



City of Farmington, NM

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

For the year ended June 30, 2019



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

**For The Year Ended June 30, 2019**

**Prepared By:**

**Administrative Services Department – Finance Division**

**Brooke Quintana, Controller**

**Sheree Wilson, Enterprise Accountant**

**Sarah Talley, Staff Accountant II**

**Michelle Bedonie, Staff Accountant II**

**Ross DeVargas, Staff Accountant I**

**Natasha Arthur, Staff Accountant I**

**With Special Thanks To:**

**Teresa C. Emrich, Administrative Services Director - Acting**



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# INTRODUCTORY SECTION





## **CITY OF FARMINGTON**

800 Municipal Drive  
Farmington, NM 87401-2663  
(505) 599-1100  
Fax: (505) 599-8430  
[www.fmtn.org](http://www.fmtn.org)

November 26, 2019

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, 2019.

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, 2019, 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 unmodified opinion that the City of Farmington's financial statements, for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Farmington was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. This information is presented in the Single Audit section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter

**OFFICE of the CITY MANAGER**

of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Farmington's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The City of Farmington is located in the northwest corner of the State of New Mexico in what is commonly called the Four Corners area (see map on page xv). The City was originally incorporated in 1901 and has a current land area of 35.0 square miles and serves a population of 44,788. 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, 2019, the total in-city GRT rate was 8.25% and includes the City's local option taxes in the amount of 2.0625%. Together with the 1.225% State share, the City's tax rate amounts to 3.2875%. Another 0.0625% in local option tax authority is available to the City and is described in more detail in the "Financial Picture" section below, but as of June 30, 2019, this option had not 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 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, this comparison is presented on page 26 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 FY2019 and the local natural gas industry continues in a depressed state. Crude oil prices have risen moderately, compared to the fourteen-year low experienced in FY2016 and natural gas reached a record low of \$2.40 per BTU in June, 2019, a notable decrease compared to the high for FY2019 of \$4.09 per BTU from November, 2019. Crude oil prices, based on the West Texas Intermediate (WTI) market, dropped from \$70.98 a barrel in July 2018 to \$51.38 a barrel by January 2019, and rose slightly to \$57.35 by July 1, 2019 while natural gas prices, according to the Nymex Henry Hub, decreased moderately from \$2.83 per BTU to \$2.37 per BTU during the same time period.

The Farmington, NM, unemployment rate began FY2019 at 6.5% and ended FY2019 at 6.3%, noticeably higher than both the State of New Mexico rate of 4.9% and the national unemployment rate of 3.7% in June, 2019 according to the New Mexico Department of Workforce Solutions. The Bureau of Labor Statistics reported numbers for unemployment increased from 2,887 at the start of FY2019 to 2,942 at the end of FY2019. By way of comparison, the unemployment number was 3,625 at the beginning of FY2018. The New Mexico Department of Workforce Solutions reported that the Farmington MSA nonagricultural employment was up 100 jobs, or 0.2%. There was a loss of 200 jobs, or 1.8%, in the public sector, which was offset by a gain of 300 jobs, or 0.8%, in the private sector. The goods-producing industry of the private sector reported a gain of 500 jobs, or 5.2%, while the private service-providing industries were down 200 jobs, or 0.7%. All over-the-year employment change in the public sector came from local government, which was down 200 jobs, or 2.2%.

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 384 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 317 for its relative economic strength when compared to all 384 MSAs. In the prior year, Farmington was ranked 310 out of 383 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 Fly High Trampoline park opening in summer of

2019. Verizon plans to open a new store on east main; plans are in the permitting stage. 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 FY2020. 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. Also, plans currently under review include a new Planet Fitness to be located on the east side of Farmington. 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. In FY2019, the gross receipts tax collections in the mining, oil, and gas sector experienced an 8% increase over the prior year. With the oil and gas sector recovering, the City is seeing other sectors up by 4.9 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 FY2019 general fund total revenue sources. Overall, the gross receipts tax revenue (GRT) in FY2019 decreased 0.9% over FY2018. The financial impact of the production of oil and gas in the Farmington area was reflected in the moderate increase in GRT generated by the mining, oil, and gas industry sector, which rose by 8% in FY2019 as compared to FY2018. One industry sector that showed rising GRT trends was the professional, scientific, and technical sector which produced a 14% increase in GRT. The wholesale trade service sector also rose 10% as compared to FY2018, while the accommodations and food services sector experienced an 8% rise in GRT, reflecting the continuing development of popular hotel chains and restaurants expansion to the Farmington area. The retail sector, which gained a modest 3% in FY2019, comprises 40% of Farmington's total GRT. The construction sector experienced a slight decrease in GRT of 4%, as a result of the completion of large construction projects within the City such as Farmington High School. Also experiencing an industry gain in FY2019 was in the manufacturing industry sector which increased a moderate 5% as compared to FY2018, along with the healthcare and assistance sector, which also experienced a 5% gain.

During FY2019, the 932 building permits issued represented a decrease of 9.6% from FY2018 permits. With respect to building permit valuations, the \$25.8 million in FY2019 valuations totaled a \$9.8 million decrease or 27.4% fall from FY2018. Timing differences between permits issued for several major construction projects in FY2019 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 11.9% of all GRT received by the City or approximately \$6.3 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 were \$1.3 million and for the fifth year (FY2020) they are forecasted to be \$1.7 million. Reductions will continue to increase until year fifteen (15) when the annual loss will total \$7.4

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 \$51 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 \$7.4 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, FY2017, and FY2018 final cash balances were determined, there were no funds available to transfer to the General Governmental Capital Projects Fund for FY2017, FY2018, or FY2019 use. Thus, the cash balance in the Governmental Capital Projects Fund dropped from \$2.3 million in FY2016 to \$1.2 million in FY2017, down to \$885K in FY2018, and \$175K in FY2019 as cash reserves were utilized for necessary capital outlays throughout the year.

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, \$809K in FY2018,

and \$754K in FY2019. 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 will be completed and fully operational in FY2020.

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, in FY2018 the City received \$107,407, while in FY2019 the City received \$104,603 in tax-credit subsidy from the IRS. As of June 30, 2019 the energy project was roughly 99% complete.

On June 27, 2019, the City entered into a loan agreement with the New Mexico Finance Authority for \$10,890,000 for the issuance of Municipal Gross Receipts Tax Improvement Revenue Bonds, Series 2019. The proceeds will be used for paving projects throughout the City of Farmington as part of Public Works – Streets long-term capital improvement plan. Ordinance 2019-1315 was approved for the issuance of the bonds for the purpose of paying costs of designing, engineering, constructing, acquiring, and improving streets and traffic improvements, along with paying the expenses related to the financing of those improvements. The pledge will be a 0.125% municipal gross receipts tax increment.

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 began during FY2019, with costs related to traffic signals and engineering services totaling roughly \$284K.

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 grand opening was held on July 13, 2019. Unfortunately, the project did run into delays and the two large waterslides were not constructed until October of 2019. All other features of the water park were complete for visitors to enjoy. The City will hold an additional kickoff weekend around Memorial Day, 2020, to celebrate the full completion of the waterpark with the waterslides attraction for all to delight in. 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. During FY2019, costs for the project totaled \$12K for design services.

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 was created to account for the dedicated funds collected, as well as separately track project expenditures. For FY2019 \$2.1 million was collected in gross receipts tax for the community transformation economic diversification (CTED) fund. 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 analysis 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. In FY2019, the new CTED fund expenditures included \$239K for the Bisti highway pedestrian improvements and \$721K for land purchases on East Pinon and Corcoran. Planning and engineering costs related to the Animas river trail connection and Farmington Lake aerial studies were also incurred in FY2019 for roughly \$372K. The City is excited to embark upon creating a new vision for the future of Farmington through these special projects.

The City is excited to share that recently, in October 2019, newly appointed state director of outdoor recreation, Axie Navas, made a trip to Farmington to learn more about the initiative and efforts being made by our region to encourage outdoor recreation business. Farmington strives to become a leader in outdoor recreation in the State of New Mexico through the focus on improving local area trails, lakes, parks, and downtown areas.

Under the Water Fund’s infrastructure renewal and replacement program, the major projects in FY2019 included: the 2P Waterline Replacement Project - Phase II (\$3.6M); Camina Entrada to Miller Street along Murray Drive (US64) and McCormick School Rd to E. Broadway - replacement of 6” cast iron waterline with a 18” PVC & 12” PVC waterline; the San Juan Blvd Project - (\$1.8M) Butler Ave to American St. - replacement of an existing 6” cast iron waterline with a 16” PVC & 12” PVC waterline; Broadway Ave (\$839K) Miller St to Lake St replacement of 4” & 6” cast iron waterline with 12” PVC

waterline; W Main St (\$1,989K) Valle Vista Dr to 2300 LF East of Murray Drive replacement of 6" cast iron waterline with 12" PVC waterline; N Sullivan (\$637K) 20<sup>th</sup> St to 30<sup>th</sup> St replacement of 4" & 6" cast iron waterline with 12" PVC waterline; 30<sup>th</sup> St (\$240K) Butler to Dustin Ave - replacement of 6" cast iron waterline with a 8" PVC waterline; Kerney Dr (\$205K) Main St to Hopi St - replacement of 6" cast iron with 12" PVC waterline; and Poly water service line replacements (\$1.3M) in Westland Park, Farmview and Riverview Subdivisions.

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 projects in FY2019 included: W. W. Main St (\$1.4M) Murray Dr to Valle Vista Dr - replacement of 8" clay pipe with 16" fusible PVC; Murray Dr (\$452K) W Main St to LS #13 - replacement of 8" PVC with 16" fusible PVC; East Sanitary Interceptor Sewer Rehab (\$3.0M) - Phase II; Broadway and Butler Intersection to Browning Intersection - Slip line 24" RCP with 22" HOBAS pipe; Sewer mainline rehab (\$400K) using robotic equipment - various locations.

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. On August 15, 2019, the Farmington City Council unanimously approved a deal to transfer 95% ownership interest of the coal-fired San Juan Generating Station (SJGS) to Enchant Energy, a New York-based company with state-of-the-art environmental technology to capture carbon dioxide from the plant. The City remains cautiously optimistic that this endeavor will allow for the continued operation of SJGS, benefitting all local area residents.

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. FY2019 marks the third 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 adopted by City Council in October, 2002. The Comprehensive Plan is the guide to the future of Farmington and was developed by the citizenry through high-level community participation and input. The 2002 Plan's foundation is set on core community values and quality of life goals identified into the future. 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 2002 Comprehensive Plan served as a springboard for the designation of the Metropolitan Redevelopment Authority (MRA), which focuses on the City's downtown area. The MRA adopted a plan for redevelopment in 2009. The Downtown MRA Plan sets forth the City's priorities, goals, and implementation plans specific to the MRA. The City adopted an update to this plan in February 2019. In September of 2019, City Council kicked off the update process for the Comprehensive Plan. The 2040 Plan will carry Farmington into the future with a focus on diversifying the economic base of the City. The 2040 Farmington Comprehensive Plan is scheduled to be adopted in November 2020.

### **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, 2018. This was the 25<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 22<sup>nd</sup> consecutive Distinguished Budget Presentation Award from GFOA for its annual budget document for FY2019. 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 FY2018 Citizen's Financial Report was judged for the 9<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



Teresa Emrich  
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

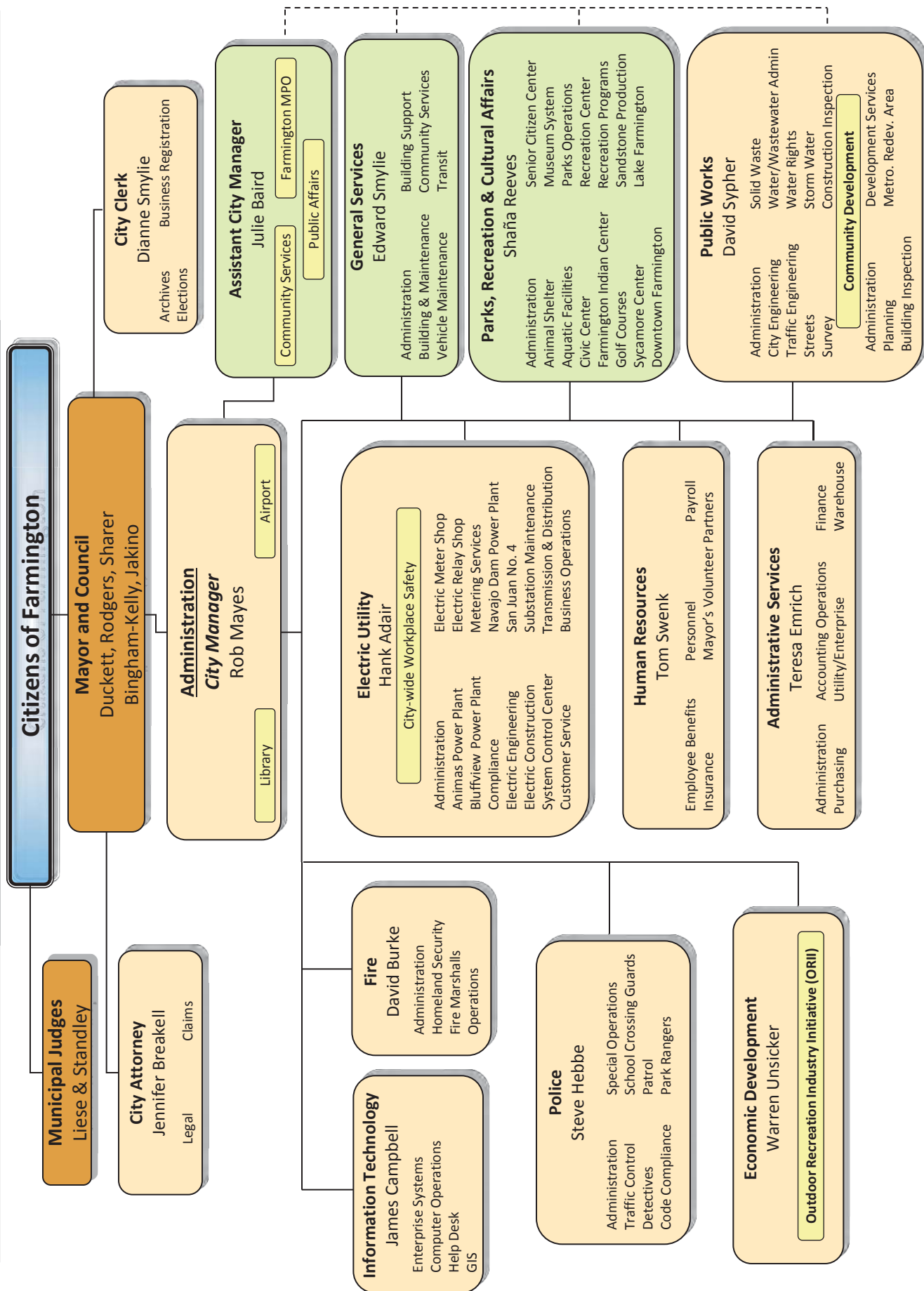
**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

# City of Farmington – Organizational Chart

July 2019



# **CITY OF FARMINGTON**

## **Principal Officials**

**June 30, 2019**

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**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 - ACTING**  
Teresa Emrich

**ECONOMIC DEVELOPMENT DIRECTOR**  
Warren Unsicker

**ELECTRIC UTILITY DIRECTOR**  
Hank Adair

**FIRE CHIEF**  
David Burke

**GENERAL SERVICES DIRECTOR**  
Edward Smylie

**HUMAN RESOURCES DIRECTOR**  
Tom Swenk

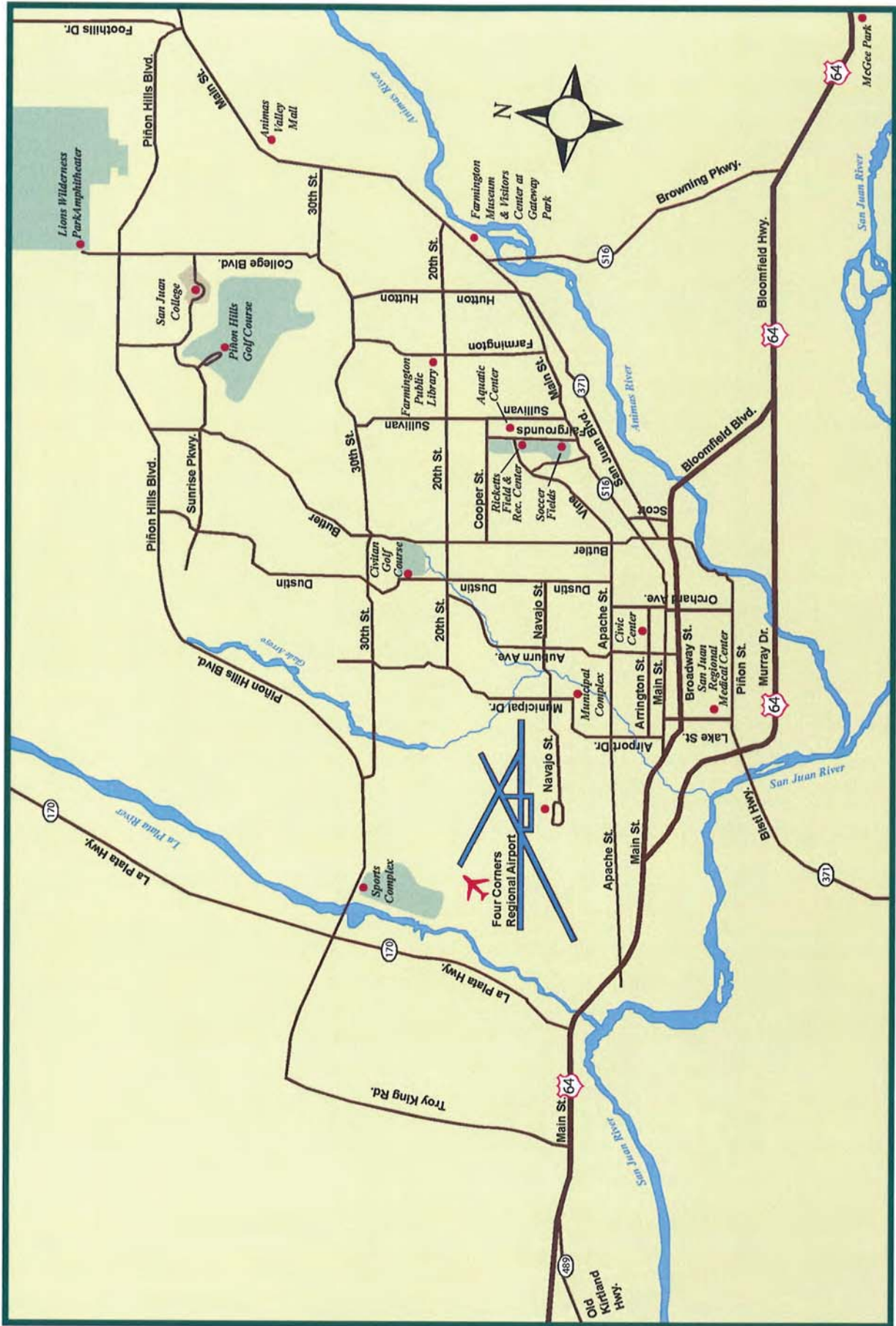
**INFORMATION TECHNOLOGY DIRECTOR**  
James Campbell

**PARKS & RECREATION DIRECTOR**  
Shaña Reeves

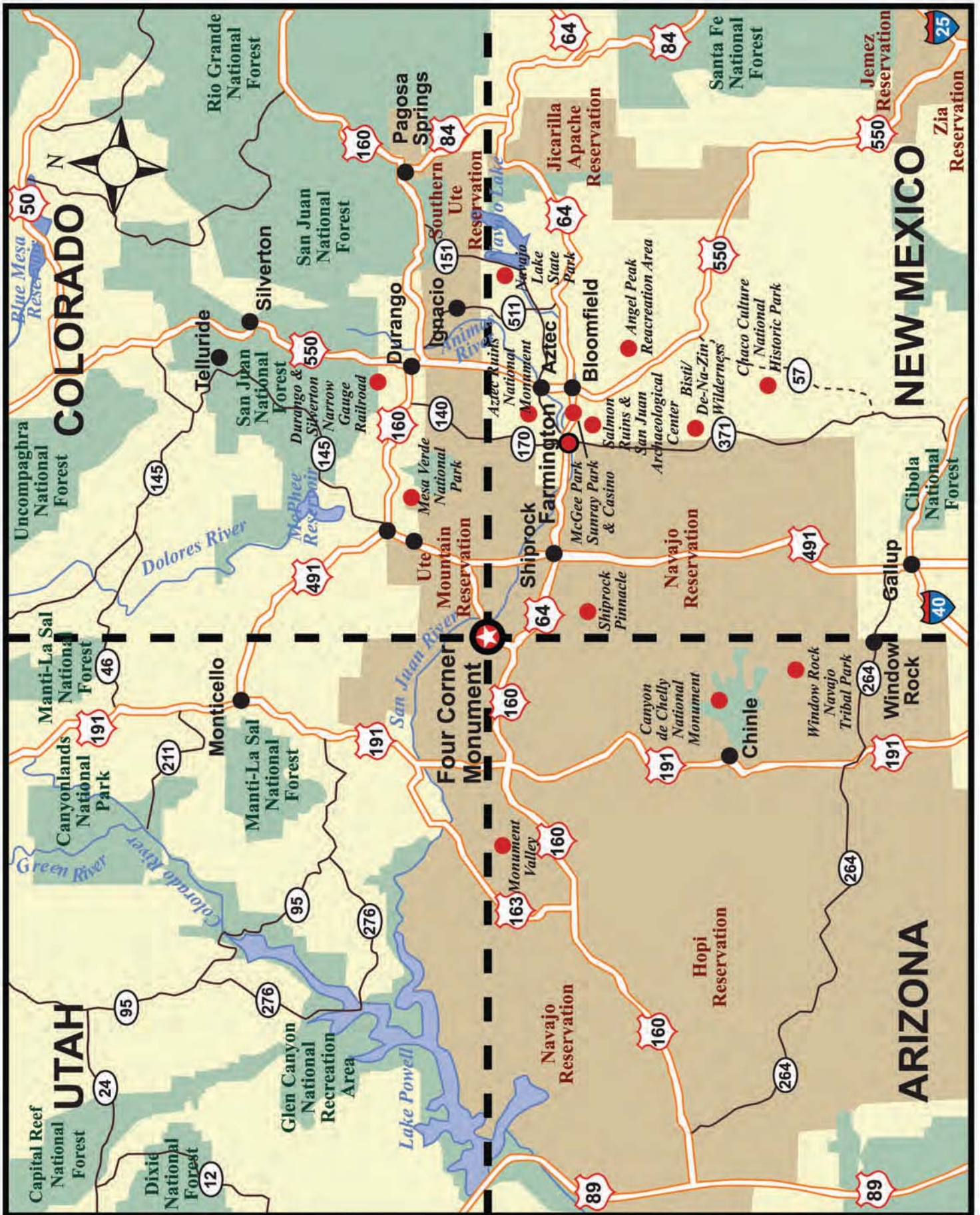
**POLICE CHIEF**  
Steven Hebbe

**PUBLIC WORKS DIRECTOR**  
David Sypher

**CONTROLLER**  
Brooke Quintana







MAP COURTESY OF FARMINGTON CONVENTION & VISITORS BUREAU



# FINANCIAL SECTION







CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT

City of Farmington, New Mexico  
Honorable Mayor and City Council and  
Mr. Brian Colón, 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 schedule for the general fund of the City of Farmington, as of and for the year ended June 30, 2019, 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. Brian Colón, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington as of June 30, 2019, 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.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-19 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 69-76 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 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 (2019 amounts only), other schedules required by 2.2.2 NMAC included as Other Information as listed in the table of contents, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

City of Farmington, New Mexico  
Honorable Mayor and City Council and  
Mr. Brian Colón, New Mexico State Auditor

The schedules of capital assets used in the operation of governmental funds (2018 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 26, 2019, 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.

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

**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 26, 2019



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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, 2019. 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 FY2019 by \$490,820,574 (net position). Of this amount, (\$17,236,617) represents unrestricted net position.
- As of June 30, 2019, the City of Farmington's governmental funds reported combined ending fund balances of \$36,900,529, a decrease of \$2,431,329, or 6.18% in comparison with the prior year. A total of \$10,406,607 (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 \$11,420,351, or 20.0% of the total general fund expenditures.
- The City's total net debt increased by \$11,205,774, or 15.8% 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 21-22 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-eight (28) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other twenty-seven (27) 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 81-92).

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 23-26 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 123-126 of this report. Fund data for the internal service fund is provided on page 122 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 33-66 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 \$490,820,574 at the close of FY2019.

The largest portion of the City of Farmington's net position (\$501,703,962 or 102.2%) 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	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
Current and other assets	\$ 52,195,876	\$ 53,664,710	\$ 131,979,364	\$ 122,799,100	\$ 184,175,240	\$ 176,463,810
Capital assets	130,856,550	117,704,099	439,747,896	427,987,981	570,604,446	545,692,080
Total assets	183,052,426	171,368,809	571,727,260	550,787,081	754,779,686	722,155,890
Deferred outflow from pension	18,802,085	15,760,722	5,213,433	4,419,370	24,015,518	20,180,092
Deferred outflow from OPEB	686,876	647,080	244,771	246,031	931,647	893,111
Total deferred outflows of resources	19,488,961	16,407,802	5,458,204	4,665,401	24,947,165	21,073,203
Long-term liabilities outstanding	166,229,499	150,369,500	71,001,794	68,801,212	237,231,293	219,170,712
Other liabilities	6,486,845	5,594,026	20,593,003	19,120,389	27,079,848	24,714,415
Total liabilities	172,716,344	155,963,526	91,594,797	87,921,601	264,311,141	243,885,127
Deferred inflow from pension	8,762,154	11,183,927	1,276,763	1,505,437	10,038,917	12,689,364
Deferred inflow from OPEB	10,546,272	8,033,463	4,009,947	3,053,138	14,556,219	11,086,601
Total deferred inflows of resources	19,308,426	19,217,390	5,286,710	4,558,575	24,595,136	23,775,965
Net position						
Net investment in capital assets	98,459,383	99,720,673	403,244,579	393,571,428	501,703,962	493,292,101
Restricted	4,691,322	3,298,342	1,661,907	1,661,907	6,353,229	4,960,249
Unrestricted (deficit)	(92,634,088)	(90,423,320)	75,397,471	67,738,971	(17,236,617)	(22,684,349)
Total net position	\$ 10,516,617	\$ 12,595,695	\$ 480,303,957	\$ 462,972,306	\$ 490,820,574	\$ 475,568,001

Another portion of the City of Farmington's net position, \$6,353,229 or 1.3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$17,236,617) or (3.5%) is unrestricted.

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 for both FY2019 and FY2018. The City held positive balances in two of the three categories of net position for the government as a whole in the prior fiscal year also (net investment in capital assets and restricted net position) and positive balances for all three categories of net position for business-type activities.

The City of Farmington's net position increased \$15,252,573 during the current fiscal year. 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. These included significant increases in net pension liability, along with increases in deferred outflows from pensions and OPEB, and an increase in deferred inflows from OPEB in FY2019, while net OPEB liability and deferred inflows from pensions decreased from the prior year. There was also a 192.0% increase in the regulatory asset component for FY2019.

**Governmental activities.** Governmental activities decreased the City of Farmington's net position by \$2,079,078. 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	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
Revenues:						
Program revenues:						
Charges for services	\$ 7,884,547	\$ 8,696,969	\$ 140,387,915	\$ 134,744,342	\$ 148,272,462	\$ 143,441,311
Operating grants and Contributions	5,007,148	5,301,872	-	-	5,007,148	5,301,872
Capital grants and Contributions	1,028,911	5,115,364	2,136,123	2,620,971	3,165,034	7,736,335
General revenues:						
Property taxes	2,061,286	2,039,855	-	-	2,061,286	2,039,855
GRT taxes	55,196,875	51,388,261	-	-	55,196,875	51,388,261
Other taxes	4,707,114	5,207,151	1,204,224	1,242,160	5,911,338	6,449,311
Other	2,513,451	1,472,403	2,093,678	726,061	4,607,129	2,198,464
Total revenues	78,399,332	79,221,875	145,821,940	139,333,534	224,221,272	218,555,409
Expenses:						
General Government	29,001,248	37,487,301	-	-	29,001,248	37,487,301
Police	20,062,739	18,247,022	-	-	20,062,739	18,247,022
Fire	11,518,164	11,408,649	-	-	11,518,164	11,408,649
Parks, rec & cultural affairs	16,972,721	17,152,218	-	-	16,972,721	17,152,218
Public Works	8,600,434	11,579,158	-	-	8,600,434	11,579,158
Electric	-	-	92,292,826	92,629,799	92,292,826	92,629,799
Water	-	-	15,256,353	13,748,989	15,256,353	13,748,989
Wastewater	-	-	8,249,189	7,078,538	8,249,189	7,078,538
Sanitation	-	-	5,725,091	5,575,831	5,725,091	5,575,831
Other	1,289,934	1,199,749	-	-	1,289,934	1,199,749
Total expenses	87,445,240	97,074,097	121,523,459	119,033,157	208,968,699	216,107,254
Increase (decrease) in net position before transfers	(9,045,908)	(17,852,222)	24,298,481	20,300,377	15,252,573	2,448,155
Transfers	6,966,830	7,888,973	(6,966,830)	(7,888,973)	-	-
Increase (decrease) in net position	(2,079,078)	(9,963,249)	17,331,651	12,411,404	15,252,573	2,448,155
Net position - beginning	12,595,695	65,415,723	462,972,306	465,565,519	475,568,001	530,981,242
Cumulative effect of GASB No. 75	-	(42,856,779)	-	(15,004,617)	-	(57,861,396)
Net position - ending	\$ 10,516,617	\$ 12,595,695	\$ 480,303,957	\$ 462,972,306	\$ 490,820,574	\$ 475,568,001

Total accrued gross receipts tax (GRT) increased by \$3,808,614 or 7.4%. This was due to the imposition of new gross receipts tax increments in FY2019, effectively raising the City's GRT rate from 7.625% to 8.25%. 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 become effective January 1, 2019. There were also notable increases found in receipts from the following industry sectors: mining, agricultural, and services sectors.

Operating grants decreased \$294,724 mainly due to decreases in general government federal funding from wildland fire reimbursements (\$289,813) and police federal grants (\$128,127), state funding from police department and airport grants (\$60,929), intergovernmental police reimbursements (\$69,106), and a reduction in parks, recreation, and cultural affairs state grants (\$360,073); along with increases in general government for CDGB federal grant funding (\$264,308), police protection federal grants (\$41,331) and state grants (\$126,630), and federal wildland fire grants (\$125,922). The remaining variance (\$55,130) was made up of various other grants combined.

Capital grants and contributions decreased \$4,086,453 during the year. This was due mainly to a decrease in federal funding for the airport (\$3,413,380) and a decrease in state funding for the airport (\$50,308), and decreases in state funding for various traffic and road improvements (\$809,532) including the Villa View and Foothills enhancement projects. Capital grants and contributions were increased as a result of an MRA state grant received in FY2019 (\$50,000).

Charges for services decreased \$812,422 or (9.3%) due mainly to decreases in stop loss payments (\$639,029), reduced revenues from Pinon Hills and Civitan golf courses (\$85,986), decreased collections related to court fines (\$126,691) and traffic fines (\$33,028), museum exhibit sponsorships (\$60,256). Charges for services were increased by civic center rentals and brokerage fees (\$97,553).

Total transfers decreased \$922,143 due to a decreased transfer of (\$756,601) 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 FY2019 was a result of a decrease in dividends from the electric utility (\$293,531) caused in part to a decrease in electric operating revenues and interest earnings in FY2017 (the year that the current dividend is based upon). The reassignment of capital assets from the governmental activities to business-type activities attributed to an increase of \$7,989.

Total expenses decreased \$9,628,857 or (9.9%) during the year due to a decrease in operating expenditures for general government (\$7,488,467) and increased capital outlay expenditures for general government (\$957,907), along with a decrease in fire capital outlay (\$1,539,664) and an increase in parks, recreation, and cultural affairs capital (\$3,326,730). Interest expenditures also increased in FY2019 (\$90,185). The overall change includes an increase in OPEB expense (\$1,038,318) as a result of decreases in net OPEB liability, along with increases in both deferred inflows and outflows of resources related to OPEB. A component of the general governmental expenditure decrease was a result of decreased workers' compensation and incurred but not reported (IBNR) claims (\$788,125) for FY2019.

**Business-type activities.** Business-type activities increased the City of Farmington's net position by \$17,331,651. Overall change in the government's net position was an increase of \$15,252,573 from FY2018. Although the business-type activities had a positive change, the governmental activities had a net position change of \$(2,079,078). Much of the changes for both business-type and governmental activities was due to changes in pension and OPEB reporting, the issuance of debt, and changes in capital assets. During FY2019, the City decided to implement GASB 89 early. As a result, any interest incurred before the end of the construction period will be a current period expense and not

capitalized. Key financial elements for the business-type activities over the past fiscal year are as follows:

- For FY2019, the total net pension liability increased \$10.6 million, which is a 12.1% increase from last fiscal year. Of this change, the business-type increase was \$1.7 million, or 9% of the total increase. The remaining change was all for governmental activities. The PERA fund returned 6.9% and generated investment gains of approximately \$1 billion. Despite the underperformance, the defined benefit funds continue to exceed their policy benchmarks over a longer time.
- The total net pension liability for OPEB was \$43.6 million. This was a decrease of \$5.1 million or 10.4% from FY2018. The change for business-type activities was a decrease of \$1.4 million or 10.4%.
- Operating expenses were 86.3% of operating revenues, resulting in \$19,185,926 in operating income.
- Total electric revenue increased by \$3.7 million or 3.6%. Electric sales to customers were up \$4.2 million. Sales to residential customers were \$2.1 million higher than the prior year. While combined sales to commercial, industrial, and wholesale customers were down \$1.7 million from last year. During FY2019, the third and final phase of a three-phase rate increase was implemented. Overall consumption for electric rate classes decreased 34 megawatts or 3.3% from FY2018. The power cost adjustment (PCA) increased a net total of \$4.1 million. Billed revenues for the PCA increased \$4.7 million, during FY2019 the rate increased twice. The PCA for the regulated accounting under GASB 62, revenues decreased by \$550 thousand. Operating revenues were \$3.8 million higher and operating expenses were lower by \$337 thousand, which resulted in a \$4.1 million increase in operating income.
- Total water revenue increased \$1.4 million or 6.8%. Water sales to customers increased \$615 thousand. Residential customer sales were down \$125 thousand. Commercial customer sales were up \$287 thousand from FY2018. Contract/raw water customer sales decreased \$61 thousand. The renewal replacement fees were also up, by \$601 thousand. FY2019 was the fifth and final year of water utility rate increase. Starting in FY2020 a new rate study will be performed. During FY2019, the water utility completed phase I of the 2P waterline replacement project. There are three phases to this project, phase I was \$2.2 million and phase II had begun in FY2019. Phase III is to start in FY2020.
- Total wastewater revenue increased \$1.2 million or 11.1% during FY2019. Wastewater sales to customers were up \$1 million. Sales to residential customer increased \$481 thousand. Commercial customer sales were also up by \$180 thousand. Renewal replacement fees increased \$353 thousand FY2019. Along with water rates, the wastewater utility is also in their fifth and final year of rate increases. The utility will also perform another rate study in FY2020. In FY2019, the wastewater utility completed an improvement project for the treatment plant for \$21.9 million.

- Total sanitation revenue increased \$201 thousand due to a higher demand for sanitation services.
- Investment earnings for business-type activities increased \$1.4 million over last year, or 188.4%. During FY2018, the City recognized a loss on investments but then in FY2019 recognized a gain. Also in FY2019, interest rates were higher than in past years.

## 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, 2019, the City of Farmington's governmental funds reported combined ending fund balances of \$36,900,529, a decrease of \$2,431,329 in comparison with the prior year. Approximately 28.2% of this total amount or \$10,406,607 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* (\$892,069), *restricted* (\$21,363,414), *committed* (\$3,297,051), or *assigned* (\$941,388).

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 \$11,420,351, while total fund balance was \$12,302,120. 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 20.0% of total general fund expenditures, while total fund balance represents 21.6% of that same amount. The fund balance of the City of Farmington's general fund decreased \$249,147 or (2.0%) during the current fiscal year.

The total increase in general fund revenue was \$154,064 or 0.3%. This is due partly because of a decrease in franchise fee collections for the electric utility system (\$172,932), decreased federal grant revenue from wildland firefighting (\$289,813), and reduced collections from court fines and probation fees (\$126,691). Other factors affecting general fund revenues are increases in donations from the Boys & Girls Club for their contribution to the City for the teen center addition (\$225,421), along with increases in damage recoveries (\$194,061), and workers compensation reimbursements (\$365,705).

Total general fund expenditures decreased \$1,573,650 or 2.7% over the prior year. Key elements of this change were increases in detention fees payable to San Juan County for prisoner care (\$395,424) and the purchase of new spreadsheet server software (\$47,729), reduction in intergovernmental expenditures based on prior year capital



purchases related to vehicles and land (\$374,970), workers compensation decrease in expenditures due in part to reimbursements recorded as revenues instead of reduction in current year expenses (\$788,125), and overall decreases in insurance costs mainly related to incurred but not reported (IBNR) health care claims (\$1,590,534). Parks, recreation, and cultural affairs also experienced increased utility costs for the operations division (\$116,820) and animal shelter (\$17,795), and increased expenditures in FY2019 for operations supplies (\$32,261) and animal shelter supplies (\$40,513). The animal shelter's operating expenditures related to professional and technical services medical costs increased (\$56,050) while wages and benefits increased (\$63,328). Other factors contributing to the overall decrease in general fund expenditures were reductions in other purchased services for fire operations related to training and outside vehicle repairs (\$114,561), along with lower expenditures for non-capital equipment and supplies (\$66,548) and lower costs associated with the wildland fire program (\$120,838) combined with an increase for a fire consultant contract in FY2019 (\$25,000). Also in FY2019, the implementation of the new GRT for the streets fund, allowed for additional costs related to the public works/streets division to be covered utilizing the newly imposed tax increment. The interdepartmental transfer from the Streets fund to the General fund was increased (\$647,108) reducing the division's overall expenditure balance. The police department experienced an overall increase in expenditures for the fiscal year (\$899,846) mainly due to wages and benefits. There was minimal staff turnover throughout the year compared to prior fiscal year and the City implement a longevity plan in FY2019, which also attributed to increases in benefits for employees.

Total incoming transfers decreased by \$235,053 or 3.5% due to an increase in the transfer from the community transformation economic diversification fund (\$153,068) and decreases in the transfer from the metro redevelopment authority fund (\$87,167) and state fire fund (\$7,423). There was a decrease in dividends transferred from the electric utility (\$293,531) caused in part to a decrease in electric operating revenues and interest earnings in the year that the current dividend is based upon (FY2017).

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 revenue for GRT streets fund increased (\$835,848) or 11.2%, while GRT revenue for GRT parks fund decreased (\$74,312) or 3.0% in FY2019 when compared to the prior year. The GRT streets fund experienced a decrease in gasoline tax revenue over the prior year (\$64,197). Current expenditures related to public works in the GRT streets fund increased (\$322,834) due to increased costs of traffic signal upgrades (\$55,708), irrigation ditch maintenance (\$106,030), utilities (\$57,780) and costs related to street maintenance materials and supplies (\$156,571). Debt service expenditures were added in FY2019 (\$142,943) as a result of the new bond/loan agreement with NMFA for Series 2019 paving bonds. Capital outlay related to public works decreased (\$1,346,126) as a result of completion of various street resurfacing projects (\$1,173,976), and reduction in storm drainage (\$85,616) and storm sewer (\$583,240) expenditures. Transfers from the GRT streets fund to the capital projects fund increased in FY2019 as result of project matches required for several projects including the Foothills extension project phase I and II and 20<sup>th</sup> Street sidewalks phase III.

Total revenues in the nonmajor governmental funds increased \$7,552,811 or 52.8% due mainly to the reclassification of the GRT Streets fund from a major fund in FY2018 to a



nonmajor fund in FY2019. Total revenue for the GRT Streets fund in FY2019 was \$8,737,629. Other factors related to the overall increase in nonmajor governmental funds resulted from two new funds added in FY2019, the gross receipts tax public safety fund and gross receipts tax community transformation economic diversification. Both of these fund's primary source of revenue is gross receipts tax based. The City adopted Ordinance 2018-1312 in FY2019 to impose 0.125% public safety purpose, 0.125% public works purpose, and 0.25% general purpose. For FY2019, gross receipts tax revenue collections were reported as follows: grt public safety fund (\$1,058,786) and grt community transformation economic diversification fund (\$2,117,572). Additional changes related to revenues for nonmajor special revenue funds include the following: decreases in state grants for the parks and recreation gifts and grants fund (\$360,073) and donations decreased for the parks and recreation gifts and grants fund (\$132,068) mainly as a result of a one-time donation from the Convention and Visitors Bureau received in FY2018; federal grants increased for the CDBG fund (\$264,308) related to the Boys and Girls Club teen center addition; increased funding was received in the region II narcotic grant fund for federal funds related to HIDTA (\$41,331) and state funds for DCSI and JAG grants (\$126,630); decreased federal funds were received for the COP program grant fund (\$128,127); and state fire fund federal funds increased (\$125,922) related to wildland firefighting. Capital project funds in the nonmajor governmental funds also experienced overall changes in revenues as follows: decreased state funding for the community development grant projects fund (\$809,532) due to the Villa View project and increased state funding for the Foothills enhancement phase I (\$125,508); and the airport construction grant project also reflected a decrease in both federal (\$3,413,380) and state (\$50,308) funding due to limited construction activity for FY2019.

Expenditures in the governmental funds (not including the general fund) decreased \$3,401,123 or 7.8% during FY2019. Key elements of this decrease resulted from the following: new expenditures related to police and fire current operations from the gross receipts tax public safety fund (\$688,667) and general government current expenditures related to professional/technical services and wages/benefits (\$840,558) in the gross receipts tax community transformation economic diversification fund, both which were created in FY2019 along with the newly imposed GRT increments. General government capital outlay in the community transformation economic diversification fund increased due to land purchases (\$721,448) and public works streets construction for the Bisti highway pedestrian project (\$298,890). Parks, recreation, and cultural affairs capital expenditures decreased over the prior year due to the completion of the following projects: Animas River Restoration (\$221,302), Entry Monuments (\$177,125), and the Soccer Complex renovations (\$40,189). Public works capital outlay increased during the year in the community development grant projects fund due to expenditures related to the Foothills enhancement project (\$1,603,120) and decreased due to the Villa View project nearing completion (\$747,002). General government current operating expenditures in the gross receipts tax bond projects fund were reduced in FY2019 as the energy upgrades at the Civic Center neared completion (\$2,539,095) along with parks, recreation, and cultural affairs current operating decreases (\$809,152) also related to the same project. Capital outlay related to parks, recreation, and cultural affairs increased in the gross receipts tax 2017/2018 bond capital projects fund (\$7,286,008) from the construction of Bisti Bay at Brookside Park water park. As the runway resurfacing project at the airport neared completion, current expenditures related to the project reported under the airport construction grant projects fund were decreased (\$3,511,023). The Civic Center project also neared completion in FY2019, resulting in decreased capital outlay costs for parks,

recreation, and cultural affairs reported under the convention center capital projects fund (\$3,829,979), along with an increase in current expenditures for professional/technical services for the Civic Center project (\$341,093). Overall changes in the debt service fund reflected a decrease (\$1,173,019), resulting from reduced principal payments (\$1,565,300) and increased interest payments (\$392,281).

**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 \$46,524,753 in the electric utility system, \$15,065,271 in the water utility system, \$13,243,406 in the wastewater utility system, and \$564,041 in the sanitation utility. The total growth in net position was \$8,659,865 in the electric fund, \$5,238,901 in the water fund, and \$3,544,202 in the wastewater fund. Total reduction in net position for the sanitation fund was \$111,317.

### **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 11 years. GRT only contributed 70% (cash basis) of the total General Fund revenue in FY2019. 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, and later revised in FY2018, the City Council implemented a new policy to allow the General Fund to receive a transfer from the Farmington Electric Utility. In FY2019, the electric transfer comprised 8.0%, or \$4.7 million, of the General Fund revenue.

The budget for FY2019 was 4.3% higher than FY2018 actual in GRT revenue. Several factors influenced this optimistic forecast for Farmington's economy in FY2019. The history of Farmington's economy was a large factor in the GRT projection for FY2019. 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% decrease 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. Reports from the oil and gas industry indicated a recovery and increased drilling and production was budgeted in many companies. Construction and expansion was indicated by many companies leading to an optimistic projection of GRT. Unfortunately, the highly anticipated increase in GRT was not realized as FY2019 ended up with a decrease of 0.9%, even with 4 months of a 5/8ths increment increase. FY2019 remains 3.9% below the City's historically highest GRT in FY2009. As previously mentioned, effective January 1, 2019, Council implemented 5/8ths GRT increments to offset the effect of the Hold Harmless Repeal legislation enacted by the NM State legislature in 2015, promote community transformation and economic diversification, and maintain public safety and infrastructure.

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 also 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 currently trading around \$57 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 at \$2.72 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. The average unemployment rate for Farmington was 5.7% for FY2019, much lower than FY2017’s rate of 8.7% but still falling behind the national unemployment rate of 3.7%. 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 \$60,731,361 increased to \$60,867,086 during FY2019. The \$136 thousand difference is comprised of several adjustments. The largest General Fund expenditure budget adjustment is associated to the transfer of expenditures to the Public Safety GRT, Community Transformation and Economic Diversification, and GRT Streets funds to utilize the new gross receipts tax increment revenue received. In addition, the fire wildland operation purchased a brush-truck for \$331 thousand and vehicle maintenance rolled over the remaining budget for a new software being installed. Approximately \$541 thousand was budgeted for legal settlement costs. Remaining General Fund adjustments reflected grants received during the fiscal year.

During the year, Council approved six separate budget revisions to adjust the original FY2019 expenditure budget. For the City as a whole, these adjustments totaled \$22,797,999, a 7.9% 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 FY2019 for parks, police, and fire operations resulted in an increase in expenditures relative to the increase in revenue. Budget adjustments also included creating and setting up the various funds related to the new GRT increment passed such as Public Safety GRT and Community Transformation and Economic Diversification. Several other budget adjustments established the capital project budgets in the various capital funds in order to reflect the true capital intentions. Finally, adjustments included creating a capital project construction budget funded by the GRT Improvement Revenue Bonds, Series 2019 bond issuance for additional paving in the amount of \$13 million.

In FY2019 for the City as a whole, capital expenditures were more than the previous year by \$2.6 million or 5.8%. Of the majority of capital expenditures made in FY2019, the Civic Center Expansion project spent \$3.8 million and \$7.2 million was spent on the Bisti Bay at Brookside Park Waterpark. The Electric Utility capital expenditures were down from FY2018 by \$4 million, or 22.3%. 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, 2019, was \$570,604,446 (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 \$439,747,896 or 77.1% 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 \$11,759,915 or 2.8%. The governmental activities investment in capital assets accounted for \$130,856,550 or 22.9% 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 \$13,152,451 or 11.2%.

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

City of Farmington's Capital Assets (net of depreciation)							
	Governmental Activities		Business-type Activities		Total		
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018	
Land	\$ 31,020,499	\$ 30,259,051	\$ 5,016,787	\$ 4,061,842	\$ 36,037,286	\$ 34,320,893	
Land rights	-	-	2,238,057	2,197,337	2,238,057	2,197,337	
Buildings	31,545,647	33,425,560	52,201,952	47,977,987	83,747,599	81,403,547	
Improvements	7,809,557	8,389,968	131,934,048	110,500,748	139,743,605	118,890,716	
Equipment	9,345,843	8,660,635	152,288,967	159,774,412	161,634,810	168,435,047	
Infrastructure	12,878,692	14,995,238	-	-	12,878,692	14,995,238	
Construction in progress	38,256,312	21,973,647	96,068,085	103,475,655	134,324,397	125,449,302	
Total	<u>\$ 130,856,550</u>	<u>\$ 117,704,099</u>	<u>\$ 439,747,896</u>	<u>\$ 427,987,981</u>	<u>\$ 570,604,446</u>	<u>\$ 545,692,080</u>	

Capital expenditures for the electric utility system will average approximately \$46,209,294 per year over the next five fiscal years. Some large projects included in the FY2020 capital budget are AMI metering upgrade (\$1,740,000), Bluffview short-term new generation (\$16,800,000), new Twin Peaks substation (\$2,000,000), transmission line west loop to Hood Mesa (\$2,000,000), transmission line Bluffview to Animas (\$1,000,000), and transmission line Hare to Dwight Arthur substation (\$3,000,000). The City expects to fund these projects from electric customer-generated revenues.

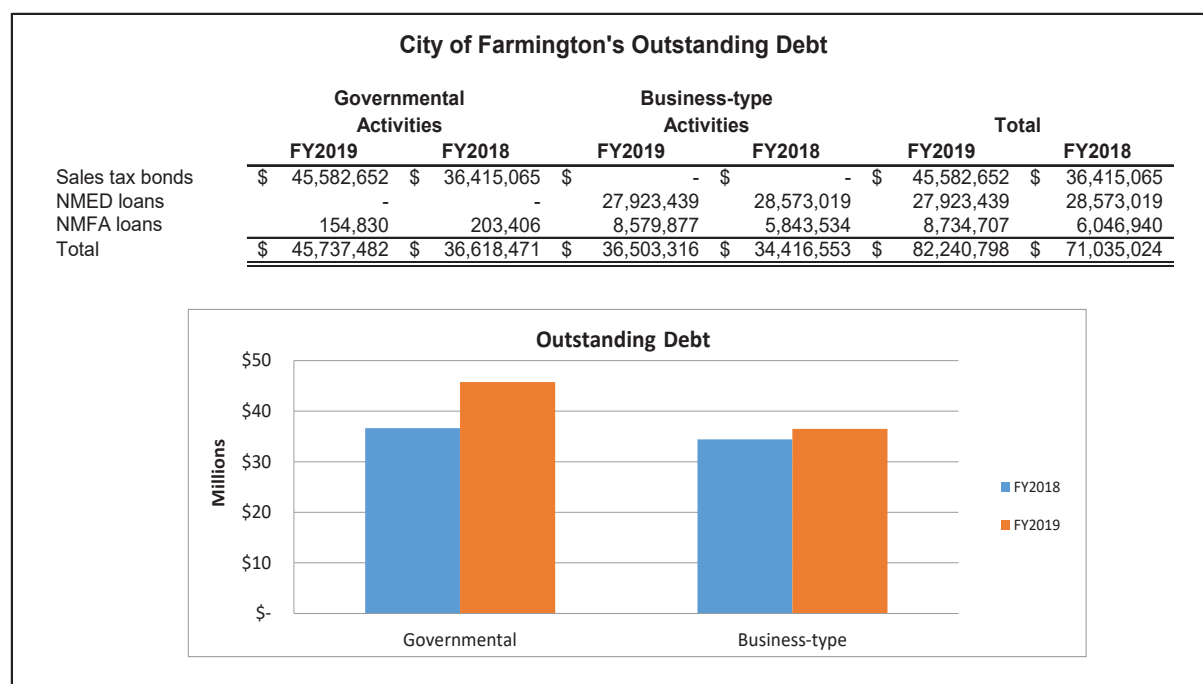
Capital expenditures for the water utility system scheduled in the current five-year capital improvements plan principally include upgrades and replacements of existing facilities to maintain the existing system and meet future demand requirements. Capital expenditures average \$27,767,000 per year, totaling \$138,835,000 for fiscal years 2020 through 2024.

The FY2020 capital budget includes the NMFA-2P waterline replacement – phase 3 (\$2,900,000). It also includes the Animas #1 raw waterline replacement (\$3,100,000).

Capital expenditures scheduled for the wastewater utility system in FY2020 include wastewater treatment plan outfall bank stabilization (\$550,000), lift station #14 rehabilitation of wet well, pumps and electrical (\$510,000), and wastewater treatment plant Digester #1 cleaning, repairs, and coating (\$600,000).

Additional information on the City of Farmington’s capital assets can be found in Note IV.C on pages 45-46 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Farmington had total bonded debt outstanding of \$45,582,652, 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 \$11,205,774 or 15.8% during FY2019. This increase was a result of a new bond issuance the City entered into through New Mexico Finance Authority loan in FY2019. The new issue is for \$10,890,000 in Gross Receipts Tax Improvement Revenue Bonds, Series 2019 and will be utilized for paving projects. The City also began construction on Phase II of the 2P Waterline \$2,270,526 during FY2019. For additional bond information, reference pages 48-50 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 2019 assessed valuation of \$1,165,473,640, the City's general obligation debt limit is \$46,618,946. The City presently has no general obligation bonds outstanding. For more detailed information on the City's debt, see pages 48-54 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, 2019**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 36,718,714	\$ 87,009,756	\$ 123,728,470
Receivables (net, where applicable, of allowances for uncollectibles):	1,059,709	8,266,415	9,326,124
Accrued unbilled revenues	-	7,304,765	7,304,765
Intergovernmental receivable	13,525,384	-	13,525,384
Regulatory Asset	-	12,200,426	12,200,426
Inventories	195,565	6,968,357	7,163,922
Prepays	696,504	178,127	874,631
Restricted assets			
Temporarily restricted:			
Cash and cash equivalents	-	10,051,518	10,051,518
Capital assets (not being depreciated):			
Land	31,020,499	5,016,787	36,037,286
Construction in progress	38,256,312	96,068,085	134,324,397
Capital assets (net of accumulated depreciation):			
Land rights	-	2,238,057	2,238,057
Buildings	31,545,647	52,201,952	83,747,599
Improvements other than buildings	7,809,557	131,934,048	139,743,605
Equipment	9,345,843	152,288,967	161,634,810
Infrastructure	12,878,692	-	12,878,692
Total assets	<u>183,052,426</u>	<u>571,727,260</u>	<u>754,779,686</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pension	18,802,085	5,213,433	24,015,518
Deferred outflows from OPEB	686,876	244,771	931,647
Total deferred outflows of resources	<u>19,488,961</u>	<u>5,458,204</u>	<u>24,947,165</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	4,732,890	10,498,501	15,231,391
Wages and benefits payable	1,004,535	346,373	1,350,908
Other accrued liabilities	475,836	1,358,518	1,834,354
Retainage deposits payable	16,753	-	16,753
Unearned revenue	115,015	-	115,015
Accrued interest payable	141,816	-	141,816
Customer deposits	-	3,074,631	3,074,631
Coal reclamation liability	-	5,234,990	5,234,990
Decommissioning liability	-	79,990	79,990
Non-current liabilities:			
Due within one year	5,291,131	3,149,409	8,440,540
Due in more than one year	52,076,571	34,999,701	87,076,272
Net pension liability	77,249,982	20,833,107	98,083,089
Net OPEB liability	31,611,815	12,019,577	43,631,392
Total liabilities	<u>172,716,344</u>	<u>91,594,797</u>	<u>264,311,141</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension	8,762,154	1,276,763	10,038,917
Deferred inflows from OPEB	10,546,272	4,009,947	14,556,219
Total deferred inflows of resources	<u>19,308,426</u>	<u>5,286,710</u>	<u>24,595,136</u>
<b>NET POSITION</b>			
Net investment in capital assets	98,459,383	403,244,579	501,703,962
Restricted for:			
Fire	134,654	-	134,654
Lodgers promotion	822,610	-	822,610
Capital projects	3,511,356	-	3,511,356
Debt service	222,702	1,661,907	1,884,609
Unrestricted (deficit)	<u>(92,634,088)</u>	<u>75,397,471</u>	<u>(17,236,617)</u>
Total net position	<u>\$ 10,516,617</u>	<u>\$ 480,303,957</u>	<u>\$ 490,820,574</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, 2019**

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	\$ 29,001,248	\$ 4,884,959	\$ 3,363,177	\$ 526,353	\$ (20,226,759)	\$ -	\$ (20,226,759)
Police	20,062,739	694,994	711,420	-	(18,656,325)	-	(18,656,325)
Fire	11,518,164	-	918,479	-	(10,599,685)	-	(10,599,685)
Parks, recreation, cultural affairs	16,972,721	2,275,413	14,072	-	(14,683,236)	-	(14,683,236)
Public works	8,600,434	29,181	-	502,558	(8,068,695)	-	(8,068,695)
Interest on long-term debt	1,289,934	-	-	-	(1,289,934)	-	(1,289,934)
Total governmental activities	<u>87,445,240</u>	<u>7,884,547</u>	<u>5,007,148</u>	<u>1,028,911</u>	<u>(73,524,634)</u>	<u>-</u>	<u>(73,524,634)</u>
Business-type activities:							
Electric	92,292,826	103,184,168	-	1,146,935	-	12,038,277	12,038,277
Water	15,256,353	20,214,760	-	989,188	-	5,947,595	5,947,595
Wastewater	8,249,189	10,792,986	-	-	-	2,543,797	2,543,797
Sanitation	5,725,091	6,196,001	-	-	-	470,910	470,910
Total business-type activities	<u>121,523,459</u>	<u>140,387,915</u>	<u>-</u>	<u>2,136,123</u>	<u>-</u>	<u>21,000,579</u>	<u>21,000,579</u>
Total government	<u>\$ 208,968,699</u>	<u>\$ 148,272,462</u>	<u>\$ 5,007,148</u>	<u>\$ 3,165,034</u>	<u>(73,524,634)</u>	<u>21,000,579</u>	<u>(52,524,055)</u>
General revenues:							
Property taxes					2,061,286	-	2,061,286
Sales taxes					55,196,875	-	55,196,875
Franchise taxes					2,373,842	-	2,373,842
Gasoline taxes					385,398	-	385,398
Lodgers' taxes					1,947,874	-	1,947,874
Environmental taxes					-	1,204,224	1,204,224
Miscellaneous					1,842,022	-	1,842,022
Unrestricted investment earnings					671,429	2,093,678	2,765,107
Transfers					6,966,830	(6,966,830)	-
Total general revenues and transfers					<u>71,445,556</u>	<u>(3,668,928)</u>	<u>67,776,628</u>
Change in net position					<u>(2,079,078)</u>	<u>17,331,651</u>	<u>15,252,573</u>
Net position - beginning					12,595,695	462,972,306	475,568,001
Net position - ending					<u>\$ 10,516,617</u>	<u>\$ 480,303,957</u>	<u>\$ 490,820,574</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	General	Nonmajor Governmental Funds	Total Governmental funds
<b>ASSETS:</b>			
Cash and investments	\$ 6,501,760	\$ 26,355,150	\$ 32,856,910
Receivables (net, where applicable, of allowances for uncollectibles)	798,780	62,311	861,091
Due from other funds	286,815	159,933	446,748
Advance to other funds	1,500,000	-	1,500,000
Inventories, at cost	195,565	-	195,565
Prepaid items	686,204	10,300	696,504
Intergovernmental	9,631,232	3,894,152	13,525,384
Total assets	\$ 19,600,356	\$ 30,481,846	\$ 50,082,202
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 979,481	\$ 3,753,409	\$ 4,732,890
Wages and benefits payable	936,270	68,265	1,004,535
Other accrued liabilities	46,610	-	46,610
Accrued claims payable	3,151,670	-	3,151,670
Retainage/deposits payable	16,753	-	16,753
Unearned revenue	-	115,015	115,015
Due to other funds	-	446,748	446,748
Advance from other funds	-	1,500,000	1,500,000
Total liabilities	5,130,784	5,883,437	11,014,221
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenue - property taxes	2,167,452	-	2,167,452
<b>FUND BALANCES:</b>			
<b>Nonspendable:</b>			
Inventories and prepaids	881,769	10,300	892,069
<b>Restricted to:</b>			
Fire	-	134,654	134,654
Lodgers' promotion	-	822,610	822,610
Capital projects	-	20,183,448	20,183,448
Debt service	-	222,702	222,702
<b>Committed to:</b>			
Police	-	371,960	371,960
Fire	-	186,244	186,244
Parks, recreation, cultural affairs	-	1,058,593	1,058,593
Public works	-	1,680,254	1,680,254
<b>Assigned to:</b>			
Parks, recreation, cultural affairs	-	548,350	548,350
Library	-	45,348	45,348
Community development	-	172,888	172,888
Capital projects	-	174,802	174,802
Unassigned	11,420,351	(1,013,744)	10,406,607
Total fund balances	12,302,120	24,598,409	36,900,529
Total liabilities, deferred inflows of resources, and fund balances	\$ 19,600,356	\$ 30,481,846	

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.	130,856,550
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,167,452
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.	3,014,874
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(53,741,526)
Net pension liability	(77,249,982)
Deferred outflows from pension	18,802,085
Deferred inflows from pension	(8,762,154)
Net OPEB liability	(31,611,815)
Deferred outflows from OPEB	686,876
Deferred inflows from OPEB	(10,546,272)
Net position of governmental activities	\$ 10,516,617



**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2019**

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>			
Taxes:			
Property	\$ 2,047,350	\$ 913	\$ 2,048,263
Gross receipts tax	41,321,216	13,875,659	55,196,875
Franchise taxes	2,373,842	-	2,373,842
Gasoline taxes	-	385,398	385,398
Lodgers' taxes/fees	-	1,947,874	1,947,874
Licenses and permits	531,327	-	531,327
Intergovernmental:			
Federal	162,206	2,503,397	2,665,603
State	71,789	1,954,467	2,026,256
Other	1,251,479	92,721	1,344,200
Charges for services	2,750,332	220,522	2,970,854
Fines	574,286	87,421	661,707
Investment earnings	168,186	429,862	598,048
Miscellaneous	1,488,488	353,448	1,841,936
Total revenues	52,740,501	21,851,682	74,592,183
<b>EXPENDITURES:</b>			
Current:			
General government	19,557,700	2,931,641	22,489,341
Police	17,607,926	1,101,973	18,709,899
Fire	8,880,643	1,129,131	10,009,774
Parks, recreation, and cultural affairs	10,846,843	4,542,581	15,389,424
Public works	110,001	5,773,054	5,883,055
Airport	-	561,869	561,869
Debt service:			
Principal	-	1,770,989	1,770,989
Interest	-	1,256,330	1,256,330
Bond issuance costs	-	142,943	142,943
Capital outlay:			
General government	-	1,820,595	1,820,595
Police	-	228,548	228,548
Fire	-	223,078	223,078
Parks, recreation, and cultural affairs	-	11,747,828	11,747,828
Public works	-	6,867,715	6,867,715
Total expenditures	57,003,113	40,098,275	97,101,388
Excess (deficiency) of revenues over (under) expenditures	(4,262,612)	(18,246,593)	(22,509,205)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	6,549,315	7,148,084	13,697,399
Transfers out	(2,535,850)	(4,194,719)	(6,730,569)
GRT improvement revenue bond series 2019 issued	-	10,890,000	10,890,000
GRT improvement revenue bond series 2019 premium	-	2,221,046	2,221,046
Total other financing sources (uses)	4,013,465	16,064,411	20,077,876
Net change in fund balances	(249,147)	(2,182,182)	(2,431,329)
Fund balances-beginning	12,551,267	26,780,591	39,331,858
Fund balances-ending	\$ 12,302,120	\$ 24,598,409	\$ 36,900,529

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, 2019**

Amounts reported for governmental activities in the statement of activities (page 22) are different because:

Net change in fund balances-total governmental funds (page 24)	\$ (2,431,329)
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.	13,152,451
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	13,023
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.	(11,287,165)
The net revenue/expense of certain activities of internal services funds is reported with governmental activities.	708,591
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>(2,234,649)</u>
Change in net position of governmental activities (page 22)	<u>\$ (2,079,078)</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, 2019**

	<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	\$ 1,925,872	\$ 1,925,872	\$ 2,046,771	\$ 120,899
Gross receipts tax	43,465,405	43,465,405	41,283,001	(2,182,404)
Franchise taxes	2,456,596	2,456,596	2,392,701	(63,895)
Licenses and permits	600,250	600,250	531,327	(68,923)
Intergovernmental:				
Federal	39,052	182,715	167,715	(15,000)
State	12,000	41,886	110,728	68,842
Other	1,305,046	1,305,046	1,249,197	(55,849)
Charges for services	3,130,817	3,130,817	2,761,578	(369,239)
Fines	879,000	879,000	574,286	(304,714)
Investment earnings	105,000	105,000	100,812	(4,188)
Miscellaneous	348,180	585,385	1,262,057	676,672
Total revenues	<u>54,267,218</u>	<u>54,677,972</u>	<u>52,480,173</u>	<u>(2,197,799)</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
Council	279,058	279,058	293,347	(14,289)
Municipal court	2,060,081	2,060,081	2,171,137	(111,056)
Administrative	8,972,754	9,349,436	10,694,898	(1,345,462)
Legal	864,966	1,405,417	1,438,205	(32,788)
Administrative services	710,450	710,450	611,622	98,828
General services	4,646,761	4,800,869	4,653,517	147,352
Community development	958,812	912,653	830,449	82,204
Total general government	<u>18,492,882</u>	<u>19,517,964</u>	<u>20,693,175</u>	<u>(1,175,211)</u>
Public safety:				
Police	18,155,178	18,111,108	17,552,175	558,933
Fire	9,089,516	8,872,296	8,890,235	(17,939)
Total public safety	<u>27,244,694</u>	<u>26,983,404</u>	<u>26,442,410</u>	<u>540,994</u>
Public works	1,067,734	404,626	102,637	301,989
Parks, recreation, and cultural affairs	11,410,816	11,425,242	10,777,596	647,646
Total expenditures	<u>58,216,126</u>	<u>58,331,236</u>	<u>58,015,818</u>	<u>315,418</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,948,908)</u>	<u>(3,653,264)</u>	<u>(5,535,645)</u>	<u>(1,882,381)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	6,464,144	6,613,510	6,564,515	(48,995)
Transfers out	(2,515,235)	(2,535,850)	(2,535,850)	-
Total other financing sources (uses)	<u>3,948,909</u>	<u>4,077,660</u>	<u>4,028,665</u>	<u>(48,995)</u>
Net change in fund balances	1	424,396	(1,506,980)	<u>\$ (1,931,376)</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in receivables			199,985	
Change in fair market value - investments			67,374	
Change in intergovernmental			(22,231)	
Change in accrued payables			1,012,705	
			<u>1,257,833</u>	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(249,147)	
Fund balances-beginning	12,551,267	12,551,267	12,551,267	
Fund balances-ending	<u>\$ 12,551,268</u>	<u>\$ 12,975,663</u>	<u>\$ 12,302,120</u>	

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, 2019**

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 57,191,449	\$ 15,108,332	\$ 13,996,239	\$ 7,13,736	\$ 87,009,756
Accounts receivable (net of allowance for doubtful accounts)	4,466,053	2,348,370	1,100,899	351,093	8,266,415
Accrued unbilled revenues	5,398,911	1,147,220	494,597	264,037	7,304,765
Regulatory asset	12,200,426	-	-	-	12,200,426
Inventories	6,968,357	-	-	-	6,968,357
Prepaid items	147,302	13,899	16,926	-	178,127
Restricted cash, cash equivalents and investments	7,809,534	580,077	1,661,907	-	10,051,518
Total current assets	94,182,032	19,197,898	17,270,568	1,328,866	131,979,364
Noncurrent assets:					
Capital assets:					
Land and land rights	3,800,240	3,086,978	1,434,333	23,341	8,344,892
Building and system	73,116,357	14,028,074	31,666,497	80,323	118,891,251
Improvements other than buildings	90,397,275	78,596,471	38,558,656	-	207,552,402
Machinery and equipment	332,735,586	17,018,890	4,793,279	99,706	354,647,461
Construction in progress	73,445,361	16,463,355	6,159,369	-	96,068,085
Less accumulated depreciation	(266,831,186)	(50,262,487)	(28,558,925)	(103,597)	(345,756,195)
Total capital assets	306,663,633	78,931,281	54,053,209	99,773	439,747,896
(net of accumulated depreciation)	306,663,633	78,931,281	54,053,209	99,773	439,747,896
Total noncurrent assets	400,845,665	98,129,179	71,323,777	1,428,639	571,727,260
Total assets					4,060,422
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred amount on pension	\$ 4,962,855	\$ 134,370	\$ 104,736	\$ 11,472	\$ 5,213,433
Deferred amount on OPEB	232,997	6,315	4,920	539	244,771
Total deferred outflows of resources	5,195,852	140,685	109,656	12,011	5,458,204

**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

	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	\$ 6,098,504	\$ 2,455,831	\$ 1,251,053	\$ 693,113	\$ 10,498,501	\$ -
Accrued liabilities	1,531,003	166,602	6,538	748	1,704,891	429,226
Compensated absences	632,853	19,114	19,114	-	671,081	-
Unpaid claims liability	98,465	26,143	261,188	-	385,796	-
Customer deposits payable	2,494,554	580,077	-	-	3,074,631	-
Coal reclamation liability	5,234,990	-	-	-	5,234,990	-
Decommissioning liability	79,990	-	-	-	79,990	-
NMED loan	-	-	1,646,446	-	1,646,446	-
NMFA loan	-	446,086	-	-	446,086	-
Total current liabilities	<u>16,170,359</u>	<u>3,693,853</u>	<u>3,184,339</u>	<u>693,861</u>	<u>23,742,412</u>	<u>429,226</u>
Noncurrent liabilities:						
Compensated absences	302,976	40,368	40,368	-	383,712	-
Unpaid claims liability	52,535	13,857	138,812	-	205,204	616,322
NMED loan	-	-	26,276,993	-	26,276,993	-
NMFA loan	-	8,133,792	-	-	8,133,792	-
Net Pension Liability	19,831,796	536,920	418,556	45,835	20,833,107	-
Net OPEB Liability	11,457,604	301,057	235,173	25,743	12,019,577	-
Total noncurrent liabilities	<u>31,644,911</u>	<u>9,025,994</u>	<u>27,109,902</u>	<u>71,578</u>	<u>67,852,385</u>	<u>616,322</u>
Total liabilities	<u>47,815,270</u>	<u>12,719,847</u>	<u>30,294,241</u>	<u>765,439</u>	<u>91,594,797</u>	<u>1,045,548</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred amount on pension	1,215,398	32,905	25,651	2,809	1,276,763	-
Deferred amount on OPEB	3,822,463	100,438	78,458	8,588	4,009,947	-
Total deferred inflows of resources	<u>5,037,861</u>	<u>133,343</u>	<u>104,109</u>	<u>11,397</u>	<u>5,286,710</u>	<u>-</u>
<b>NET POSITION</b>						
Net investment in capital assets	306,663,633	70,351,403	26,129,770	99,773	403,244,579	-
Restricted for debt service	-	-	1,661,907	-	1,661,907	-
Unrestricted	46,524,753	15,065,271	13,243,406	564,041	75,397,471	3,014,874
Total net position	<u>\$ 353,188,386</u>	<u>\$ 85,416,674</u>	<u>\$ 41,035,083</u>	<u>\$ 663,814</u>	<u>\$ 480,303,957</u>	<u>\$ 3,014,874</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, 2019**

	Business-type Activities					Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Totals	
Operating revenues:						
Charges for sales and services:						
Electric	\$ 102,158,180	\$ -	\$ -	\$ -	\$ 102,158,180	\$ -
Water	-	20,205,197	-	-	20,205,197	-
Wastewater	-	-	10,787,206	-	10,787,206	-
Sanitation	-	-	-	6,087,584	6,087,584	-
Health	-	-	-	-	-	8,648,294
Other revenues	1,025,988	9,563	5,780	108,417	1,149,748	-
Total operating revenues	<u>103,184,168</u>	<u>20,214,760</u>	<u>10,792,986</u>	<u>6,196,001</u>	<u>140,387,915</u>	<u>8,648,294</u>
Operating expenses:						
Salaries and fringe benefits	15,072,725	779,717	515,491	37,323	16,405,256	-
Purchased power, fuel and chemicals	41,954,566	-	-	-	41,954,566	-
Other operating expenses	18,493,787	10,767,777	6,064,713	5,681,118	41,007,395	8,013,084
Depreciation and amortization	16,771,748	3,588,081	1,468,293	6,650	21,834,772	-
Total operating expenses	<u>92,292,826</u>	<u>15,135,575</u>	<u>8,048,497</u>	<u>5,725,091</u>	<u>121,201,989</u>	<u>8,013,084</u>
Operating income (loss)	<u>10,891,342</u>	<u>5,079,185</u>	<u>2,744,489</u>	<u>470,910</u>	<u>19,185,926</u>	<u>635,210</u>
Nonoperating revenues (expenses):						
Intergovernmental-environmental tax	-	-	1,204,224	-	1,204,224	-
Investment earnings	1,335,736	416,266	323,903	17,773	2,093,678	73,381
Interest expense	-	(120,778)	(200,692)	-	(321,470)	-
Total nonoperating revenues (expenses)	<u>1,335,736</u>	<u>295,488</u>	<u>1,327,435</u>	<u>17,773</u>	<u>2,976,432</u>	<u>73,381</u>
Income (loss) before transfers	12,227,078	5,374,673	4,071,924	488,683	22,162,358	708,591
Capital contributions	1,146,935	989,188	-	-	2,136,123	-
Transfers out	(4,714,148)	(1,124,960)	(527,722)	(600,000)	(6,966,830)	-
Change in net position	8,659,865	5,238,901	3,544,202	(111,317)	17,331,651	708,591
Net position - beginning	344,528,521	80,177,773	37,490,881	775,131	462,972,306	2,306,283
Net position - ending	<u>\$ 353,188,386</u>	<u>\$ 85,416,674</u>	<u>\$ 41,035,083</u>	<u>\$ 663,814</u>	<u>\$ 480,303,957</u>	<u>\$ 3,014,874</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, 2019**

	Business-type Activities					Governmental Activities Internal Service Fund
	Enterprise Funds					
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers/users	\$ 94,262,319	\$ 19,672,748	\$ 11,779,866	\$ 6,163,383	\$ 131,878,316	\$ 8,840,263
Payments to suppliers	(60,454,602)	(10,153,397)	(5,336,536)	(5,646,758)	(81,591,293)	(7,840,814)
Payments to employees	(15,012,284)	(776,633)	(514,492)	(37,270)	(16,340,679)	-
Net cash provided (used) by operating activities	18,795,433	8,742,718	5,928,838	479,355	33,946,344	999,449
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfer to other funds	(4,714,148)	(1,124,960)	(527,722)	(600,000)	(6,966,830)	-
Intergovernmental-environmental tax	-	-	1,204,224	-	1,204,224	-
Net cash provided (used) by capital and related financing activities	(4,714,148)	(1,124,960)	676,502	(600,000)	(5,762,606)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from capital debt	-	2,967,563	102,725	-	3,070,288	-
Capital contributions	1,146,935	989,188	-	-	2,136,123	-
Acquisition and construction of capital assets	(15,342,704)	(15,003,027)	(3,248,956)	-	(33,594,687)	-
Principal paid on capital debt	-	(231,219)	(752,305)	-	(983,524)	-
Interest paid on capital debt	-	(120,778)	(200,692)	-	(321,470)	-
Net cash used by capital and related financing activities	(14,195,769)	(11,398,273)	(4,099,228)	-	(29,693,270)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest and dividends received	1,335,736	416,266	323,903	17,773	2,093,678	73,381
Net increase (decrease) in cash and cash equivalents	1,221,252	(3,364,249)	2,830,015	(102,872)	584,146	1,072,830
Cash and cash equivalents - beginning	63,779,731	19,052,658	12,828,131	816,608	96,477,128	2,788,974
Cash and cash equivalents - ending	\$ 65,000,983	\$ 15,688,409	\$ 15,658,146	\$ 713,736	\$ 97,061,274	\$ 3,861,804

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, 2019**

	Business-type Activities					Governmental Activities Internal Service Fund
	Enterprise Funds					
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Totals	
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 10,891,342	\$ 5,079,185	\$ 2,744,489	\$ 470,910	\$ 19,185,926	\$ 635,210
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	16,771,748	3,588,081	1,468,293	6,650	21,834,772	-
(Increase) decrease in accounts receivable	(189,013)	(556,481)	882,319	(9,037)	127,788	191,969
(Increase) decrease in accrued unbilled revenues	(670,694)	(11,427)	104,561	(23,581)	(601,141)	-
(Increase) decrease in regulatory asset	(8,022,140)	-	-	-	(8,022,140)	-
(Increase) decrease in inventories	(53,445)	-	-	-	(53,445)	-
(Increase) decrease in prepaid items	(32,618)	(4,093)	(10,469)	-	(47,180)	-
(Increase) decrease in deferred outflow on pension	(749,952)	(23,666)	(18,338)	(2,107)	(794,063)	-
(Increase) decrease in deferred outflow on OPEB	1,536	(151)	(110)	(15)	1,260	-
Increase (decrease) in other accrued expenses	60,441	3,084	999	53	64,577	-
Increase (decrease) in accrued claims payable	(531,000)	(10,000)	310,000	-	(231,000)	172,270
Increase (decrease) in customer deposits	(40,002)	25,896	-	-	(14,106)	-
Increase (decrease) in coal reclamation	(16,402)	-	-	-	(16,402)	-
Increase (decrease) in decommissioning	(72,539)	-	-	-	(72,539)	-
Increase (decrease) in accounts payable	467,928	615,652	421,418	33,009	1,538,007	-
Increase (decrease) in net pension liability	1,604,901	57,939	44,717	5,396	1,712,953	-
Increase (decrease) in net OPEB liability	(1,319,398)	(39,436)	(32,740)	(3,484)	(1,395,058)	-
Increase (decrease) in deferred inflow on pension	(219,708)	(4,808)	(3,783)	(375)	(228,674)	-
Increase (decrease) in deferred inflow on OPEB	914,448	22,943	17,482	1,936	956,809	-
Total adjustments	7,904,091	3,663,533	3,184,349	8,445	14,760,418	364,239
Net cash provided (used) by operating activities	\$ 18,795,433	\$ 8,742,718	\$ 5,928,838	\$ 479,355	\$ 33,946,344	\$ 999,449

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, 2019**

**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 44,788 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, 2019.

**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 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, 2019.

##### ***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 30 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. During FY2019, Bluffview Power Plant had incurred maintenance costs that will be amortized over 4 years. The cost of the maintenance for the plant was \$3,440,896, which added to balance of the regulatory asset account. This regulatory asset was \$5,366,255 as of June 30, 2019.

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 (\$6,834,171 as of June 30, 2019) and the related additional revenue is part of electric charges for services recorded on the statement of activities (\$9,366,594 for the year ended June 30, 2019).

### **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 and decommissioning costs 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. 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

In FY2019, the City decided to proceed with an early implementation of GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement applies to business-type activities and recognizes interest as an expense in the period incurred. Interest cost incurred before the end of a construction period will not be capitalized as part of a capital asset. For further information, please refer to Note V.J.

**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 FY2019 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 \$6,353,229 as of June 30, 2019.

#### **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, 2019, 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, 2019, fund balances are composed of the following:

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable:			
Inventories/prepays	\$ 881,769	\$ 10,300	\$ 892,069
Restricted:			
Fire	-	134,654	134,654
Lodgers' promotion	-	822,610	822,610
Capital projects	-	20,183,448	20,183,448
Debt service	-	222,702	222,702
Committed:			
Police	-	371,960	371,960
Fire	-	186,244	186,244
Parks, rec, cultural affairs	-	1,058,593	1,058,593
Public works	-	1,680,254	1,680,254
Assigned:			
Parks, rec, cultural affairs	-	548,350	548,350
Library	-	45,348	45,348
Community development	-	172,888	172,888
Capital projects	-	174,802	174,802
Unassigned	11,420,351	(1,013,744)	10,406,607
Total fund balances	<u>\$ 12,302,120</u>	<u>\$ 24,598,409</u>	<u>\$ 36,900,529</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 \$53,741,526 difference are as follows:

Bond payable	\$	45,582,652
Bond premium (to be amortized over the life of the debt)		4,282,666
Accrued interest payable		141,816
NMFA loan payable		154,830
Compensated absences payable		<u>3,579,562</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$	<u>53,741,526</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 \$13,152,451 difference are as follows:

Capital outlay (net of current year loss related to deletions)	\$	21,015,030
Depreciation		<u>(7,862,579)</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>13,152,451</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 (\$11,287,165) are as follows:

Principal repayments	\$	1,770,989
Debt issued		(10,890,000)
Amortization of bond premium		(2,089,941)
Accrued interest		(33,604)
Compensated absences		<u>(44,609)</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>(11,287,165)</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 \$708,591 difference are as follows:

Internal service charges for services and other non-operating revenue	\$ 8,721,675
Internal service operating expenses	(8,013,084)
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>\$ 708,591</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, 2019:

General Fund	\$ 180,820
Gross Receipts Tax Streets Fund	1,420,358
Red Apple Grant Fund	69,712
Lodgers' Tax Fund	23,750
State Police Protection Fund	24,418
State Fire Grant Fund	118,940
GRT 2017/2018 Bond Projects Fund	8,119
Airport Grants Fund	36,950
Electric Utility Fund	873,590
Water Utility Fund	5,050,244

Wastewater Utility Fund	2,401,623
Sanitation Fund	21,842
<b>Total Encumbrances</b>	<b>\$ 10,230,366</b>

**B. Excess of expenditures over appropriations**

Expenditures for all funds were within budgeted appropriations for FY2019.

**C. Deficit Fund Equity**

As of June 30, 2019, the gross receipts tax community transformation and economic diversification (CTED) fund had a deficit fund balance of (\$1,013,744). This is a new fund created to account for the initiative of the Farmington City Council to develop the outdoor recreation industry and enhance economic diversification through the City of Farmington. The CTED fund's main source of revenue is through a one-fourth of one percent gross receipts tax effective January 1, 2019 with initial payments received by the City in March 2019. As such, the City Council adopted resolution 2018-1682 approving an inter-fund advance from the general fund to the CTED fund of \$1,500,000 to fund the program initiatives prior to receipt of the gross receipts tax revenue. The loan will be repaid at a later date to be determined by management once the gross receipts tax revenue collected in the fund is able to cover budgeted annual expenditures. It is expected that this fund will have a positive fund balance in the subsequent year.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

Cash and investments	
Governmental activities	\$ 36,718,714
Business activities	87,009,756
Restricted cash and investments	
Business activities	10,051,518
Total cash and investments	<u>\$ 133,779,988</u>

As of June 30, 2019, 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	\$ 7,915,384	\$ 7,915,384	-	-	0.08
Certificates of deposit	28,000,000	28,000,000	-	-	0.92
Federal agency securities	<u>55,886,462</u>	<u>55,886,462</u>	-	-	<u>1.24</u>
Total Fair Value	<u>\$ 91,801,846</u>	<u>\$ 91,801,846</u>			
Portfolio weighted average maturity					<u>1.13</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, 2019, with more than 5% of the total in securities of the federal agency securities. These investments represented 61% 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, 2019, the City was in compliance with state statute. The City’s carrying amount of deposits as of June 30, 2019, was \$48,039,148 and the bank balance was \$51,347,323. Of the bank balance, \$1,000,000 was covered by federal depository insurance, \$54,109,415 was collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name. At June 30, 2019, 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, 2019, that are exposed to custodial credit risk.

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

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

<u>Non-Performing Loans</u>	Under 35%	35% - 49.9%	Above 49.9%
Primary Capital			

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

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

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

**B. Receivables**

Receivables as of June 30, 2019, are as follows:

	<u>General</u>	<u>Nonmajor Govern- mental Funds</u>	<u>Enterprise</u>	<u>Internal Service Fund</u>	<u>Total</u>
<b>Receivables:</b>					
Accounts Receivable	\$ 798,780	\$ 62,311	\$ 8,871,162	\$ 198,618	\$ 9,930,871
Unbilled Revenue	-	-	7,304,765	-	7,304,765
Intergovernmental	<u>9,631,232</u>	<u>3,894,152</u>	<u>-</u>	<u>-</u>	<u>13,525,384</u>
Gross Receivables	10,430,012	3,956,463	16,175,927	198,618	30,761,020
<b>Less:</b> Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>(604,747)</u>	<u>-</u>	<u>(604,747)</u>
<b>Net Total Receivables:</b>	<u>\$ 10,430,012</u>	<u>\$ 3,956,463</u>	<u>\$ 15,571,180</u>	<u>\$ 198,618</u>	<u>\$ 30,156,273</u>

Intergovernmental receivables are made up of the following amounts in the general and special revenue funds: gross receipts taxes \$10,477,257, property taxes \$2,167,452, federal and state grants \$524,243, franchise taxes \$116,464, lodgers' taxes and fees \$204,765, and other taxes \$35,203.

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	\$ 102,804
Uncollectibles related to water sales	22,713
Uncollectibles related to wastewater charges	14,491
Uncollectibles related to sanitation charges	<u>6,455</u>
Total uncollectibles of the current fiscal year	<u>\$ 146,463</u>

## C. Capital assets

Capital asset activity for the year ended June 30, 2019, was as follows:

<b>Governmental activities:</b>	Balance July 1, 2018	Transfers	Additions	Deletions	Balance June 30, 2019
Non-Depreciable Assets:					
Land	\$ 30,259,051	\$ -	\$ 761,448	\$ -	\$ 31,020,499
Construction in progress	21,973,647	-	17,517,943	(1,235,278)	38,256,312
Total Non-Depreciable Assets	<u>52,232,698</u>	<u>-</u>	<u>18,279,391</u>	<u>(1,235,278)</u>	<u>69,276,811</u>
Depreciable Assets:					
Buildings	80,575,454	-	69,165	-	80,644,619
Improvements other than buildings	33,733,355	-	1,044,032	-	34,777,387
Equipment	37,106,563	-	2,859,083	(1,164,967)	38,800,679
Infrastructure	78,291,847	-	-	-	78,291,847
Total Depreciable Assets	<u>229,707,219</u>	<u>-</u>	<u>3,972,280</u>	<u>(1,164,967)</u>	<u>232,514,532</u>
Total Governmental Asset	<u>281,939,917</u>	<u>-</u>	<u>22,251,671</u>	<u>(2,400,245)</u>	<u>301,791,343</u>
Accumulated Depreciation:					
Buildings	(47,149,894)	-	(1,949,078)	-	(49,098,972)
Improvements other than buildings	(25,343,387)	-	(1,624,443)	-	(26,967,830)
Equipment	(28,445,928)	-	(2,172,512)	1,163,604	(29,454,836)
Infrastructure	(63,296,609)	-	(2,116,546)	-	(65,413,155)
Total Accumulated Depreciation	<u>(164,235,818)</u>	<u>-</u>	<u>(7,862,579)</u>	<u>1,163,604</u>	<u>(170,934,793)</u>
Net Governmental Assets	\$ <u>117,704,099</u>	\$ <u>-</u>	\$ <u>14,389,092</u>	\$ <u>(1,236,641)</u>	\$ <u>130,856,550</u>
<b>Business-type activities:</b>	Balance July 1, 2018	Transfers	Additions	Deletions	Balance June 30, 2019
Non-Depreciable Assets:					
Land	\$ 4,061,842	\$ -	\$ 954,945	\$ -	\$ 5,016,787
*Construction in progress	103,475,655	-	33,328,403	(40,735,973)	96,068,085
Total Non-Depreciable Assets	<u>107,537,497</u>	<u>-</u>	<u>34,283,348</u>	<u>(40,735,973)</u>	<u>101,084,872</u>
Depreciable Assets:					
Land Rights	3,286,105	-	42,000	-	3,328,105
Buildings	111,641,865	-	7,266,547	(17,161)	118,891,251
*Improvements other than buildings	181,336,439	30,713	26,265,504	(80,254)	207,552,402
Equipment	351,108,493	(30,713)	4,278,646	(708,965)	354,647,461
Total Depreciable Assets	<u>647,372,902</u>	<u>-</u>	<u>37,852,697</u>	<u>(806,380)</u>	<u>684,419,219</u>
Total Business-type Assets	<u>754,910,399</u>	<u>-</u>	<u>72,136,045</u>	<u>(41,542,353)</u>	<u>785,504,091</u>
Accumulated Depreciation:					
Land rights	(1,088,768)	-	(1,280)	-	(1,090,048)
Buildings	(63,663,878)	-	(3,042,582)	17,161	(66,689,299)
*Improvements other than buildings	(70,835,691)	(8,999)	(5,338,172)	564,508	(75,618,354)
Equipment	(191,334,081)	8,999	(11,742,377)	708,965	(202,358,494)
Total Accumulated Depreciation	<u>(326,922,418)</u>	<u>-</u>	<u>(20,124,411)</u>	<u>1,290,634</u>	<u>(345,756,195)</u>
Net Business-type Assets	\$ <u>427,987,981</u>	\$ <u>-</u>	\$ <u>52,011,634</u>	\$ <u>(40,251,719)</u>	\$ <u>439,747,896</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

	<b>Electric</b>	<b>Water</b>	<b>Wastewater</b>	<b>Sanitation</b>
Land and Land Rights	\$ 3,800,240	\$ 3,086,978	\$ 1,434,333	\$ 23,341
Buildings and Structures	73,116,357	14,028,074	31,666,497	80,323
Improvements other than buildings	90,397,275	78,596,471	38,558,656	-
Equipment	332,735,586	17,018,890	4,793,279	99,706
Total	<u>500,049,458</u>	<u>112,730,413</u>	<u>76,452,765</u>	<u>203,370</u>
Less accumulated depreciation	(266,831,186)	(50,262,487)	(28,558,925)	(103,597)
Construction in progress	73,445,361	16,463,355	6,159,369	-
Net Enterprise Capital Assets	<u>\$ 306,663,633</u>	<u>\$ 78,931,281</u>	<u>\$ 54,053,209</u>	<u>\$ 99,773</u>

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

### Governmental activities:

General government	\$ 890,514
Airport	858,585
Police	525,466
Fire	677,456
Parks, recreation, cultural affairs	2,031,992
Public works/Community development	173,008
Highways and streets	2,705,558
Total depreciation expense – governmental activities	<u>\$ 7,862,579</u>

### Business-type activities:

Electric	\$ 15,061,387
Water	3,588,081
Wastewater	1,468,293
Sanitation	6,650
Total depreciation expense – business-type activities	<u>\$ 20,124,411</u>

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

The composition of other accrued liabilities as of June 30, 2019, is as follows:

<u>Other Accrued Liabilities</u>	<u>Governmental Activities</u>
Taxes	\$ 9,565
Intergovernmental	22,880
Court collections	14,165
Miscellaneous insurance	429,226
	<u>\$ 475,836</u>

The composition of other accrued liabilities for the proprietary funds as of June 30, 2019, 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	\$ 330,738	\$ 8,372	\$ 6,538	\$ 725	\$ 346,373
Gross receipt taxes	462,662	143,840	-	23	606,525
Water conservation fee	-	14,390	-	-	14,390
Ad valorem taxes	425,000	-	-	-	425,000
Franchise taxes	254,267	-	-	-	254,267
Other PNM liabilities	19,944	-	-	-	19,944
Billed customer deposits	38,392	-	-	-	38,392
Total	<u>\$ 1,531,003</u>	<u>\$ 166,602</u>	<u>\$ 6,538</u>	<u>\$ 748</u>	<u>\$ 1,704,891</u>

The composition of interfund balances as of June 30, 2019, is as follows:

	Due from other funds	Due to other funds
Major Fund:		
General fund	\$ 286,815	\$ -
Nonmajor governmental funds:		
GRT community trans/econ div fund	-	147,452
General government grant fund	-	50,743
COPS program grant fund	-	10,866
GRT bond projects fund	159,933	77,754
Convention center capital projects fund	-	159,933
	\$ 446,748	\$ 446,748

Federal and state grants (e.g., General Government grants and COPS program grants) and NMFA bond financed projects (e.g. GRT bond capital projects and Convention Center capital 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, 2019, are as follows:

**Fund Financial Statements – Transfers**

**Governmental Funds**

	In	Out
General fund – operating transfer to debt service fund	\$ -	\$ 1,883,256
General fund – operating transfer to airport construction grant projects fund	-	90,750
General fund – operating transfer to red apple transit grant fund	-	418,536
General fund – operating transfer to region II fund	-	30,000
General fund – operating transfer to COPS program grant fund	-	53,194
General fund – operating transfer to general government grant fund	-	60,114
General fund – operating transfer from electric/water/wastewater utility funds	6,246,830	-
General fund – operating transfer from comm trans/econ div GRT fund	153,068	-
General fund – operating transfer from state fire fund	142,577	-
General fund – operating transfer from metro redevelopment authority fund	6,840	-
GRT streets fund – operating transfer from sanitation utility fund	600,000	-
GRT parks fund – operating transfer from parks/rec gifts & grants fund	41,910	-
Comm trans/econ div GRT fund – operating transfer from general gov't capital projects fund	300,000	-
Red apple transit – operating transfer from general fund	418,536	-
General government grant – operating transfer from general fund	60,114	-
Region II fund – matching funds for grant from general fund	30,000	-
COPS program grant fund – matching funds for grant from general fund	53,194	-
State fire grant fund – operating transfer from water utility fund	120,000	-
GRT streets fund – operating transfer to capital grant projects fund	-	1,182,949
GRT streets fund – operating transfer to debt service fund	-	305,056
GRT parks fund – operating transfer to park development fees fund	-	26,776
Comm trans/econ div GRT fund – operating transfer to general fund	-	153,068
Comm trans/econ div GRT fund – operating transfer to GRT 2017/2018 bond projects fund	-	1,189,000
Parks/rec gifts & grants fund – operating transfer to GRT parks fund	-	41,910
Convention center fees fund – operating transfer to debt service fund	-	711,088
State fire grant fund – operating transfer to debt service fund	-	135,455
State fire grant fund – operating transfer to general fund	-	142,577
General gov't capital projects fund – operating transfer to comm/econ div GRT fund	-	300,000

Metro redevelopment authority fund – operating transfer to general fund	-	6,840
Capital grant projects fund – operating transfer to GRT streets fund	1,182,949	-
GRT 2017/2018 bond projects fund – operating transfer from comm/econ div GRT fund	1,189,000	-
Airport construction grant projects fund – operating transfer from general fund	90,750	-
Park development fees fund – operating transfer from GRT parks fund	26,776	-
Debt service fund – operating transfer from GRT streets fund	305,056	-
Debt service fund – operating transfer from state fire fund	135,455	-
Debt service fund – operating transfer from general fund	1,883,256	-
Debt service fund – operating transfer from convention center fees fund	711,088	-
	<hr/>	<hr/>
Total governmental funds transfers	\$ 13,697,399	\$ 6,730,569
<b>Net governmental funds transfers</b>	<b>\$ 6,966,830</b>	
	<hr/>	
<b>Business-type funds</b>		
Electric utility fund – operating transfer to general fund	\$ -	\$ 4,714,148
Water utility fund – operating transfer to state fire fund	-	120,000
Water utility fund – operating transfer to general fund	-	1,004,960
Wastewater utility fund – operating transfer to general fund	-	527,722
Sanitation utility fund – operating transfer to GRT streets fund	-	600,000
	<hr/>	<hr/>
Total business-type funds transfers	\$ -	6,966,830
<b>Net business-type transfers</b>		<b>\$ 6,966,830</b>
		<hr/>
<b><u>Government-wide Financial Statements – Transfers</u></b>		
	<hr/>	<hr/>
Net governmental and business-type transfers	6,966,830	6,966,830
	<hr/>	<hr/>
	<b>\$ 6,966,830</b>	<b>\$ 6,966,830</b>

## 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>
2020	\$ 80,160
2021	80,160
2022	33,400
	<hr/>
	\$ 193,720

## 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, 2019, 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 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.

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.

In June 2019, the City entered into a \$10,890,000 loan agreement with the New Mexico Finance Authority (NMFA Loan PPRF-4946) for the issuance of Municipal Gross Receipts Tax Improvement Revenue Bonds, Series 2019. The bonds were purchased at a premium of \$2,221,046. The balance of the proceeds after paying costs of issuance and NMFA's processing fees are to be used for paving projects throughout the City of Farmington as part of the Public Works – Streets long-term capital improvement plan.

Revenue bonds outstanding as of June 30, 2019, are as follows:

	<u>Interest Rates</u>	<u>General Govt.</u>
<b>Governmental Activities</b>		
2016 Qual Energy Cons Bonds	1.65 – 3.19%	\$ 4,192,652
2016 Civic Center Impr Bonds	3.50 – 5.00%	9,450,000
2017 Advance Refund Bonds	1.62 – 2.48%	5,910,000
2018 Current Refund Bonds	5.00%	630,000
2018 Improvement Bonds	3.25 – 5.00%	14,510,000
2019 Paving Bonds	4.00% – 5.00%	10,890,000
Total		<u>\$ 45,582,652</u>

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

<u>Year Ending June 30</u>	<u>General Govt.</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 2,121,519	\$ 1,793,702
2021	2,051,164	1,763,197
2022	2,116,401	1,691,850
2023	2,227,229	1,607,892
2024	2,328,708	1,504,912
2025-2029	12,735,501	6,107,385
2030-2034	14,022,130	3,416,887
2035-2039	6,660,000	1,029,600
2040-2041	1,320,000	99,750
Total	<u>\$ 45,582,652</u>	<u>\$ 19,015,175</u>

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

<u>Bonds</u>	<u>06/30/18 Principal Outstanding</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/19 Principal Outstanding</u>
2012 Sales tax revenue bonds	\$ 6,190,000	\$ -	\$ (835,000)	\$ 5,355,000

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>
2020	\$ 49,980	\$ 5,225
2021	51,550	3,656
2022	53,300	1,903
<b>Total</b>	<b>\$ 154,830</b>	<b>\$ 10,784</b>

**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>
2020	\$ 774,874	\$ 178,123
2021	798,120	154,877
2022	822,064	130,933
2023	846,726	106,271
2024	872,127	80,870
2025-2026	1,823,531	82,463
<b>Total</b>	<b>\$ 5,937,442</b>	<b>\$ 733,537</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 was completed at the end of FY2019. At that time, the City was offered the opportunity to refinance the loan. In October 2019 the refinanced loan agreement was finalized. The refinancing lowered the interest rate to 2.375% for a reduced loan amount of \$21,985,997. Along with the refinancing, the City also decided to expense the construction interest of \$1,265,919 along with a refinancing fee of \$439,720 in FY2020. Repayment of the loan will begin June 2020 and will be paid over 20 years with an annual payment of \$1,393,740. The amortization schedule provided below is based upon the finalized agreement.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 871,572	\$ 522,167
2021	892,272	501,468
2022	913,463	480,276
2023	935,158	458,581
2024	957,368	436,371
2025-2029	5,138,898	1,829,800
2030-2034	5,778,826	1,189,873
2035-2039	6,498,440	470,258
<b>Total</b>	<b>\$ 21,985,997</b>	<b>\$ 5,888,794</b>

**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>
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	53,447	3,755	1,252
2025-2029	275,362	12,684	4,228
2030-2032	171,914	2,587	862
<b>Total</b>	<b>\$ 709,272</b>	<b>\$ 37,977</b>	<b>\$ 12,659</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>
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	199,139	45,641	6,520
2025-2029	1,057,052	174,515	24,931
2030-2034	1,167,071	78,248	11,178
2035	184,779	3,234	462
<b>Total</b>	<b>\$ 3,366,307</b>	<b>\$ 517,703</b>	<b>\$ 73,958</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 was completed at the end of FY2019 and the City is awaiting the finalized loan agreement. Amortization schedule that is provided is based upon the original loan agreement, along with the original loan amount.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 99,764	\$ 48,480
2021	101,759	46,485
2022	103,794	44,450
2023	105,870	42,373
2024	107,988	40,256
2025-2029	573,210	168,008
2030-2034	632,872	108,348
2035-2039	698,743	42,478
<b>Total</b>	<b>\$ 2,424,000</b>	<b>\$ 540,878</b>

**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). The construction on this phase of the project started in FY2019 and will be completed in FY2020. 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 FY2019 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, 2019, 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:					
2016 Qualified Energy Conserv. bonds	\$ 4,470,065	\$ -	\$ (277,413)	\$ 4,192,652	\$ 281,519
2016 Civic Center Improvement bonds	9,690,000	-	(240,000)	9,450,000	250,000
2017 Advance Refunding 2012 bonds	6,565,000	-	(655,000)	5,910,000	665,000
2018 Current Refunding 2005 bonds	835,000	-	(205,000)	630,000	210,000
2018 Improvement bonds	14,855,000	-	(345,000)	14,510,000	170,000
2019 Paving bonds	-	10,890,000	-	10,890,000	545,000
Premium on bonds-2016 Civic Center	1,179,150	-	(51,453)	1,127,697	51,454
Premium on bonds-2018 Adv Ref 2012	67,823	-	(17,317)	50,506	17,316
Premium on bonds-2018 Improvement	945,752	-	(49,996)	895,756	49,996
Premium on bonds-2019 paving	-	2,221,046	(12,339)	2,208,707	148,070
Total Bonds payable	38,607,790	13,111,046	(1,853,518)	49,865,318	2,388,355
NMFA Fire Pumper Loan	203,406	-	(48,576)	154,830	49,980
Unpaid claims liability	4,386,326	6,865,375	(7,483,709)	3,767,992	2,673,818
Compensated absences	3,534,953	2,028,207	(1,983,598)	3,579,562	178,978
Net pension liability	68,340,254	8,909,728	-	77,249,982	-
Net OPEB liability	35,296,771	-	(3,684,956)	31,611,815	-
Total long-term liabilities					
Governmental activities	\$ <u>150,369,500</u>	\$ <u>30,914,356</u>	\$ <u>(15,054,357)</u>	\$ <u>166,229,499</u>	\$ <u>5,291,131</u>
<b><u>Business-type activities:</u></b>					
NMED loan	\$ 6,689,746	\$ -	\$ (752,304)	\$ 5,937,442	\$ 774,874
NMED loan-2016 WWTP improvements	21,883,273	102,724	-	21,985,997	871,572
NMFA loan-Animas Waterline	760,125	-	(50,853)	709,272	51,362
NMFA loan-Meter Replacement	3,546,673	-	(180,366)	3,366,307	183,973
NMFA loan-2P Waterline Phase I	1,536,736	697,036	-	2,233,772	99,764
NMFA loan-2P Waterline Phase II	-	2,270,526	-	2,270,526	110,987
Unpaid claims liability	822,000	366,832	(597,832)	591,000	385,796
Compensated absences	1,027,870	698,006	(671,082)	1,054,794	671,081
Net pension liability	19,120,154	1,712,953	-	20,833,107	-
Net OPEB liability	13,414,635	-	(1,395,058)	12,019,577	-
Total long-term liabilities					
Net Business-type Capital Assets	\$ <u>68,801,212</u>	\$ <u>5,848,077</u>	\$ <u>(3,647,495)</u>	\$ <u>71,001,794</u>	\$ <u>3,149,409</u>

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.

### **Default Provisions**

All bonds and loans of the City of Farmington are approved by council through an ordinance. The ordinances of each respective bond/loan include default provisions, bankruptcy, and remedies upon default. These provisions are written to protect and enforce the rights of any holder of bonds for the

enforcement of any legal or equitable remedy as such holder(s) may deem most effectual. Specific bond ordinances can be found on the City of Farmington website at [www.fmtn.org](http://www.fmtn.org).

**Other Debt Instruments and Disclosures**

The City of Farmington does not utilize lines of credit, and as such, does not have any unused lines of credit balances as of June 30, 2019. No City of Farmington debts are financed through direct borrowing and/or direct placement options in the current year or prior fiscal year(s). There are no assets in FY2019 pledged as collateral for City of Farmington outstanding debt.

**G. Restricted Assets**

The following is a summary of restricted assets as of June 30, 2019:

***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	5,234,990	-	-	5,234,990
SJ Generating Decommissioning	79,990	-	-	79,990
Customer deposits/overpayments	2,494,554	580,077	-	3,074,631
	<u>\$ 7,809,534</u>	<u>\$ 580,077</u>	<u>\$ 1,661,907</u>	<u>\$ 10,051,518</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 self insured retention for excess liability coverage is \$650,000.

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

	<u>FY2018</u>		<u>FY2019</u>	
	<u>Health</u>	<u>Risk Mgmt</u>	<u>Health</u>	<u>Risk Mgmt</u>
Unpaid claims, beginning of fiscal year	\$ 725,544	\$ 1,863,933	\$ 733,852	\$ 4,474,474
Incurred claims and changes in estimate	6,200,677	6,061,492	4,909,012	2,323,195
Claim payments	<u>(6,192,369)</u>	<u>(3,450,951)</u>	<u>(5,026,541)</u>	<u>(3,055,000)</u>
Unpaid claims, end of fiscal year	<u>\$ 733,852</u>	<u>\$ 4,474,474</u>	<u>\$ 616,323</u>	<u>\$ 3,742,669</u>
Due within one year			<u>\$ 616,323</u>	<u>\$ 2,443,291</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 (UAMPS). The San Juan Project Participation Agreement governs rights and obligations of plant owners or "Participants" in respect to ownership and operation of the San Juan Project, including reclamation costs. This agreement was amended and restated on September 1, 2017 to include additional provisions for a new exit date. The amended agreement is now known as "New Exit Date Amendment Amending and Restated San Juan Project Participation Agreement" (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. The final revision of the amended PPA was executed on September 1, 2017.

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 City of Farmington has executed its right under the amended PPA to evaluate and negotiate a new CSA. 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.

**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 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 (UAMPS).

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 FY2019, 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 FY2019, 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 Bonds 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, 2018 CAFR.

**Plan Description.** 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 Fund. 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 PERA 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 PERA 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, 2018 available at <http://www.nmpera.org/assets/uploads/downloads/GASB/Final-Version-NMPERA-2018-GASB-68-Report.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. A blended pension benefit is equal to the sum of the pension attributable to the service credit the member has accrued under each coverage plan with different pension factors, for service credit earned after July 1, 2013.



**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 FY18 for the various PERA coverage options, for both Tier I and Tier II, see the table available in the note disclosure on page 43 of the PERA FY18 annual audit report at

[https://reports.saonm.org/media/audits/366 Public Employees Retirement Association FY2018 Final.pdf](https://reports.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2018_Final.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 \$2,545,023 for Municipal General Division, \$1,406,070 for Municipal Police Division, and \$1,018,215 for Municipal Fire Division. Employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2019.

**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, 2017. The total pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2018. These assumptions were adopted by the Board for use in the June 30, 2017 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, 2018. The Schedule of Employer Allocations reflects fiscal year 2018 employer contributions received during the period July 1, 2017 to June 30, 2018. Only pay period *end dates* that fell within the period July 1, 2017 to June 30, 2018 are included in the total contributions for that employer. Regular and adjustment contributions that applied to fiscal year 2018 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, 2019, the City reported a liability of \$50,367,746 for its proportionate share of the net pension liability. At June 30, 2018, the proportion was 3.16%, which was a slight decrease from the prior year proportionate share of 3.27%.

For the year ended June 30, 2019, the City recognized Municipal General Division pension expense of \$5,375,733. At June 30, 2019, 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	\$ 1,455,730	\$ 1,322,389
Changes of assumptions	4,566,549	289,596
Net difference between projected and actual earnings on pension plan investments	3,735,526	-
Changes in proportion and differences the City's contributions and proportionate share of contributions	18,656	1,474,819
City's contributions subsequent to the measurement date	2,827,940	-
Total	<u>\$ 12,604,401</u>	<u>\$ 3,086,804</u>

\$2,827,940 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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>	
2019	\$ 4,710,898
2020	1,643,087
2021	151,644
2022	184,028
2023	-

**For Municipal Police Division.** At June 30, 2019, the City reported a liability of \$24,025,981 for its proportionate share of the net pension liability. At June 30, 2018, the proportion was 3.52%, which was a slight decrease from the prior year proportionate share of 3.68%.

For the year ended June 30, 2019, the City recognized Municipal Police Division pension expense of \$2,371,859. At June 30, 2019, 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	\$ 1,176,201	\$ 2,381,598
Changes of assumptions	2,741,397	146,880
Net difference between projected and actual earnings on pension plan investments	1,653,329	-
Changes in proportion and differences the City's contributions and proportionate share of contributions	145,114	1,112,539
City's contributions subsequent to the measurement date	1,859,179	-
Total	<u>\$ 7,575,220</u>	<u>\$ 3,641,017</u>

\$1,859,179 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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>	
2019	\$ 1,633,123
2020	19,498
2021	338,190
2022	84,213
2023	-

**For Municipal Fire Division.** At June 30, 2019, the City reported a liability of \$23,689,362 for its proportionate share of the net pension liability. At June 30, 2018, the proportion was 3.70%, which was a slight decrease from the prior year proportionate share of 3.86%.

For the year ended June 30, 2019, the City recognized Municipal Fire Division pension expense of \$1,778,739. At June 30, 2019, 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	\$ 380,694	\$ 1,727,658
Changes of assumptions	1,368,138	86,503
Net difference between projected and actual earnings on pension plan investments	830,724	-
Changes in proportion and differences the City's contributions and proportionate share of contributions	39,980	1,496,935
City's contributions subsequent to the measurement date	1,216,361	-
Total	<u>\$ 3,835,897</u>	<u>\$ 3,311,096</u>

\$1,216,361 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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>	
2019	\$ 14,864
2020	(694,719)
2021	(51,182)
2022	39,477
2023	-

**Actuarial Methods and Assumptions.** Actuarial valuations involve estimates of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Actuarial Assumptions:	

Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50%
	2.75% all other years
Mortality Assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 20, 2018 (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 in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50	2.37
Credit Oriented Fixed Income	15.00	5.47
Real Assets to include Real Estate Equity	20.00	6.48
Total	100.00%	

**Discount rate.** Previously, a select and ultimate rate of return assumption had been adopted for funding purposes but new economic assumptions were adopted for the June 30, 2018 valuations including the change to a 7.25% static rate. The discount rate used to measure the total pension liability is 7.25%. 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 Statement No.67. Therefore, the 7.25% 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 7.25%. 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 (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Municipal General Division			
City's proportionate share of the net pension liability	\$ 77,613,323	\$ 50,367,746	\$ 27,844,920

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Municipal Police Division			
City's proportionate share of the net pension liability	\$ 36,942,099	\$ 24,025,981	\$ 13,496,285

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Municipal Fire Division			
City's proportionate share of the net pension liability	\$ 31,623,498	\$ 23,689,362	\$ 17,189,652

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 PERA financial report. This report is available at <http://www.nmpera.org/assets/uploads/downloads/GASB/Final-Version-NMPERA-2018-GASB-68-Report.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, 2018 the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>93,349</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 \$856,920 for the year ended June 30, 2019.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** At June 30, 2019, the City reported a liability of \$43,631,392 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The City's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ended June 30, 2018. At June 30, 2018, the City's proportion was 1.0034%.

For the year ended June 30, 2019, the City recognized OPEB income of \$753,476. At June 30, 2019, 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	\$ -	\$ 2,583,258
Differences between actual and projected earnings on OPEB plan investments	-	544,503
Change of assumptions	-	8,145,787
Changes of proportion	-	3,282,671
City's contribution subsequent to the measurement date	931,647	-
	<u>\$ 931,647</u>	<u>\$ 14,556,219</u>

Deferred outflows of resources totaling \$931,647 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, 2020. 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>	
2020	\$ (3,559,846)
2021	(3,559,846)
2022	(3,559,846)
2023	(2,907,495)
2024	(969,186)

**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 members
Projected payroll increase	3.25% to 12.50%, based on years of service, including inflation
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
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Health Mortality

**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	2.1%
U.S. equity – large cap	7.1
Non U.S. – emerging markets	10.2
Non U.S. – developed equities	7.8
Private equity	11.8
Credit and structured finance	5.3
Real estate	4.9
Absolute return	4.1
U.S. equity – small/mid cap	7.1

**Discount rate.** The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that 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, 2029. 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, 4.08% 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 (3.08%) or 1-percentage-point higher (5.08%) than the current discount rate:

1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
\$ 52,804,259	\$ 43,631,392	\$ 36,401,129

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
\$ 36,883,824	\$ 43,631,392	\$ 48,921,638

**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, 2018.

**F. Tax Abatements**

As of June 30, 2017 the City adopted GASB Statement No. 77 *Tax Abatement Disclosures*. To date, the City has not entered into any agreements resulting in an abatement of taxes.

**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.

As of November 29, 2018, Public Service Company of New Mexico (PNM), Tucson Electric Power Company (TEP), the Incorporated County of Los Alamos, and the Utah Associated Municipal Power Systems (UAMPS), gave notice of their intent to not extend the agreement beyond the June 30, 2022 expiration date. The City of Farmington has given notice of its intent to continue operation and is in the process of negotiations to transfer the rights of the non-extenders.

#### **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 \$11.5 million for contracted services for the year ended June 30, 2019.

#### **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, 2019, was \$913,800,000. 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.

#### **J. Early Implementation of GASB 89**

GASB Statement 89 is effective for reporting periods beginning after December 15, 2019. The City of Farmington has decided to implement this statement early and will be applied going forward. The statement establishes accounting requirements for interest cost incurred before the end of a construction period. This statement requires that such interest costs will be recognized as an expense in the period in which the cost is incurred. As a result, the interest cost incurred before the end of the construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The changes in this statement will improve financial reporting. The resulting information will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental and business-type activities.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

	Measurement Date				
	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
City's proportion of the net pension liability					
Municipal General	3.36%	3.39%	3.31%	3.27%	3.16%
Municipal Police	3.69%	3.75%	3.85%	3.68%	3.52%
Municipal Fire	4.05%	4.21%	4.12%	3.86%	3.70%
City's proportionate share of the net pension liability					
Municipal General	\$ 26,184,302	\$ 34,544,615	\$ 52,957,752	\$ 44,932,566	\$ 50,367,746
Municipal Police	12,021,827	18,029,698	28,428,580	20,445,924	24,025,981
Municipal Fire	16,887,561	21,705,351	27,503,935	22,081,918	23,689,362
	<u>\$ 55,093,690</u>	<u>\$ 74,279,664</u>	<u>\$ 108,890,267</u>	<u>\$ 87,460,408</u>	<u>\$ 98,083,089</u>
City's covered payroll					
Municipal General	\$ 20,344,393	\$ 21,096,761	\$ 21,820,572	\$ 20,807,915	\$ 20,652,279
Municipal Police	10,709,715	10,950,699	11,488,018	11,784,622	12,002,754
Municipal Fire	7,799,937	8,184,359	9,124,897	8,388,900	8,337,978
	<u>\$ 38,854,045</u>	<u>\$ 40,231,819</u>	<u>\$ 42,433,487</u>	<u>\$ 40,981,437</u>	<u>\$ 40,993,011</u>
City's proportionate share of the net pension liability as a percentage of its covered payroll					
Municipal General	128.71%	163.74%	242.70%	215.94%	243.88%
Municipal Police	112.25%	164.64%	247.46%	173.50%	200.17%
Municipal Fire	216.51%	265.21%	301.42%	263.23%	284.11%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%	69.18%	73.74%	71.13%

\*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**

**Municipal General Division**  
**Last 10 Fiscal Years\***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 2,493,089	\$ 2,678,614	\$ 2,748,348	\$ 2,761,757	\$ 2,827,940
Contributions in relation to contractually required contribution	2,493,089	2,678,614	2,748,348	2,761,757	2,827,940
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 20,344,393	\$ 21,096,761	\$ 20,807,915	\$ 20,652,215	\$ 20,541,470
Contributions as a percentage of covered payroll	12.25%	12.70%	13.21%	13.37%	13.77%

\*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>	<u>2019</u>
Contractually required contribution	\$ 1,313,907	\$ 1,388,780	\$ 1,556,500	\$ 1,605,093	\$ 1,859,179
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>	<u>1,859,179</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 10,709,715	\$ 10,950,699	\$ 11,784,622	\$ 12,002,762	\$ 13,504,624
Contributions as a percentage of covered payroll	12.27%	12.68%	13.21%	13.37%	13.77%

\*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>	<u>2019</u>
Contractually required contribution	\$ 957,615	\$ 1,037,164	\$ 1,108,017	\$ 1,115,020	\$ 1,216,361
Contributions in relation to contractually required contribution	957,615	1,037,164	1,108,017	1,115,020	1,216,361
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 7,799,937	\$ 8,184,359	\$ 8,388,900	\$ 8,338,034	\$ 8,835,350
Contributions as a percentage of covered payroll	12.28%	12.67%	13.21%	13.37%	13.77%

\*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, 2019**

**Changes of benefit terms.** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA FY18 audit available at [www.nmpera.org/assets/uploads/downloads/GASB/Final-Version-NMPERA-2018-GASB-68-Report.pdf](http://www.nmpera.org/assets/uploads/downloads/GASB/Final-Version-NMPERA-2018-GASB-68-Report.pdf)

**Changes of assumptions.**

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2018-PERA-Valuation-Report-FINAL.pdf> The summary of Key Findings for PERA Fund (on page 2 of the report) states "the unfunded liability based upon the statutory contribution rates is an infinite period." 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, 2019**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE**  
**OF THE NET OPEB LIABILITY**  
**NM Retiree Health Care Authority (NMRHCA) Plan**  
**Last 10 Fiscal Years\***

	<b>Measurement Date</b>	
	<b>June 30, 2017</b>	<b>June 30, 2018</b>
City's proportion of the net OPEB liability	1.07491%	1.00340%
City's proportionate share of the net OPEB liability	\$ 48,711,406	\$ 43,631,392
City's covered payroll	\$ 41,276,104	\$ 41,419,726
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	118.01%	105.34%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%	13.14%

\*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, 2019**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**NM Retiree Health Care Authority (NMRHCA) Plan**  
**Last 10 Fiscal Years\***

	2018	2019
Contractually required contribution	\$ 893,111	\$ 931,647
Contributions in relation to the contractually required contribution	(893,111)	(931,647)
Contribution deficiency (excess)	\$ -	\$ -
City's covered payroll	\$ 41,419,726	\$ 44,884,279
Contributions as a percentage of covered payroll	2.16%	2.08%

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (RHCA)*

**Changes of benefit terms.** The Retiree Health Care Authority (RHCA) COLA and age eligibility benefits changes in recent years are described in the Notes to the RHCA FY18 audit available at <https://saonm.org> using the Audit Search function for agency 343.

**Changes of assumptions.** The Retiree Health Care Authority (RHCA) of New Mexico Biennial Actuarial Valuation as of June 30, 2017 is available at <https://soanm.org/> using the Audit Search function for agency 343.

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

**Gross Receipts Tax Parks Fund** - City Ordinance 81-702 established this fund to account for the City's 1/8% share of gross receipts tax that is legally restricted to the maintenance of parks.

**Gross Receipts Public Safety Fund** - City Ordinance 2018-1312 established this fund to account for the City's 0.125% gross receipts tax that is dedicated to public safety (police and fire) purposes.

**Gross Receipts Tax Community Transformation and Economic Diversification Fund (CTED)** - City Ordinance 2018-1312 established this fund to account for the City's 0.25% gross receipts tax that is dedicated to community transformation and economic diversification with an emphasis on outdoor recreation industry initiatives.

**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, 2019**

	Special Revenue				
	Gross Receipts Tax Streets	Gross Receipts Tax Parks	Gross Receipts Tax Public Safety	Gross Receipts Tax Community Trans and Econ Div	Library Gifts and Grants
<b>ASSETS:</b>					
Cash and investments	\$ 15,363,098	\$ 513,076	\$ 2,370	\$ -	\$ 47,505
Accounts receivable	-	11,300	-	-	2,595
Due from other funds	-	-	-	-	-
Prepaid items	7,305	-	-	-	-
Intergovernmental receivable	1,654,957	416,545	370,119	740,237	-
Total assets	<u>\$ 17,025,360</u>	<u>\$ 940,921</u>	<u>\$ 372,489</u>	<u>\$ 740,237</u>	<u>\$ 50,100</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ 2,293,362	\$ 32,553	\$ -	\$ 103,075	\$ 4,752
Unearned revenue	-	-	-	-	-
Wages and benefits payable	907	25,659	-	3,454	-
Due to other funds	-	-	-	147,452	-
Advance from other funds	-	-	-	1,500,000	-
Total liabilities	<u>2,294,269</u>	<u>58,212</u>	<u>-</u>	<u>1,753,981</u>	<u>4,752</u>
<b>FUND BALANCES:</b>					
Nonspendable:					
Inventories and prepaids	7,305	-	-	-	-
Restricted to:					
Fire	-	-	-	-	-
Lodgers' promotion	-	-	-	-	-
Capital projects	13,043,532	-	-	-	-
Debt service	-	-	-	-	-
Committed to:					
Police	-	-	186,245	-	-
Fire	-	-	186,244	-	-
Parks, recreation, cultural affairs	-	882,709	-	-	-
Public works	1,680,254	-	-	-	-
Assigned to:					
Parks, recreation, cultural affairs	-	-	-	-	-
Library	-	-	-	-	45,348
Community development	-	-	-	-	-
Capital projects	-	-	-	-	-
Unassigned	-	-	-	(1,013,744)	-
Total fund balances	<u>14,731,091</u>	<u>882,709</u>	<u>372,489</u>	<u>(1,013,744)</u>	<u>45,348</u>
Total liabilities and fund balances	<u>\$ 17,025,360</u>	<u>\$ 940,921</u>	<u>\$ 372,489</u>	<u>\$ 740,237</u>	<u>\$ 50,100</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, 2019**

	Special Revenue				
	Parks/ Recreation Gifts and Grants	Museum Gifts and Grants	Red Apple Transit Grant	General Government Grant	CDBG Grant
<b>ASSETS:</b>					
Cash and investments	\$ 298,089	\$ 235,213	\$ 16,467	\$ -	\$ 82,655
Accounts receivable	5,000	24,953	18,463	-	-
Due from other funds	-	-	-	-	-
Prepaid items	-	-	-	2,995	-
Intergovernmental receivable	-	-	81,049	123,251	23,884
Total assets	<u>\$ 303,089</u>	<u>\$ 260,166</u>	<u>\$ 115,979</u>	<u>\$ 126,246</u>	<u>\$ 106,539</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ 4	\$ 37,762	\$ 76,735	\$ -	\$ -
Unearned revenue	15,015	-	-	-	-
Wages and benefits payable	-	-	1,368	4,454	1,705
Due to other funds	-	-	-	50,743	-
Advance from other funds	-	-	-	-	-
Total liabilities	<u>15,019</u>	<u>37,762</u>	<u>78,103</u>	<u>55,197</u>	<u>1,705</u>
<b>FUND BALANCES:</b>					
Nonspendable:					
Inventories and prepaids	-	-	-	2,995	-
Restricted to:					
Fire	-	-	-	-	-
Lodgers' promotion	-	-	-	-	-
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Committed to:					
Police	-	-	-	-	-
Fire	-	-	-	-	-
Parks, recreation, cultural affairs	-	-	-	-	-
Public works	-	-	-	-	-
Assigned to:					
Parks, recreation, cultural affairs	288,070	222,404	37,876	-	-
Library	-	-	-	-	-
Community development	-	-	-	68,054	104,834
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>288,070</u>	<u>222,404</u>	<u>37,876</u>	<u>71,049</u>	<u>104,834</u>
Total liabilities and fund balances	<u>\$ 303,089</u>	<u>\$ 260,166</u>	<u>\$ 115,979</u>	<u>\$ 126,246</u>	<u>\$ 106,539</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, 2019**

	<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>ASSETS:</b>				
Cash and investments	\$ 422,493	\$ 268,457	\$ -	\$ 40,885
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Intergovernmental receivable	125,505	79,260	-	171,727
Total assets	<u>\$ 547,998</u>	<u>\$ 347,717</u>	<u>\$ -</u>	<u>\$ 212,612</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 62,016	\$ -	\$ -	\$ 21,608
Unearned revenue	-	-	-	-
Wages and benefits payable	11,089	-	-	5,289
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
Total liabilities	<u>73,105</u>	<u>-</u>	<u>-</u>	<u>26,897</u>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories and prepaids	-	-	-	-
Restricted to:				
Fire	-	-	-	-
Lodgers' promotion	474,893	347,717	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Police	-	-	-	185,715
Fire	-	-	-	-
Parks, recreation, cultural affairs	-	-	-	-
Public works	-	-	-	-
Assigned to:				
Parks, recreation, cultural affairs	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>474,893</u>	<u>347,717</u>	<u>-</u>	<u>185,715</u>
Total liabilities and fund balances	<u>\$ 547,998</u>	<u>\$ 347,717</u>	<u>\$ -</u>	<u>\$ 212,612</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, 2019**

	Special Revenue				
	COPS Program Grant	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	Total Special Revenue
<b>ASSETS:</b>					
Cash and investments	\$ -	\$ -	\$ 390,487	\$ 7,125	\$ 17,687,920
Accounts receivable	-	-	-	-	62,311
Due from other funds	-	-	-	-	-
Prepaid items	-	-	-	-	10,300
Intergovernmental receivable	14,372	-	14,732	-	3,815,638
Total assets	<u>\$ 14,372</u>	<u>\$ -</u>	<u>\$ 405,219</u>	<u>\$ 7,125</u>	<u>\$ 21,576,169</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ -	\$ -	\$ 162,031	\$ 7,125	\$ 2,801,023
Unearned revenue	-	-	100,000	-	115,015
Wages and benefits payable	3,506	-	8,534	-	65,965
Due to other funds	10,866	-	-	-	209,061
Advance from other funds	-	-	-	-	1,500,000
Total liabilities	<u>14,372</u>	<u>-</u>	<u>270,565</u>	<u>7,125</u>	<u>4,691,064</u>
<b>FUND BALANCES:</b>					
Nonspendable:					
Inventories and prepaids	-	-	-	-	10,300
Restricted to:					
Fire	-	-	134,654	-	134,654
Lodgers' promotion	-	-	-	-	822,610
Capital projects	-	-	-	-	13,043,532
Debt service	-	-	-	-	-
Committed to:					
Police	-	-	-	-	371,960
Fire	-	-	-	-	186,244
Parks, recreation, cultural affairs	-	-	-	-	882,709
Public works	-	-	-	-	1,680,254
Assigned to:					
Parks, recreation, cultural affairs	-	-	-	-	548,350
Library	-	-	-	-	45,348
Community development	-	-	-	-	172,888
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	(1,013,744)
Total fund balances	<u>-</u>	<u>-</u>	<u>134,654</u>	<u>-</u>	<u>16,885,105</u>
Total liabilities and fund balances	<u>\$ 14,372</u>	<u>\$ -</u>	<u>\$ 405,219</u>	<u>\$ 7,125</u>	<u>\$ 21,576,169</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, 2019**

			<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	\$ 1,012,753	\$ 5,398	\$ 6,327,285	\$ 174,802	\$ 26,622
Accounts receivable	-	-	-	-	-
Due from other funds	-	159,933	-	-	-
Prepaid items	-	-	-	-	-
Intergovernmental receivable	13,030	-	-	-	65,484
Total assets	<u>\$ 1,025,783</u>	<u>\$ 165,331</u>	<u>\$ 6,327,285</u>	<u>\$ 174,802</u>	<u>\$ 92,106</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ -	\$ 69,816	\$ 812,721	\$ -	\$ 69,849
Unearned revenue	-	-	-	-	-
Wages and benefits payable	-	-	2,300	-	-
Due to other funds	-	77,754	-	-	-
Advance from other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>147,570</u>	<u>815,021</u>	<u>-</u>	<u>69,849</u>
<b>FUND BALANCES:</b>					
Nonspendable:					
Inventories and prepaids					
	-	-	-	-	-
Restricted to:					
Fire					
	-	-	-	-	-
Lodgers' promotion					
	-	-	-	-	-
Capital projects					
	1,025,783	17,761	5,512,264	-	22,257
Debt service					
	-	-	-	-	-
Committed to:					
Police					
	-	-	-	-	-
Fire					
	-	-	-	-	-
Parks, recreation, cultural affairs					
	-	-	-	-	-
Public works					
	-	-	-	-	-
Assigned to:					
Parks, recreation, cultural affairs					
	-	-	-	-	-
Library					
	-	-	-	-	-
Community development					
	-	-	-	-	-
Capital projects					
	-	-	-	174,802	-
Unassigned					
	-	-	-	-	-
Total fund balances	<u>1,025,783</u>	<u>17,761</u>	<u>5,512,264</u>	<u>174,802</u>	<u>22,257</u>
Total liabilities and fund balances	<u>\$ 1,025,783</u>	<u>\$ 165,331</u>	<u>\$ 6,327,285</u>	<u>\$ 174,802</u>	<u>\$ 92,106</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, 2019**

	<b>Capital Projects</b>					<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>ASSETS:</b>						
Cash and investments	\$ 309,784	\$ 175,884	\$ 412,000	\$ 8,444,528	\$ 222,702	\$ 26,355,150
Accounts receivable	-	-	-	-	-	62,311
Due from other funds	-	-	-	159,933	-	159,933
Prepaid items	-	-	-	-	-	10,300
Intergovernmental receivable	-	-	-	78,514	-	3,894,152
Total assets	<u>\$ 309,784</u>	<u>\$ 175,884</u>	<u>\$ 412,000</u>	<u>\$ 8,682,975</u>	<u>\$ 222,702</u>	<u>\$ 30,481,846</u>
<b>LIABILITIES:</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 952,386	\$ -	\$ 3,753,409
Unearned revenue	-	-	-	-	-	115,015
Wages and benefits payable	-	-	-	2,300	-	68,265
Due to other funds	-	-	159,933	237,687	-	446,748
Advance from other funds	-	-	-	-	-	1,500,000
Total liabilities	<u>-</u>	<u>-</u>	<u>159,933</u>	<u>1,192,373</u>	<u>-</u>	<u>5,883,437</u>
<b>FUND BALANCES:</b>						
Nonspendable:						
Inventories and prepaids						
	-	-	-	-	-	10,300
Restricted to:						
Fire						
	-	-	-	-	-	134,654
Lodgers' promotion						
	-	-	-	-	-	822,610
Capital projects						
	309,784	-	252,067	7,139,916	-	20,183,448
Debt service						
	-	-	-	-	222,702	222,702
Committed to:						
Police						
	-	-	-	-	-	371,960
Fire						
	-	-	-	-	-	186,244
Parks, recreation, cultural affairs						
	-	175,884	-	175,884	-	1,058,593
Public works						
	-	-	-	-	-	1,680,254
Assigned to:						
Parks, recreation, cultural affairs						
	-	-	-	-	-	548,350
Library						
	-	-	-	-	-	45,348
Community development						
	-	-	-	-	-	172,888
Capital projects						
	-	-	-	174,802	-	174,802
Unassigned						
	-	-	-	-	-	(1,013,744)
Total fund balances	<u>309,784</u>	<u>175,884</u>	<u>252,067</u>	<u>7,490,602</u>	<u>222,702</u>	<u>24,598,409</u>
Total liabilities and fund balances	<u>\$ 309,784</u>	<u>\$ 175,884</u>	<u>\$ 412,000</u>	<u>\$ 8,682,975</u>	<u>\$ 222,702</u>	<u>\$ 30,481,846</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, 2019**

	Special Revenue				
	Gross Receipts Tax Streets	Gross Receipts Tax Parks	Gross Receipts Tax Public Safety	Gross Receipts Tax Community Trans and Econ Div	Library Gifts and Grants
<b>REVENUES:</b>					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	-
Gross receipts tax	8,289,172	2,410,129	1,058,786	2,117,572	-
Gasoline taxes	385,398	-	-	-	-
Lodgers' taxes/fees	-	-	-	-	-
Intergovernmental:					
Federal	-	-	-	-	-
State	-	-	-	-	7,510
Other	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines	-	-	-	-	-
Investment earnings	61,280	10,993	2,370	7,382	5,674
Donations	-	-	-	50,000	24,264
Miscellaneous	1,779	26,190	-	528	562
Total revenues	<u>8,737,629</u>	<u>2,447,312</u>	<u>1,061,156</u>	<u>2,175,482</u>	<u>38,010</u>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	840,558	-
Police	-	-	344,334	-	-
Fire	-	-	344,333	-	-
Parks, recreation, and cultural affairs	-	2,039,451	-	-	281,132
Public works	5,720,048	-	-	53,006	-
Airport	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond issuance costs	142,943	-	-	-	-
Capital outlay:					
General government	-	-	-	823,462	-
Police	-	-	-	96,088	-
Fire	-	-	-	-	-
Parks, recreation, and cultural affairs	-	561,040	-	24,623	-
Public works	3,929,980	-	-	309,421	-
Total expenditures	<u>9,792,971</u>	<u>2,600,491</u>	<u>688,667</u>	<u>2,147,158</u>	<u>281,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,055,342)</u>	<u>(153,179)</u>	<u>372,489</u>	<u>28,324</u>	<u>(243,122)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	600,000	41,910	-	300,000	-
Transfers out	(1,488,005)	(26,776)	-	(1,342,068)	-
GRT improvement revenue bond series 2019 issued	10,890,000	-	-	-	-
GRT improvement revenue bond series 2019 premium	2,221,046	-	-	-	-
	<u>12,223,041</u>	<u>15,134</u>	<u>-</u>	<u>(1,042,068)</u>	<u>-</u>
Net change in fund balances	11,167,699	(138,045)	372,489	(1,013,744)	(243,122)
Fund balances-beginning	3,563,392	1,020,754	-	-	288,470
Fund balances-ending	<u>\$ 14,731,091</u>	<u>\$ 882,709</u>	<u>\$ 372,489</u>	<u>\$ (1,013,744)</u>	<u>\$ 45,348</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, 2019**

	Special Revenue				
	Parks/ Recreation Gifts and Grants	Museum Gifts and Grants	Red Apple Transit Grant	General Government Grant	CDBG Grant
<b>REVENUES:</b>					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	-
Gross receipts tax	-	-	-	-	-
Gasoline taxes	-	-	-	-	-
Lodgers' taxes/fees	-	-	-	-	-
Intergovernmental:					
Federal	-	-	677,455	217,413	581,286
State	10,043	-	23,996	319,351	-
Other	4,029	-	50,692	-	-
Charges for services	713	53,933	88,577	-	-
Fines	-	-	-	-	-
Investment earnings	6,482	5,177	-	-	1,218
Donations	87,930	32,677	-	-	-
Miscellaneous	368	370	96	110	36
Total revenues	<u>109,565</u>	<u>92,157</u>	<u>840,816</u>	<u>536,874</u>	<u>582,540</u>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	1,158,068	512,831	120,534
Police	-	-	-	56,905	-
Fire	-	-	-	-	-
Parks, recreation, and cultural affairs	53,787	91,171	-	-	-
Public works	-	-	-	-	-
Airport	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay:					
General government	-	-	153,842	-	466,600
Police	-	-	-	-	-
Fire	-	-	-	-	-
Parks, recreation, and cultural affairs	42,844	-	-	-	-
Public works	-	-	-	-	-
Total expenditures	<u>96,631</u>	<u>91,171</u>	<u>1,311,910</u>	<u>569,736</u>	<u>587,134</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,934</u>	<u>986</u>	<u>(471,094)</u>	<u>(32,862)</u>	<u>(4,594)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	418,536	60,114	-
Transfers out	(41,910)	-	-	-	-
GRT improvement revenue bond series 2019 issued	-	-	-	-	-
GRT improvement revenue bond series 2019 premium	-	-	-	-	-
Total other financing sources (uses)	<u>(41,910)</u>	<u>-</u>	<u>418,536</u>	<u>60,114</u>	<u>-</u>
Net change in fund balances	(28,976)	986	(52,558)	27,252	(4,594)
Fund balances-beginning	317,046	221,418	90,434	43,797	109,428
Fund balances-ending	<u>\$ 288,070</u>	<u>\$ 222,404</u>	<u>\$ 37,876</u>	<u>\$ 71,049</u>	<u>\$ 104,834</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, 2019**

	Special Revenue			
	Lodgers' Tax	Convention Center Fees	State Police Protection Grant	Region II Narcotics Grant
<b>REVENUES:</b>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts tax	-	-	-	-
Gasoline taxes	-	-	-	-
Lodgers' taxes/fees	1,193,797	754,077	-	-
Intergovernmental:				
Federal	-	-	-	248,240
State	-	-	134,788	179,845
Other	-	-	-	38,000
Charges for services	70,092	-	-	-
Fines	-	-	-	-
Investment earnings	10,890	4,323	1,189	180
Donations	-	-	-	-
Miscellaneous	5,037	122	-	8,032
Total revenues	<u>1,279,816</u>	<u>758,522</u>	<u>135,977</u>	<u>474,297</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
Police	-	-	21,999	433,277
Fire	-	-	-	-
Parks, recreation, and cultural affairs	1,271,820	60,793	-	-
Public works	-	-	-	-
Airport	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Police	-	-	114,674	9,256
Fire	-	-	-	-
Parks, recreation, and cultural affairs	-	-	-	-
Public works	-	-	-	-
Total expenditures	<u>1,271,820</u>	<u>60,793</u>	<u>136,673</u>	<u>442,533</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,996</u>	<u>697,729</u>	<u>(696)</u>	<u>31,764</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	30,000
Transfers out	-	(711,088)	-	-
GRT improvement revenue bond series 2019 issued	-	-	-	-
GRT improvement revenue bond series 2019 premium	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(711,088)</u>	<u>-</u>	<u>30,000</u>
Net change in fund balances	7,996	(13,359)	(696)	61,764
Fund balances-beginning	466,897	361,076	696	123,951
Fund balances-ending	<u>\$ 474,893</u>	<u>\$ 347,717</u>	<u>\$ -</u>	<u>\$ 185,715</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, 2019**

	Special Revenue				Total Special Revenue
	COPS Program Grant	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	
<b>REVENUES:</b>					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	-
Gross receipts tax	-	-	-	-	13,875,659
Gasoline taxes	-	-	-	-	385,398
Lodgers' taxes/fees	-	-	-	-	1,947,874
Intergovernmental:					
Federal	64,872	45,675	268,863	-	2,103,804
State	-	-	649,616	-	1,325,149
Other	-	-	-	-	92,721
Charges for services	-	-	-	-	213,315
Fines	-	-	-	87,421	87,421
Investment earnings	-	216	7,388	198	124,960
Donations	-	-	24,250	-	219,121
Miscellaneous	-	249	89,321	-	132,800
Total revenues	<u>64,872</u>	<u>46,140</u>	<u>1,039,438</u>	<u>87,619</u>	<u>20,508,222</u>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	-	2,631,991
Police	120,229	37,610	-	87,619	1,101,973
Fire	-	-	784,798	-	1,129,131
Parks, recreation, and cultural affairs	-	-	-	-	3,798,154
Public works	-	-	-	-	5,773,054
Airport	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond issuance costs	-	-	-	-	142,943
Capital outlay:					
General government	-	-	-	-	1,443,904
Police	-	8,530	-	-	228,548
Fire	-	-	204,200	-	204,200
Parks, recreation, and cultural affairs	-	-	-	-	628,507
Public works	-	-	-	-	4,239,401
Total expenditures	<u>120,229</u>	<u>46,140</u>	<u>988,998</u>	<u>87,619</u>	<u>21,321,806</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(55,357)</u>	<u>-</u>	<u>50,440</u>	<u>-</u>	<u>(813,584)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	53,194	-	120,000	-	1,623,754
Transfers out	-	-	(278,032)	-	(3,887,879)
GRT improvement revenue bond series 2019 issued	-	-	-	-	10,890,000
GRT improvement revenue bond series 2019 premium	-	-	-	-	2,221,046
Total other financing sources (uses)	<u>53,194</u>	<u>-</u>	<u>(158,032)</u>	<u>-</u>	<u>10,846,921</u>
Net change in fund balances	<u>(2,163)</u>	<u>-</u>	<u>(107,592)</u>	<u>-</u>	<u>10,033,337</u>
Fund balances-beginning	2,163	-	242,246	-	6,851,768
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,654</u>	<u>\$ -</u>	<u>\$ 16,885,105</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, 2019**

	Capital Projects				
	Community Development Grant Projects	Gross Receipts Tax Bond Projects	Gross Receipts Tax 2017/2018 Bond Capital Projects	Governmental Capital Projects	Airport Construction Grant Projects
<b>REVENUES:</b>					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Gross receipts tax	-	-	-	-	-
Gasoline taxes	-	-	-	-	-
Lodgers' taxes/fees	-	-	-	-	-
Intergovernmental:					
Federal	-	-	-	-	399,593
State	502,558	-	-	-	76,760
Other	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines	-	-	-	-	-
Investment earnings	17,882	1,260	213,506	14,105	64
Donations	-	-	-	-	-
Miscellaneous	-	-	255	912	-
Total revenues	<u>520,440</u>	<u>1,260</u>	<u>213,761</u>	<u>15,017</u>	<u>476,417</u>
<b>EXPENDITURES:</b>					
Current:					
General government	-	96,807	117,358	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Parks, recreation, and cultural affairs	-	54,332	341,659	-	-
Public works	-	-	-	-	-
Airport	-	-	-	-	561,869
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Capital outlay:					
General government	-	-	-	376,691	-
Police	-	-	-	-	-
Fire	-	-	18,878	-	-
Parks, recreation, and cultural affairs	-	-	8,306,989	-	-
Public works	2,344,029	-	284,285	-	-
Total expenditures	<u>2,344,029</u>	<u>151,139</u>	<u>9,069,169</u>	<u>376,691</u>	<u>561,869</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,823,589)</u>	<u>(149,879)</u>	<u>(8,855,408)</u>	<u>(361,674)</u>	<u>(85,452)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	1,182,949	-	1,189,000	-	90,750
Transfers out	-	-	-	(300,000)	-
GRT improvement revenue bond series 2019 issued	-	-	-	-	-
GRT improvement revenue bond series 2019 premium	-	-	-	-	-
Total other financing sources (uses)	<u>1,182,949</u>	<u>-</u>	<u>1,189,000</u>	<u>(300,000)</u>	<u>90,750</u>
Net change in fund balances	(640,640)	(149,879)	(7,666,408)	(661,674)	5,298
Fund balances-beginning	1,666,423	167,640	13,178,672	836,476	16,959
Fund balances-ending	<u>\$ 1,025,783</u>	<u>\$ 17,761</u>	<u>\$ 5,512,264</u>	<u>\$ 174,802</u>	<u>\$ 22,257</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, 2019**

	<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:						
Property	\$ 913	\$ -	\$ -	\$ 913	\$ -	913
Gross receipts	-	-	-	-	-	13,875,659
Gasoline taxes	-	-	-	-	-	385,398
Lodgers' taxes/fees	-	-	-	-	-	1,947,874
Intergovernmental:						
Federal	-	-	-	399,593	-	2,503,397
State	50,000	-	-	629,318	-	1,954,467
Other	-	-	-	-	-	92,721
Charges for services	-	7,207	-	7,207	-	220,522
Fines	-	-	-	-	-	87,421
Investment earnings	7,423	3,547	32,035	289,822	15,080	429,862
Donations	-	-	-	-	-	219,121
Miscellaneous	1	348	11	1,527	-	134,327
Total revenues	<u>58,337</u>	<u>11,102</u>	<u>32,046</u>	<u>1,328,380</u>	<u>15,080</u>	<u>21,851,682</u>
<b>EXPENDITURES:</b>						
Current:						
General government	85,485	-	-	299,650	-	2,931,641
Police	-	-	-	-	-	1,101,973
Fire	-	-	-	-	-	1,129,131
Parks, recreation, and cultural affairs	-	7,343	341,093	744,427	-	4,542,581
Public works	-	-	-	-	-	5,773,054
Airport	-	-	-	561,869	-	561,869
Debt service:						
Principal	-	-	-	-	1,770,989	1,770,989
Interest	-	-	-	-	1,256,330	1,256,330
Bond issuance costs	-	-	-	-	-	142,943
Capital outlay:						
General government	-	-	-	376,691	-	1,820,595
Police	-	-	-	-	-	228,548
Fire	-	-	-	18,878	-	223,078
Parks, recreation, and cultural affairs	-	-	2,812,332	11,119,321	-	11,747,828
Public works	-	-	-	2,628,314	-	6,867,715
Total expenditures	<u>85,485</u>	<u>7,343</u>	<u>3,153,425</u>	<u>15,749,150</u>	<u>3,027,319</u>	<u>40,098,275</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,148)</u>	<u>3,759</u>	<u>(3,121,379)</u>	<u>(14,420,770)</u>	<u>(3,012,239)</u>	<u>(18,246,593)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	26,776	-	2,489,475	3,034,855	7,148,084
Transfers out	(6,840)	-	-	(306,840)	-	(4,194,719)
GRT improvement revenue bond series 2019 issued	-	-	-	-	-	10,890,000
GRT improvement revenue bond series 2019 premium	-	-	-	-	-	2,221,046
Total other financing sources (uses)	<u>(6,840)</u>	<u>26,776</u>	<u>-</u>	<u>2,182,635</u>	<u>3,034,855</u>	<u>16,064,411</u>
Net change in fund balances	(33,988)	30,535	(3,121,379)	(12,238,135)	22,616	(2,182,182)
Fund balances-beginning	343,772	145,349	3,373,446	19,728,737	200,086	26,780,591
Fund balances-ending	<u>\$ 309,784</u>	<u>\$ 175,884</u>	<u>\$ 252,067</u>	<u>\$ 7,490,602</u>	<u>\$ 222,702</u>	<u>\$ 24,598,409</u>

**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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Gross receipts taxes	\$ 7,816,916	\$ 8,505,584	\$ 7,981,589	\$ (523,995)
Gasoline taxes	483,735	483,735	388,131	(95,604)
Investment earnings	25,000	25,000	44,791	19,791
Miscellaneous	12,500	12,500	1,779	(10,721)
Total revenues	8,338,151	9,026,819	8,416,290	(610,529)
<b>EXPENDITURES:</b>				
Current:				
Public works	5,726,297	6,369,965	5,687,561	682,404
Capital Outlay:				
Public works	2,336,350	15,346,522	1,892,965	13,453,557
Debt Service:				
Bond issuance costs	-	142,943	68,115	74,828
Total expenditures	8,062,647	21,859,430	7,648,641	14,210,789
Excess (deficiency) of revenues over (under) expenditures	275,504	(12,832,611)	767,649	13,600,260
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	600,000	600,000	600,000	-
Transfers out	(1,485,074)	(1,488,005)	(1,488,005)	-
GRT improvement revenue bond series 2019 issued	-	10,890,000	10,890,000	-
GRT improvement revenue bond series 2019 premium	-	2,221,046	2,221,046	-
	(885,074)	12,223,041	12,223,041	-
Net change in fund balances	(609,570)	(609,570)	12,990,690	\$ <u>13,600,260</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts receivable			304,850	
Change in fair market value - investments			16,489	
Change in accounts payable			(2,144,330)	
			(1,822,991)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			11,167,699	
Fund balances - beginning	3,563,392	3,563,392	3,563,392	
Fund balances - ending	\$ 2,953,822	\$ 2,953,822	\$ 14,731,091	

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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Gross receipts taxes	\$ 2,605,639	\$ 2,605,639	\$ 2,430,974	\$ (174,665)
Investment earnings	2,500	2,500	6,812	4,312
Miscellaneous	18,100	18,100	22,440	4,340
Total revenues	2,626,239	2,626,239	2,460,226	(166,013)
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	2,195,281	2,195,281	2,044,988	150,293
Capital Outlay:				
Parks, recreation, and cultural affairs	451,681	464,140	528,488	(64,348)
Total expenditures	2,646,962	2,659,421	2,573,476	85,945
Excess (deficiency) of revenues over (under) expenditures	(20,723)	(33,182)	(113,250)	(80,068)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	41,910	41,910	-
Transfers out	-	(26,776)	(26,776)	-
	-	15,134	15,134	-
Net change in fund balances	(20,723)	(18,048)	(98,116) \$	(80,068)
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts receivable			(17,095)	
Change in fair market value - investments			4,181	
Change in accounts payable			(27,015)	
			(39,929)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
Fund balances - beginning	1,020,754	1,020,754	1,020,754	
Fund balances - ending	\$ 1,000,031	\$ 1,002,706	\$ 882,709	

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



**CITY OF FARMINGTON, NEW MEXICO**  
**Gross Receipts Tax Public Safety Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Gross receipts taxes	\$ -	\$ 688,668	\$ 688,667	\$ (1)
Investment earnings	-	-	2,368	2,368
Total revenues	-	688,668	691,035	2,367
<b>EXPENDITURES:</b>				
Current:				
Police operations	-	344,334	344,334	-
Fire operations	-	344,334	344,333	1
Total expenditures	-	688,668	688,667	1
Excess (deficiency) of revenues over (under) expenditures	-	-	2,368	\$ 2,368
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts receivable			370,119	
Change in fair market value - investments			2	
			370,121	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			372,489	
Fund balances - beginning	-	-	-	
Fund balances - ending	\$ -	\$ -	\$ 372,489	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Gross Receipts Tax Community Transformation and Economic Div Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Gross receipts taxes	\$ -	\$ 1,546,257	\$ 1,377,335	\$ (168,922)
Investment earnings	-	-	7,382	7,382
Donations	-	50,000	50,000	-
Miscellaneous	-	-	528	528
Total revenues	<u>-</u>	<u>1,596,257</u>	<u>1,435,245</u>	<u>(161,012)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	776,001	737,484	38,517
Public works	-	187,000	53,006	133,994
	<u>-</u>	<u>963,001</u>	<u>790,490</u>	<u>172,511</u>
Capital Outlay:				
General government	-	813,108	823,462	(10,354)
Parks, recreation, and cultural affairs	-	408,697	24,623	384,074
Police	-	165,888	96,088	69,800
Public works	-	300,000	309,421	(9,421)
	<u>-</u>	<u>1,687,693</u>	<u>1,253,594</u>	<u>434,099</u>
Total expenditures	<u>-</u>	<u>2,650,694</u>	<u>2,044,084</u>	<u>606,610</u>
Excess (deficiency) of revenues over (under) expenditures	-	(1,054,437)	(608,839)	445,598
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	300,000	300,000	-
Transfers out	-	(1,342,068)	(1,342,068)	-
	<u>-</u>	<u>(1,042,068)</u>	<u>(1,042,068)</u>	<u>-</u>
Net change in fund balances	-	(2,096,505)	(1,650,907)	<u>\$ 445,598</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts receivable			740,237	
Change in accounts payable			(103,074)	
			<u>637,163</u>	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(1,013,744)	
Fund balances - beginning	-	-	-	
Fund balances - ending	<u>\$ -</u>	<u>\$ (2,096,505)</u>	<u>\$ (1,013,744)</u>	

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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental				
State	\$ 127,382	\$ 127,382	\$ 7,510	\$ (119,872)
Investment earnings	3,000	3,000	3,853	853
Donations	17,200	17,200	24,264	7,064
Miscellaneous	-	-	562	562
Total revenues	147,582	147,582	36,189	(111,393)
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	159,082	362,397	276,381	86,016
Excess (deficiency) of revenues over (under) expenditures	(11,500)	(214,815)	(240,192)	\$ (25,377)
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			1,821	
Change in accounts payable			(4,751)	
			(2,930)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(243,122)	
Fund balances - beginning	288,470	288,470	288,470	
Fund balances - ending	\$ 276,970	\$ 73,655	\$ 45,348	

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, 2019**

	<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	\$ 18,500	\$ 20,874	\$ 33,932	\$ 13,058
Other	10,000	10,000	4,029	(5,971)
Charges for services	-	-	713	713
Investment earnings	2,750	2,750	4,421	1,671
Donations	34,000	59,000	82,930	23,930
Miscellaneous	-	-	368	368
Total revenues	65,250	92,624	126,393	33,769
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	149,012	166,604	53,787	112,817
Capital Outlay:				
Parks, recreation, and cultural affairs	5,000	5,000	42,844	(37,844)
Total expenditures	154,012	171,604	96,631	74,973
Excess (deficiency) of revenues over (under) expenditures	(88,762)	(78,980)	29,762	108,742
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	(41,910)	(41,910)	-
Net change in fund balances	(88,762)	(120,890)	(12,148)	\$ 108,742
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - state			(23,889)	
Change in fair market value - investments			2,061	
Change in accounts receivable			5,000	
			(16,828)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(28,976)	
Fund balances - beginning	317,046	317,046	317,046	
Fund balances - ending	\$ 228,284	\$ 196,156	\$ 288,070	

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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ 75,000	\$ 75,000	\$ 53,933	\$ (21,067)
Investment earnings	2,200	2,200	3,621	1,421
Donations	13,000	13,000	7,724	(5,276)
Miscellaneous	-	-	370	370
Total revenues	90,200	90,200	65,648	(24,552)
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	119,500	119,500	53,743	65,757
Capital Outlay:				
Parks, recreation, and cultural affairs	2,000	2,000	-	2,000
Total expenditures	121,500	121,500	53,743	67,757
Excess (deficiency) of revenues over (under) expenditures	(31,300)	(31,300)	11,905	\$ <u>43,205</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			1,556	
Change in accounts receivable			24,953	
Change in accounts payable			(37,428)	
			(10,919)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			986	
Fund balances - beginning	221,418	221,418	221,418	
Fund balances - ending	\$ 190,118	\$ 190,118	\$ 222,404	

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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 1,055,147	\$ 1,055,147	\$ 698,462	\$ (356,685)
State	68,076	68,076	23,996	(44,080)
Other	45,754	45,754	57,193	11,439
Charges for services	75,000	75,000	81,553	6,553
Miscellaneous	4,520	4,520	96	(4,424)
Total revenues	1,248,497	1,248,497	861,300	(387,197)
<b>EXPENDITURES:</b>				
Current:				
General government	1,478,389	1,478,389	1,147,122	331,267
Capital Outlay:				
General government	225,000	225,000	153,842	71,158
Total expenditures	1,703,389	1,703,389	1,300,964	402,425
Excess (deficiency) of revenues over (under) expenditures	(454,892)	(454,892)	(439,664)	15,228
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	418,536	418,536	418,536	-
Net change in fund balances	(36,356)	(36,356)	(21,128)	\$ <u>15,228</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			(21,007)	
Change in intergovernmental receivable - other			(6,501)	
Change in charges for services receivable			7,024	
Change in accounts payable			(10,946)	
			(31,430)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(52,558)	
Fund balances - beginning	90,434	90,434	90,434	
Fund balances - ending	\$ 54,078	\$ 54,078	\$ 37,876	

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, 2019**

	<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	\$ 263,465	\$ 320,179	\$ 217,968	\$ (102,211)
State	317,697	317,697	319,351	1,654
Investment earnings	50	50	-	(50)
Miscellaneous	800	800	110	(690)
Total revenues	582,012	638,726	537,429	(101,297)
<b>EXPENDITURES:</b>				
Current:				
General government	586,959	586,959	537,044	49,915
Police	55,167	55,167	56,905	(1,738)
Total expenditures	642,126	642,126	593,949	48,177
Excess (deficiency) of revenues over (under) expenditures	(60,114)	(3,400)	(56,520)	(53,120)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	60,114	60,114	60,114	-
Net change in fund balances	-	56,714	3,594	\$ (53,120)
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			(555)	
Change in accounts payable			24,213	
			23,658	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			27,252	
Fund balances - beginning	43,797	43,797	43,797	
Fund balances - ending	\$ 43,797	\$ 100,511	\$ 71,049	

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, 2019**

	<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	\$ 820,360	\$ 820,360	\$ 621,570	\$ (198,790)
Investment earnings	800	800	1,218	418
Miscellaneous	-	-	36	36
Total revenues	821,160	821,160	622,824	(198,336)
<b>EXPENDITURES:</b>				
Current:				
General government	145,896	145,896	127,033	18,863
Capital Outlay:				
General government	674,478	674,478	505,016	169,462
Total expenditures	820,374	820,374	632,049	188,325
Excess (deficiency) of revenues over (under) expenditures	786	786	(9,225)	\$ (10,011)
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			(40,284)	
Change in accounts payable			44,915	
			4,631	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(4,594)	
Fund balances - beginning	109,428	109,428	109,428	
Fund balances - ending	\$ 110,214	\$ 110,214	\$ 104,834	

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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Lodgers taxes/fees	\$ 1,257,143	\$ 1,257,143	\$ 1,187,426	\$ (69,717)
Charges for services	76,000	76,000	70,092	(5,908)
Investment earnings	4,500	4,500	7,951	3,451
Miscellaneous	3,000	3,000	5,037	2,037
Total revenues	<u>1,340,643</u>	<u>1,340,643</u>	<u>1,270,506</u>	<u>(70,137)</u>
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	1,402,355	1,417,510	1,269,888	147,622
Capital Outlay				
Park Construction	-	64,108	-	64,108
Total expenditures	<u>1,402,355</u>	<u>1,481,618</u>	<u>1,269,888</u>	<u>211,730</u>
Excess (deficiency) of revenues over (under) expenditures	(61,712)	(140,975)	618	<u>\$ 141,593</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts receivable			6,371	
Change in fair market value - investments			2,939	
Change in accounts payable			<u>(1,932)</u>	
			<u>7,378</u>	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			7,996	
Fund balances - beginning	466,897	466,897	466,897	
Fund balances - ending	<u>\$ 405,185</u>	<u>\$ 325,922</u>	<u>\$ 474,893</u>	

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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Lodgers taxes/fees	\$ 784,944	\$ 784,944	\$ 748,610	\$ (36,334)
Investment earnings	2,500	2,500	4,323	1,823
Miscellaneous	-	-	122	122
Total revenues	<u>787,444</u>	<u>787,444</u>	<u>753,055</u>	<u>(34,389)</u>
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	-	126,500	60,793	65,707
Excess (deficiency) of revenues over (under) expenditures	787,444	660,944	692,262	31,318
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(711,088)</u>	<u>(711,088)</u>	<u>(711,088)</u>	<u>-</u>
Net change in fund balances	76,356	(50,144)	(18,826) \$	<u><u>31,318</u></u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts receivable			<u>5,467</u>	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
Fund balances - beginning	<u>361,076</u>	<u>361,076</u>	<u>361,076</u>	
Fund balances - ending	<u><u>\$ 437,432</u></u>	<u><u>\$ 310,932</u></u>	<u><u>\$ 347,717</u></u>	

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, 2019**

	<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				
State	\$ 105,000	\$ 105,000	\$ 134,788	\$ 29,788
Investment earnings	700	700	1,189	489
Miscellaneous	500	500	-	(500)
Total revenues	<u>106,200</u>	<u>106,200</u>	<u>135,977</u>	<u>29,777</u>
<b>EXPENDITURES:</b>				
Current:				
Police operations	55,200	22,010	21,999	11
Capital Outlay:				
Police operations	51,000	114,674	114,674	-
Total expenditures	<u>106,200</u>	<u>136,684</u>	<u>136,673</u>	<u>11</u>
Excess (deficiency) of revenues over (under) expenditures	-	(30,484)	(696)	<u>\$ 29,788</u>
Fund balances - beginning	696	696	696	
Fund balances - ending	<u>\$ 696</u>	<u>\$ (29,788)</u>	<u>\$ -</u>	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Region II Narcotics Grant Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2019**

	<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	\$ 212,000	\$ 243,427	\$ 188,026	\$ (55,401)
State	150,000	150,000	142,831	(7,169)
Other	38,000	38,000	38,000	-
Investment earnings	75	75	180	105
Miscellaneous	5,000	5,000	13,167	8,167
Total revenues	405,075	436,502	382,204	(54,298)
<b>EXPENDITURES:</b>				
Current:				
Police operations	437,253	453,936	433,277	20,659
Capital Outlay:				
Police operations	-	-	9,256	(9,256)
Total expenditures	437,253	453,936	442,533	11,403
Excess (deficiency) of revenues over (under) expenditures	(32,178)	(17,434)	(60,329)	(42,895)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	30,000	30,000	30,000	-
Net change in fund balances	(2,178)	12,566	(30,329)	\$ <u><u>(42,895)</u></u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			60,214	
Change in intergovernmental receivable - state			37,014	
Change in accounts receivable			(5,135)	
			92,093	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			61,764	
Fund balances - beginning	123,951	123,951	123,951	
Fund balances - ending	\$ 121,773	\$ 136,517	\$ 185,715	

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, 2019**

	<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	\$ 35,258	\$ 83,044	\$ 83,043	\$ (1)
<b>EXPENDITURES:</b>				
Current:				
Police operations	67,837	123,734	123,734	-
Excess (deficiency) of revenues over (under) expenditures	(32,579)	(40,690)	(40,691)	(1)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	32,579	53,194	53,194	-
Net change in fund balances	-	12,504	12,503	\$ (1)
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			(18,171)	
Change in accounts payable			3,505	
			(14,666)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(2,163)	
Fund balances - beginning	2,163	2,163	2,163	
Fund balances - ending	\$ 2,163	\$ 14,667	\$ -	

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, 2019**

	<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	\$ -	\$ 73,035	\$ 45,675	\$ (27,360)
Investment earnings	-	-	216	216
Miscellaneous	-	-	249	249
Total revenues	<u>-</u>	<u>73,035</u>	<u>46,140</u>	<u>(26,895)</u>
<b>EXPENDITURES:</b>				
Current:				
Police operations	-	73,035	37,610	35,425
Capital Outlay				
Police operations	-	-	8,530	(8,530)
Total expenditures	<u>-</u>	<u>73,035</u>	<u>46,140</u>	<u>26,895</u>
Net change in fund balances	-	-	-	\$ <u>-</u>
Fund balances - beginning	-	-	-	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

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



**CITY OF FARMINGTON, NEW MEXICO**  
**State Fire Grant Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 295,514	\$ 382,723	\$ 382,722	\$ (1)
State	472,238	746,426	642,372	(104,054)
Investment earnings	2,000	(2,054)	6,300	8,354
Donations	-	24,250	24,250	-
Miscellaneous	1,500	86,500	89,321	2,821
Total revenues	771,252	1,237,845	1,144,965	(92,880)
<b>EXPENDITURES:</b>				
Current:				
Fire operations	603,097	757,212	784,798	(27,586)
Capital Outlay:				
Fire operations	42,700	385,861	42,169	343,692
Total expenditures	645,797	1,143,073	826,967	316,106
Excess (deficiency) of revenues over (under) expenditures	125,455	94,772	317,998	223,226
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	120,000	120,000	120,000	-
Transfers out	(245,455)	(278,032)	(278,032)	-
	(125,455)	(158,032)	(158,032)	-
Net change in fund balances	-	(63,260)	159,966	\$ <u>223,226</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			(113,859)	
Change in intergovernmental receivable - state			7,244	
Change in fair market value - investments			1,088	
Change in accounts payable			(162,031)	
			(267,558)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			(107,592)	
Fund balances - beginning	242,246	242,246	242,246	
Fund balances - ending	\$ 242,246	\$ 178,986	\$ 134,654	

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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Fines	\$ 155,000	\$ 155,000	\$ 87,421	\$ (67,579)
Investment earnings	100	100	134	34
Total revenues	<u>155,100</u>	<u>155,100</u>	<u>87,555</u>	<u>(67,545)</u>
<b>EXPENDITURES:</b>				
Current:				
Public Safety	<u>155,100</u>	<u>155,100</u>	<u>88,264</u>	<u>66,836</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(709)</u>	<u>\$ (709)</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			64	
Change in accounts payable			<u>645</u>	
			<u>709</u>	
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Community Development Grant Projects Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES:</b>				
Intergovernmental				
State	\$ 1,559,478	\$ 1,559,478	\$ 1,582,279	\$ 22,801
Investment earnings	12,500	12,500	12,169	(331)
Total revenues	<u>1,571,978</u>	<u>1,571,978</u>	<u>1,594,448</u>	<u>22,470</u>
<b>EXPENDITURES:</b>				
Capital Outlay:				
Public works	<u>3,457,351</u>	<u>3,457,351</u>	<u>2,556,467</u>	<u>900,884</u>
Excess (deficiency) of revenues over (under) expenditures	(1,885,373)	(1,885,373)	(962,019)	923,354
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	<u>1,182,949</u>	<u>1,182,949</u>	<u>1,182,949</u>	<u>-</u>
Net change in fund balances	(702,424)	(702,424)	220,930	<u>\$ 923,354</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - state			(1,079,721)	
Change in fair market value - investments			5,713	
Change in accounts payable			<u>212,438</u>	
			<u>(861,570)</u>	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(640,640)	
Fund balances - beginning	1,666,423	1,666,423	1,666,423	
Fund balances - ending	<u>\$ 963,999</u>	<u>\$ 963,999</u>	<u>\$ 1,025,783</u>	

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, 2019**

	<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	\$ -	\$ 1,055	\$ 1,260	\$ 205
<b>EXPENDITURES:</b>				
Current:				
General government	-	33,201	274,688	(241,487)
Parks, recreation, and cultural affairs	261,450	381,158	52,300	328,858
	261,450	414,359	326,988	87,371
Excess (deficiency) of revenues over (under) expenditures	(261,450)	(413,304)	(325,728)	\$ 87,576
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts payable			175,849	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
Fund balances - beginning	167,640	167,640	167,640	
Fund balances - ending	\$ (93,810)	\$ (245,664)	\$ 17,761	

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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Investment earnings	\$ -	\$ -	\$ 212,955	\$ 212,955
Miscellaneous	-	-	255	255
Total revenues	-	-	213,210	213,210
<b>EXPENDITURES:</b>				
Current:				
General government	118,194	118,194	117,358	836
Parks, recreation, and cultural affairs	-	417,871	802,852	(384,981)
	118,194	536,065	920,210	(384,145)
Capital Outlay:				
Parks, recreation, and cultural affairs	8,000,000	9,275,983	7,720,405	1,555,578
Fire	55,777	58,777	18,878	39,899
Public works	5,256,303	5,194,552	376,080	4,818,472
	13,312,080	14,529,312	8,115,363	6,413,949
Total expenditures	13,430,274	15,065,377	9,035,573	6,029,804
Excess (deficiency) of revenues over (under) expenditures	(13,430,274)	(15,065,377)	(8,822,363)	6,243,014
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	1,189,000	1,189,000	-
Net change in fund balances	(13,430,274)	(13,876,377)	(7,633,363)	\$ 6,243,014
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			551	
Change in accounts payable			(33,596)	
			(33,045)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(7,666,408)	
Fund balances - beginning	13,178,672	13,178,672	13,178,672	
Fund balances - ending	\$ (251,602)	\$ (697,705)	\$ 5,512,264	

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, 2019**

	<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	\$ 10,000	\$ 10,000	\$ 8,492	\$ (1,508)
Miscellaneous	-	-	912	912
Total revenues	10,000	10,000	9,404	(596)
<b>EXPENDITURES:</b>				
Capital Outlay:				
General government	-	424,942	424,941	1
Excess (deficiency) of revenues over (under) expenditures	10,000	(414,942)	(415,537)	(595)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	-	(300,000)	(300,000)	-
Net change in fund balances	10,000	(714,942)	(715,537) \$	(595)
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			5,613	
Change in accounts payable			48,250	
			53,863	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(661,674)	
Fund balances - beginning	836,476	836,476	836,476	
Fund balances - ending	\$ 846,476	\$ 121,534	\$ 174,802	

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, 2019**

	<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	\$ 937,500	\$ 1,796,990	\$ 1,650,023	\$ (146,967)
State	571,250	571,250	120,624	(450,626)
Investment earnings	500	500	41	(459)
Total revenues	1,509,250	2,368,740	1,770,688	(598,052)
<b>EXPENDITURES:</b>				
Current:				
Airport	1,600,000	1,600,000	975,349	624,651
Excess (deficiency) of revenues over (under) expenditures	(90,750)	768,740	795,339	26,599
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	90,750	90,750	90,750	-
Net change in fund balances	-	859,490	886,089	\$ 26,599
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			(1,250,430)	
Change in intergovernmental receivable - state			(43,864)	
Change in fair market value - investments			23	
Change in accounts payable			413,480	
			(880,791)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			5,298	
Fund balances - beginning	16,959	16,959	16,959	
Fund balances - ending	\$ 16,959	\$ 876,449	\$ 22,257	

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, 2019**

	<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>				
Property taxes	\$ -	\$ -	\$ 913	\$ 913
Intergovernmental				
State	50,000	50,000	50,000	-
Investment earnings	11,000	11,000	4,659	(6,341)
Miscellaneous	-	-	1	1
Total revenues	<u>61,000</u>	<u>61,000</u>	<u>55,573</u>	<u>(5,427)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	50,000	176,126	146,751	29,375
Capital Outlay:				
General government	325,504	274,573	-	274,573
Total expenditures	<u>375,504</u>	<u>450,699</u>	<u>146,751</u>	<u>303,948</u>
Excess (deficiency) of revenues over (under) expenditures	(314,504)	(389,699)	(91,178)	298,521
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(43,119)</u>	<u>(6,840)</u>	<u>(6,840)</u>	<u>-</u>
Net change in fund balances	(357,623)	(396,539)	(98,018) \$	<u><u>298,521</u></u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			2,764	
Change in accounts payable			<u>61,266</u>	
			<u>64,030</u>	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(33,988)	
Fund balances - beginning	343,772	343,772	343,772	
Fund balances - ending	<u>\$ (13,851)</u>	<u>\$ (52,767)</u>	<u>\$ 309,784</u>	

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, 2019**

	<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	\$ 5,000	\$ 7,207	\$ 2,207
Investment earnings	3,000	3,000	2,493	(507)
Miscellaneous	-	-	348	348
Total revenues	8,000	8,000	10,048	2,048
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	-	-	7,343	(7,343)
Capital Outlay:				
Parks, recreation, and cultural affairs	161,069	173,029	-	173,029
Total expenditures	161,069	173,029	7,343	165,686
Excess (deficiency) of revenues over (under) expenditures	(153,069)	(165,029)	2,705	167,734
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	26,776	26,776	-
Net change in fund balances	(153,069)	(138,253)	29,481	\$ 167,734
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			1,054	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			30,535	
Fund balances - beginning	145,349	145,349	145,349	
Fund balances - ending	\$ (7,720)	\$ 7,096	\$ 175,884	

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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Investment earnings	\$ -	\$ -	\$ 32,035	\$ 32,035
Miscellaneous	-	-	11	11
Total revenues	-	-	32,046	32,046
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation and cultural affairs	-	-	341,093	(341,093)
Capital Outlay:				
Parks, recreation and cultural affairs	4,051,635	4,405,168	3,844,054	561,114
Total expenditures	4,051,635	4,405,168	4,185,147	220,021
Excess (deficiency) of revenues over (under) expenditures	(4,051,635)	(4,405,168)	(4,153,101)	\$ 252,067
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts payable			1,031,722	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
Fund balances - beginning	3,373,446	3,373,446	3,373,446	
Fund balances - ending	\$ (678,189)	\$ (1,031,722)	\$ 252,067	

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, 2019**

	<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	\$ 10,000	\$ 7,069	\$ 13,655	\$ 6,586
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	1,670,989	1,670,989	1,770,989	(100,000)
Interest	1,360,935	1,360,935	1,256,330	104,605
Total expenditures	<u>3,031,924</u>	<u>3,031,924</u>	<u>3,027,319</u>	<u>4,605</u>
Excess (deficiency) of revenues over (under) expenditures	(3,021,924)	(3,024,855)	(3,013,664)	11,191
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	<u>3,031,924</u>	<u>3,034,855</u>	<u>3,034,855</u>	<u>-</u>
Net change in fund balances	10,000	10,000	21,191	<u>\$ 11,191</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			<u>1,425</u>	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
Fund balances - beginning	200,086	200,086	200,086	
Fund balances - ending	<u>\$ 210,086</u>	<u>\$ 210,086</u>	<u>\$ 222,702</u>	

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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 9,775,000	\$ 9,775,000	\$ 8,840,176	\$ (934,824)
Other revenues	-	-	86	86
Total operating revenues	<u>9,775,000</u>	<u>9,775,000</u>	<u>8,840,262</u>	<u>(934,738)</u>
Operating expenses:				
Costs of services	<u>10,681,934</u>	<u>10,681,934</u>	<u>7,840,813</u>	<u>2,841,121</u>
Operating income (loss)	(906,934)	(906,934)	999,449	1,906,383
Nonoperating revenues (expenses):				
Investment earnings	<u>29,000</u>	<u>29,000</u>	<u>52,884</u>	<u>23,884</u>
Change in net position	(877,934)	(877,934)	1,052,333	<u>\$ 1,930,267</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts receivable			(191,968)	
Change in fair market value - investments			20,497	
Change in accounts payable			(191,471)	
Change in accrued claims payable			19,200	
			<u>(343,742)</u>	
<b>GAAP BASIS CHANGE IN NET POSITION:</b>			708,591	
Net position - beginning	2,306,283	2,306,283	2,306,283	
Net position - ending	<u>\$ 1,428,349</u>	<u>\$ 1,428,349</u>	<u>\$ 3,014,874</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, 2019**

	<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	\$ 95,649,466	\$ 95,649,466	\$ 104,562,473	\$ 8,913,007
Other revenues	<u>1,006,900</u>	<u>1,006,900</u>	<u>1,037,988</u>	<u>31,088</u>
Total operating revenues	<u>96,656,366</u>	<u>96,656,366</u>	<u>105,600,461</u>	<u>8,944,095</u>
Operating expenses:				
Salaries and fringe benefits	15,542,029	15,542,029	14,840,898	701,131
Purchased power, fuel and chemicals	42,100,356	42,100,356	41,524,006	576,350
Other operating expenses	23,668,558	23,668,558	19,018,091	4,650,467
Capital outlay	<u>28,190,061</u>	<u>28,190,061</u>	<u>14,040,351</u>	<u>14,149,710</u>
Total operating expenses	<u>109,501,004</u>	<u>109,501,004</u>	<u>89,423,346</u>	<u>20,077,658</u>
Operating income	(12,844,638)	(12,844,638)	16,177,115	29,021,753
Nonoperating revenues (expenses):				
Investment earnings	<u>600,000</u>	<u>600,000</u>	<u>924,665</u>	<u>324,665</u>
Income (loss) before operating transfers	(12,244,638)	(12,244,638)	17,101,780	29,346,418
Capital contributions	1,200,000	1,200,000	1,146,935	(53,065)
Transfers out	<u>(4,714,148)</u>	<u>(4,714,148)</u>	<u>(4,714,148)</u>	<u>-</u>
Change in net position	(15,758,786)	(15,758,786)	13,534,567	<u>\$ 29,293,353</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(15,061,387)	
Amortization			(1,710,361)	
Capital outlay capitalized			14,040,351	
Change in accounts receivable			(2,416,293)	
Change in fair market value - investments			411,071	
Change in accounts payable			<u>(138,083)</u>	
			<u>(4,874,702)</u>	
<b>GAAP BASIS CHANGE IN NET POSITION:</b>			8,659,865	
Net position - beginning	<u>344,528,521</u>	<u>344,528,521</u>	<u>344,528,521</u>	
Net position - ending	<u>\$ 328,769,735</u>	<u>\$ 328,769,735</u>	<u>\$ 353,188,386</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for sales and services:				
Water	\$ 21,604,618	\$ 21,604,618	\$ 20,184,473	\$ (1,420,145)
Other revenues	-	-	9,563	9,563
Total operating revenues	<u>21,604,618</u>	<u>21,604,618</u>	<u>20,194,036</u>	<u>(1,410,582)</u>
Operating expenses:				
Salaries and fringe benefits	875,010	875,010	766,896	108,114
Other operating expenses	9,868,866	9,868,866	11,060,586	(1,191,720)
Capital outlay	<u>20,270,000</u>	<u>20,270,000</u>	<u>13,981,926</u>	<u>6,288,074</u>
Total operating expenses	<u>31,013,876</u>	<u>31,013,876</u>	<u>25,809,408</u>	<u>5,204,468</u>
Operating income	(9,409,258)	(9,409,258)	(5,615,372)	3,793,886
Nonoperating revenues (expenses):				
Investment earnings	175,000	175,000	285,294	110,294
NMFA loan proceeds	3,875,000	3,875,000	2,967,563	(907,437)
Interest expense	(127,016)	(127,016)	(120,778)	6,238
Principal on debt service	<u>(330,984)</u>	<u>(330,984)</u>	<u>(231,219)</u>	<u>99,765</u>
Total nonoperating revenues (expenses)	<u>3,592,000</u>	<u>3,592,000</u>	<u>2,900,860</u>	<u>(691,140)</u>
Income (loss) before operating transfers	(5,817,258)	(5,817,258)	(2,714,512)	3,102,746
Capital contributions	1,622,000	1,622,000	879,088	(742,912)
Transfers out	<u>(1,195,231)</u>	<u>(1,195,231)</u>	<u>(1,125,366)</u>	<u>69,865</u>
Change in net position	(5,390,489)	(5,390,489)	(2,960,790)	<u>\$ 2,429,699</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(3,588,081)	
Capital outlay capitalized			13,981,926	
Principal on debt service			231,219	
NMFA loan proceeds			(2,967,563)	
Change in accounts receivable			130,824	
Change in fair market value - investments			130,972	
Change in accounts payable			<u>280,394</u>	
			<u>8,199,691</u>	
<b>GAAP BASIS CHANGE IN NET POSITION:</b>			5,238,901	
Net position - beginning	<u>80,177,773</u>	<u>80,177,773</u>	<u>80,177,773</u>	
Net position - ending	<u>\$ 74,787,284</u>	<u>\$ 74,787,284</u>	<u>\$ 85,416,674</u>	

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, 2019**

	<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	\$ 10,483,330	\$ 10,483,330	\$ 10,881,355	\$ 398,025
Other revenues	4,000	4,000	5,780	1,780
Total operating revenues	10,487,330	10,487,330	10,887,135	399,805
Operating expenses:				
Salaries and fringe benefits	561,873	561,873	508,263	53,610
Other operating expenses	6,193,654	6,193,654	5,745,673	447,981
Capital outlay	8,355,000	8,355,000	2,855,404	5,499,596
Total operating expenses	15,110,527	15,110,527	9,109,340	6,001,187
Operating income	(4,623,197)	(4,623,197)	1,777,795	6,400,992
Nonoperating revenues (expenses):				
Intergovernmental-environmental tax	1,302,818	1,302,818	1,213,895	(88,923)
Investment earnings	105,000	105,000	231,352	126,352
NMED loan proceeds	250,000	250,000	102,725	(147,275)
Interest expense	(200,693)	(200,693)	(200,692)	1
Principal on debt service	(752,305)	(752,305)	(752,305)	-
Total nonoperating revenues (expenses)	704,820	704,820	594,975	(109,845)
Income (loss) before operating transfers	(3,918,377)	(3,918,377)	2,372,770	6,291,147
Transfers out	(521,646)	(521,646)	(542,517)	(20,871)
Change in net position	(4,440,023)	(4,440,023)	1,830,253	\$ 6,270,276
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(1,468,293)	
Capital outlay capitalized			2,855,404	
Principal on debt service			752,305	
NMED loan proceeds			(102,725)	
Change in accounts receivable			(103,820)	
Change in fair market value - investments			92,551	
Change in accounts payable			(311,473)	
			1,713,949	
<b>GAAP BASIS CHANGE IN NET POSITION:</b>			3,544,202	
Net position - beginning	37,490,881	37,490,881	37,490,881	
Net position - ending	\$ 33,050,858	\$ 33,050,858	\$ 41,035,083	

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, 2019**

	<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	\$ 5,933,000	\$ 5,933,000	\$ 6,064,002	\$ 131,002
Other revenues	110,000	110,000	114,687	4,687
Total operating revenues	<u>6,043,000</u>	<u>6,043,000</u>	<u>6,178,689</u>	<u>135,689</u>
Operating expenses:				
Salaries and fringe benefits	35,417	35,417	35,972	(555)
Other operating expenses	5,687,462	5,737,462	5,653,367	84,095
Total operating expenses	<u>5,722,879</u>	<u>5,772,879</u>	<u>5,689,339</u>	<u>83,540</u>
Operating income	320,121	270,121	489,350	219,229
Nonoperating revenues (expenses):				
Investment earnings	<u>15,000</u>	<u>15,000</u>	<u>12,125</u>	<u>(2,875)</u>
Income (loss) before operating transfers	335,121	285,121	501,475	216,354
Transfers out	<u>(600,000)</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>-</u>
Change in net position	(264,879)	(314,879)	(98,525)	\$ <u><u>216,354</u></u>
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(6,650)	
Change in accounts receivable			17,312	
Change in fair market value - investments			5,648	
Change in accounts payable			<u>(29,102)</u>	
			<u>(12,792)</u>	
<b>GAAP BASIS CHANGE IN NET POSITION:</b>			(111,317)	
Net position - beginning	775,131	775,131	775,131	
Net position - ending	<u>\$ 510,252</u>	<u>\$ 460,252</u>	<u>\$ 663,814</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, 2018 and 2019**

	<b>2019</b>	<b>2018</b>
Governmental funds capital assets:		
Land	\$ 31,020,499	\$ 30,259,051
Buildings	80,644,619	80,575,454
Improvements other than buildings	34,777,387	33,733,355
Machinery and equipment	38,800,679	37,106,563
Infrastructure	78,291,847	78,291,847
Construction In Progress	38,256,312	21,973,647
Total governmental funds capital assets	\$ 301,791,343	\$ 281,939,917
Investments in governmental funds capital assets by source:		
General fund	\$ 99,625,295	\$ 83,748,061
Special revenue fund	133,113,410	130,367,117
Capital projects funds	64,389,552	63,201,653
Donations	4,663,086	4,623,086
Total governmental funds capital assets	\$ 301,791,343	\$ 281,939,917

**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, 2019**

Function and Activity	Capital Assets June 30, 2018	Additions	Deductions	Net Transfers	Capital Assets June 30, 2019
<b>GENERAL GOVERNMENT:</b>					
Legislative	\$ 46,071	\$ -	\$ -	\$ -	\$ 46,071
Judicial	230,614	-	-	-	230,614
Operations center	631,286	7,594	(14,239)	-	624,641
Fleet maintenance	582,495	-	-	-	582,495
Stores	738,315	4,733	-	-	743,048
Finance administration	16,515	-	-	-	16,515
Personnel administration	163,815	-	-	-	163,815
Law enforcement	38,544	-	-	-	38,544
Administrative services	16,772,290	1,454,418	-	-	18,226,708
Planning and zoning	59,329	-	-	-	59,329
Data processing	1,451,554	15,160	-	-	1,466,714
Total general government	<u>20,730,828</u>	<u>1,481,905</u>	<u>(14,239)</u>	<u>-</u>	<u>22,198,494</u>
<b>PUBLIC SAFETY:</b>					
Police	12,636,325	113,220	(325,454)	-	12,424,091
Fire	18,347,587	52,900	(681,631)	-	17,718,856
Inspection	228,929	-	(21,606)	-	207,323
Traffic	5,861,206	42,307	-	-	5,903,513
Total public safety	<u>37,074,047</u>	<u>208,427</u>	<u>(1,028,691)</u>	<u>-</u>	<u>36,253,783</u>
<b>PUBLIC WORKS/ COMMUNITY DEVELOPMENT:</b>					
Streets	87,969,939	6,466,207	(109,747)	-	94,326,399
Bridges and storm drains	19,256,541	228,270	-	-	19,484,811
Administration	1,788,555	509,648	-	-	2,298,203
Survey	146,210	-	-	-	146,210
Engineering	108,745	-	(10,053)	-	98,692
Total public works/ community development	<u>109,269,990</u>	<u>7,204,125</u>	<u>(119,800)</u>	<u>-</u>	<u>116,354,315</u>
<b>CULTURE AND RECREATION:</b>					
Parks and recreation	46,423,165	9,419,764	(1,050,374)	-	54,792,555
Civic center	13,938,554	3,707,757	(13,800)	-	17,632,511
Senior citizens center	2,033,262	153,733	(150,871)	-	2,036,124
Museum	8,963,379	18,477	(22,470)	-	8,959,386
Animal Shelter	4,610,478	47,259	-	-	4,657,737
Golf Courses	5,122,763	10,224	-	-	5,132,987
Total culture and recreation	<u>81,091,601</u>	<u>13,357,214</u>	<u>(1,237,515)</u>	<u>-</u>	<u>93,211,300</u>
LIBRARIES	10,778,728	-	-	-	10,778,728
AIRPORT	22,994,723	-	-	-	22,994,723
Total general fixed assets	<u>\$ 281,939,917</u>	<u>\$ 22,251,671</u>	<u>\$ (2,400,245)</u>	<u>\$ -</u>	<u>\$ 301,791,343</u>
Accumulated depreciation	<u>\$ 164,235,818</u>	<u>\$ 7,862,579</u>	<u>\$ (1,163,604)</u>	<u>\$ -</u>	<u>\$ 170,934,793</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, 2019**

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	-	598,278	-	-	624,641
Fleet maintenance	-	133,282	-	449,213	-	-	582,495
Stores	-	38,467	270,135	260,990	-	173,456	743,048
Finance administration	-	-	-	16,515	-	-	16,515
Personnel administration	-	-	-	163,815	-	-	163,815
Law enforcement	-	-	-	38,544	-	-	38,544
Administrative services	2,392,200	13,143,633	98,638	1,676,934	-	915,303	18,226,708
Planning and zoning	-	-	-	59,329	-	-	59,329
Data processing	-	98,671	-	1,043,823	324,220	-	1,466,714
Total general government	<u>2,396,200</u>	<u>13,552,271</u>	<u>368,773</u>	<u>4,468,271</u>	<u>324,220</u>	<u>1,088,759</u>	<u>22,198,494</u>
<b>PUBLIC SAFETY:</b>							
Police	532,770	3,689,746	130,561	7,881,237	23,866	165,911	12,424,091
Fire	104,106	7,931,595	51,766	9,585,982	33,151	12,256	17,718,856
Inspection	-	-	-	207,323	-	-	207,323
Traffic	-	39,403	-	842,628	3,908,981	1,112,501	5,903,513
Total public safety	<u>636,876</u>	<u>11,660,744</u>	<u>182,327</u>	<u>18,517,170</u>	<u>3,965,998</u>	<u>1,290,668</u>	<u>36,253,783</u>
<b>PUBLIC WORKS/COMMUNITY DEVELOPMENT:</b>							
Streets	16,204,382	263,453	3,735,517	5,040,749	56,520,123	12,562,175	94,326,399
Bridges and storm drains	227,783	-	-	-	17,459,247	1,797,781	19,484,811
Administration	1,071,147	462,632	63,362	47,135	-	653,927	2,298,203
Survey	-	-	-	146,210	-	-	146,210
Engineering	-	-	-	98,692	-	-	98,692
Total public works/community development	<u>17,503,312</u>	<u>726,085</u>	<u>3,798,879</u>	<u>5,332,786</u>	<u>73,979,370</u>	<u>15,013,883</u>	<u>116,354,315</u>
<b>CULTURE AND RECREATION:</b>							
Parks and recreation	5,557,688	19,881,251	13,496,385	7,003,707	-	8,853,524	54,792,555
Civic center	918,688	4,454,817	-	296,787	-	11,962,219	17,632,511
Senior citizens center	250,627	1,341,772	170,554	273,171	-	-	2,036,124
Museum	1,131,932	7,529,735	152,650	145,069	-	-	8,959,386
Animal shelter	132,392	4,372,339	-	105,747	-	47,259	4,657,737
Golf Courses	100,000	1,286,458	2,934,616	789,654	22,259	-	5,132,987
Total culture and recreation	<u>8,091,327</u>	<u>38,866,372</u>	<u>16,754,205</u>	<u>8,614,135</u>	<u>22,259</u>	<u>20,863,002</u>	<u>93,211,300</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>\$ 31,020,499</u>	<u>\$ 80,644,619</u>	<u>\$ 34,777,387</u>	<u>\$ 38,800,679</u>	<u>\$ 78,291,847</u>	<u>\$ 38,256,312</u>	<u>\$ 301,791,343</u>

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



# STATISTICAL SECTION

STATISTICAL  
SECTION



# STATISTICAL SECTION

This part of the City of Farmington’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

	<u>Page</u>
<b><i>Financial Trends</i></b>	<b>132</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>137</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>148</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>152</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>154</b>
These 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities</b>			Restated							
Net invested in capital assets	\$ 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	\$ 98,459,383
Restricted	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	4,691,322
Unrestricted (deficit)	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)	(92,634,088)
Total governmental activities net position	\$ 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	\$ 10,516,617
<b>Business-type activities</b>										
Net invested in capital assets	\$ 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	\$ 403,244,579
Restricted	3,657,082	5,243,850	4,852,866	-	1,661,907	1,661,907	1,661,907	1,661,907	1,661,907	1,661,907
Unrestricted	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	75,397,471
Total business-type activities net position	\$ 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	\$ 480,303,957
<b>Primary government</b>										
Net invested in capital assets	\$ 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	\$ 501,703,962
Restricted	7,852,742	7,874,403	15,851,077	8,253,150	7,598,880	4,823,669	6,386,655	20,616,737	4,980,249	6,353,229
Unrestricted	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)	(17,236,617)
Total primary government net position	\$ 497,751,596	\$ 520,677,462	\$ 543,716,312	\$ 493,931,907	\$ 584,006,170	\$ 530,172,314	\$ 536,714,033	\$ 530,981,242	\$ 475,588,001	\$ 490,820,574

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 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.  
 In 2018, the city implemented GASB 75 which resulted in a deficit primary government unrestricted net position, as well as a decrease to the governmental activities unrestricted net position.



	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
Governmental activities:										
General government										
Police	\$ 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	\$ 29,001,248
Fire	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	20,062,739
Parks, recreation, cultural affairs	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	11,518,164
Public works/community development	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	16,972,721
Interest on long term debt	8,425,359	10,800,128	11,044,820	11,068,146	8,778,072	9,708,202	9,667,962	11,930,760	11,579,158	8,600,434
Total governmental activities	377,304	328,280	288,476	537,023	441,145	407,023	350,142	590,502	1,199,749	1,289,934
	<u>\$ 71,611,885</u>	<u>\$ 77,644,476</u>	<u>\$ 83,468,923</u>	<u>\$ 81,535,704</u>	<u>\$ 84,615,276</u>	<u>\$ 89,890,155</u>	<u>\$ 93,854,192</u>	<u>\$ 90,585,813</u>	<u>\$ 97,074,097</u>	<u>\$ 87,445,240</u>
Business-type activities:										
Electric	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	92,292,826
Water	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	15,256,353
Wastewater	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	8,249,189
Sanitation	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	5,725,091
Golf	1,285,065	1,468,586	1,157,049	1,132,150	-	-	-	-	-	-
Total business-type activities	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	121,523,459
Total expenses	<u>\$ 166,188,241</u>	<u>\$ 176,701,435</u>	<u>\$ 181,390,233</u>	<u>\$ 188,093,557</u>	<u>\$ 191,836,291</u>	<u>\$ 205,186,548</u>	<u>\$ 207,333,910</u>	<u>\$ 206,111,192</u>	<u>\$ 216,107,254</u>	<u>\$ 208,968,699</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 4,884,959
Police	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	694,994
Parks, recreation, cultural affairs	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	2,275,413
Public works/community development	58,237	50,940	61,644	61,841	63,430	58,583	59,815	21,467	33,090	29,181
Operating grants and contributions	4,090,058	6,243,941	3,546,860	4,535,975	5,188,416	5,254,695	6,110,984	5,443,467	5,301,872	5,007,148
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	1,028,911
Total governmental activities	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	13,920,606
Business-type activities:										
Charges for services:										
Electric	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	103,184,168
Water	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	20,214,760
Wastewater	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	10,792,986
Sanitation	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	6,196,001
Golf	1,106,499	1,019,226	1,043,005	957,766	-	-	-	-	-	-
Operating grants and contributions	12,949,631	6,282,404	2,706,388	4,192,656	-	-	59,056	260,919	-	-
Capital grants and contributions	-	-	-	-	2,067,760	1,886,666	1,020,091	1,464,161	2,620,971	2,136,123
Total business-type activities	133,007,566	122,907,008	125,416,848	132,901,620	127,017,110	134,269,991	132,724,721	126,623,896	137,365,313	142,524,038
Total program revenues	<u>\$ 151,750,617</u>	<u>\$ 143,536,263</u>	<u>\$ 144,174,430</u>	<u>\$ 153,244,066</u>	<u>\$ 151,756,552</u>	<u>\$ 158,113,172</u>	<u>\$ 154,116,437</u>	<u>\$ 141,680,661</u>	<u>\$ 156,479,518</u>	<u>\$ 156,444,644</u>

Source: City of Farmington CAFRs

Note: 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. FY2015 and FY2018 were restated due to GASB 68 and GASB 75.

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Net (Expenses)/Revenues</b>			Restated							
Governmental activities	\$ (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)	\$ (73,524,634)
Business-type activities	36,431,210	23,850,049	27,495,538	26,343,767	19,796,095	18,973,598	19,245,003	11,098,517	18,332,156	21,000,579
Total net expenses	\$ (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)	\$ (52,524,055)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Gross receipts taxes	\$ 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	\$ 55,196,875
Property taxes	1,556,401	1,806,123	1,687,900	1,712,368	1,864,221	1,907,059	1,936,689	1,991,521	2,039,855	2,061,286
Franchise taxes	649,388	614,627	2,325,998	2,340,395	2,422,641	2,308,529	2,488,029	2,594,535	2,662,677	2,373,842
Other taxes	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	2,333,272
Other revenue	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	1,842,022
Unrestricted investment earnings	405,946	364,522	257,782	76,860	357,959	317,162	263,798	245,430	405,425	671,429
Reassignment of capital assets	-	-	-	-	1,870,844	-	-	-	(7,989)	-
Transfers	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	6,966,830
Total general revenues, transfers and special items	\$ 65,610,842	\$ 63,777,760	\$ 68,009,691	\$ 63,603,012	\$ 65,532,650	\$ 68,176,051	\$ 64,800,816	\$ 64,696,187	\$ 67,996,643	\$ 71,445,556
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	1,204,224
Unrestricted investment earnings	1,324,627	1,071,740	633,005	186,344	824,967	742,813	776,699	643,771	726,061	2,093,678
Reassignment of capital assets	-	-	-	-	(1,870,844)	-	-	-	7,989	-
Transfers	(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)	(6,966,830)
Total business-type activities	(13,082,180)	(7,686,722)	(7,755,038)	(6,999,149)	(6,917,425)	(5,772,888)	(4,841,624)	(5,920,752)	(5,920,752)	(3,668,928)
Total primary government	\$ 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	\$ 67,776,628
<b>Change in Net Position</b>										
Governmental activities	\$ 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)	\$ (2,079,078)
Business-type activities	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	17,331,651
Total change in net position	\$ 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	\$ 15,252,573

Source: City of Farmington CAFRS

Note: 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. FY2015 and FY2018 were restated due to GASB 68 and GASB 75.

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

<u>General Fund</u>	<u>Fiscal Year</u>	<u>Reserved</u>	<u>Unreserved</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Unassigned</u>	<u>Total</u>
	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
	2019	-	-	881,769	-	11,420,351	12,302,120

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>
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
2019	-	-	10,300	21,363,414	3,297,051	941,388	(1,013,744)	24,598,409

**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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Taxes	\$ 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	\$ 61,952,252
Licenses and permits	693,743	606,378	671,676	651,586	642,505	614,845	613,553	563,477	505,801	531,327
Intergovernmental	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	6,036,059
Charges for services	2,557,192	2,506,687	2,849,685	2,998,680	3,787,921	3,730,888	3,356,055	2,963,371	3,035,190	2,970,854
Fines	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	661,707
Special assessments	600	1,970	22	-	-	-	-	-	-	-
Investment earnings	402,421	364,660	257,782	76,579	350,469	303,777	243,539	228,316	384,623	598,048
Miscellaneous	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	1,841,936
Total revenues	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	74,592,183
<b>Expenditures</b>										
Current										
General government	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	21,658,892
Police	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	18,709,899
Fire	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	10,009,774
Parks, recreation and cultural affairs	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	15,389,424
Community development	1,100,251	1,218,263	1,296,445	1,199,310	969,916	1,026,919	901,687	755,256	789,467	830,449
Public works	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	5,883,055
Airport	-	-	-	-	-	-	-	2,375	4,072,892	561,869
Bond issuance costs	-	-	-	-	-	-	-	191,677	312,649	142,943
Debt service										
Principal	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	1,770,989
Interest	379,342	330,393	258,145	547,717	443,054	411,133	352,200	547,468	864,049	1,256,330
Capital outlay	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	20,887,764
Total expenditures	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	97,101,388
Excess of revenues over (under) expenditures	(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)	(22,509,205)
<b>Other Financing Sources (Uses)</b>										
Transfers in	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	13,697,399
Transfers out	(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)	(6,730,569)
Sale tax debt issuance	-	-	11,197,390	-	-	-	-	16,169,618	17,767,276	13,111,046
Total other financing sources and uses	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	20,077,876
Net change in fund balances	\$ (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)	\$ (2,431,329)
Debt service as a percentage of noncapital expenditures	2.8%	2.6%	5.8%	2.5%	2.2%	1.9%	2.5%	3.8%	4.1%	4.0%

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 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

Fiscal Year	Industrial		* Commercial		Residential		Total	
	kWh	Revenue	kWh	Revenue	kWh	Revenue	kWh	Revenue
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
2019	325,916,492	22,110,143	405,265,161	41,562,752	260,998,660	29,756,105	992,180,313	93,429,000

Change  
 2010-2019

-22.0%      -12.7%      -6.5%      3.7%      -4.2%      15.7%      -11.7%      2.5%

Source: Farmington Electric Utility System

\* Commercial totals include Street Lighting.

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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

\$9.00 Customer charge  
\$0.09770/kWh energy charge

Medium General Service

\$11.00 Customer charge  
\$6.00/kW of billing demand  
\$0.07245/kWh energy charge

Large General Service

\$12.00 Customer charge  
\$10.50/kW of billing demand  
\$0.05840/kWh energy charge

**Residential**

\$6.75 Customer charge  
\$0.10010/kWh energy charge  
\$12.00 monthly minimum charge

Street Lighting

\$8.53 70 W sodium 7/94  
\$12.93 70 W sodium 8/94  
\$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>2019</u>			<u>2010</u>		
	<u>Revenue</u>	<u>Rank</u>	<u>Percentage of Revenue</u>	<u>Revenue</u>	<u>Rank</u>	<u>Percentage of Revenue</u>
Enterprise Field Services LLC	\$21,201,870	1	22.69%	\$20,836,030	1	22.86%
Praxair, Inc.	2,923,214	2	3.13%	1,263,888	6	1.39%
San Juan Regional Medical Center	1,501,037	3	1.61%	1,606,641	5	1.76%
Hilcorp San Juan / ConocoPhillips / Burlington Resources Oil & Gas	1,361,669	4	1.46%	929,427	10	1.02%
Transwestern Pipeline Co.	1,045,922	5	1.12%	3,534,306	2	3.88%
Wal-Mart Inc. / Sam's Club	895,548	6	0.96%	1,045,221	7	1.15%
BP America	799,964	7	0.86%	-	-	-
Western Refining Southwest, Inc.	776,753	8	0.83%	2,561,572	3	2.81%
San Juan County	747,066	9	0.80%	-	-	-
Central Consolidated Schools	490,806	10	0.53%	-	-	-
Val Verde Gas Gathering, LP	-	-	-	2,174,268	4	2.39%
Farmington Municipal Schools	-	-	-	1,010,989	8	1.11%
San Juan College	-	-	-	956,710	9	1.05%
<b>Total</b>	<b>\$31,743,849</b>		<b>33.99%</b>	<b>\$35,919,052</b>		<b>39.42%</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>
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
2019	55,196,875	2,048,263	2,373,842	2,333,272	61,952,252

Change					
2010-2019	23.3%	36.9%	265.6%	13.9%	26.5%

**Source:** City of Farmington CAFRs

**Note:** From 2010 to 2011, PILT was reported as an interfund transfer. Beginning in 2012, Electric PILT is included in Franchise Tax, while Water and Wastewater PILT are still reported as an interfund transfer.



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

	Fiscal Year										
	Ending June 30	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Agriculture	\$	609	\$ 612	\$ 566	\$ 1,718	\$ 2,006	\$ 1,487	\$ 355	\$ 447	\$ 194	\$ 422
Mining		113,859	121,889	118,975	80,493	83,254	93,211	88,282	57,459	116,599	119,392
Construction		117,169	109,321	102,464	115,958	77,959	96,966	127,401	123,760	127,750	114,889
Manufacturing		57,270	73,713	119,218	86,003	78,803	70,489	89,896	66,406	72,242	65,888
Trans/Comm/Utility		24,207	22,033	18,627	21,451	21,402	19,454	33,092	24,652	24,086	22,874
Wholesale Trade		99,166	97,962	104,251	94,400	80,010	87,412	82,776	60,538	61,318	56,379
Retail Trade		675,796	676,094	683,041	636,026	558,638	522,079	825,009	784,618	832,908	817,940
Information and Cultural		55,436	57,180	65,236	67,570	59,466	55,095	72,288	71,627	68,896	67,597
Finance/Ins/Real Estate		39,232	46,227	32,194	36,326	25,947	24,337	33,221	33,428	36,242	36,025
Services		502,840	579,917	597,330	602,024	515,494	498,116	689,509	582,585	655,184	658,552
Unclassified		8,883	6,880	14,612	11,640	17,501	114,164	12,818	5,953	20,046	7,894
Undisclosed (a)		28,235	29,402	28,629	26,402	27,799	21,040	31,659	32,349	26,874	30,410
<b>Total (b)</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>	<b>\$ 1,998,263</b>
City Direct Sales Tax Rate		1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.4375%	1.4375%	1.4375%	2.0625%

**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>
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%
2019	3.9000%	1.2250%	2.0625%	1.0625%	8.2500%

**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

Schedule 11

	Ending June 30				Fiscal Year 2019				Fiscal Year 2010			
	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (thousands)	Percentage of Total	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (thousands)	Percentage of Total	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (thousands)	Percentage of Total
Agriculture	5	0.16%	\$ 422	0.02%	3	0.11%	\$ 609	0.04%				
Mining	49	1.61%	119,392	5.98%	65	2.37%	113,859	6.61%				
Construction	220	7.22%	114,889	5.75%	263	9.61%	117,169	6.80%				
Manufacturing	147	4.83%	65,888	3.30%	96	3.51%	57,270	3.32%				
Trans/Comm/Utility	55	1.81%	22,874	1.14%	38	1.39%	24,207	1.41%				
Wholesale Trade	218	7.16%	56,379	2.82%	181	6.61%	99,166	5.76%				
Retail Trade	627	20.59%	817,940	40.93%	608	22.21%	675,796	39.23%				
Information and Cultural	129	4.24%	67,597	3.38%	80	2.92%	55,436	3.22%				
Finance/Ins/Real Estate	144	4.73%	36,025	1.80%	121	4.42%	39,232	2.28%				
Services	1,344	44.14%	658,552	32.96%	1,249	45.63%	502,840	29.19%				
Unclassified	103	3.38%	7,894	0.40%	30	1.10%	8,883	0.52%				
Undisclosed (a)	4	0.13%	30,410	1.52%	3	0.11%	28,235	1.64%				
<b>Total (b)</b>	<b>3,045</b>	<b>100.00%</b>	<b>\$ 1,998,263</b>	<b>100.00%</b>	<b>2,737</b>	<b>100.00%</b>	<b>\$ 1,722,702</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 Tax Rate	Non Residential Tax Rate		
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%
2019	785,116,434	599,606,954	56,743,330	275,993,078	1,165,473,640	1.473	2.225	3,499,920,841	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	Debt Service Fund	Total Direct Rate	State	County	School District #5	San Juan College	Secondary Vocational		
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	
2019	1.473	-	1.473	1.360	6.936	9.782	3.512	0.600	23.663	

Fiscal Year	City of Farmington Nonresidential Direct Rates			Overlapping Rates						Total Direct and Overlapping Rates
	General Fund	Debt Service Fund	Total Direct Rate	State	County	School District #5	San Juan College	Secondary Vocational		
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	
2019	2.225	-	2.225	1.360	8.500	9.943	4.500	0.600	27.128	

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>2019</u>			<u>2010</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 Inc	\$ 10,019,864	1	0.9%	\$ 3,781,089	3	0.4%
Animas Valley Mall, LLC	9,624,295	2	0.8%	10,424,613	2	1.1%
New Mexico Gas Company	7,032,226	3	0.6%	-	-	-
Dugan Production Corp	3,730,796	4	0.3%	2,593,433	9	0.3%
Walmart Stores East LTD Partnership	3,561,853	5	0.3%	3,346,120	7	0.3%
Comcast of New Mexico Inc	3,017,004	6	0.3%	-	-	-
Animas Valley Leasing LLC	2,854,276	7	0.2%	-	-	-
NMFA Mesa MHP LLC	2,796,336	8	0.2%	-	-	-
Lowe's Home Centers Inc	2,747,634	9	0.2%	2,714,922	8	0.3%
Hilcorp San Juan LP	2,697,758	10	0.2%	-	-	-
Animas Valley Land and Water	-	-	-	17,202,670	1	1.8%
Plaza Farmington II LLC	-	-	-	3,723,171	4	0.4%
Burlington Resources Oil and Gas LP	-	-	-	3,422,262	5	0.4%
San Juan Development Corporation	-	-	-	3,355,576	6	0.4%
Farmington Hotel Assets	-	-	-	2,589,881	10	0.3%
Total	<u>\$ 48,082,042</u>		<u>4.1%</u>	<u>\$ 53,153,737</u>		<u>5.6%</u>

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	
2010	\$ 1,571,124	\$ 1,415,035	90%	\$ 155,896	\$ 1,570,931	100%	
2011	1,643,334	1,568,062	95%	74,647	1,642,709	100%	
2012	1,716,603	1,641,482	96%	74,958	1,716,440	100%	
2013	1,793,656	1,725,822	96%	67,613	1,793,435	100%	
2014	1,817,354	1,757,847	97%	58,885	1,816,732	100%	
2015	1,849,001	1,786,657	97%	60,435	1,847,092	100%	
2016	1,899,207	1,831,776	96%	64,754	1,896,529	100%	
2017	1,927,183	1,856,411	96%	63,263	1,919,674	100%	
2018	1,985,943	1,915,801	96%	45,118	1,960,919	99%	
2019	2,031,188	1,964,115	97%	-	1,964,115	97%	

**Source:** San Juan County Treasurer

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

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

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

Fiscal Year	General Bonded Debt										Business-type Activities			Total Primary Government	Percentage of Personal Income	Debt Per Capita	
	Governmental Activities					Business-type Activities					Capital Leases	NMFA Loan	NMED Loan				NMFA Loan
	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita	Sales Tax Revenue Bonds	NMFA Fire Pumper Loan	Utility Revenue Bonds	NMED Loan	NMFA Loan	Capital Leases	Debt Per Capita							
2010	\$ -	N/A	N/A	\$ 8,082,574	\$ -	\$ 16,615,417	\$ 11,970,694	\$ -	\$ 86,845	\$ -	\$ 36,755,530	2.5%	\$ 829				
2011	-	N/A	N/A	6,745,681	-	10,580,560	11,376,818	1,054,844	34,400	-	29,792,303	1.9%	649				
2012	-	N/A	N/A	14,628,748	475,426	4,255,702	10,765,125	1,054,844	-	-	31,179,845	2.0%	689				
2013	-	N/A	N/A	13,542,853	431,548	-	10,135,082	1,006,938	-	-	25,116,421	1.7%	548				
2014	-	N/A	N/A	12,333,378	387,310	-	9,486,137	2,056,450	-	-	24,263,275	2.1%	534				
2015	-	N/A	N/A	11,088,902	342,550	-	8,817,724	4,968,995	-	-	25,218,171	2.3%	567				
2016	-	N/A	N/A	9,789,426	297,083	-	8,129,259	4,757,192	-	-	22,972,960	2.1%	536				
2017	-	N/A	N/A	24,354,553	250,761	-	22,457,944	5,144,649	-	-	52,207,907	4.8%	1,254				
2018	-	N/A	N/A	38,607,790	203,406	-	28,573,019	5,843,534	-	-	73,227,749	6.2%	1,611				
2019	-	N/A	N/A	49,865,318	154,830	-	27,923,439	8,579,877	-	-	86,523,464	7.3%	1,932				

**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, 2019**

**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	\$ 89,415,000	100.000%	\$ 89,415,000
San Juan College	14,345,000	98.135%	14,077,450
Subtotal Overlapping Debt			103,492,450
<b>City direct debt</b>			<b>38,811,196</b>
<b>Total direct and overlapping debt</b>			<b>\$ 142,303,646</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Assessed Valuations</b>										
Assessed Value (a)	\$ 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	\$ 1,441,466,718
Exempt property	92,000,870	213,971,715	224,872,472	237,362,094	254,161,110	257,150,613	256,373,378	265,683,921	266,897,342	275,993,078
Total Taxable Assessed Value	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	1,165,473,640
<b>Legal Debt Margin</b>										
Debt limitation - 4 % of total assessed value	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	46,618,946
Debt applicable to limitation:										
Total bonded debt	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	45,582,652
Less: Revenue bonds	(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)	(45,582,652)
Total net debt applicable to limitation	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 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	\$ 46,618,946

**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	Principal	Interest	Principal	Interest	Coverage
2010	\$ 115,238,191	\$ 73,490,029	\$ 41,748,162	6.37	\$ 5,525,000	\$ 1,029,005	\$ 1,270,000	\$ 379,342	13.78
2011	111,560,052	75,470,531	36,089,521	5.50	5,805,000	752,755	1,315,000	330,393	14.69
2012	116,864,599	82,266,307	34,598,292	5.28	6,095,000	462,504	400,000	258,145	38.91
2013	122,482,385	82,015,303	40,467,082	9.63	4,045,000	157,755	1,055,000	526,289	15.40
2014	-	-	-	-	-	-	1,145,000	432,088	15.81
2015	-	-	-	-	-	-	1,180,000	400,688	16.85
2016	-	-	-	-	-	-	1,235,000	342,463	14.38
2017	-	-	-	-	-	-	1,510,000	590,034	10.63
2018	-	-	-	-	-	-	2,268,934	815,517	7.67
2019	-	-	-	-	-	-	1,722,413	1,354,304	6.68

**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	
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%
2018	44,788	1,182,582,352	26,404	32.9	11,807	86.5%	20.2%	5.8%

**Sources:** Demographic information acquired from Bureau of Business and Economic Research, University of New Mexico, U.S. Census Bureau, and San Juan Economic Development Services. School enrollment provided by Farmington Municipal Schools as of the 40 day census. Unemployment information obtained from the New Mexico Department of Workforce Solutions.

City of Farmington  
Principal Employers  
Current Year and Nine Years Ago

Schedule 21

<u>Employer</u>	2019 *			2010		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
San Juan Regional Medical Center	1,572	1	3.0%	1,500	1	2.6%
Farmington Municipal Schools	1,240	2	2.4%	768	4	1.4%
Central Consolidated Schools	991	3	1.9%	1,050	2	1.9%
City of Farmington	779	4	1.5%	800	5	1.4%
San Juan County	620	5	1.2%	705	6	1.2%
Andeavor	583	6	1.1%	-	-	-
Bloomfield Municipal Schools	505	7	1.0%	495	9	0.9%
Aztec Well Service	499	8	0.9%	-	-	-
San Juan College	482	9	0.9%	484	10	0.9%
Raytheon Missile Systems Dine Facility	480	10	0.9%	-	-	-
BHP Billiton/New Mexico Coal	-	-	-	1,034	3	1.8%
Conoco Phillips	-	-	-	644	7	1.1%
Arizona Public Service	-	-	-	580	8	1.0%
Total	<u>7,751</u>		<u>14.8%</u>	<u>8,060</u>		<u>14.2%</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.

FY2018 Principal Employers numbers used as FY2019 Principal Employers has not been issued as of November 14, 2019.

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

	Budgeted Full-time Equivalent Employees as of June 30									
	Fiscal Year									
	<u>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>	<u>2019</u>
<b>General Government</b>										
Administration	77.5	70.5	71.5	66.5	67.5	67.5	65.5	64.5	64.5	66.5
Administrative Services	29.0	29.0	29.0	28.0	29.0	29.0	29.0	28.0	28.0	28.0
General Services (a)	58.0	53.0	51.0	46.0	47.0	50.0	51.0	51.0	50.0	51.0
<b>Police</b>	165.0	165.0	163.0	164.5	164.0	173.0	182.0	182.0	181.0	182.0
<b>Fire</b>	95.0	91.0	92.0	92.0	92.0	92.0	92.0	92.0	91.0	93.0
<b>Parks, Recreation &amp; Cultural Affairs</b>	106.0	96.0	97.0	101.0	107.0	106.0	106.0	106.0	103.0	103.0
Community Development	20.0	19.0	19.0	19.0	19.0	20.0	19.0	18.0	17.0	18.0
Public Works	50.0	46.0	46.0	46.0	46.0	46.0	48.0	47.0	47.0	49.0
Electric	172.0	175.0	178.0	178.0	181.0	180.0	180.0	180.0	180.0	178.0
Human Resources	12.0	11.0	11.0	11.0	9.0	9.0	9.0	9.0	9.0	9.0
Water/Wastewater	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	9.0
Golf (b)	7.0	7.0	7.0	6.0	6.0	-	-	-	-	-
<b>Total Employees</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>	<b>786.5</b>

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

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

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

(b) 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>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>	<u>2019</u>
<b>General Government</b>										
Total number of business registration/licenses	3,848	3,660	3,659	3,634	3,547	3,620	3,840	3,547	3,529	3,580
<b>Police</b>										
Police reports	7,894	6,731	8,218	8,036	8,094	9,105	9,083	11,128	11,436	11,511
Arrests	6,274	5,418	6,328	6,132	6,186	6,199	5,479	6,161	5,307	5,560
Traffic citations	27,372	13,058	21,638	19,455	20,937	23,203	12,319	10,445	10,983	13,670
<b>Fire (c)</b>										
Structure fires	65	65	50	50	58	44	45	55	70	39
Vehicle fires	31	29	26	19	25	28	16	24	26	20
Brush/grass fires	48	47	72	43	38	29	61	47	89	42
Rubbish/dumpster fires	46	38	46	31	32	26	32	28	56	30
Other fires	34	32	33	26	28	19	14	10	0	17
Rescue/emergency medical calls	4,419	5,466	5,058	4,848	5,349	5,554	5,705	6,228	8,157	8,922
False alarms	307	379	349	362	344	440	337	351	314	344
Mutual aid given	12	20	16	34	35	30	29	18	22	31
Hazardous materials response	114	92	115	95	119	109	113	82	95	111
General hazard response	84	89	101	121	108	123	117	121	166	146
Other responses	925	729	1,785	1,949	2,322	2,668	2,555	2,680	628	1,617
<b>Parks, Recreation &amp; Cultural Affairs</b>										
Parks and recreation participants	494,845	606,384	592,154	524,276	532,898	638,189	625,569	502,776	496,236	455,656
Golf course participants	49,009	50,687	55,931	47,772	45,826	53,305	44,553	41,368	48,396	48,830
Museum patrons (a)	81,366	108,156	106,506	137,481	119,446	125,928	130,864	114,865	115,518	120,206
<b>Library</b>										
Library visits	530,119	468,455	455,516	427,659	404,997	374,192	358,417	349,718	339,479	322,493
Circulation	530,918	506,247	482,886	460,235	457,171	435,581	426,610	385,126	364,067	340,960
Number of computer users (b)	126,215	102,443	94,424	90,218	84,060	70,373	65,651	58,361	57,168	53,021
Number of public WiFi logins (d)	-	-	-	-	30,131	28,669	26,517	24,930	22,639	28,035
<b>Community Development</b>										
Summary plats	54	54	61	46	54	62	69	50	38	51
Building permits issued	1,194	1,310	1,302	1,163	1,200	1,152	1,170	977	1,031	932
Permit valuation (in \$)	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	25,809,682
<b>Public Works</b>										
Asphalt placed (sq.ft.) (f)	139,464	119,745	96,370	127,539	134,942	266,811	147,842	96,727	45,563	80,870
Concrete placed (cu.yd.)	438	338	439	615	588	577	769	523	628	629
<b>Electric</b>										
Meter connections	8,329	7,650	8,413	8,367	8,386	8,255	8,012	7,897	7,466	7,526
Meter reads	512,488	517,339	518,238	525,035	526,086	531,175	533,386	532,133	495,307	536,282
<b>Water/Wastewater</b>										
Water treated (millions of gallons)	4,630	4,409	4,627	4,452	4,075	4,115	3,922	3,899	4,111	3,976
Effluent treated (millions of gallons)	1,845	1,864	1,856	1,815	1,640	1,760	1,751	1,668	1,637	1,648
New water meter installations	156	116	131	141	123	101	99	61	66	58
<b>Airport</b>										
Total enplanements (e)	14,628	16,655	19,335	17,401	11,248	3,658	1,983	3,208	721	66
<b>Transit</b>										
Total Ridership	138,246	143,073	146,140	133,580	135,179	135,918	143,569	125,609	118,288	125,566

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									
	<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>	<u>2019</u>
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	125	125	123	83	84	91	102	93	81	83
Fire stations	6	6	6	6	6	6	6	6	6	6
Parks, Recreation & Cultural Affairs										
Developed acres	1,364	1,364	1,364	1,364	1,364	1,364	1,364	1,364	1,364	1,364
Undeveloped acres (a)	309	309	270	283	283	283	300	322	362	362
Number of parks/facilities	88	88	88	88	88	88	88	88	88	88
Baseball/softball diamonds (c)	23	23	23	23	23	23	23	23	23	20
Soccer/football fields (c)	11	11	11	11	11	11	11	11	11	5
Number of golf courses	2	2	2	2	2	2	2	2	2	2
Public Works										
Streets (miles)	270	274	274	276	280	281	281	286	286	280
Highway (miles)	17	17	17	17	19	19	19	21	21	21
Traffic Signals	80	81	83	83	85	85	86	85	85	85
Electric										
Streetlights	4,226	4,251	4,298	4,298	4,342	4,343	4,344	4,346	4,346	4,346
Water										
Water mains (miles)	340	340	340	340	341	341	341	348	348	348
Fire hydrants	2,511	2,556	2,560	2,576	2,613	2,627	2,641	2,664	2,698	2,705
Storage capacity (thousands of gallons)	24,860	26,860	26,860	26,860	26,860	26,860	26,860	26,860	26,860	26,860
Wastewater										
Sanitary sewers (miles) (b)	233	233	233	233	235	235	235	237	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	16	12	12	15	15	15	17	16	15	15

Source: Provided by various City departments

Note: (a) In FY2012, undeveloped acres decreased by 39.1 acres due to a land trade with the Farmington School District and the BLM.  
 (b) FY2010-2011 have been restated due to a correction of an error in the miles of existing sanitary sewer.  
 (c) In FY19 total baseball/softball diamonds and soccer/football fields reduced because City no longer taking care of school fields.



# **SINGLE AUDIT SECTION**



**CITY OF FARMINGTON, NEW MEXICO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2019**

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	\$ 3,591
		CDBG B-16-MC-35-0005	233,549
		CDBG B-17-MC-35-0005	269,154
		CDBG B-18-MC-35-0005	80,284
			586,578
U.S. Department of Justice	16.607-Bulletproof Vest Partnership Program	2017 Regular Fund	9,304
		2018 Regular Fund	5,481
			14,785
	16.710-Public Safety Partnership and Community Policing Grants	COPS Grant - 2014UMWX0132	65,505
	16.738-Edward Byrne Memorial Justice Assistance Grant Program	2017-DJ-BX-0017	23,645
		2018-DJ-BX-0735	22,495
		46,140	
U.S. Department of Transportation	20.106-Airport Improvement Program	AIP Project No. 3-35-0016-043-2018	399,593
		AIP Project No. 3-35-0016-044-2019	48,743
			448,336
	20.507-Federal Transit Formula Grants *Federal Transit Cluster*	NM-90-X121-00	23,852
		NM-90-X136-00	78,940
		NM-2017-007-00	431,928
		NM-2017-011-00	144,135
		NM-2019-028-00	1,222
		680,077	
	Executive Office of the President	95.001-High Intensity Drug Trafficking Area Grant	G17SN0010A
G18SN0010A			305,495
			305,871
<b>PASS THROUGH PROGRAMS</b>			
<b><u>From the State of New Mexico Crime Victims Reparation Commission</u></b>			
U.S. Department of Justice	16.588-Violence Against Women Formula Grants	2017-WF-AX-0019	21,425
<b><u>From the State of New Mexico Department of Public Safety</u></b>			
U.S. Department of Justice	16.738-Edward Byrne Memorial Justice Assistance Grant Program	Region II Narcotics Task Force 17-JAG-REG2-SFY19	133,838
<b><u>From the State of New Mexico Department of Public Safety Pass Through US Marshal Service</u></b>			
U.S. Department of Justice	16.738-Edward Byrne Memorial Justice Assistance Grant Program	U.S. Marshal Service 16-JAG-SWIFT-SFY19	22,000
			155,838
<b><u>From the New Mexico Department of Transportation</u></b>			
Federal Transit Authority	20.505-Metropolitan Transportation Planning	Federal Transit - Metropolitan Transit Operations Control P517020 MPO FY18 Control P517020 MPO FY19	41,179
			130,966
			172,145

**CITY OF FARMINGTON, NEW MEXICO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2019**

<u>Grantor / Pass-through ID Number</u>	<u>CFDA Number</u>	<u>PROGRAM NAME</u>	<u>Expenditures</u>
Federal Transit Authority	<b>20.526-Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs</b> <b>*Federal Transit Cluster*</b>	Contract #M01314	23,996
Department of Transportation National Highway Traffic Safety (NHTSA)	<b>20.600-State and Community Highway Safety</b>	Selective Traffic Enforcement Program-18-PT-02-035 Selective Traffic Enforcement Program-19-PT-02-035	7,197 14,484 <hr/> 21,681
Department of Transportation National Highway Traffic Safety (NHTSA)	<b>20.608-Minimum Penalties for Repeat Offenders for Driving While Intoxicated</b>	End Driving While Impaired-18-AL-64-035 End Driving While Impaired-19-AL-64-035	9,514 36,815 <hr/> 46,329
Department of Transportation Federal Highway Administration (FHWA)	<b>20.205-Highway Planning and Construction</b>	Control#L500144-Foothills Enhancements, Holmes to Rinconada Control#F100132-20th Street Sidewalks Phase 3	292,552 102,443 <hr/> 394,995
<b><u>From the New Mexico Department of Homeland Security and Emergency Management</u></b>			
Department of Transportation	<b>20.703-Interagency Hazardous Materials Public Sector Training Grants</b>	HM-HMP-0579-16-03	12,761
<b><u>From the New Mexico Environmental Department</u></b>			
Environmental Protection Agency	<b>66.458-Capitalization Grants for Clean Water State Revolving Funds</b>	Project #CWSRF 012-2016 WWTP Improvements	102,724
<b><u>From the New Mexico Finance Authority</u></b>			
Environmental Protection Agency	<b>66.468-Capitalization Grants for Drinking Water State Revolving Funds</b>	Loan #3397-DW 2P Waterline Phase 1 FAIN FS99692520 FAIN FS99692521 Loan #3632-DW 2P Waterline Phase 2 FAIN FS99692520 FAIN FS99692521	382,361 338,189 436,671 <hr/> 1,910,448 <hr/> 3,067,669
<b>Total Federal Assistance</b>			<b>\$ 6,166,855</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, 2019**

**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, 2019:

Federal revenues as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds	\$ 2,665,603
Loan from NM Environment Department	102,724
Loan from NM Finance Authority	3,067,669
Contract Services – Wildland Firefighting	(268,863)
State Fire Grants	(65,733)
Federal revenues Pass Through State of New Mexico	598,836
Reconciling item	66,619
Total federal assistance as reported on the SEFA	<u>\$ 6,166,855</u>

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**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. Brian Colón, 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 schedule for the general fund of City of Farmington, as of and for the year ended June 30, 2019, 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 26, 2019.

**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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

City of Farmington, New Mexico  
Honorable Mayor and City Council and  
Mr. Brian Colón, 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 2019-002, 2019-003, 2019-004, 2019-005, and 2019-006.

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

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 26, 2019





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

City of Farmington, New Mexico  
Honorable Mayor and City Council and  
Mr. Brian Colón, New Mexico State Auditor

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

We have audited 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 City of Farmington's major federal programs for the year ended June 30, 2019. 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 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 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 City of Farmington's compliance.

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

In our opinion, 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, 2019.

City of Farmington, New Mexico  
Honorable Mayor and City Council and  
Mr. Brian Colón, New Mexico State Auditor

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

Management of 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 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 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 26, 2019

**City of Farmington, New Mexico**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2019**

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Numbers  
66.468

Name of Federal Program  
Capitalization Grants for Drinking 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, 2019**

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

**2019-001      Preparation of Capital Asset Roll Forward (Material Weakness)**

**Condition:**      During our testwork over capital assets, we encountered the following issues:

1. Multiple drafts of the capital asset roll forward were provided during the audit process. Changes to the schedule were a result of the City removing capitalized assets from the schedule per evaluation and determination by the City that the associated costs do not extend the life of the asset. Total amount of capital assets removed per final draft of the roll forward totaled approximately \$1,802,000.
2. Approximately \$126,900 of capital asset expenditures from prior fiscal years were incorrectly included as capital asset additions in the current fiscal year. The City identified this error as a result of implementing an updated review process of capital accounts.
3. In the prior year, the City failed to include a donation of land in the amount of \$40,000, which occurred on May 9<sup>th</sup>, 2018. This has been added to the current year capital asset rollforward.

**Context:**      We sampled items from the capital asset listing to test capital asset activity during the current year.

**Effect:**      Material capital assets adjustments of approximately \$2,000,000 were recorded by the City as a result of our audit inquiries. Additionally, capital asset testing was delayed as a result of the multiple versions of the roll forward provided.

**Cause:**      Lack of adequate processes and procedures in place to properly review and reconcile capital work orders and related capital asset activity. Additionally, there was inconsistent application and treatment of capitalization of costs.

**Recommendation:**      We recommend that the City formalize their methodology of capitalizing specific project costs and consistently apply the methodology going forward. Training of all City staff will help to ensure consistent application.

**View of Responsible Officials:** The City recognizes the impact of the change in reporting identified and made during the course of the testwork. The Administrative Services Director and Controller have conducted meetings with the Staff Accountant I responsible for fixed assets. These meetings involved thorough review of the current process for monitoring asset activity and determining whether or not an asset meets the capitalization threshold per the City policy. Weaknesses in the current City process were identified during these meetings. New reporting practices were implemented and Staff Accountant I was trained on the new tasks. Administrative Services Director and Controller will continue to meet with the Staff Accountant I monthly to review fixed assets and ensure the Staff Accountant I has an adequate understanding of fixed assets and to verify that reporting is correct going forward. The Staff Accountant I will be fully trained by December 31, 2019.

**City of Farmington, New Mexico**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2019**

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

None noted.

**Section IV – Other**

**2019-002 (Previously 2018-001) CONTROLS SURROUNDING THE CASH RECEIPTS PROCESS (OTHER NON-COMPLIANCE)**

**Condition:** During internal control testing we sampled 22 cash receipt packets noting 3 did not include signatures identifying who the preparer of the cash receipts packet for the day was. 2 packets were from the Building Inspection Division and 1 was from the Civitan Golf Course.

*Management's Progress Repeat Finding: This is a repeated and modified finding. The Department involved in both the current and prior year finding has resolved their issues with separation of duties and have implemented the necessary changes to avoid a repeat finding. The current year finding was a result of a timing issue between when the prior year finding was brought to the Department's attention and the time necessary to implement a change in practice.*

**Context:** We sampled 22 cash receipt packets during our internal control testing.

**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 adherence to City policy.

**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.

**View of Responsible Officials:** One of the instances noted involved a Department in the process of implementing a change in procedures as a result of this similar finding from FY2018. Due to inadequate staffing, there were issues maintaining separation of duties in preparing the deposit and handling cash. The timing of the current year finding fell during this transition period. The issue has been resolved. In regards to the other 2 packets, the City recognizes the need to provide additional training to staff preparing deposits. The Staff Accountant I will provide Cash Handling training to the individuals responsible for not following procedure and signing off on the cash receipts. This training will be conducted in the form of an in-person presentation to be conducted by January 31, 2020. Additionally, the Staff Accountant I will update the training materials available on the City intranet and reminder emails will be sent to all Departments involved in the deposit process to review the policy and online training.

**2019-003 (Previously 2018-002) CONTROLS SURROUNDING THE PROCUREMENT PROCESS**

**City of Farmington, New Mexico**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2019**

**(OTHER NON-COMPLIANCE)**

**Condition:** During our testing of the City's procurement process and fully executed contracts we found the following violations with 1 of the 5 procurements sampled:

1. Disbursements made to vendors were artificially divided as small purchases which do not require going out to bid. These purchases were related to the same project.
2. A Purchase order was not established prior to services being rendered by a vendor.

*Management's Progress for Repeat Finding: This is a repeated and modified finding. The Department continues to conduct training on the Procurement Code and implement practices to ensure staff familiarity and adherence with the required laws and regulations.*

**Context:** The City self-identified the procurement issues referenced above. Additionally, we sampled from the full population of procurements made by the City during the year under audit.

**Criteria:** Per NMSA § 13-1-125.D procurement requirements shall not be artificially divided so as to constitute small purchases. Purchases related to the same project and should have been included in the same procurement.

**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 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 should continue to review and train employees about appropriate procurement practices to ensure familiarity and adherence.

**View of Responsible Officials:** It is management's opinion that the City is obligated to follow the Procurement Code and as such, no exceptions are made, except as allowed by the Procurement Code, and the City does not allow for any exceptions to the competitive bid process or to obtain quotes as dictated by the Purchasing Manual.

The City did not intentionally violate procurement policies. Initially, the City planned to utilize internal crews for this project. However, due to other commitments and the current manpower, it was determined that an outside vendor would be the best option for the project timeline. The using department was under the impression that a competitive process had been completed for the trucking services vendor chosen for the project and they were allowed to use that vendor.

For the rental of the equipment, Purchasing instructed that a bid process must be done or obtain at least three (3) quotes. This is in accordance with the Procurement Code, Section 13-1-125.A and the City of Farmington Purchasing Manual.

A training was conducted for personnel on this issue on April 11, 2019. The training included the reasons why this was a violation of the Procurement Code and included tools and resources on how to prevent it from happening again.

**City of Farmington, New Mexico**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2019**

**2019-004 CONTROLS SURROUNDING INVENTORY (OTHER NON-COMPLIANCE)**

**Condition:** Inventory that was moved to the non-inventory area was incorrectly included in the inventory count.

**Context:** We identified this during our inventory observation.

**Criteria:** According to the City's internal policies and procedures: "Procedures for Issuing Wire & Misc. Electrical Items to Work Order '5774'" (1) Items in the non-inventory work order account should not be included in inventory.

**Effect:** The inventory count was higher as a result of this violation of policy. This was updated for the year end trial balance.

**Cause:** Lack of adherence to City policy.

**Recommendation:** We recommend the City review the policy with employees to help ensure compliance.

**View of Responsible Officials:** The City of Farmington Warehouse will take the following steps to ensure compliance with "Procedures for Issuing Wire & Misc. Electrical Items to Work Order '5774'".

1. Formal review of the '5774' issuing procedure with all Warehouse personnel.
2. Formal review of the count procedure for '5774' items with all Warehouse personnel.
3. Use an Electric Transmission and Distribution training event to remind all T&D personnel to notify Warehouse staff of ALL events affecting inventory (issues, returns, or movement).
4. Maintain clear marking and separation of inventory and non-inventory like products.

All reviews and training will be the responsibility of the Warehouse Superintendent, and will be completed by November 30, 2019. Marking and separation of like products will be performed by Warehouse personnel assigned to the yard, under the supervision of the Warehouse Superintendent, and completed by December 31, 2019.

**2019-005 CONTROLS SURROUNDING PAYROLL (OTHER NON-COMPLIANCE)**

**Condition:**

1. The calculation of Additional Pay for an employee improperly included Standby hours which should not have been included in the employees' pay stub for the period. The calculation also excluded Overtime Straight hours which should have been included. The net effect was an overpayment to the employee of approximately \$5.
2. We sampled 19 employees to determine if eligible for PERA participation and noted 1 employee who's file did not contain the Application for PERA Membership Form.

**Context:** We selected 22 samples to recalculate pay from the fiscal year under audit. We sampled 19



**City of Farmington, New Mexico**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2019**

employees to determine if eligible for PERA participation and noted 1 employee who's file did not contain the Application for PERA Membership Form.

**Criteria:** Per City Municipal Code Chapter 21 Article 3 Section 21-3-2 Employees shall be paid in accordance with approved pay and classification plans. Employee files are required to contain the Application for PERA Membership form.

**Effect:** Lack of adherence to City policy.

**Cause:** Pay codes were not set up appropriately to calculate employee's pay. Oversight on part of the City.

**Recommendation:** We recommend that the City evaluate all pay codes to ensure they are set up appropriately to calculate employee pay. We recommend the City establish a review process to ensure that all applicable files which are required to be within an employee file are included.

**View of Responsible Officials:** The Human Resources Director and Payroll Supervisor acknowledge the significance of the findings and agree with the recommendation of the auditor. The following practices will be implemented to address the issue.

When creating a new additional pay code, the payroll system has a code copy feature, which had not been utilized in the past. Utilizing this feature will prevent this type of error when adding new codes in the future. The Payroll Supervisor is in the process of auditing all pay codes to ensure that they were set up correctly. Going forward, when a new code is created using the code copy feature, the Payroll Supervisor will verify that the setup is accurate and no discrepancies exist. The review of these codes will be completed no later than December 1, 2019.

PERA Membership Applications or PERA Exclusion Forms are completed by all employees. The application appears to be missing from the employee file for the exception noted in the audit finding. The employee is completing another PERA form to be placed in the file. The Payroll Supervisor will ensure that this task is complete no later than November 22, 2019. The HR Director will implement a procedure in which new employee files are checked by a Business Partner or HR Assistant to ensure all forms are included. As an additional precaution, a scheduled internal audit process will be implemented on an annual basis to review files for completeness. These changes will be introduced before June 30, 2020.

**2019-006 CONTROLS SURROUNDING CUSTOMER UTILITY DEPOSITS (OTHER NON-COMPLIANCE)**

**Condition:** The City has a customer deposits payable account which each resident or business is required to pay the City a deposit for utility services. Once the account has been opened for a specified period of time (12 months for residential, 36 months for businesses) the deposit is credited back to the customer's account if the customer has maintained timely payments for services provided.

During test work over this customer deposits payable account we evaluated approximately 200 customer accounts with deposits dated prior to 2000, we identified 19 instances, totaling approximately \$1,700, where a Customer Deposit was being held by the City not in accordance with Farmington Electric Utility



**City of Farmington, New Mexico**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2019**

System Rules and Regulations.

1. 5 of those instances, totaling approximately \$600, where a Final Bill is not an option for the account type which normally would credit the deposit onto the account. As a result the account must be manually triggered to credit the deposit back onto the customer account. This did not happen for the accounts identified.
2. 8 instances, totaling approximately \$400, related to an adjustment to the account which caused the deposits to hold on the customer account. Deposits were not manually credited to customer accounts.
3. 6 instances, totaling approximately \$700, were credited back to the customer account based upon evaluation by the City, after our audit inquiries.

**Context:** We were provided a schedule of Customer Utility Deposits as part of the audit process. We selected samples to review and ensure that the City was following the Municipal Code as it relates to returning of deposits back to customers.

**Criteria:** City of Farmington's, Farmington Electric Utility System Rule and Regulation 3 states that residential deposits are held for 12 months and commercial deposits for 36 months and then are automatically credited with interest to the customer's account as long as the customer maintains a good credit history during the same time period.

**Effect:** The City did not follow its Municipal Code to refund customers timely.

**Cause:** Customer Deposit balances had not been evaluated to ensure compliance with City policy.

**Recommendation:** We recommend that the City implement a monthly review process of customer deposit accounts that are greater than a year old, and are in good standing, so that the deposit can be credited or refunded to the customer.

**View of Responsible Officials:** Regarding violation 1 and violation 2; when issuing a final bill to the customer, the initial deposit (if any) should be released automatically. In the past, manual adjustments were made to the customers' accounts to credit the balance partially or in full without properly referencing Account Payable for Customers' Deposits. This transaction was not the proper way to record such adjustments and it's a possibility that it could cause the automatic refund to be cancelled.

FEUS' management agrees with the External Auditor's recommendation. FEUS will implement a monthly review process of customer deposits to identify eligibility for deposit refunds. Such a report and review procedure were not established in prior years because the deposit refund was intended to be triggered automatically by the system itself once the eligibility check had been verified. Going forward, the following steps will be taken to ensure that FEUS fully complies with the City of Farmington Municipal Code. A report will be developed with the following requirements: all outstanding utility customers' deposits will be filtered out for those that are less than 12 months old for residential customers and those that are less than 36 months old for commercial customers, qualified deposits will be verified if there were no manual adjustments to the account to offset customer's balance, the customer will be verified for whether a good credit history was established according to the City of Farmington policies, a refund including interest will be issued to the customer for the subsequent month after eligibility requirements are met in the form of

**City of Farmington, New Mexico  
Schedule of Findings and Questioned Costs  
June 30, 2019**

a customer account credit.

The meeting was held on November 14th, 2019 by the FEUS Director to the Customer Service Supervisor and Utility Financial Analyst to direct the implementation of the timely review of the customer deposits. FEUS intends to implement this procedure as soon as the required reports will be created, but not later than January 1st, 2020.

**STATUS OF PRIOR YEAR FINDINGS**

**Financial Statement Findings:**       None

**Federal Award Findings:**           None

**Other:**

**Finding Reference**

**Status**

2018-001	Controls Surrounding the Cash Receipts Process	Repeated and Modified (2019-002)
2018-002	Controls Surrounding the Procurement Process	Repeated and Modified (2019-003)

**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  
Mr. Brian Colón, New Mexico State Auditor

### **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, 2019.

### ***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, 2019.

City of Farmington, New Mexico  
Honorable Mayor and City Council  
Mr. Brian Colón, New Mexico State Auditor

### **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.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 26, 2019

## Schedule of PFC Revenues and Expenditures

### Four Corners Regional Airport

**FY2019**

7/1/18 - 6/30/19

	FY2018 Program Total	Quarter 1 Jul. - Sept.	Quarter 2 Oct. - Dec.	Quarter 3 Jan. - Mar.	Quarter 4 Apr. - Jun.	FY2019 Total	FY2019 Program Total
<b>Revenue</b>							
Collections	\$ 643,185	-	-	-	-	-	\$ 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 Sinage Improvements	12,078	-	-	-	-	-	12,078
Proj. 1-F Airfield Electrical Improvements	7,025	-	-	-	-	-	7,025
Proj. 1-G Security Improvements	33,286	-	-	-	-	-	33,286
Proj. 1-H Terminal Improvements	32,264	-	-	-	-	-	32,264
Proj. 1-I Non-revenue Parking Improvement	4,982	-	-	-	-	-	4,982
Proj. 1-J Acquire Safety Equipment	12,473	-	-	-	-	-	12,473
Proj. 1-K Conduct Planning	30,157	-	-	-	-	-	30,157
Proj. 1-L Improve Service Roads	13,900	-	-	-	-	-	13,900
Proj. 1-M PFC Administrative Costs	38,083	-	191	-	-	191	38,274
<b>Total App -01</b>	<b>643,185</b>	<b>-</b>	<b>191</b>	<b>-</b>	<b>-</b>	<b>191</b>	<b>643,376</b>
<b>Total Disbursements</b>	<b>643,185</b>	<b>-</b>	<b>191</b>	<b>-</b>	<b>-</b>	<b>191</b>	<b>643,376</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, 2019**

**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, 2019**

- |  |  |                                    |
|--|--|------------------------------------|
| 1. Type of report issued on PFC financial statements.  | <input checked="" type="checkbox"/> Unmodified | <input type="checkbox"/> Qualified |
| 2. Type of report on PFC compliance.   | <input checked="" type="checkbox"/> Unmodified | <input type="checkbox"/> Qualified |
| 3. Quarterly Revenue and Disbursements reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts.         | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |
| 4. PFC Revenue and Interest is accurately reported on FAA Form 5100-127.   | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |
| 5. The Public Agency maintains a separate financial accounting record for each application.  | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |
| 6. Funds disbursed were for PFC eligible items as identified in the FAA Decision to pay only for the allowable costs of the projects.                | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |
| 7. Monthly carrier receipts were reconciled with quarterly carrier reports.  | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |
| 8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |
| 9. Serving carriers were notified of PFC program actions/changes approved by the FAA.  | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |
| 10. Quarterly Reports were transmitted (or available via website) to remitting carriers.   | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |
| 11. The Public Agency is in compliance with Assurances 5, 6, 7 and 8.  | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |
| 12. Project design and implementation is carried out in accordance with Assurance 9.   | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |
| 13. Program administration is carried out in accordance with Assurance 10.   | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |
| 14. For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence.      | <input checked="" type="checkbox"/> Yes        | <input type="checkbox"/> No        |
| Qualified and No responses must have additional clarification within the audit report.   | <input checked="" type="checkbox"/> N/A        |                                    |

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CITY OF FARMINGTON  
EXIT CONFERENCE  
Year Ended June 30, 2019

An exit conference was held on November 19, 2019. In attendance were:

For the City of Farmington:

Rob Mayes	City Manager
Teresa Emrich	Administrative Services Director
Brooke Quintana	Administrative Services Deputy Director
Sheree Wilson	Enterprise Accountant
Sarah Talley	Staff Accountant II
Ross DeVargas	Staff Accountant I
Natasha Arthur	Staff Accountant I

For CliftonLarsenAllen LLP (auditors):

Laura Beltran-Schmitz	Assurance Director
Jeff Roybal	Senior Associate



# OTHER INFORMATION



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

**For the Year Ended June 30, 2019**

	<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	\$ 795,443	\$ 7,217,523	\$ -	\$ 237	\$ 8,013,203
Non-Interest Bearing Accounts	-	15,331,120	3,000	-	15,334,120
Certificates of Deposit	18,000,000	-	3,000,000	7,000,000	28,000,000
Sub-Total	<u>18,795,443</u>	<u>22,548,643</u>	<u>3,003,000</u>	<u>7,000,237</u>	<u>51,347,323</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	18,545,443	22,298,643	2,753,000	6,750,237	50,347,323
<b><u>Pledge Collateral Required</u></b>					
50 percent - deposits	<u>9,272,722</u>	<u>11,149,322</u>	<u>1,376,500</u>	<u>3,375,119</u>	<u>25,173,662</u>
Pledged collateral	<u>23,437,940</u>	<u>24,617,616</u>	<u>2,305,082</u>	<u>3,748,777</u>	<u>54,109,415</u>
Excess of pledged collateral	<u>\$ 14,165,218</u>	<u>\$ 13,468,294</u>	<u>\$ 928,582</u>	<u>\$ 373,659</u>	<u>\$ 28,935,754</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	\$ 5,180,469	\$ -	\$ -	\$ -	\$ 5,180,469
cusip # 3137ACNK1	6/15/2041	5,349,913	-	-	-	5,349,913
cusip # 3137BPGE3	5/15/2045	2,656,425	-	-	-	2,656,425
cusip # 3137AL3A5	1/15/2032	7,251,073	-	-	-	7,251,073
cusip # 3130A7KM6	3/23/2026	3,000,060	-	-	-	3,000,060
FHLMC						
cusip # 3128JL4T3	4/1/2034	-	-	404,528	-	404,528
cusip # 3128JM5X1	11/1/2034	-	-	433,569	-	433,569
cusip # 3128JMX28	8/1/2034	-	-	249,989	-	249,989
cusip # 3128JPH86	7/1/2035	-	-	118,584	-	118,584
cusip # 3128JPXA3	2/1/2039	-	-	290,628	-	290,628
cusip # 3128QPGW6	2/1/2036	-	-	324,906	-	324,906
cusip # 31295LZS4	1/1/2031	-	-	142,010	-	142,010
FAMC						
cusip # 31317JAK7	1/25/2020	-	-	340,868	-	340,868
FNMA						
cusip # 3138W9A42	7/1/2043	-	13,428,679	-	-	13,428,679
cusip # 3138WHCJ9	6/1/2031	-	11,188,937	-	-	11,188,937
cusip # 3140EW4W2	11/1/2046	-	-	-	3,748,777	3,748,777
		<u>\$ 23,437,940</u>	<u>\$ 24,617,616</u>	<u>\$ 2,305,082</u>	<u>\$ 3,748,777</u>	<u>\$ 54,109,415</u>

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

**June 30, 2019**

Participants (including City of Farmington)	Responsible Party	Description	Dates of Agreement	Total Amount/ City Share	FY19 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	\$ 66,000	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, Kirtland & San Juan County	City of Farmington	MPO	10/1/18 until terminated	\$41,755 / \$21,468	\$ 21,468	City
San Juan County	San Juan County	Detention Center	06/26/07 until terminated	\$16,096,443 / \$1,508,458	\$ 1,508,458	San Juan County
San Juan County	San Juan County	DWI Treatment Ctr	11/17/07 until terminated	\$3,107,427 / \$440,000	\$ 440,000	San Juan County
NM Energy, Minerals and Natural Resources Department (NMEMNRD)	NMEMNRD	Wildfire Firefighting	04/06/09 until terminated	\$249,671 / \$ -	\$ -	NMEMNRD