$ 65,415,723	\$ 465,565,519	\$ 530,981,242
Cumulative effect of implementing GASB 75	(42,856,779)	(15,004,617)	(57,861,396)
Net position - as restated	\$ 22,558,944	\$ 450,560,902	\$ 473,119,846

#### G. 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.

#### **H. Contracted Water and Wastewater Services**

In January 2016, the City entered into an agreement with OMI (Jacobs) 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 \$9.5 million for contracted services for the year ended June 30, 2018.

#### **I. 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, 2018, was \$915,750,000. 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\***

	<b>Measurement Date</b>			
	<b>June 30, 2014</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2017</b>
City's proportion of the net pension liability				
Municipal General	3.36%	3.39%	3.31%	3.27%
Municipal Police	3.69%	3.75%	3.85%	3.68%
Municipal Fire	4.05%	4.21%	4.12%	3.86%
City's proportionate share of the net pension liability				
Municipal General	\$ 26,184,302	\$ 34,544,615	\$ 52,957,752	\$ 44,932,566
Municipal Police	12,021,827	18,029,698	28,428,580	20,445,924
Municipal Fire	16,887,561	21,705,351	27,503,935	22,081,918
	<u>\$ 55,093,690</u>	<u>\$ 74,279,664</u>	<u>\$ 108,890,267</u>	<u>\$ 87,460,408</u>
City's covered payroll				
Municipal General	\$ 20,344,393	\$ 21,096,761	\$ 21,820,572	\$ 20,807,915
Municipal Police	10,709,715	10,950,699	11,488,018	11,784,622
Municipal Fire	7,799,937	8,184,359	9,124,897	8,388,900
	<u>\$ 38,854,045</u>	<u>\$ 40,231,819</u>	<u>\$ 42,433,487</u>	<u>\$ 40,981,437</u>
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll				
Municipal General	128.71%	163.74%	242.70%	215.94%
Municipal Police	112.25%	164.64%	247.46%	173.50%
Municipal Fire	216.51%	265.21%	301.42%	263.23%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%	69.18%	73.74%

\*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>	<u>2018</u>
Contractually required contribution	\$ 2,493,089	\$ 2,678,614	\$ 2,748,348	\$ 2,761,757
Contributions in relation to contractually required contribution	<u>2,493,089</u>	<u>2,678,614</u>	<u>2,748,348</u>	<u>2,761,757</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 20,344,393	\$ 21,096,761	\$ 20,807,915	\$ 20,652,215
Contributions as a percentage of covered payroll	12.25%	12.70%	13.21%	13.37%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which 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>	<u>2018</u>
Contractually required contribution	\$ 1,313,907	\$ 1,388,780	\$ 1,556,500	\$ 1,605,093
Contributions in relation to contractually required contribution	<u>1,313,907</u>	<u>1,388,780</u>	<u>1,556,500</u>	<u>1,605,093</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 10,709,715	\$ 10,950,699	\$ 11,784,622	\$ 12,002,762
Contributions as a percentage of covered payroll	12.27%	12.68%	13.21%	13.37%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which 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>	<u>2018</u>
Contractually required contribution	\$ 957,615	\$ 1,037,164	\$ 1,108,017	\$ 1,115,020
Contributions in relation to contractually required contribution	957,615	1,037,164	1,108,017	1,115,020
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 7,799,937	\$ 8,184,359	\$ 8,388,900	\$ 8,338,034
Contributions as a percentage of covered payroll	12.28%	12.67%	13.21%	13.37%

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2018**

**Changes of benefit terms.** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA FY17 audit available at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>

**Changes of assumptions.**

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2017 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/PERA-Valuation-6-30-2017-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 55 years." For details about changes in the actuarial assumptions, see Appendix B on page 53 of the report.

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**CITY OF FARMINGTON, NEW MEXICO**  
**Schedules of Required Supplementary Information**  
**for the year ended June 30, 2018**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE**  
**OF THE NET OPEB LIABILITY**  
**NM Retiree Health Care Authority (NMRHCA) Plan**  
**Last 10 Fiscal Years\***

	<u>Measurement Date</u>
	<u>June 30, 2017</u>
City's proportion of the net OPEB liability	1.07491%
City's proportionate share of the net OPEB liability	\$ 48,711,406
City's covered payroll	\$ 41,276,104
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	118.01%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Schedules of Required Supplementary Information**  
**for the year ended June 30, 2018**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**NM Retiree Health Care Authority (NMRHCA) Plan**  
**Last 10 Fiscal Years\***

	2018
Contractually required contribution	\$ 893,111
Contributions in relation to the contractually required contribution	(893,111)
Contribution deficiency (excess)	\$ -
City's covered payroll	\$ 41,419,726
Contributions as a percentage of covered payroll	2.16%

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

# **NONMAJOR GOVERNMENTAL FUNDS**





# NONMAJOR GOVERNMENTAL FUNDS

## Special Revenue Funds

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

**Gross Receipts Tax Parks Fund** - City Ordinance 81-702 established this fund to account for the City's 1/8% 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 equipment and other approved police needs.

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

**COPS Program Grant Fund** - City management established this fund to account for federal grants restricted to expenditures for approved police needs.

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

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

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

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## Capital Projects Funds

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

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

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

**Gross Receipts 2017/2018 Bond Projects Fund** - This fund is used to account for capital projects that are funded with proceeds from GRT bonds issued in 2017 and 2018.

**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.

**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.

**Convention Center Capital Projects Fund** - This fund is used to account for civic center capital projects funded primarily with the convention center fees.

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## Debt Service Fund

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

	<b>Special Revenue</b>			
	<b>Gross Receipts Tax Parks</b>	<b>Park Development Fees</b>	<b>Library Gifts and Grants</b>	<b>Parks/ Recreation Gifts and Grants</b>
<b>ASSETS:</b>				
Cash and investments	\$ 606,614	\$ -	\$ 288,470	\$ 293,117
Accounts receivable	7,550	-	-	45
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Intergovernmental receivable	437,390	-	-	23,889
<b>Total assets</b>	<b>\$ 1,051,554</b>	<b>\$ -</b>	<b>\$ 288,470</b>	<b>\$ 317,051</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 5,537	\$ -	\$ -	\$ 5
Unearned revenue	-	-	-	-
Wages and benefits payable	25,263	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>30,800</b>	<b>-</b>	<b>-</b>	<b>5</b>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories and prepaids	-	-	-	-
Restricted to:				
Fire	-	-	-	-
Lodgers' promotion	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Police	-	-	-	-
Parks, recreation, cultural affairs	1,020,754	-	-	-
Public works	-	-	-	-
Assigned to:				
Parks, recreation, cultural affairs	-	-	-	317,046
Library	-	-	288,470	-
Community development	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>1,020,754</b>	<b>-</b>	<b>288,470</b>	<b>317,046</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,051,554</b>	<b>\$ -</b>	<b>\$ 288,470</b>	<b>\$ 317,051</b>

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, 2018**

	Special Revenue			
	Museum Gifts and Grants	Red Apple Transit Grant	General Government Grant	CDBG Grant
<b>ASSETS:</b>				
Cash and investments	\$ 221,677	\$ 48,981	\$ -	\$ 91,543
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	2,933	-
Intergovernmental receivable	-	108,558	123,807	64,169
Total assets	\$ 221,677	\$ 157,539	\$ 126,740	\$ 155,712
<b>LIABILITIES:</b>				
Accounts payable	\$ 259	\$ 65,789	\$ 24,152	\$ 44,916
Unearned revenue	-	-	-	-
Wages and benefits payable	-	1,316	2,077	1,368
Due to other funds	-	-	56,714	-
Total liabilities	259	67,105	82,943	46,284
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories and prepaids	-	-	2,933	-
Restricted to:				
Fire	-	-	-	-
Lodgers' promotion	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Police	-	-	-	-
Parks, recreation, cultural affairs	-	-	-	-
Public works	-	-	-	-
Assigned to:				
Parks, recreation, cultural affairs	221,418	90,434	-	-
Library	-	-	-	-
Community development	-	-	40,864	109,428
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	221,418	90,434	43,797	109,428
Total liabilities and fund balances	\$ 221,677	\$ 157,539	\$ 126,740	\$ 155,712

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, 2018**

	Special Revenue			
	Lodgers' Tax	Convention Center Fees	State Police Protection Grant	Region II Narcotics Grant
<b>ASSETS:</b>				
Cash and investments	\$ 418,672	\$ 287,283	\$ 30,484	\$ 71,393
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Intergovernmental receivable	119,134	73,793	-	70,341
Total assets	<u>\$ 537,806</u>	<u>\$ 361,076</u>	<u>\$ 30,484</u>	<u>\$ 141,734</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 60,290	\$ -	\$ -	\$ 12,315
Unearned revenue	-	-	29,788	-
Wages and benefits payable	10,619	-	-	5,468
Due to other funds	-	-	-	-
Total liabilities	<u>70,909</u>	<u>-</u>	<u>29,788</u>	<u>17,783</u>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories and prepaids	-	-	-	-
Restricted to:				
Fire	-	-	-	-
Lodgers' promotion	466,897	361,076	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Police	-	-	696	123,951
Parks, recreation, cultural affairs	-	-	-	-
Public works	-	-	-	-
Assigned to:				
Parks, recreation, cultural affairs	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>466,897</u>	<u>361,076</u>	<u>696</u>	<u>123,951</u>
Total liabilities and fund balances	<u>\$ 537,806</u>	<u>\$ 361,076</u>	<u>\$ 30,484</u>	<u>\$ 141,734</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, 2018**

	Special Revenue				
	COPS Program Grant	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	Total Special Revenue
<b>ASSETS:</b>					
Cash and investments	\$ -	\$ -	\$ 122,577	\$ 7,835	\$ 2,488,646
Accounts receivable	-	-	347	-	7,942
Due from other funds	-	-	-	-	-
Prepaid items	-	-	-	-	2,933
Intergovernmental receivable	32,543	-	121,347	-	1,174,971
Total assets	<u>\$ 32,543</u>	<u>\$ -</u>	<u>\$ 244,271</u>	<u>\$ 7,835</u>	<u>\$ 3,674,492</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 7,835	\$ 221,098
Unearned revenue	-	-	-	-	29,788
Wages and benefits payable	3,371	-	2,025	-	51,507
Due to other funds	27,009	-	-	-	83,723
Total liabilities	<u>30,380</u>	<u>-</u>	<u>2,025</u>	<u>7,835</u>	<u>386,116</u>
<b>FUND BALANCES:</b>					
Nonspendable:					
Inventories and prepaids	-	-	-	-	2,933
Restricted to:					
Fire	-	-	242,246	-	242,246
Lodgers' promotion	-	-	-	-	827,973
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Committed to:					
Police	2,163	-	-	-	126,810
Parks, recreation, cultural affairs	-	-	-	-	1,020,754
Public works	-	-	-	-	-
Assigned to:					
Parks, recreation, cultural affairs	-	-	-	-	628,898
Library	-	-	-	-	288,470
Community development	-	-	-	-	150,292
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>2,163</u>	<u>-</u>	<u>242,246</u>	<u>-</u>	<u>3,288,376</u>
Total liabilities and fund balances	<u>\$ 32,543</u>	<u>\$ -</u>	<u>\$ 244,271</u>	<u>\$ 7,835</u>	<u>\$ 3,674,492</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, 2018**

	<b>Capital Projects</b>				
	<b>Community Development Grant Projects</b>	<b>Gross Receipts Tax Bond Projects</b>	<b>Gross Receipts 2017/2018 Bond Capital Projects</b>	<b>Governmental Capital Projects</b>	<b>Airport Construction Grant Projects</b>
<b>ASSETS:</b>					
Cash and investments	\$ 786,111	\$ 413,304	\$ 13,960,033	\$ 884,726	\$ -
Accounts receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid items	-	-	-	-	-
Intergovernmental receivable	1,092,750	-	-	-	1,359,778
Total assets	<u>\$ 1,878,861</u>	<u>\$ 413,304</u>	<u>\$ 13,960,033</u>	<u>\$ 884,726</u>	<u>\$ 1,359,778</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ 212,438	\$ 245,664	\$ 779,125	\$ 48,250	\$ 483,329
Unearned revenue	-	-	-	-	-
Wages and benefits payable	-	-	2,236	-	-
Due to other funds	-	-	-	-	859,490
Total liabilities	<u>212,438</u>	<u>245,664</u>	<u>781,361</u>	<u>48,250</u>	<u>1,342,819</u>
<b>FUND BALANCES:</b>					
Nonspendable:					
Inventories and prepaids	-	-	-	-	-
Restricted to:					
Fire	-	-	-	-	-
Lodgers' promotion	-	-	-	-	-
Capital projects	1,666,423	167,640	13,178,672	-	16,959
Debt service	-	-	-	-	-
Committed to:					
Police	-	-	-	-	-
Parks, recreation, cultural affairs	-	-	-	-	-
Public works	-	-	-	-	-
Assigned to:					
Parks, recreation, cultural affairs	-	-	-	-	-
Library	-	-	-	-	-
Community development	-	-	-	-	-
Capital projects	-	-	-	836,476	-
Unassigned	-	-	-	-	-
Total fund balances	<u>1,666,423</u>	<u>167,640</u>	<u>13,178,672</u>	<u>836,476</u>	<u>16,959</u>
Total liabilities and fund balances	<u>\$ 1,878,861</u>	<u>\$ 413,304</u>	<u>\$ 13,960,033</u>	<u>\$ 884,726</u>	<u>\$ 1,359,778</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, 2018**

	<u>Capital Projects</u>				<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Metro Redevelop Authority</u>	<u>Park Development Fees</u>	<u>Convention Center Capital Projects</u>	<u>Total Capital Projects</u>		
<b>ASSETS:</b>						
Cash and investments	\$ 405,037	\$ 146,425	\$ 4,405,168	\$ 21,000,804	\$ 200,086	\$ 23,689,536
Accounts receivable	-	-	-	-	-	7,942
Due from other funds	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	2,933
Intergovernmental receivable	-	-	-	2,452,528	-	3,627,499
Total assets	<u>\$ 405,037</u>	<u>\$ 146,425</u>	<u>\$ 4,405,168</u>	<u>\$ 23,453,332</u>	<u>\$ 200,086</u>	<u>\$ 27,327,910</u>
<b>LIABILITIES:</b>						
Accounts payable	\$ 61,265	\$ 1,076	\$ 1,031,722	\$ 2,862,869	\$ -	\$ 3,083,967
Unearned revenue	-	-	-	-	-	29,788
Wages and benefits payable	-	-	-	2,236	-	53,743
Due to other funds	-	-	-	859,490	-	943,213
Total liabilities	<u>61,265</u>	<u>1,076</u>	<u>1,031,722</u>	<u>3,724,595</u>	<u>-</u>	<u>4,110,711</u>
<b>FUND BALANCES:</b>						
Nonspendable:						
Inventories and prepaids	-	-	-	-	-	2,933
Restricted to:						
Fire	-	-	-	-	-	242,246
Lodgers' promotion	-	-	-	-	-	827,973
Capital projects	343,772	-	3,373,446	18,746,912	-	18,746,912
Debt service	-	-	-	-	200,086	200,086
Committed to:						
Police	-	-	-	-	-	126,810
Parks, recreation, cultural affairs	-	145,349	-	145,349	-	1,166,103
Public works	-	-	-	-	-	-
Assigned to:						
Parks, recreation, cultural affairs	-	-	-	-	-	628,898
Library	-	-	-	-	-	288,470
Community development	-	-	-	-	-	150,292
Capital projects	-	-	-	836,476	-	836,476
Unassigned	-	-	-	-	-	-
Total fund balances	<u>343,772</u>	<u>145,349</u>	<u>3,373,446</u>	<u>19,728,737</u>	<u>200,086</u>	<u>23,217,199</u>
Total liabilities and fund balances	<u>\$ 405,037</u>	<u>\$ 146,425</u>	<u>\$ 4,405,168</u>	<u>\$ 23,453,332</u>	<u>\$ 200,086</u>	<u>\$ 27,327,910</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, 2018**

	<b>Special Revenue</b>			
	<b>Gross Receipts Tax Parks</b>	<b>Park Development Fees</b>	<b>Library Gifts and Grants</b>	<b>Parks/ Recreation Gifts and Grants</b>
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ 2,484,441	\$ -	\$ -	\$ -
Lodgers' taxes/fees	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
State	-	-	7,598	370,116
Other	-	-	-	47,981
Charges for services	-	-	-	-
Fines	-	-	-	-
Investment earnings	1,735	666	2,181	1,780
Donations	-	-	20,793	219,998
Miscellaneous	25,402	-	207	1,650
Total revenues	<u>2,511,578</u>	<u>666</u>	<u>30,779</u>	<u>641,525</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Parks, recreation, and cultural affairs	2,117,515	-	27,244	67,316
Airport	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Parks, recreation, and cultural affairs	509,030	-	11,000	529,100
Public works	-	-	-	-
Total expenditures	<u>2,626,545</u>	<u>-</u>	<u>38,244</u>	<u>596,416</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(114,967)</u>	<u>666</u>	<u>(7,465)</u>	<u>45,109</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	550,000	-	-	-
Transfers out	-	(278,367)	-	-
GRT refunding revenue bonds, series 2017 issued	-	-	-	-
Payment - refunded bond escrow agent, series 2017	-	-	-	-
GRT refunding revenue bonds, series 2018 issued	-	-	-	-
GRT refunding revenue bonds, series 2018 premium	-	-	-	-
GRT improvement revenue bond, series 2018 issued	-	-	-	-
GRT improvement revenue bond, series 2018 premium	-	-	-	-
	<u>550,000</u>	<u>(278,367)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	435,033	(277,701)	(7,465)	45,109
Fund balances-beginning	<u>585,721</u>	<u>277,701</u>	<u>295,935</u>	<u>271,937</u>
Fund balances-ending	<u>\$ 1,020,754</u>	<u>\$ -</u>	<u>\$ 288,470</u>	<u>\$ 317,046</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, 2018**

	<b>Special Revenue</b>			
	<b>Museum Gifts and Grants</b>	<b>Red Apple Transit Grant</b>	<b>General Government Grant</b>	<b>CDBG Grant</b>
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes/fees	-	-	-	-
Intergovernmental:				
Federal	-	697,781	214,002	316,978
State	-	42,513	313,566	-
Other	-	45,754	-	-
Charges for services	113,085	77,051	-	-
Fines	-	-	-	-
Investment earnings	1,522	-	49	874
Donations	14,376	-	-	-
Miscellaneous	7,253	74,668	186	35
Total revenues	<u>136,236</u>	<u>937,767</u>	<u>527,803</u>	<u>317,887</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	1,232,576	546,193	124,197
Police	-	-	53,897	-
Fire	-	-	-	-
Parks, recreation, and cultural affairs	123,072	-	-	-
Airport	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay:				
General government	-	53,141	-	193,963
Police	-	-	-	-
Fire	-	-	-	-
Parks, recreation, and cultural affairs	3,993	-	-	-
Public works	-	-	-	-
Total expenditures	<u>127,065</u>	<u>1,285,717</u>	<u>600,090</u>	<u>318,160</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,171</u>	<u>(347,950)</u>	<u>(72,287)</u>	<u>(273)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	438,383	45,231	-
Transfers out	-	-	-	-
GRT refunding revenue bonds, series 2017 issued	-	-	-	-
Payment - refunded bond escrow agent, series 2017	-	-	-	-
GRT refunding revenue bonds, series 2018 issued	-	-	-	-
GRT refunding revenue bonds, series 2018 premium	-	-	-	-
GRT improvement revenue bond, series 2018 issued	-	-	-	-
GRT improvement revenue bond, series 2018 premium	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>438,383</u>	<u>45,231</u>	<u>-</u>
Net change in fund balances	9,171	90,433	(27,056)	(273)
Fund balances-beginning	212,247	1	70,853	109,701
Fund balances-ending	<u>\$ 221,418</u>	<u>\$ 90,434</u>	<u>\$ 43,797</u>	<u>\$ 109,428</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, 2018**

	<b>Special Revenue</b>			
	<b>Lodgers' Tax</b>	<b>Convention Center Fees</b>	<b>State Police Protection Grant</b>	<b>Region II Narcotics Grant</b>
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes/fees	1,285,776	809,103	-	-
Intergovernmental:				
Federal	-	-	-	243,129
State	-	-	81,212	53,215
Other	-	-	-	38,000
Charges for services	80,337	-	-	-
Fines	-	-	-	-
Investment earnings	13,160	14,069	694	151
Donations	-	-	-	-
Miscellaneous	5,362	-	1	10,263
Total revenues	<u>1,384,635</u>	<u>823,172</u>	<u>81,907</u>	<u>344,758</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
Police	-	-	2,463	350,893
Fire	-	-	-	-
Parks, recreation, and cultural affairs	1,353,951	-	-	-
Airport	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Police	-	-	78,748	-
Fire	-	-	-	-
Parks, recreation, and cultural affairs	-	-	-	-
Public works	-	-	-	-
Total expenditures	<u>1,353,951</u>	<u>-</u>	<u>81,211</u>	<u>350,893</u>
Excess (deficiency) of revenues over (under) expenditures	<u>30,684</u>	<u>823,172</u>	<u>696</u>	<u>(6,135)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	30,000
Transfers out	-	(1,843,630)	-	-
GRT refunding revenue bonds, series 2017 issued	-	-	-	-
Payment - refunded bond escrow agent, series 2017	-	-	-	-
GRT refunding revenue bonds, series 2018 issued	-	-	-	-
GRT refunding revenue bonds, series 2018 premium	-	-	-	-
GRT improvement revenue bond, series 2018 issued	-	-	-	-
GRT improvement revenue bond, series 2018 premium	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(1,843,630)</u>	<u>-</u>	<u>30,000</u>
Net change in fund balances	30,684	(1,020,458)	696	23,865
Fund balances-beginning	436,213	1,381,534	-	100,086
Fund balances-ending	<u>\$ 466,897</u>	<u>\$ 361,076</u>	<u>\$ 696</u>	<u>\$ 123,951</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, 2018**

	Special Revenue				Total Special Revenue
	COPS Program Grant	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	
<b>REVENUES:</b>					
Taxes:					
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	2,484,441
Lodgers' taxes/fees	-	-	-	-	2,094,879
Intergovernmental:					
Federal	192,999	-	142,941	-	1,807,830
State	-	-	626,537	-	1,494,757
Other	-	-	-	-	131,735
Charges for services	-	-	-	-	270,473
Fines	-	-	-	120,449	120,449
Investment earnings	-	-	2,185	105	39,171
Donations	-	-	139	-	255,306
Miscellaneous	-	-	108,738	-	233,765
Total revenues	<u>192,999</u>	<u>-</u>	<u>880,540</u>	<u>120,554</u>	<u>8,932,806</u>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	-	1,902,966
Police	376,570	-	-	120,554	904,377
Fire	-	-	542,412	-	542,412
Parks, recreation, and cultural affairs	-	-	-	-	3,689,098
Airport	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay:					
General government	-	-	-	-	247,104
Police	-	-	-	-	78,748
Fire	-	-	71,519	-	71,519
Parks, recreation, and cultural affairs	-	-	-	-	1,053,123
Public works	-	-	-	-	-
Total expenditures	<u>376,570</u>	<u>-</u>	<u>613,931</u>	<u>120,554</u>	<u>8,489,347</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(183,571)</u>	<u>-</u>	<u>266,609</u>	<u>-</u>	<u>443,459</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	153,439	-	-	-	1,217,053
Transfers out	-	-	(297,280)	-	(2,419,277)
GRT refunding revenue bonds, series 2017 issued	-	-	-	-	-
Payment - refunded bond escrow agent, series 2017	-	-	-	-	-
GRT refunding revenue bonds, series 2018 issued	-	-	-	-	-
GRT refunding revenue bonds, series 2018 premium	-	-	-	-	-
GRT improvement revenue bond, series 2018 issued	-	-	-	-	-
GRT improvement revenue bond, series 2018 premium	-	-	-	-	-
Total other financing sources (uses)	<u>153,439</u>	<u>-</u>	<u>(297,280)</u>	<u>-</u>	<u>(1,202,224)</u>
Net change in fund balances	<u>(30,132)</u>	<u>-</u>	<u>(30,671)</u>	<u>-</u>	<u>(758,765)</u>
Fund balances-beginning	32,295	-	272,917	-	4,047,141
Fund balances-ending	<u>\$ 2,163</u>	<u>\$ -</u>	<u>\$ 242,246</u>	<u>\$ -</u>	<u>\$ 3,288,376</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, 2018**

	<b>Capital Projects</b>				
	<b>Community Development Grant Projects</b>	<b>Gross Receipts Tax Bond Projects</b>	<b>Gross Receipts Tax 2017/2018 Bond Capital Projects</b>	<b>Governmental Capital Projects</b>	<b>Airport Construction Grant Projects</b>
<b>REVENUES:</b>					
Taxes:					
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes/fees	-	-	-	-	-
Intergovernmental:					
Federal	2,363	-	-	-	3,812,973
State	1,172,960	-	-	-	127,068
Other	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines	-	-	-	-	-
Investment earnings	12,186	22,179	67,938	8,178	491
Donations	-	-	-	-	-
Miscellaneous	6	-	-	760	5
Total revenues	<u>1,187,515</u>	<u>22,179</u>	<u>67,938</u>	<u>8,938</u>	<u>3,940,537</u>
<b>EXPENDITURES:</b>					
Current:					
General government	-	2,635,901	33,188	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Parks, recreation, and cultural affairs	-	863,484	543,322	-	-
Airport	-	-	-	-	4,072,892
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond issuance costs	-	334	312,315	-	-
Capital outlay:					
General government	-	-	-	611,071	-
Police	-	-	-	-	-
Fire	-	-	1,691,223	-	-
Parks, recreation, and cultural affairs	-	-	570,688	-	-
Public works	1,303,683	-	464,328	-	-
Total expenditures	<u>1,303,683</u>	<u>3,499,719</u>	<u>3,615,064</u>	<u>611,071</u>	<u>4,072,892</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(116,168)</u>	<u>(3,477,540)</u>	<u>(3,547,126)</u>	<u>(602,133)</u>	<u>(132,355)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	200,000	113,835
Transfers out	-	-	(1,041,478)	-	-
GRT refunding revenue bonds, series 2017 issued	-	-	7,420,000	-	-
Payment - refunded bond escrow agent, series 2017	-	-	(7,288,736)	-	-
GRT refunding revenue bonds, series 2018 issued	-	-	970,000	-	-
GRT refunding revenue bonds, series 2018 premium	-	-	73,595	-	-
GRT improvement revenue bond, series 2018 issued	-	-	15,630,000	-	-
GRT improvement revenue bond, series 2018 premium	-	-	962,417	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>16,725,798</u>	<u>200,000</u>	<u>113,835</u>
Net change in fund balances	(116,168)	(3,477,540)	13,178,672	(402,133)	(18,520)
Fund balances-beginning	<u>1,782,591</u>	<u>3,645,180</u>	<u>-</u>	<u>1,238,609</u>	<u>35,479</u>
Fund balances-ending	<u>\$ 1,666,423</u>	<u>\$ 167,640</u>	<u>\$ 13,178,672</u>	<u>\$ 836,476</u>	<u>\$ 16,959</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, 2018**

	<u>Capital Projects</u>					<b>Total Nonmajor Governmental Funds</b>
	<b>Metro Redevelop Authority</b>	<b>Park Development Fees</b>	<b>Convention Center Capital Projects</b>	<b>Total Capital Projects</b>	<b>Debt Service</b>	
<b>REVENUES:</b>						
Taxes:						
Gross receipts	\$ -	\$ -	\$ -	\$ -	\$ -	2,484,441
Lodgers' taxes/fees	-	-	-	-	-	2,094,879
Intergovernmental:						
Federal	-	-	-	3,815,336	-	5,623,166
State	-	-	-	1,300,028	-	2,794,785
Other	-	-	-	-	-	131,735
Charges for services	-	8,185	-	8,185	-	278,658
Fines	-	-	-	-	-	120,449
Investment earnings	10,064	2,092	106,698	229,826	11,445	280,442
Donations	-	-	-	-	-	255,306
Miscellaneous	248	217	9	1,245	-	235,010
Total revenues	<u>10,312</u>	<u>10,494</u>	<u>106,707</u>	<u>5,354,620</u>	<u>11,445</u>	<u>14,298,871</u>
<b>EXPENDITURES:</b>						
Current:						
General government	199,161	-	33,000	2,901,250	-	4,804,216
Police	-	-	-	-	-	904,377
Fire	-	-	-	-	-	542,412
Parks, recreation, and cultural affairs	-	-	-	1,406,806	-	5,095,904
Airport	-	-	-	4,072,892	-	4,072,892
Debt service:						
Principal	-	-	-	-	3,336,289	3,336,289
Interest	-	-	-	-	864,049	864,049
Bond issuance costs	-	-	-	312,649	-	312,649
Capital outlay:						
General government	4,513	-	-	615,584	-	862,688
Police	-	-	-	-	-	78,748
Fire	-	-	-	1,691,223	-	1,762,742
Parks, recreation, and cultural affairs	10,416	143,512	6,643,359	7,367,975	-	8,421,098
Public works	-	-	-	1,768,011	-	1,768,011
Total expenditures	<u>214,090</u>	<u>143,512</u>	<u>6,676,359</u>	<u>20,136,390</u>	<u>4,200,338</u>	<u>32,826,075</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(203,778)</u>	<u>(133,018)</u>	<u>(6,569,652)</u>	<u>(14,781,770)</u>	<u>(4,188,893)</u>	<u>(18,527,204)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	278,367	1,133,342	1,725,544	4,319,932	7,262,529
Transfers out	(644,007)	-	-	(1,685,485)	(200,000)	(4,304,762)
GRT refunding revenue bonds, series 2017 issued	-	-	-	7,420,000	-	7,420,000
Payment - refunded bond escrow agent, series 2017	-	-	-	(7,288,736)	-	(7,288,736)
GRT refunding revenue bonds, series 2018 issued	-	-	-	970,000	-	970,000
GRT refunding revenue bonds, series 2018 premium	-	-	-	73,595	-	73,595
GRT improvement revenue bond, series 2018 issued	-	-	-	15,630,000	-	15,630,000
GRT improvement revenue bond, series 2018 premium	-	-	-	962,417	-	962,417
Total other financing sources (uses)	<u>(644,007)</u>	<u>278,367</u>	<u>1,133,342</u>	<u>17,807,335</u>	<u>4,119,932</u>	<u>20,725,043</u>
Net change in fund balances	(847,785)	145,349	(5,436,310)	3,025,565	(68,961)	2,197,839
Fund balances-beginning	1,191,557	-	8,809,756	16,703,172	269,047	21,019,360
Fund balances-ending	<u>\$ 343,772</u>	<u>\$ 145,349</u>	<u>\$ 3,373,446</u>	<u>\$ 19,728,737</u>	<u>\$ 200,086</u>	<u>\$ 23,217,199</u>

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Gross receipts taxes	\$ 2,372,966	\$ 2,372,966	\$ 2,498,619	\$ 125,653
Investment earnings	2,000	2,000	5,102	3,102
Miscellaneous	18,100	18,100	17,853	(247)
Total revenues	2,393,066	2,393,066	2,521,574	128,508
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	2,177,502	2,177,502	2,111,978	65,524
Capital Outlay:				
Parks, recreation, and cultural affairs	115,488	665,488	509,030	156,458
Total expenditures	2,292,990	2,842,990	2,621,008	221,982
Excess (deficiency) of revenues over (under) expenditures	100,076	(449,924)	(99,434) \$	350,490
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	550,000	550,000	-
Net change in fund balances	100,076	100,076	450,566 \$	350,490
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts receivable			(6,629)	
Change in fair market value - investments			(3,367)	
Change in accounts payable			(5,537)	
			(15,533)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			435,033	
Fund balances - beginning	585,721	585,721	585,721	
Fund balances - ending	\$ 685,797	\$ 685,797	\$ 1,020,754	

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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Licenses and permits	\$ 5,000	\$ -	\$ -	-
Investment earnings	3,000	-	-	-
Miscellaneous	-	-	-	-
Total revenues	8,000	-	-	-
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	8,000	-	-	\$ -
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	(278,367)	(278,367)	-
Net change in fund balances	8,000	(278,367)	(278,367)	\$ -
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			666	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			(277,701)	
Fund balances - beginning	277,701	277,701	277,701	
Fund balances - ending	\$ 285,701	\$ (666)	\$ -	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
State	\$ 127,382	\$ 127,382	\$ 7,598	\$ (119,784)
Investment earnings	2,500	2,500	3,253	753
Donations	17,200	17,200	20,793	3,593
Miscellaneous	-	-	207	207
Total revenues	147,082	147,082	31,851	(115,231)
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	147,082	147,082	27,244	119,838
Capital Outlay				
Parks, recreation, and cultural affairs	-	-	11,000	(11,000)
Total expenditures	147,082	147,082	38,244	108,838
Excess (deficiency) of revenues over (under) expenditures	-	-	(6,393)	\$ <u>(6,393)</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			(1,072)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(7,465)	
Fund balances - beginning	295,935	295,935	295,935	
Fund balances - ending	\$ 295,935	\$ 295,935	\$ 288,470	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
State	\$ 362,543	\$ 478,287	\$ 410,374	\$ (67,913)
Other	10,000	50,000	47,981	(2,019)
Investment earnings	2,500	2,500	3,066	566
Donations	42,000	222,000	219,998	(2,002)
Miscellaneous	-	-	1,650	1,650
Total revenues	417,043	752,787	683,069	(69,718)
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	123,615	159,461	67,316	92,145
Capital Outlay:				
Parks, recreation, and cultural affairs	345,043	587,388	539,324	48,064
Total expenditures	468,658	746,849	606,640	140,209
Excess (deficiency) of revenues over (under) expenditures	(51,615)	5,938	76,429	\$ 70,491
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - state			(40,258)	
Change in fair market value - investments			(1,286)	
Change in accounts payable			10,224	
			(31,320)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			45,109	
Fund balances - beginning	271,937	271,937	271,937	
Fund balances - ending	\$ 220,322	\$ 277,875	\$ 317,046	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Charges for services	\$ 65,000	\$ 65,000	\$ 113,085	\$ 48,085
Investment earnings	2,000	2,000	2,375	375
Donations	23,000	23,000	14,376	(8,624)
Miscellaneous	7,500	7,500	7,253	(247)
Total revenues	97,500	97,500	137,089	39,589
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	146,100	146,100	123,072	23,028
Capital Outlay:				
Parks, recreation, and cultural affairs	-	-	3,993	(3,993)
Total expenditures	146,100	146,100	127,065	19,035
Excess (deficiency) of revenues over (under) expenditures	(48,600)	(48,600)	10,024	\$ 58,624
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			(853)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			9,171	
Fund balances - beginning	212,247	212,247	212,247	
Fund balances - ending	\$ 163,647	\$ 163,647	\$ 221,418	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 939,673	\$ 939,673	\$ 714,472	\$ (225,201)
State	39,911	39,911	42,513	2,602
Other	57,748	57,748	45,754	(11,994)
Charges for services	75,000	75,000	97,528	22,528
Miscellaneous	20,070	20,070	74,668	54,598
Total revenues	1,132,402	1,132,402	974,935	(157,467)
<b>EXPENDITURES:</b>				
Current:				
General government	1,480,657	1,480,657	1,293,988	186,669
Capital Outlay:				
General government	49,889	49,889	53,141	(3,252)
Total expenditures	1,530,546	1,530,546	1,347,129	183,417
Excess (deficiency) of revenues over (under) expenditures	(398,144)	(398,144)	(372,194)	25,950
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	408,168	438,383	438,383	-
Net change in fund balances	10,024	40,239	66,189	\$ 25,950
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			(16,691)	
Change in charges for services receivable			(20,477)	
Change in accounts payable			61,412	
			24,244	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			90,433	
Fund balances - beginning	1	1	1	
Fund balances - ending	\$ 10,025	\$ 40,240	\$ 90,434	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 286,350	\$ 321,497	\$ 150,661	\$ (170,836)
State	470,937	470,937	313,566	(157,371)
Investment earnings	-	-	49	49
Miscellaneous	800	800	186	(614)
Total revenues	758,087	793,234	464,462	(328,772)
<b>EXPENDITURES:</b>				
Current:				
General government	639,493	639,493	522,424	117,069
Police	-	48,972	53,897	(4,925)
	639,493	688,465	576,321	112,144
Excess (deficiency) of revenues over (under) expenditures	118,594	104,769	(111,859)	(216,628)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	31,406	45,231	45,231	-
Net change in fund balances	150,000	150,000	(66,628)	\$ <u><u>(216,628)</u></u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			63,341	
Change in accounts payable			(23,769)	
			39,572	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(27,056)	
Fund balances - beginning	70,853	70,853	70,853	
Fund balances - ending	\$ 220,853	\$ 220,853	\$ 43,797	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 791,306	\$ 791,306	\$ 341,448	\$ (449,858)
Investment earnings	800	800	874	74
Miscellaneous	-	-	35	35
Total revenues	792,106	792,106	342,357	(449,749)
<b>EXPENDITURES:</b>				
Current:				
General government	165,785	165,785	117,697	48,088
Capital Outlay:				
General government	625,521	625,521	224,607	400,914
Total expenditures	791,306	791,306	342,304	449,002
Excess (deficiency) of revenues over (under) expenditures	800	800	53	\$ (747)
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			(24,470)	
Change in accounts payable			24,144	
			(326)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(273)	
Fund balances - beginning	109,701	109,701	109,701	
Fund balances - ending	\$ 110,501	\$ 110,501	\$ 109,428	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Lodgers taxes/fees	\$ 1,100,000	\$ 1,285,693	\$ 1,285,693	\$ -
Charges for services	79,000	79,000	80,337	1,337
Investment earnings	4,000	4,000	14,970	10,970
Miscellaneous	3,000	3,000	5,362	2,362
Total revenues	1,186,000	1,371,693	1,386,362	14,669
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	1,298,559	1,438,844	1,353,907	84,937
Excess (deficiency) of revenues over (under) expenditures	(112,559)	(67,151)	32,455	\$ 99,606
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts receivable			83	
Change in fair market value - investments			(1,810)	
Change in accounts payable			(44)	
			(1,771)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			30,684	
Fund balances - beginning	436,213	436,213	436,213	
Fund balances - ending	\$ 323,654	\$ 369,062	\$ 466,897	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Lodgers taxes/fees	\$ 711,000	\$ 711,000	\$ 809,928	\$ 98,928
Investment earnings	12,000	12,000	14,069	2,069
Total revenues	723,000	723,000	823,997	100,997
<b>EXPENDITURES:</b>				
Capital Outlay				
Parks, recreation, and cultural affairs	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	723,000	723,000	823,997	100,997
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(710,288)	(1,843,630)	(1,843,630)	-
Net change in fund balances	12,712	(1,120,630)	(1,019,633)	\$ 100,997
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts receivable			(825)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(1,020,458)	
Fund balances - beginning	1,381,534	1,381,534	1,381,534	
Fund balances - ending	\$ 1,394,246	\$ 260,904	\$ 361,076	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
State	\$ 111,000	111,000	\$ 81,212	\$ (29,788)
Investment earnings	800	800	694	(106)
Miscellaneous	500	500	1	(499)
Total revenues	112,300	112,300	81,907	(30,393)
<b>EXPENDITURES:</b>				
Current:				
Police operations	61,300	61,300	2,463	58,837
Capital Outlay:				
Police operations	51,000	51,000	78,748	(27,748)
Total expenditures	112,300	112,300	81,211	31,089
Excess (deficiency) of revenues over (under) expenditures	-	-	696	\$ 696
Fund balances - beginning	-	-	-	
Fund balances - ending	\$ -	\$ -	\$ 696	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 230,947	\$ 230,947	\$ 232,936	\$ 1,989
State	150,000	150,000	66,522	(83,478)
Other	38,000	38,000	38,000	-
Investment earnings	150	150	151	1
Miscellaneous	6,000	6,000	6,688	688
Total revenues	425,097	425,097	344,297	(80,800)
<b>EXPENDITURES:</b>				
Current:				
Police operations	477,692	477,692	350,893	126,799
Excess (deficiency) of revenues over (under) expenditures	(52,595)	(52,595)	(6,596)	45,999
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	30,000	30,000	30,000	-
Net change in fund balances	(22,595)	(22,595)	23,404	\$ 45,999
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			10,193	
Change in intergovernmental receivable - state			(13,307)	
Change in accounts receivable			3,575	
			461	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			23,865	
Fund balances - beginning	100,086	100,086	100,086	
Fund balances - ending	\$ 77,491	\$ 77,491	\$ 123,951	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 212,689	\$ 212,689	\$ 216,933	\$ 4,244
<b>EXPENDITURES:</b>				
Current:				
Police operations	410,764	409,282	376,570	32,712
Excess (deficiency) of revenues over (under) expenditures	(198,075)	(196,593)	(159,637)	36,956
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	153,439	153,439	153,439	-
Net change in fund balances	(44,636)	(43,154)	(6,198)	\$ <u>36,956</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			(23,934)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
Fund balances - beginning	32,295	32,295	32,295	
Fund balances - ending	\$ <u>(12,341)</u>	\$ <u>(10,859)</u>	\$ <u>2,163</u>	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 33,277	\$ 33,277	\$ 42,475	\$ 9,198
Investment earnings	350	350	-	(350)
Total revenues	33,627	33,627	42,475	8,848
<b>EXPENDITURES:</b>				
Current:				
Police operations	33,627	33,627	-	33,627
Excess (deficiency) of revenues over (under) expenditures	-	-	42,475	\$ 42,475
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			(42,475)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
Fund balances - beginning	-	-	-	
Fund balances - ending	\$ -	\$ -	\$ -	

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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ -	\$ 21,593	\$ 21,593	\$ -
State	471,466	626,537	626,537	-
Investment earnings	3,500	2,287	2,287	-
Donations	-	139	139	-
Miscellaneous	1,500	108,736	108,738	2
Total revenues	<u>476,466</u>	<u>759,292</u>	<u>759,294</u>	<u>2</u>
<b>EXPENDITURES:</b>				
Current:				
Fire operations	313,060	644,090	542,412	101,678
Capital Outlay:				
Fire operations	-	91,628	71,519	20,109
Total expenditures	<u>313,060</u>	<u>735,718</u>	<u>613,931</u>	<u>121,787</u>
Excess (deficiency) of revenues over (under) expenditures	163,406	23,574	145,363	121,789
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(163,406)</u>	<u>(297,280)</u>	<u>(297,280)</u>	<u>-</u>
Net change in fund balances	-	(273,706)	(151,917)	<u>\$ 121,789</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			121,348	
Change in fair market value - investments			<u>(102)</u>	
			121,246	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(30,671)	
Fund balances - beginning	<u>272,917</u>	<u>272,917</u>	<u>272,917</u>	
Fund balances - ending	<u>\$ 272,917</u>	<u>\$ (789)</u>	<u>\$ 242,246</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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Fines	\$ 155,000	\$ 155,000	\$ 120,449	\$ (34,551)
Investment earnings	100	100	138	38
Total revenues	155,100	155,100	120,587	(34,513)
<b>EXPENDITURES:</b>				
Current:				
Public Safety	155,100	155,100	121,099	34,001
Excess (deficiency) of revenues over (under) expenditures	-	-	(512) \$	(512)
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			(33)	
Change in accounts payable			545	
			512	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
Fund balances - beginning	-	-	-	
Fund balances - ending	-	-	-	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Community Development Grant Projects Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ -	\$ -	\$ 2,363	\$ 2,363
State	1,666,784	1,666,784	554,435	(1,112,349)
Investment earnings	-	-	13,454	13,454
Miscellaneous	-	-	6	6
Total revenues	1,666,784	1,666,784	570,258	(1,096,526)
<b>EXPENDITURES:</b>				
Capital Outlay:				
Public works	1,370,000	1,802,589	1,278,659	523,930
Excess (deficiency) of revenues over (under) expenditures	296,784	(135,805)	(708,401)	\$ (572,596)
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - state			618,525	
Change in fair market value - investments			(1,268)	
Change in accounts payable			(25,024)	
			592,233	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			(116,168)	
Fund balances - beginning	1,782,591	1,782,591	1,782,591	
Fund balances - ending	\$ 2,079,375	\$ 1,646,786	\$ 1,666,423	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Investment earnings	\$ -	\$ -	\$ 22,179	\$ 22,179
<b>EXPENDITURES:</b>				
Current:				
General government	5,844,722	3,095,565	2,954,697	140,868
Parks, recreation, and cultural affairs	-	1,045,957	795,700	250,257
	5,844,722	4,141,522	3,750,397	391,125
Debt Service:				
Bond issuance costs	-	334	334	-
	-	334	334	-
Total expenditures	5,844,722	4,141,856	3,750,731	391,125
Excess (deficiency) of revenues over (under) expenditures	(5,844,722)	(4,141,856)	(3,728,552)	\$ 413,304
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts payable			251,012	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(3,477,540)	
Fund balances - beginning	3,645,180	3,645,180	3,645,180	
Fund balances - ending	\$ (2,199,542)	\$ (496,676)	\$ 167,640	

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



**CITY OF FARMINGTON, NEW MEXICO**  
**Gross Receipts Tax 2017/2018 Bond Projects Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Investment earnings	\$ -	\$ -	\$ 67,938	\$ 67,938
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	33,188	(33,188)
Parks, recreation, and cultural affairs	-	500,000	82,129	417,871
	-	500,000	115,317	384,683
Capital Outlay:				
Parks, recreation, and cultural affairs	-	8,500,000	413,017	8,086,983
Fire	-	1,750,000	1,691,223	58,777
Public works	-	5,650,000	304,067	5,345,933
	-	15,900,000	2,408,307	13,491,693
Debt Service:				
Bond issuance costs	-	325,798	312,315	13,483
	-	325,798	312,315	13,483
Total expenditures	-	16,725,798	2,835,939	13,889,859
Excess (deficiency) of revenues over (under) expenditures	-	(16,725,798)	(2,768,001)	13,957,797
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	(1,041,479)	(1,041,478)	1
GRT refunding revenue bonds, series 2017 issued	-	7,420,000	7,420,000	-
Payment - refunded bond escrow agent, series 2017	-	(7,288,736)	(7,288,736)	-
GRT refunding revenue bonds, series 2018 issued	-	970,000	970,000	-
GRT refunding revenue bonds, series 2018 premium	-	73,595	73,595	-
GRT improvement revenue bond, series 2018 issued	-	15,630,000	15,630,000	-
GRT improvement revenue bond, series 2018 premium	-	962,417	962,417	-
	-	16,725,797	16,725,798	1
Net change in fund balances	-	(1)	13,957,797	\$ <u>13,957,798</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts payable			(779,125)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			13,178,672	
Fund balances - beginning	-	-	-	
Fund balances - ending	\$ -	\$ (1)	\$ 13,178,672	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Investment earnings	\$ 15,000	\$ 15,000	\$ 10,672	\$ (4,328)
Miscellaneous	-	-	760	760
Total revenues	15,000	15,000	11,432	(3,568)
<b>EXPENDITURES:</b>				
Capital Outlay:				
General government	700,000	917,824	562,822	355,002
Excess (deficiency) of revenues over (under) expenditures	(685,000)	(902,824)	(551,390)	351,434
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	200,000	200,000	200,000	-
Net change in fund balances	(485,000)	(702,824)	(351,390)	\$ 351,434
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			(2,494)	
Change in accounts payable			(48,249)	
			(50,743)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(402,133)	
Fund balances - beginning	1,238,609	1,238,609	1,238,609	
Fund balances - ending	\$ 753,609	\$ 535,785	\$ 836,476	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 4,243,224	\$ 3,950,653	\$ 2,497,059	\$ (1,453,594)
State	305,449	288,978	83,204	(205,774)
Investment earnings	-	-	406	406
Miscellaneous	-	-	5	5
Total revenues	4,548,673	4,239,631	2,580,674	(1,658,957)
<b>EXPENDITURES:</b>				
Current:				
Airport	4,701,105	4,389,030	3,589,563	799,467
Excess (deficiency) of revenues over (under) expenditures	(152,432)	(149,399)	(1,008,889)	(859,490)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	116,608	113,835	113,835	-
Net change in fund balances	(35,824)	(35,564)	(895,054)	\$ (859,490)
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			1,315,914	
Change in intergovernmental receivable - state			43,864	
Change in fair market value - investments			85	
Change in accounts payable			(483,329)	
			876,534	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(18,520)	
Fund balances - beginning	35,479	35,479	35,479	
Fund balances - ending	\$ (345)	\$ (85)	\$ 16,959	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Investment earnings	\$ 12,000	\$ 12,000	\$ 9,544	\$ (2,456)
Miscellaneous	-	-	248	248
Total revenues	12,000	12,000	9,792	(2,208)
<b>EXPENDITURES:</b>				
Current:				
General government	368,920	322,063	206,363	115,700
Capital Outlay:				
General government	75,000	75,000	4,513	70,487
Parks, recreation, and cultural affairs	-	20,304	10,416	9,888
	75,000	95,304	14,929	80,375
Total expenditures	443,920	417,367	221,292	196,075
Excess (deficiency) of revenues over (under) expenditures	(431,920)	(405,367)	(211,500)	193,619
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	(644,007)	(644,007)	-
Net change in fund balances	(431,920)	(1,049,374)	(855,507)	\$ 193,619
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			520	
Change in accounts payable			7,202	
			7,722	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(847,785)	
Fund balances - beginning	1,191,557	1,191,557	1,191,557	
Fund balances - ending	\$ 759,637	\$ 142,183	\$ 343,772	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Charges for services	\$ -	\$ 5,000	\$ 8,185	\$ 3,185
Investment earnings	-	3,000	2,996	(4)
Miscellaneous	-	-	217	217
Total revenues	-	8,000	11,398	3,398
<b>EXPENDITURES:</b>				
Capital Outlay:				
Parks, recreation, and cultural affairs	-	278,375	143,512	134,863
Excess (deficiency) of revenues over (under) expenditures	-	(270,375)	(132,114)	138,261
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	278,367	278,367	-
Net change in fund balances	-	7,992	146,253	\$ 138,261
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			(904)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
Fund balances - beginning	-	-	-	
Fund balances - ending	\$ -	\$ 7,992	\$ 145,349	

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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Investment earnings	\$ 700	\$ 700	\$ 106,698	\$ 105,998
Miscellaneous	-	-	9	9
Total revenues	<u>700</u>	<u>700</u>	<u>106,707</u>	<u>106,007</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	33,000	33,000	-
Capital Outlay:				
Parks, recreation and cultural affairs	10,125,405	9,910,098	5,611,637	4,298,461
Total expenditures	<u>10,125,405</u>	<u>9,943,098</u>	<u>5,644,637</u>	<u>4,298,461</u>
Excess (deficiency) of revenues over (under) expenditures	(10,124,705)	(9,942,398)	(5,537,930)	4,404,468
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	1,133,342	1,133,342	-
Loan proceeds	10,133,218	-	-	-
	<u>10,133,218</u>	<u>1,133,342</u>	<u>1,133,342</u>	<u>-</u>
Net change in fund balances	8,513	(8,809,056)	(4,404,588)	<u>\$ 4,404,468</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts payable			<u>(1,031,722)</u>	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(5,436,310)	
Fund balances - beginning	8,809,756	8,809,756	8,809,756	
Fund balances - ending	<u>\$ 8,818,269</u>	<u>\$ 700</u>	<u>\$ 3,373,446</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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Investment earnings	\$ 6,000	\$ 6,000	\$ 12,035	\$ 6,035
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	1,856,289	3,336,289	3,336,289	-
Interest	880,724	971,458	864,049	107,409
Total expenditures	2,737,013	4,307,747	4,200,338	107,409
Excess (deficiency) of revenues over (under) expenditures	(2,731,013)	(4,301,747)	(4,188,303)	113,444
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	2,737,013	4,319,933	4,319,932	1
Transfers out	(200,000)	(200,000)	(200,000)	-
	2,537,013	4,119,933	4,119,932	1
Net change in fund balances	(194,000)	(181,814)	(68,371)	\$ 113,445
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			(590)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(68,961)	
Fund balances - beginning	269,047	269,047	269,047	
Fund balances - ending	\$ 75,047	\$ 87,233	\$ 200,086	

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





# INTERNAL SERVICE FUND



## Internal Service Fund

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

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Health Insurance Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget to Actual**  
**For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Operating revenues:				
Charges for services	\$ 9,775,000	\$ 9,775,000	\$ 8,972,331	\$ (802,669)
Operating expenses:				
Costs of services	<u>10,293,007</u>	<u>10,293,007</u>	<u>8,831,265</u>	<u>1,461,742</u>
Operating income (loss)	(518,007)	(518,007)	141,066	659,073
Nonoperating revenues (expenses):				
Investment earnings	<u>22,000</u>	<u>22,000</u>	<u>31,753</u>	<u>9,753</u>
Change in net position	(496,007)	(496,007)	172,819	<u>\$ 668,826</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts receivable			134,370	
Change in fair market value - investments			(10,924)	
Change in accounts payable			8,992	
Change in accrued claims payable			<u>53,465</u>	
			<u>185,903</u>	
<b>GAAP BASIS CHANGE IN NET POSITION:</b>			358,722	
Net position - beginning	<u>1,947,561</u>	<u>1,947,561</u>	<u>1,947,561</u>	
Net position - ending	<u>\$ 1,451,554</u>	<u>\$ 1,451,554</u>	<u>\$ 2,306,283</u>	

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

# ENTERPRISE FUNDS



**CITY OF FARMINGTON, NEW MEXICO**  
**Electric Utility Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget to Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for sales and services:				
Electric	\$ 97,807,389	\$ 97,807,389	\$ 95,574,654	\$ (2,232,735)
Other revenues	795,900	795,900	1,362,011	566,111
Total operating revenues	<u>98,603,289</u>	<u>98,603,289</u>	<u>96,936,665</u>	<u>(1,666,624)</u>
Operating expenses:				
Salaries and fringe benefits	16,016,325	16,016,325	14,290,137	1,726,188
Purchased power, fuel and chemicals	39,339,758	39,339,758	39,630,228	(290,470)
Other operating expenses	24,232,398	24,232,398	19,383,200	4,849,198
Capital outlay	28,235,972	28,085,972	18,067,208	10,018,764
Total operating expenses	<u>107,824,453</u>	<u>107,674,453</u>	<u>91,370,773</u>	<u>16,303,680</u>
Operating income	(9,221,164)	(9,071,164)	5,565,892	14,637,056
Nonoperating revenues (expenses):				
Investment earnings	<u>500,000</u>	<u>533,000</u>	<u>737,345</u>	<u>204,345</u>
Income (loss) before operating transfers	(8,721,164)	(8,538,164)	6,303,237	14,841,401
Capital contributions	800,000	800,000	2,108,726	1,308,726
Transfers out	<u>(4,934,796)</u>	<u>(5,084,796)</u>	<u>(5,084,796)</u>	<u>-</u>
Change in net position	(12,855,960)	(12,822,960)	3,327,167	<u>\$ 16,150,127</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(15,282,641)	
Amortization			(1,423,620)	
Capital outlay capitalized			18,067,208	
Change in accounts receivable			2,427,281	
Change in fair market value - investments			(219,504)	
Change in accounts payable			<u>(2,619,973)</u>	
			<u>948,751</u>	
<b>GAAP BASIS CHANGE IN NET POSITION:</b>			4,275,918	
Net position - beginning as previously reported	354,588,342	354,588,342	354,588,342	
Cumulative effect of implementing GASB 75	<u>(14,335,739)</u>	<u>(14,335,739)</u>	<u>(14,335,739)</u>	
Net position - beginning as restated	340,252,603	340,252,603	340,252,603	
Net position - ending	<u>\$ 327,396,643</u>	<u>\$ 327,429,643</u>	<u>\$ 344,528,521</u>	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Operating revenues:				
Charges for sales and services:				
Water	\$ 18,746,701	\$ 18,746,701	\$ 19,570,146	\$ 823,445
Other revenues	-	-	24,790	24,790
Total operating revenues	18,746,701	18,746,701	19,594,936	848,235
Operating expenses:				
Salaries and fringe benefits	798,079	798,079	760,646	37,433
Other operating expenses	9,510,961	9,510,961	8,884,476	626,485
Capital outlay	18,175,000	17,875,000	3,884,675	13,990,325
Total operating expenses	28,484,040	28,184,040	13,529,797	14,654,243
Operating income	(9,737,339)	(9,437,339)	6,065,139	15,502,478
Nonoperating revenues (expenses):				
Investment earnings	146,000	146,000	202,803	56,803
NMFA loan proceeds	3,800,000	3,800,000	926,065	(2,873,935)
Revenue from grants	1,500,000	1,500,000	485,687	(1,014,313)
Interest expense	(82,576)	(82,576)	(80,541)	2,035
Principal on debt service	(227,180)	(227,180)	(227,180)	-
Total nonoperating revenues (expenses)	5,136,244	5,136,244	1,306,834	(3,829,410)
Income (loss) before operating transfers	(4,601,095)	(4,301,095)	7,371,973	11,673,068
Transfers out	(932,335)	(1,232,335)	(1,274,732)	(42,397)
Change in net position	(5,533,430)	(5,533,430)	6,097,241	\$ 11,630,671
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(3,435,297)	
Capital outlay capitalized			3,884,675	
Principal on debt service			227,180	
NMFA loan proceeds			(926,065)	
Change in accounts receivable			40,912	
Change in fair market value - investments			(86,548)	
Change in accounts payable			(584,520)	
			(879,663)	
<b>GAAP BASIS CHANGE IN NET POSITION:</b>			5,217,578	
Net position - beginning as previously reported	75,306,206	75,306,206	75,306,206	
Cumulative effect of implementing GASB 75	(346,011)	(346,011)	(346,011)	
Net position - beginning as restated	74,960,195	74,960,195	74,960,195	
Net position - ending	\$ 69,426,765	\$ 69,426,765	\$ 80,177,773	

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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
Operating revenues:				
Charges for sales and services:				
Wastewater	\$ 9,275,813	\$ 9,275,813	\$ 9,579,064	\$ 303,251
Other revenues	4,000	4,000	2,946	(1,054)
Total operating revenues	9,279,813	9,279,813	9,582,010	302,197
Operating expenses:				
Salaries and fringe benefits	494,358	494,358	463,563	30,795
Other operating expenses	5,825,260	5,825,260	4,689,762	1,135,498
Capital outlay	16,021,991	18,621,991	10,102,281	8,519,710
Total operating expenses	22,341,609	24,941,609	15,255,606	9,686,003
Operating income	(13,061,796)	(15,661,796)	(5,673,596)	9,988,200
Nonoperating revenues (expenses):				
Intergovernmental-environmental tax	1,186,483	1,186,483	1,249,247	62,764
Investment earnings	84,000	84,000	128,663	44,663
NMED loan proceeds	11,000,000	11,000,000	6,845,467	(4,154,533)
Interest expense	(222,605)	(222,605)	(222,604)	1
Principal on debt service	(730,393)	(730,393)	(730,393)	-
Total nonoperating revenues (expenses)	11,317,485	11,317,485	7,270,380	(4,047,105)
Income (loss) before operating transfers	(1,744,311)	(4,344,311)	1,596,784	5,941,095
Transfers in	-	300,000	300,000	-
Transfers out	(461,208)	(461,208)	(477,472)	(16,264)
Change in net position	(2,205,519)	(4,505,519)	1,419,312	\$ 5,924,831
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(1,419,085)	
Capital outlay capitalized			10,102,281	
Principal on debt service			730,393	
Reassignment of capital assets			7,989	
NMED loan proceeds			(6,845,467)	
Change in accounts receivable			184,237	
Change in fair market value - investments			(51,121)	
Change in accounts payable			(290,394)	
			2,418,833	
<b>GAAP BASIS CHANGE IN NET POSITION:</b>			3,838,145	
Net position - beginning as previously reported	33,911,955	33,911,955	33,911,955	
Cumulative effect of implementing GASB 75	(259,219)	(259,219)	(259,219)	
Net position - beginning as restated	33,652,736	33,652,736	33,652,736	
Net position - ending	\$ 31,447,217	\$ 29,147,217	\$ 37,490,881	

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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for sales and services:				
Sanitation	\$ 5,878,476	\$ 5,878,476	\$ 5,885,504	\$ 7,028
Other revenues	143,391	143,391	108,281	(35,110)
Total operating revenues	<u>6,021,867</u>	<u>6,021,867</u>	<u>5,993,785</u>	<u>(28,082)</u>
Operating expenses:				
Salaries and fringe benefits	34,576	34,576	34,467	109
Other operating expenses	5,688,538	5,888,538	5,575,246	313,292
Total operating expenses	<u>5,723,114</u>	<u>5,923,114</u>	<u>5,609,713</u>	<u>313,401</u>
Operating income	298,753	98,753	384,072	285,319
Nonoperating revenues (expenses):				
Investment earnings	<u>22,000</u>	<u>22,000</u>	<u>15,084</u>	<u>(6,916)</u>
Income (loss) before operating transfers	320,753	120,753	399,156	278,403
Transfers out	<u>(1,356,601)</u>	<u>(1,356,601)</u>	<u>(1,356,601)</u>	<u>-</u>
Change in net position	(1,035,848)	(1,235,848)	(957,445)	<u>\$ 278,403</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(6,651)	
Change in accounts receivable			3,987	
Change in fair market value - investments			(661)	
Change in accounts payable			<u>40,533</u>	
			<u>37,208</u>	
<b>GAAP BASIS CHANGE IN NET POSITION:</b>			(920,237)	
Net position - beginning as previously reported	1,759,016	1,759,016	1,759,016	
Cumulative effect of implementing GASB 75	<u>(63,648)</u>	<u>(63,648)</u>	<u>(63,648)</u>	
Net position - beginning as restated	1,695,368	1,695,368	1,695,368	
Net position - ending	<u>\$ 659,520</u>	<u>\$ 459,520</u>	<u>\$ 775,131</u>	

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

# CAPITAL ASSETS - GOVERNMENTAL FUNDS



**CITY OF FARMINGTON, NEW MEXICO**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules By Source**  
**June 30, 2017 and 2018**

	<u>2018</u>	<u>2017</u>
Governmental funds capital assets:		
Land	\$ 30,259,051	\$ 30,215,043
Buildings	80,575,454	80,740,177
Improvements other than buildings	33,733,355	33,613,128
Machinery and equipment	37,106,563	36,053,862
Infrastructure	78,291,847	78,291,847
Construction In Progress	21,973,647	7,413,495
Total governmental funds capital assets	<u>\$ 281,939,917</u>	<u>\$ 266,327,552</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 83,748,061	\$ 68,749,524
Special revenue fund	130,367,117	129,497,722
Capital projects funds	63,201,653	63,723,365
Donations	4,623,086	4,356,941
Total governmental funds capital assets	<u>\$ 281,939,917</u>	<u>\$ 266,327,552</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, 2018**

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction In Progress	Total
<b>GENERAL GOVERNMENT:</b>							
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	-	449,213	-	-	582,495
Stores	-	38,467	270,135	260,990	-	168,723	738,315
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	1,523,092	-	336,175	16,772,290
Planning and zoning	-	-	-	59,329	-	-	59,329
Data processing	-	98,671	-	1,028,663	324,220	-	1,451,554
Total general government	<u>1,674,752</u>	<u>13,552,271</u>	<u>368,773</u>	<u>4,305,914</u>	<u>324,220</u>	<u>504,898</u>	<u>20,730,828</u>
<b>PUBLIC SAFETY:</b>							
Police	532,770	3,689,746	130,561	8,093,471	23,866	165,911	12,636,325
Fire	104,106	7,931,595	51,766	8,523,490	33,151	1,703,479	18,347,587
Inspection	-	-	-	228,929	-	-	228,929
Traffic	-	39,403	-	800,613	3,908,981	1,112,209	5,861,206
Total public safety	<u>636,876</u>	<u>11,660,744</u>	<u>182,327</u>	<u>17,646,503</u>	<u>3,965,998</u>	<u>2,981,599</u>	<u>37,074,047</u>
<b>PUBLIC WORKS/COMMUNITY DEVELOPMENT:</b>							
Streets	16,204,382	263,453	3,735,517	4,474,258	56,520,123	6,772,206	87,969,939
Bridges and storm drains	227,783	-	-	-	17,459,247	1,569,511	19,256,541
Administration	1,071,147	462,632	63,362	47,135	-	144,279	1,788,555
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>4,776,348</u>	<u>73,979,370</u>	<u>8,485,996</u>	<u>109,269,990</u>
<b>CULTURE AND RECREATION:</b>							
Parks and recreation	5,517,688	19,829,565	12,604,223	6,895,477	-	1,576,212	46,423,165
Civic center	918,688	4,454,817	-	310,587	-	8,254,462	13,938,554
Senior citizens center	250,627	1,324,293	37,161	273,171	-	148,010	2,033,262
Museum	1,131,932	7,529,735	134,173	145,069	-	22,470	8,963,379
Animal shelter	132,392	4,372,339	-	105,747	-	-	4,610,478
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>38,797,207</u>	<u>15,710,173</u>	<u>8,509,481</u>	<u>22,259</u>	<u>10,001,154</u>	<u>81,091,601</u>
LIBRARIES	<u>1,391,668</u>	<u>8,686,494</u>	<u>106,000</u>	<u>594,566</u>	<u>-</u>	<u>-</u>	<u>10,778,728</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 assets	<u>\$ 30,259,051</u>	<u>\$ 80,575,454</u>	<u>\$ 33,733,355</u>	<u>\$ 37,106,563</u>	<u>\$ 78,291,847</u>	<u>\$ 21,973,647</u>	<u>\$ 281,939,917</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, 2018**

Function and Activity	Capital Assets June 30, 2017	Additions	Deductions	Net Transfers	Capital Assets June 30, 2018
<b>GENERAL GOVERNMENT:</b>					
Legislative	\$ 46,071	\$ -	\$ -	\$ -	\$ 46,071
Judicial	230,614	-	-	-	230,614
Operations center	631,286	-	-	-	631,286
Fleet maintenance	567,382	15,113	-	-	582,495
Stores	585,910	152,405	-	-	738,315
Finance administration	16,515	-	-	-	16,515
Personnel administration	163,815	-	-	-	163,815
Law enforcement	38,544	-	-	-	38,544
Administrative services	17,010,961	156,443	(395,114)	-	16,772,290
Planning and zoning	59,329	-	-	-	59,329
Data processing	1,183,841	337,276	(69,563)	-	1,451,554
Total general government	<u>20,534,268</u>	<u>661,237</u>	<u>(464,677)</u>	<u>-</u>	<u>20,730,828</u>
<b>PUBLIC SAFETY:</b>					
Police	12,054,074	959,243	(376,992)	-	12,636,325
Fire	17,115,909	2,120,039	(888,361)	-	18,347,587
Inspection	228,929	-	-	-	228,929
Traffic	6,443,714	1,741	-	(584,249)	5,861,206
Total public safety	<u>35,842,626</u>	<u>3,081,023</u>	<u>(1,265,353)</u>	<u>(584,249)</u>	<u>37,074,047</u>
<b>PUBLIC WORKS/ COMMUNITY DEVELOPMENT:</b>					
Streets	84,585,445	3,280,462	(120,013)	224,045	87,969,939
Bridges and storm drains	17,756,421	1,139,916	-	360,204	19,256,541
Administration	1,716,118	109,193	(36,756)	-	1,788,555
Survey	146,210	-	-	-	146,210
Engineering	108,745	-	-	-	108,745
Total public works/ community development	<u>104,312,939</u>	<u>4,529,571</u>	<u>(156,769)</u>	<u>584,249</u>	<u>109,269,990</u>
<b>CULTURE AND RECREATION:</b>					
Parks and recreation	44,781,753	1,771,865	(130,453)	-	46,423,165
Civic center	6,300,810	7,637,744	-	-	13,938,554
Senior citizens center	1,906,562	126,700	-	-	2,033,262
Museum	8,947,349	46,141	(30,111)	-	8,963,379
Animal Shelter	4,822,809	16,778	(135,808)	(93,301)	4,610,478
Golf Courses	5,122,763	-	-	-	5,122,763
Total culture and recreation	<u>71,882,046</u>	<u>9,599,228</u>	<u>(296,372)</u>	<u>(93,301)</u>	<u>81,091,601</u>
LIBRARIES	10,760,950	17,778	-	-	10,778,728
AIRPORT	22,994,723	-	-	-	22,994,723
Total general fixed assets	<u>\$ 266,327,552</u>	<u>\$ 17,888,837</u>	<u>\$ (2,183,171)</u>	<u>\$ (93,301)</u>	<u>\$ 281,939,917</u>
Accumulated depreciation	<u>\$ 157,647,087</u>	<u>\$ 8,340,785</u>	<u>\$ (1,666,742)</u>	<u>\$ (85,312)</u>	<u>\$ 164,235,818</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.

	<b><u>Page</u></b>
<b><i>Financial Trends</i></b>	<b>126</b>
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
<b><i>Revenue Capacity</i></b>	<b>131</b>
These schedules contain information to help the reader assess the City’s most significant revenue sources - gross receipts tax and electricity sales. Also included are property tax schedules.	
<b><i>Debt Capacity</i></b>	<b>142</b>
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
<b><i>Demographic and Economic Information</i></b>	<b>146</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
<b><i>Operating Information</i></b>	<b>148</b>
The schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

City of Farmington  
 Net Position by Component  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities</b>				Restated						
Net invested in capital assets	\$ 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	\$ 99,720,673
Restricted	4,085,917	4,195,660	2,630,553	10,998,211	8,253,150	5,936,973	3,161,762	4,724,748	18,954,830	3,298,342
Unrestricted (deficit)	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)	(90,423,320)
Total governmental activities net position	\$ 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	\$ 12,595,695
<b>Business-type activities</b>				Restated						
Net invested in capital assets	\$ 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	\$ 393,571,428
Restricted	3,438,741	3,657,082	5,243,850	4,852,866	-	1,661,907	1,661,907	1,661,907	1,661,907	1,661,907
Unrestricted	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	67,738,971
Total business-type activities net position	\$ 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	\$ 462,972,306
<b>Primary government</b>										
Net invested in capital assets	\$ 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	\$ 493,292,101
Restricted	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	4,960,249
Unrestricted	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	(22,684,349)
Total primary government net position	\$ 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	\$ 475,568,001

Source: City of Farmington CAFRs

Note: 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.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 37,487,301
Police	14,551,370	14,918,275	15,021,697	15,645,349	15,624,298	16,371,812	16,544,038	18,127,957	19,782,931	18,247,022
Fire	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	11,408,649
Parks, recreation, cultural affairs	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	17,152,218
Public works/community development	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	11,579,158
Interest on long term debt	423,713	377,304	328,280	288,476	537,023	441,145	407,023	350,142	590,502	1,199,749
Total governmental activities	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	97,074,097
Business-type activities:										
Electric	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	92,629,799
Water	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	13,748,989
Wastewater	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	7,078,538
Sanitation	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	5,575,831
Golf	1,331,765	1,285,065	1,468,586	1,157,049	1,132,150	-	-	-	-	-
Airport	1,639,916	-	-	-	-	-	-	-	-	-
Total business-type activities	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	119,033,157
Total expenses	\$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	\$216,107,254
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 5,456,990
Police	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	881,564
Parks, recreation, cultural affairs	884,964	844,503	838,839	1,094,483	1,227,346	2,538,777	2,818,948	2,607,028	2,257,877	2,325,325
Public works/community development	67,296	58,237	50,940	61,644	61,841	63,430	58,815	59,815	21,467	33,090
Operating grants and contributions	4,242,763	4,090,058	6,243,941	3,546,860	4,535,975	5,188,416	5,254,595	6,110,984	5,443,467	5,301,872
Capital grants and contributions	-	4,228,018	3,442,981	1,298,623	4,136,490	3,761,866	2,873,756	1,040,337	651,930	5,115,364
Total governmental activities	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	19,114,205
Business-type activities:										
Charges for services:										
Electric	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	99,363,946
Water	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	19,609,290
Wastewater	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	9,773,334
Sanitation	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	5,997,772
Golf	1,167,456	1,106,499	1,019,226	1,043,005	957,766	-	-	-	-	-
Airport	464,337	-	-	-	-	-	-	-	-	-
Operating grants and contributions	5,826,268	12,949,631	6,282,404	2,706,388	4,192,656	-	-	59,056	260,919	-
Capital grants and contributions	1,050,875	-	-	-	-	2,087,760	-	1,020,091	1,464,161	-
Total business-type activities	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	2,620,971
Total program revenues	\$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	\$156,479,518

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. Beginning in 2010, only Public works expenses and revenues are reported and Community Development data is combined with General government. In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity. In 2012, the city added Civitan 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Net (Expenses)/Revenues</b>				Restated						
Governmental activities	\$ (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)	\$ (77,959,892)
Business-type activities	32,586,630	38,431,210	23,850,049	27,496,538	26,343,767	19,796,095	18,973,598	19,245,003	11,098,517	18,332,156
Total net expenses	\$ (20,593,877)	\$ (14,437,624)	\$ (33,165,172)	\$ (37,215,803)	\$ (34,849,491)	\$ (40,079,739)	\$ (47,073,376)	\$ (53,217,473)	\$ (64,430,531)	\$ (59,627,736)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Gross receipts taxes	\$ 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	\$ 51,388,261
Property taxes	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	2,039,855
Franchise taxes	865,346	649,388	614,627	2,325,988	2,340,395	2,422,641	2,308,529	2,488,029	2,594,535	2,662,677
Other taxes	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	2,544,474
Other revenue	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	1,066,978
Unrestricted investment earnings	701,039	405,946	364,522	257,782	76,860	357,959	317,162	263,798	245,430	405,425
Loss on disposition	(1,381,262)	-	-	-	-	-	-	-	-	-
Reassignment of capital assets	-	-	-	-	-	1,870,844	-	-	-	(7,989)
Transfers	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	7,896,962
Total general revenues, transfers and special items	59,847,446	65,610,842	63,777,760	68,009,691	63,603,012	65,532,650	68,176,051	64,600,816	64,696,187	67,996,643
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	1,242,160
Unrestricted investment earnings	2,128,575	1,324,627	1,071,740	633,005	186,344	824,967	742,813	776,699	643,771	726,061
Loss on disposition	(1,013,059)	-	-	-	-	-	-	-	-	-
Reassignment of capital assets	-	-	-	-	-	(1,870,844)	-	-	-	7,989
Transfers	(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)	(7,896,962)
Total business-type activities	(808,114)	(13,082,180)	(7,686,722)	(7,755,038)	(6,999,149)	(6,917,425)	(5,772,888)	(4,841,624)	(5,998,447)	(5,920,752)
Total primary government	\$ 59,039,332	\$ 52,528,662	\$ 56,091,038	\$ 60,254,653	\$ 56,603,863	\$ 58,615,225	\$ 62,403,163	\$ 59,759,192	\$ 58,697,740	\$ 62,075,891
<b>Change in Net Position</b>										
Governmental activities	\$ 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)	\$ (9,963,249)
Business-type activities	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	12,411,404
Total change in net position	\$ 38,445,455	\$ 38,091,038	\$ 22,925,866	\$ 23,038,850	\$ 21,754,372	\$ 18,535,486	\$ 15,329,787	\$ 6,541,719	\$ (5,732,791)	\$ 2,448,155

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. Beginning in 2010, only Public works expenses and revenues are reported and Community Development data is combined with General government. In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity. In 2011, the city has moved Environmental taxes from program revenues to business-type activities. In 2012, a change in accounting principle adjustment was made to correct costs associated with regulatory costs for business-type activity. In 2014, the city added Pinon Hills Golf Course to governmental activities which had previously been accounted for as a business-type activity.

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

<u>Fiscal Year</u>	<u>Reserved</u>	<u>Unreserved</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Unassigned</u>	<u>Total</u>
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
2018	-	-	502,269	-	12,048,998	12,551,267

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>
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
2018	-	-	11,216	20,017,217	4,848,022	1,904,136	-	26,780,591

**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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Taxes	\$ 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	\$ 58,584,277
Licenses and permits	618,877	693,743	606,378	671,676	651,586	642,505	614,845	613,553	563,477	505,801
Intergovernmental	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	10,417,236
Charges for services	1,749,034	2,557,192	2,506,687	2,849,685	3,787,921	3,730,888	3,356,055	3,356,055	2,963,371	3,035,190
Fines	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	845,766
Special assessments	6,667	600	1,970	22	-	-	-	-	-	-
Investment earnings	701,039	402,421	364,660	257,782	76,579	350,469	303,777	243,539	228,316	384,623
Miscellaneous	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	1,066,951
Total revenues	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	74,839,844
<b>Expenditures</b>										
Current										
General government	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	25,677,318
Police	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	17,612,457
Fire	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	9,991,676
Parks, recreation and cultural affairs	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	15,469,163
Community development	1,336,120	1,100,251	1,218,263	1,296,445	1,199,310	969,916	1,026,919	901,687	755,256	789,467
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	5,780,808
Airport	-	-	-	-	-	-	-	-	2,375	4,072,892
Bond issuance costs	-	-	-	-	-	-	-	-	191,677	312,649
Debt service	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	3,336,289
Principal	425,643	379,342	330,393	258,145	547,717	443,054	411,133	352,200	547,468	864,049
Interest	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	18,169,393
Capital outlay	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	102,076,161
Total expenditures	(3,486,233)	(5,121,127)	577,038	(9,174,261)	(12,415,081)	(11,085,449)	(14,617,892)	(14,004,277)	(8,988,212)	(27,236,317)
Excess of revenues over (under) expenditures	\$ (1,562,603)	\$ (9,476)	\$ 10,594,218	\$ 10,773,627	\$ (3,960,840)	\$ (3,915,000)	\$ (6,717,209)	\$ (7,134,661)	\$ 14,998,282	\$ (1,572,079)
<b>Other Financing Sources (Uses)</b>										
Transfers in	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	15,403,498
Transfers out	(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)	(7,506,536)
Sale tax debt issuance	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	25,664,238
Total other financing sources and uses	\$ (1,562,603)	\$ (9,476)	\$ 10,594,218	\$ 10,773,627	\$ (3,960,840)	\$ (3,915,000)	\$ (6,717,209)	\$ (7,134,661)	\$ 14,998,282	\$ (1,572,079)
Net change in fund balances										
Debt service as a percentage of noncapital expenditures	3.0%	2.8%	2.6%	5.8%	2.5%	2.2%	1.9%	2.5%	2.8%	5.0%

**Source:** City of Farmington CAFRs

**Note:** In 2009, the City separated Public Works from Community Development.  
 In 2010, the City added airport services to governmental activities which had previously been accounted for as a business-type activity.  
 In 2012, the City added Civilian 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 to governmental activities which had previously been accounted for as a business-type activity.



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

Schedule 5

Fiscal Year	* Industrial		* Commercial		* Residential		Total	
	kWh	Revenue	kWh	Revenue	kWh	Revenue	kWh	Revenue
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
2018	357,097,257	22,027,951	408,300,055	39,871,677	260,344,240	27,780,526	1,025,741,552	89,680,154

Change  
 2009-2018

-27.2%      -26.7%      -7.4%      -6.0%      -1.5%      8.3%      -14.2%      -8.6%

Source: Farmington Electric Utility System

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

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**Type of Customer**

**Industrial (Bulk Power)**

\$85.00 Customer charge  
\$8.75/kW of billing demand  
\$0.04713/kWh energy charge

**Commercial**

Small General Service

\$8.00 Customer charge  
\$0.09838/kWh energy charge

Medium General Service

\$10.00 Customer charge  
\$5.00/kW of billing demand  
\$0.07557/kWh energy charge

Large General Service

\$11.00 Customer charge  
\$10.00/kW of billing demand  
\$0.05958/kWh energy charge

**Residential**

\$5.75 Customer charge  
\$0.09877/kWh energy charge  
\$11.00 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>2018</u>			<u>2009</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	\$20,195,048	1	22.52%	\$21,857,582	1	22.28%
Praxair, Inc.	3,810,670	2	4.25%	1,856,637	5	1.89%
San Juan Regional Medical Center	1,560,344	3	1.74%	1,534,995	6	1.56%
Transwestern Pipeline Co.	1,378,913	4	1.54%	4,940,462	2	5.04%
Hilcorp San Juan / ConocoPhillips	1,070,528	5	1.19%	-	-	-
Wal-Mart Inc. / Sam's Club	904,172	6	1.01%	1,124,114	7	1.15%
Western Refining Southwest, Inc.	750,976	7	0.84%	2,557,494	4	2.61%
Animas Valley Mall	451,359	8	0.50%	526,198	9	0.54%
San Juan County	416,933	9	0.46%	-	-	-
Safeway Inc.	387,481	10	0.43%	-	-	-
Val Verde Gas Gathering, LP	-	-	-	2,572,358	3	2.62%
San Juan College	-	-	-	1,042,859	8	1.06%
Western Gas Resources	-	-	-	309,073	10	0.32%
<b>Total</b>	<b>\$30,926,424</b>		<b>34.49%</b>	<b>\$38,321,772</b>		<b>39.07%</b>

Source: Farmington Electric Utility System

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

**Schedule 8**

<b>Fiscal Year</b>	<b>Gross Receipts Tax</b>	<b>Property Tax</b>	<b>Franchise Tax</b>	<b>Other Taxes</b>	<b>Total Taxes</b>
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
2018	51,388,261	1,988,865	2,662,677	2,544,474	58,584,277

Change  
2009-2018                      -1.9%                      38.0%                      207.7%                      27.7%                      3.3%

**Source:** City of Farmington CAFRs

**Note:** From 2009 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Agriculture	\$ (2,519)	\$ 609	\$ 612	\$ 566	\$ 1,718	\$ 2,006	\$ 1,487	\$ 355	\$ 447	\$ 194
Mining	163,216	113,859	121,889	118,975	80,493	83,254	93,211	88,282	57,459	116,599
Construction	157,749	117,169	109,321	102,464	115,958	77,959	96,966	127,401	123,760	127,750
Manufacturing	79,094	57,270	73,713	119,218	86,003	78,803	70,489	89,896	66,406	72,242
Trans/Comm/Utility	30,259	24,207	22,033	18,627	21,451	21,402	19,454	33,092	24,652	24,086
Wholesale Trade	163,014	99,166	97,962	104,251	94,400	80,010	87,412	82,776	60,538	61,318
Retail Trade	772,111	675,796	676,094	683,041	636,026	558,638	522,079	825,009	784,618	832,908
Information and Cultural	53,838	55,436	57,180	65,236	67,570	59,466	55,095	72,288	71,627	68,896
Finance/Ins/Real Estate	33,594	39,232	46,227	32,194	36,326	25,947	24,337	33,221	33,428	36,242
Services	601,162	502,840	579,917	597,330	602,024	515,494	498,116	689,509	582,585	655,184
Unclassified	8,359	8,883	6,880	14,612	11,640	17,501	114,164	12,818	5,953	20,046
Undisclosed (a)	31,054	28,235	29,402	28,629	26,402	27,799	21,040	31,659	32,349	26,874
<b>Total (b)</b>	<b>\$ 2,090,931</b>	<b>\$ 1,722,702</b>	<b>\$ 1,821,230</b>	<b>\$ 1,885,143</b>	<b>\$ 1,780,011</b>	<b>\$ 1,548,279</b>	<b>\$ 1,603,850</b>	<b>\$ 2,086,306</b>	<b>\$ 1,843,822</b>	<b>\$ 2,042,339</b>
City Direct Sales Tax Rate	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.4375%	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**

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<b>Fiscal Year</b>	<b>State GRT</b>	<b>City Share of State GRT</b>	<b>City Direct Rate</b>	<b>San Juan County</b>	<b>Total City GRT</b>
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%
2018	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 2018			Fiscal Year 2009				
	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (thousands)	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	2	0.07%	\$ 194	0.01%	\$ (2,519)	0.25%	7	0.25%	\$ (2,519)	-	0.12%
Mining	52	1.75%	116,599	5.71%	116,599	2.28%	64	2.28%	163,216	163,216	7.81%
Construction	227	7.62%	127,750	6.26%	127,750	10.10%	283	10.10%	157,749	157,749	7.54%
Manufacturing	148	4.97%	72,242	3.54%	72,242	3.75%	105	3.75%	79,094	79,094	3.78%
Trans/Comm/Utility	50	1.68%	24,086	1.18%	24,086	1.39%	39	1.39%	30,259	30,259	1.45%
Wholesale Trade	208	6.98%	61,318	3.00%	61,318	6.85%	192	6.85%	163,014	163,014	7.80%
Retail Trade	608	20.42%	832,908	40.78%	832,908	23.05%	646	23.05%	772,111	772,111	36.93%
Information and Cultural	122	4.10%	68,896	3.37%	68,896	2.78%	78	2.78%	53,838	53,838	2.57%
Finance/Ins/Real Estate	153	5.14%	36,242	1.77%	36,242	4.21%	118	4.21%	33,594	33,594	1.61%
Services	1,350	45.33%	655,184	32.08%	655,184	44.11%	1,236	44.11%	601,162	601,162	28.75%
Unclassified	54	1.81%	20,046	0.98%	20,046	1.11%	31	1.11%	8,359	8,359	0.40%
Undisclosed (a)	4	0.13%	26,874	1.32%	26,874	0.11%	3	0.11%	31,054	31,054	1.49%
<b>Total (b)</b>	<b>2,978</b>	<b>100.00%</b>	<b>\$ 2,042,339</b>	<b>100.00%</b>	<b>\$ 2,042,339</b>	<b>100.00%</b>	<b>2,802</b>	<b>100.00%</b>	<b>\$ 2,090,931</b>	<b>\$ 2,090,931</b>	<b>100.00%</b>

**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		Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
	Residential Property	Nonresidential	Nonresidential	Personal				Total Direct Residential Tax Rate	Total Direct Residential Tax Rate		
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	2.209	3,461,357,099	33.3%		
2018	780,887,163	587,302,889	66,068,905	266,897,342	1,167,361,615	1.425	2.225	3,505,590,435	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)

Fiscal Year	City of Farmington Residential Direct Rates			Overlapping Rates					Total Direct and Overlapping Rates
	General Fund	Service Fund	Total Direct Rate	State	County	School District #5	San Juan College	Secondary Vocational	
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
2018	1.425	-	1.425	1.360	6.700	9.773	3.392	0.600	23.250

Fiscal Year	City of Farmington Nonresidential Direct Rates			Overlapping Rates					Total Direct and Overlapping Rates
	General Fund	Service Fund	Total Direct Rate	State	County	School District #5	San Juan College	Secondary Vocational	
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
2018	2.225	-	2.225	1.360	8.500	9.946	4.500	0.600	27.131

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>2018</u>			<u>2009</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>
San Juan Regional Medical Center	\$ 10,029,495	1	0.9%	\$ -	-	-
Animas Valley Mall, LLC	9,899,202	2	0.8%	7,272,719	3	0.7%
Hilcorp San Juan	9,039,140	3	0.8%	-	-	-
New Mexico Gas Company	6,646,678	4	0.6%	-	-	-
Dugan Production Corp	3,763,588	5	0.3%	-	-	-
Wal Mart Stores East LTD	3,533,217	6	0.3%	-	-	-
Animas Valley Leasing, LLC	2,836,884	7	0.2%	-	-	-
Comcast of New Mexico	2,725,472	8	0.2%	-	-	-
Lowe's Home Centers	2,723,763	9	0.2%	-	-	-
Sierra Vista Hotels, LLC	2,571,504	10	0.2%	-	-	-
Transwestern Pipeline Co.	-	-	-	9,270,897	1	0.9%
Conoco Phillips Company	-	-	-	8,645,086	2	0.8%
Compressor Systems Inc	-	-	-	6,997,743	4	0.7%
Qwest Corporation	-	-	-	5,768,756	5	0.6%
Burlington Resources Oil and Gas LP	-	-	-	5,247,792	6	0.5%
PNM Gas Services	-	-	-	5,146,697	7	0.5%
Enterprise Field Service, LLC	-	-	-	5,043,840	8	0.5%
Exterran ABS Leasing 2007 LLC	-	-	-	4,925,000	9	0.5%
XTO Energy, Inc	-	-	-	4,924,949	10	0.5%
<b>Total</b>	<b>\$ 53,768,943</b>		<b>4.6%</b>	<b>\$ 63,243,479</b>		<b>6.2%</b>

Source: San Juan County Assessor

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

Schedule 15

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2009	\$ 1,432,967	\$ 1,363,140	95%	\$ 69,651	\$ 1,432,791	100%
2010	1,571,124	1,415,035	90%	155,895	1,570,930	100%
2011	1,643,334	1,568,062	95%	74,646	1,642,708	100%
2012	1,716,603	1,641,482	96%	74,957	1,716,439	100%
2013	1,793,656	1,725,822	96%	67,413	1,793,235	100%
2014	1,817,354	1,757,847	97%	58,167	1,816,014	100%
2015	1,849,003	1,786,657	97%	57,958	1,844,615	100%
2016	1,899,167	1,831,776	96%	56,931	1,888,707	99%
2017	1,927,155	1,856,411	96%	42,673	1,899,084	99%
2018	1,985,998	1,915,801	96%	-	1,915,801	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	Sales Tax Revenue Bonds	NMFA Fire Pumper Loan	Utility Revenue Bonds	NMED Loan	NMFA Loan	Capital Leases	NMFA Loan	NMED Loan	NMFA Loan				
2009	\$ -	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	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	6,745,681	-	10,580,560	11,376,818	-	34,400	-	11,376,818	1,054,844	34,400	29,792,303	1.9%	649
2012	-	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	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	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	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	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	24,354,553	250,761	-	22,457,944	5,144,649	-	-	22,457,944	5,144,649	-	52,207,907	4.8%	1,254
2018	-	N/A	38,607,790	203,406	-	28,573,019	5,843,534	-	-	28,573,019	5,843,534	-	73,227,749	6.2%	1,611

**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, 2018**

**Schedule 17**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Amount Applicable to City of Farmington</b>
<b>Debt repaid with property taxes (a)</b>			
Farmington Municipal Schools	\$ 83,340,000	100.000%	\$ 83,340,000
San Juan College	10,910,000	97.913%	10,682,337
Subtotal Overlapping Debt			94,022,337
<b>City direct debt</b>			<b>38,811,196</b>
<b>Total direct and overlapping debt</b>			<b>\$ 132,833,533</b>

**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.

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Assessed Valuations</b>										
Assessed Value (a)	\$ 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	\$ 1,434,258,957
Exempt property	88,515,732	92,000,870	213,971,715	224,872,472	237,362,094	254,161,110	257,150,613	256,373,378	265,083,921	266,897,342
Total Taxable Assessed Value	1,021,758,481	956,521,834	982,911,834	1,008,129,967	1,037,022,078	1,064,957,258	1,095,071,044	1,120,947,921	1,152,631,914	1,167,361,615
<b>Legal Debt Margin</b>										
Debt limitation - 4 % of total assessed value	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	46,694,465
Debt applicable to limitation:										
Total bonded debt	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	36,415,065
Less: Revenue bonds	(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)	(36,415,065)
Total net debt applicable to limitation	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 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	\$ 46,694,465

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.

Schedule 19

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	Coverage	Sales Tax Revenue	Principal	Interest	Coverage
2009	\$ 117,183,511	\$ 73,688,514	\$ 43,494,997	6.63	\$ 26,612,158	\$ 1,225,000	\$ 425,643	16.12
2010	115,238,191	73,490,029	41,748,162	6.37	22,729,574	1,270,000	379,342	13.78
2011	111,560,052	75,470,531	36,089,521	5.50	24,173,905	1,315,000	330,393	14.69
2012	116,864,599	82,266,307	34,598,292	5.28	25,609,728	400,000	258,145	38.91
2013	122,482,385	82,015,303	40,467,082	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
2018	-	-	-	-	23,643,425	2,268,934	815,517	7.67

**Source:** City of Farmington CAFRs and budgets

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

City of Farmington  
Demographic and Economic Status  
Last Ten Calendar Years

Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Percentage		Unemployment Rate
						High School Graduate	Bachelor's Degree	
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%
2017	45,450	1,181,745,450	26,001	33.6	11,731	86.6%	19.9%	7.2%

**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>	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
San Juan Regional Medical Center	1,572	1	3.0%	1,600	1	2.7%
Farmington Municipal Schools	1,240	2	2.3%	1,197	2	2.1%
Central Consolidated Schools	991	3	1.9%	1,157	3	2.0%
City of Farmington	779	4	1.5%	821	5	1.4%
San Juan County	620	5	1.2%	685	7	1.2%
Andeavor	583	6	1.1%	-	-	-
Bloomfield Municipal Schools	505	7	0.9%	-	-	-
Aztec Well Service	499	8	0.9%	700	6	1.2%
San Juan College	482	9	0.9%	532	10	0.9%
Raytheon Missile Systems Dine Facility	480	10	0.9%	-	-	-
BHP Billiton/New Mexico Coal	-	-	-	1,035	4	1.8%
Conoco Phillips	-	-	-	600	8	1.0%
Arizona Public Service	-	-	-	599	9	1.0%
Total	<u>7,751</u>		<u>14.6%</u>	<u>8,926</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.

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

	Budgeted Full-time Equivalent Employees as of June 30									
	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Government</b>										
Administration	79.5	77.5	70.5	71.5	66.5	67.5	67.5	65.5	64.5	64.5
Administrative Services	29.0	29.0	29.0	29.0	28.0	29.0	29.0	29.0	28.0	28.0
General Services (b)	58.0	58.0	53.0	51.0	46.0	47.0	50.0	51.0	51.0	50.0
<b>Police</b>	165.5	165.0	165.0	163.0	164.5	164.0	173.0	182.0	182.0	181.0
<b>Fire</b>	95.0	95.0	91.0	92.0	92.0	92.0	92.0	92.0	92.0	91.0
<b>Parks, Recreation &amp; Cultural Affairs</b>	106.0	106.0	96.0	97.0	101.0	107.0	106.0	106.0	106.0	103.0
<b>Community Development</b>	22.0	20.0	19.0	19.0	19.0	19.0	20.0	19.0	18.0	17.0
<b>Public Works (a)</b>	50.0	50.0	46.0	46.0	46.0	46.0	46.0	48.0	47.0	47.0
<b>Electric</b>	178.0	172.0	175.0	178.0	178.0	181.0	180.0	180.0	180.0	180.0
<b>Human Resources</b>	12.0	12.0	11.0	11.0	11.0	9.0	9.0	9.0	9.0	9.0
<b>Water/Wastewater</b>	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
<b>Golf (c)</b>	7.0	7.0	7.0	7.0	6.0	6.0	-	-	-	-
<b>Total Employees</b>	<b>810.0</b>	<b>799.5</b>	<b>770.5</b>	<b>772.5</b>	<b>766.0</b>	<b>775.5</b>	<b>780.5</b>	<b>789.5</b>	<b>785.5</b>	<b>778.5</b>

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

**Note:** Full-time equivalent includes all approved budgeted positions.

(a) In 2009, Public Works was separated from Community Development. For comparative purposes, the number of full-time equivalents for each department is allocated retroactively.

(b) In 2010, Airport was combined with General Services. For comparative purposes, the number of full-time equivalents for each department was allocated retroactively.

(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									
	<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>	<u>2018</u>
<b>General Government</b>										
Total number of business registration/licenses	4,212	3,848	3,660	3,659	3,634	3,547	3,620	3,840	3,547	3,529
<b>Police</b>			Restated							
Police reports	7,723	7,894	6,731	8,218	8,036	8,094	9,105	9,083	11,128	11,436
Arrests	6,882	6,274	5,418	6,328	6,132	6,186	6,199	5,479	6,161	5,307
Traffic citations	24,586	27,372	13,058	21,638	19,455	20,937	23,203	12,319	10,445	10,983
<b>Fire (c)</b>										
Structure fires	40	65	65	50	50	58	44	45	55	70
Vehicle fires	36	31	29	26	19	25	28	16	24	26
Brush/grass fires	45	48	47	72	43	38	29	61	47	89
Rubbish/dumpster fires	36	46	38	46	31	32	26	32	28	56
Other fires	46	34	32	33	26	28	19	14	10	0
Rescue/emergency medical calls	3,935	4,419	5,466	5,058	4,848	5,349	5,554	5,705	6,228	8,157
False alarms	310	307	379	349	362	344	440	337	351	314
Mutual aid given	45	12	20	16	34	35	30	29	18	22
Hazardous materials response	103	114	92	115	95	119	109	113	82	95
General hazard response	81	84	89	101	121	108	123	117	121	166
Other responses	1,666	925	729	1,785	1,949	2,322	2,668	2,555	2,680	628
<b>Parks, Recreation &amp; Cultural Affairs</b>										
Parks and recreation participants	438,179	494,845	606,384	592,154	524,276	532,898	638,189	625,569	502,776	496,236
Golf course participants	53,612	49,009	50,687	55,931	47,772	45,826	53,305	44,553	41,368	48,396
Museum patrons (a)	97,003	81,366	108,156	106,506	137,481	119,446	125,928	130,864	114,865	115,518
<b>Library</b>										
Library visits	517,452	530,119	468,455	455,516	427,659	404,997	374,192	358,417	349,718	339,479
Circulation	513,588	530,918	506,247	482,886	460,235	457,171	435,581	426,610	385,126	364,067
Number of computer users (b)	131,295	126,215	102,443	94,424	90,218	84,060	70,373	65,651	58,361	57,168
Number of public WiFi logins (d)	-	-	-	-	-	30,131	28,669	26,517	24,930	22,639
<b>Community Development</b>										
Summary plats	63	54	54	61	46	54	62	69	50	38
Building permits issued	1,225	1,194	1,310	1,302	1,163	1,200	1,152	1,170	977	1,031
Permit valuation (in \$)	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	35,562,877
<b>Public Works</b>										
Asphalt placed (sq.ft.) (f)	129,349	139,464	119,745	96,370	127,539	134,942	266,811	147,842	96,727	45,563
Concrete placed (cu.yd.)	174	438	338	439	615	588	577	769	523	628
<b>Electric</b>										
Meter connections	7,956	8,329	7,650	8,413	8,367	8,386	8,255	8,012	7,897	7,466
Meter reads	505,471	512,488	517,339	518,238	525,035	526,086	531,175	533,386	532,133	495,307
<b>Water/Wastewater</b>										
Water treated (millions of gallons)	4,512	4,630	4,409	4,627	4,452	4,075	4,115	3,922	3,899	4,111
Effluent treated (millions of gallons)	1,894	1,845	1,864	1,856	1,815	1,640	1,760	1,751	1,668	1,637
New water meter installations	158	156	116	131	141	123	101	99	61	66
<b>Airport</b>										
Total enplanements (e)	13,617	14,628	16,655	19,335	17,401	11,248	3,658	1,983	3,208	721
<b>Transit</b>										
Total Ridership	120,298	138,246	143,073	146,140	133,580	135,179	135,918	143,569	125,609	118,288

**Source:** Provided by various City departments

**Note:**

- (a) Fluctuation in museum patronage is due to special exhibits.
- (b) 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.
- (c) In 2012, 2009-2011 Fire Department statistics have been restated to show more accurate and detailed Fire Department responses.
- (d) In 2014, the library began tracking public WiFi logins.
- (e) 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.
- (f) In 2015, there was an increase in asphalt placed due to additional cold mill patching of streets.

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

Schedule 24

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	206	125	125	123	83	84	91	102	93	81
Fire stations	6	6	6	6	6	6	6	6	6	6
Parks, Recreation & Cultural Affairs										
Developed acres (a)	1,364	1,364	1,364	1,364	1,364	1,364	1,364	1,364	1,364	1,364
Undeveloped acres (b)	309	309	309	270	283	283	283	300	322	362
Number of parks/facilities (c)	87	88	88	88	88	88	88	88	88	88
Baseball/softball diamonds	23	23	23	23	23	23	23	23	23	23
Soccer/football fields	11	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)	268	270	274	274	276	280	281	281	286	286
Highway (miles)	17	17	17	17	17	19	19	19	21	21
Traffic Signals	80	80	81	83	83	85	85	86	85	85
Electric										
Streetlights (d)	4,238	4,226	4,251	4,298	4,298	4,342	4,343	4,344	4,346	4,346
Water										
Water mains (miles)	340	340	340	340	340	341	341	341	348	348
Fire hydrants	2,500	2,511	2,556	2,560	2,576	2,613	2,627	2,641	2,664	2,698
Storage capacity (thousands of gallons)	24,860	24,860	26,860	26,860	26,860	26,860	26,860	26,860	26,860	26,860
Wastewater										
Sanitary sewers (miles) (e)	233	233	233	233	233	235	235	235	237	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	16	12	12	15	15	15	17	16	15

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) FY2009-2011 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, 2018**

Grantor / Pass-through ID Number	CFDA Number	PROGRAM NAME	Expenditures
<b>DIRECT PROGRAMS</b>			
U.S. Department of Housing and Urban Development	14.218-Community Development Block Grants/Entitlement Grants	CDBG B-14-MC-35-0005	\$ 1,539
		CDBG B-15-MC-35-0005	155,547
		CDBG B-16-MC-35-0005	48,388
		CDBG B-17-MC-35-0005	112,686
			<u>318,160</u>
U.S. Department of Justice	16.710-Public Safety Partnership and Community Policing Grants	COPS Grant - 2014UMWX0132	192,999
U.S. Department of Transportation	20.106-Airport Improvement Program	AIP Project No. 3-35-0016-041-2017	3,812,613
		20.507-Federal Transit Formula Grants	
		NM-90-X127-00	35,920
		NM-2017-007-00	74,218
		NM-2017-011-00	515,093
			<u>625,231</u>
	20.703-Interagency Hazardous Materials Public Sector Training Grants	HM-HMP-0579-16-01-00	82,379
Executive Office of the President	95.001-High Intensity Drug Trafficking Area Grant	G16SN0010A	126
		G17SN0010A	268,180
			<u>268,306</u>
<b>PASS THROUGH PROGRAMS</b>			
<u>From the State of New Mexico Crime Victims Reparation Commission</u>			
U.S. Department of Justice	16.588-Violence Against Women Formula Grants	2016-WF-AX-0010	35,124
<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 16-JAG-REG2-SFY17	40,686
<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 14-JAG-SWIFT-SFY17	6,767
			<u>47,453</u>
<u>From the New Mexico Department of Transportation</u>			
Federal Transit Authority	20.505-Metropolitan Transportation Planning	Federal Transit - Metropolitan Transit Operations	
		Control P517020 MPO FY17	53,135
		Control P517020 MPO FY18	152,897
			<u>206,032</u>
Department of Transportation National Highway Traffic Safety (NHTSA)	20.608-Minimum Penalties for Repeat Offenders for Driving While Intoxicated	End Driving While Impaired-17-AL-64-035	10,837
		End Driving While Impaired-18-AL-64-035	37,242
			<u>48,079</u>
Department of Transportation Federal Highway Administration (FHWA)	20.205-Highway Planning and Construction	Control#L500144-Foothills Enhancements, Holmes to Rinconada	184,732
		Control#L500301-Foothills Enhancements, Rinconada to Johnson Terrace	3,169
		Control#F100130-20th Street Sidewalks Phase 1	161,441
		Control#F100131-20th Street Sidewalks Phase 2	79,356
			<u>428,698</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	6,845,467
<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 FAIN FS99692519	971,806
	<b>Total Federal Assistance</b>		<b>\$ <u>13,882,347</u></b>

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

**CITY OF FARMINGTON**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2018**

**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, 2018. 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.

**NOTE 3 – Reconciliation of Federal Awards**

The following is a reconciliation of the total federal awards of the City of Farmington for the year ended June 30, 2018:

Federal revenues as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds	\$ 6,059,727
Loan from NM Environment Department	6,845,467
Loan from NM Finance Authority	971,806
Reconciling item	<u>5,347</u>
Total federal assistance as reported on the SEFA	<u>\$ 13,882,347</u>



**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 and  
Mr. Wayne Johnson, New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison schedules for the general fund and major special revenue fund of City of Farmington, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Farmington's basic financial statements, and have issued our report thereon dated November 15, 2018.

**Internal Control Over Financial Reporting**

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002.

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

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

### **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 results 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.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 15, 2018



**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 and  
Mr. Wayne Johnson, 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, 2018. 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, 2018.

City of Farmington, New Mexico  
Honorable Mayor and City Council and  
Mr. Wayne Johnson, New Mexico State Auditor

### **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.

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

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

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.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 15, 2018

**City of Farmington, New Mexico  
Schedule of Findings and Questioned Costs  
June 30, 2018**

**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:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
66.468	Capitalization Grants for Drinking Water State Revolving Fund Cluster
66.458	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, 2018**

**SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT**

None noted.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

**Section IV – Other**

**2018-001 CONTROLS SURROUNDING THE CASH RECEIPTS PROCESS (FINDING THAT DOES NOT RISE TO THE LEVEL OF A SIGNIFICANT DEFICIENCY)**

**Condition:** During internal control testing we sampled twenty two cash receipt packets noting 2 did not include any signatures noting who the preparer of the cash receipts packet for the day was. In addition, we performed a cash audit noting a lack of segregation of duties. The City employee was responsible for receiving, reconciling and depositing cash received.

**Context:** We sampled 22 cash receipt packets and randomly selected location for surprise cash audit.

**Criteria:** The City of Farmington's Cash Handling Policy states that employees completing the deposit slip must initial the deposit. In addition it also states that the immediate supervisor or his/her designee will verify, approve, and sign the Cash Report Form. The designated person must not have handled the cash anytime during the day or the shift.

**Effect:** Increased likelihood of improper cash receipt handling due to lack of effectively operating controls. We did not identify any reconciling anomalies with the packets tested.

**Cause:** Lack of staffing.

**Recommendation:** The City should implement a system whereby even if the employee is the only employee on shift that day they are not responsible for receiving, reconciling and depositing cash.

**Management's Response:** Although there was no evidence or allegations of fraud related to the cash deposit finding detailed above, the City recognizes the need to address current processes in place to ensure adequate internal controls going forward to mitigate future risk. Additional training has been given to staff responsible for preparing deposits to ensure signatures are in place when completing the cash receipts packet. Regarding the lack of segregation of duties, the location in question (Civitan Golf Course) currently does not have adequate staffing in place to fall in compliance with the Cash Handling Policy. The Parks, Recreation, and Cultural Affairs Director and the Golf Course General Manager are in the process of pursuing means to comply with the Cash Handling Policy either by requesting additional personnel to fulfill this requirement, or through an existing staff reorganization. Once an employee is assigned to this role, the new staff member will not have access to cash and will prepare the deposit in place of existing staff. The City plans to implement this change before the end of the fiscal year 2019.

**City of Farmington, New Mexico**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2018**

**2018-002 CONTROLS SURROUNDING THE PROCUREMENT PROCESS (OTHER NON-COMPLIANCE)**

**Condition:** During our testing of the City's procurement process and fully executed contracts we found the following violations with one of the five procurements sampled:

1. Language required by Section 13-1-167 NMSA 1978 was omitted in the Invitation to Bid.
2. Bid response from a vendor was not evaluated and taken into consideration along with the other bids at the time of the procurement.

**Context:** We sampled from the full population of procurements made by the City during the year under audit.

**Criteria:** Per NMSA 13-1-167 the City is required to specify essential characteristics of the brand names and specifications of the product.

**Effect:** Lack of adherence to the procurement code.

**Cause:** Lack of complete understanding of procurement process and adherence to all requirements contained within.

**Recommendation:** We recommend that the City document the reasons for, and appropriate approval of, exceptions to its policy of obtaining competitive bids and the basis for, and appropriate approval of, the selection of a particular vendor. The City review Procurement practices with employees to ensure familiarity.

**Management's Response:** In regard to violation 1, when utilizing a brand name or equal specification language in an ITB document, there will be a verification process that the proper language is employed as per Section 13-1-167 and Section 13-1-168 NMSA 1978 and all descriptive information regarding the design, function, or performance characteristics are illustrated. Additional wording was added to the bid template we use to address Sections 13-1-167 and 13-1-168. A training was held on November 2, 2018, by the Chief Procurement Officer to train the Procurement Staff when to use or not to use these Sections.

For violation 2, when issuing an ITB, one part of the current process is to produce a "RECEIVED" form. This form is used to record the bids received. This includes the date the bid was received, name of the Bidder and location (City and State) of the bidder. This form is also used, at the time of the bid opening, to determine the total number of bids received and the Procurement staff witnesses, usually a Buyer II and a Buyer I. A training was held on November 2, 2018 by the Chief Procurement Officer to the Procurement Staff re-emphasizing the importance of due diligence when opening bids, one, to make sure all bids are in the folder that are listed on the "RECEIVED" form; and, two, if they are not, staff must locate and place the bid in the folder before the bid opening is held.

**City of Farmington, New Mexico  
Schedule of Findings and Questioned Costs  
June 30, 2018**

**STATUS OF PRIOR YEAR FINDINGS**

**Financial Statement Findings:**

<b>Finding Reference</b>		<b>Status</b>
2017-001	Preparation of the Schedule of Expenditures of Federal Awards	Resolved
2017-002	Equipment and Real Property Management	Resolved



**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, 2018.

***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, 2018.

### **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 15, 2018

## Schedule of PFC Revenues and Expenditures

### Four Corners Regional Airport

**FY2018**

7/1/17 - 6/30/18

	FY2017 Program Total	Quarter 1 Jul. - Sept.	Quarter 2 Oct. - Dec.	Quarter 3 Jan. - Mar.	Quarter 4 Apr. - Jun.	FY2018 Total	FY2018 Program Total
<b>Revenue</b>							
Collections	\$ 640,283	2,031	871	-	-	2,902	\$ 643,185
<b>Disbursements</b>							
<b>Application 01</b>							
Proj. 1-A Runway Improvements	148,596	-	-	-	-	-	148,596
Proj. 1-B Taxiway Improvements	142,672	-	-	-	-	-	142,672
Proj. 1-C Apron Improvements	103,596	-	-	-	-	-	103,596
Proj. 1-D Drainage Improvements	64,073	-	-	-	-	-	64,073
Proj. 1-E Signage 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	35,181	2,031	871	-	-	2,902	38,083
<b>Total App -01</b>	<b>640,283</b>	<b>2,031</b>	<b>871</b>	<b>-</b>	<b>-</b>	<b>2,902</b>	<b>643,185</b>
<b>Total Disbursements</b>	<b>640,283</b>	<b>2,031</b>	<b>871</b>	<b>-</b>	<b>-</b>	<b>2,902</b>	<b>643,185</b>
Net PFC Revenue (rev-disb)							
PFC Account Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The schedule is on a cash basis

**CITY OF FARMINGTON  
FOUR CORNERS REGIONAL AIRPORT  
NOTES TO SCHEDULES OF PASSENGER FACILITY CHARGE  
REVENUES AND EXPENDITURES  
June 30, 2018**

**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, 2018**

- |  |                     |                     |
|--|---------------------|---------------------|
| 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>  X</u> Yes      | <u>      </u> No    |
| 4. PFC Revenue and Interest is accurately reported on FAA Form 5100-127.   | <u>  X</u> Yes      | <u>      </u> No    |
| 5. The Public Agency maintains a separate financial accounting record for each application.  | <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>  X</u> Yes      | <u>      </u> No    |
| 7. Monthly carrier receipts were reconciled with quarterly carrier reports.  | <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>  X</u> Yes      | <u>      </u> No    |
| 9. Serving carriers were notified of PFC program actions/changes approved by the FAA.  | <u>  X</u> Yes      | <u>      </u> No    |
| 10. Quarterly Reports were transmitted (or available via website) to remitting carriers.   | <u>  X</u> Yes      | <u>      </u> No    |
| 11. The Public Agency is in compliance with Assurances 5, 6, 7 and 8.  | <u>  X</u> Yes      | <u>      </u> No    |
| 12. Project design and implementation is carried out in accordance with Assurance 9.   | <u>  X</u> Yes      | <u>      </u> No    |
| 13. Program administration is carried out in accordance with Assurance 10.   | <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>  X</u> Yes      | <u>      </u> No    |
| Qualified and No responses must have additional clarification within the audit report.   | <u>  X</u> N/A      |                     |

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CITY OF FARMINGTON  
EXIT CONFERENCE  
Year Ended June 30, 2018

An exit conference was held on November 14, 2018. In attendance were:

For the City of Farmington:

Nate Duckett	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
Kristi Benson	Chief Procurement Officer

For CliftonLarsenAllen LLP (auditors):

Georgie Ortiz	Principal
Laura Beltran-Schmitz	Assurance Director



# OTHER INFORMATION



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

**For the Year Ended June 30, 2018**

	<b>Citizens Bank of Farmington</b>	<b>Wells Fargo</b>	<b>Vectra Bank</b>	<b>Washington Federal Bank</b>	<b>Total</b>
<b><u>City of Farmington Deposits</u></b>					
Demand Deposit Accounts	\$ 485,508	\$ 7,205,224	\$ -	\$ 226	\$ 7,690,958
Non-Interest Bearing Accounts	-	5,078,995	3,000	-	5,081,995
Certificates of Deposit	25,000,000	-	5,000,000	1,000,000	31,000,000
Sub-Total	<u>25,485,508</u>	<u>12,284,219</u>	<u>5,003,000</u>	<u>1,000,226</u>	<u>43,772,953</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	25,235,508	12,034,219	4,753,000	750,226	42,772,953
<b><u>Pledge Collateral Required</u></b>					
50 percent - deposits	<u>12,617,754</u>	<u>6,017,110</u>	<u>2,376,500</u>	<u>375,113</u>	<u>21,386,477</u>
Pledged collateral	<u>31,005,193</u>	<u>14,577,198</u>	<u>2,574,884</u>	<u>868,971</u>	<u>49,026,246</u>
Excess of pledged collateral	\$ <u>18,387,439</u>	\$ <u>8,560,088</u>	\$ <u>198,384</u>	\$ <u>493,858</u>	\$ <u>27,639,770</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	\$ 5,162,500	\$	\$	\$	\$ 5,162,500
cusip # 3137ACNK1	6/15/2041	4,982,500				4,982,500
cusip # 3137BPGE3	5/15/2045	2,935,625				2,935,625
cusip # 38379WXJ6	12/20/2039	3,131,268				3,131,268
cusip # 3137AL3A5	1/15/2032	6,895,000				6,895,000
cusip # 38377U2A5	3/20/2041	4,998,500				4,998,500
cusip # 3130A7KM6	3/23/2026	2,899,800				2,899,800
FHLMC						
cusip # 3128JL4T3	4/1/2034			646,102		646,102
cusip # 3128JM5X1	11/1/2034			452,423		452,423
cusip # 3128JMX28	8/1/2034			261,980		261,980
cusip # 3128JNVM4	1/1/2037			188,687		188,687
cusip # 3128JPXA3	2/1/2039			296,649		296,649
cusip # 3128QPGW6	2/1/2036			338,072		338,072
FAMC						
cusip # 31317JAK7	1/25/2020			390,971		390,971
FMAC						
cusip # 3128MJQ37	1/1/2042		6,630,196			6,630,196
FNMA						
cusip # 3138M0YQ7	7/1/2042		7,947,002			7,947,002
cusip # 3140EW4W2	11/1/2046				868,971	868,971
		<u>\$ 31,005,193</u>	<u>\$ 14,577,198</u>	<u>\$ 2,574,884</u>	<u>\$ 868,971</u>	<u>\$ 49,026,246</u>

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

**June 30, 2018**

Participants (including City of Farmington)	Responsible Party	Description	Dates of Agreement	Total Amount/ City Share	FY18 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	\$ 67,700	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	\$33,765 / \$20,259	\$ 20,259	City
San Juan County	San Juan County	Detention Center	06/26/07 until terminated	\$15,849,607 / \$1,145,969	\$ 1,145,969	San Juan County
San Juan County	San Juan County	DWI Treatment Ctr	11/17/07 until terminated	\$3,110,801 / \$440,000	\$ 440,000	San Juan County
NM Energy, Minerals and Natural Resources Department (NMEMNRD)	NMEMNRD	Wildfire Firefighting	04/06/09 until terminated	\$400,173 / \$ -	\$ -	NMEMNRD