

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**City of Farmington
New Mexico
July 1, 2004 - June 30, 2005**

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

For The Year Ended June 30, 2005

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**Four Corners Area Photos by Kelly West
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INTRODUCTORY SECTION



December 1, 2005

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, 2005.

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.

David Berry CPA, PC 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, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an

unqualified opinion that the City of Farmington's financial statements, for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

The City of Farmington is located in the northwest corner of the State of New Mexico in what is commonly called the Four Corners Area (see map on page x). The City was originally incorporated in 1901 and has a current land area of 31.03 square miles and serves a population of 43,000. 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 state 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 any local municipal option component is then distributed back to the municipality by the Department.

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 is responsible, among other things, for adopting ordinances, adopting the budget, appointing committees, and appointing the City Manager, City Clerk, and the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for 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 multi-utility systems; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities 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 March each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review prior to May 31. 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 30 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 20 as part of the basic financial statements for the governmental funds. Budget to actual comparisons for all other funds are presented in the non-major governmental funds, internal service fund, and enterprise funds sections of this report.

Factors Affecting Financial Condition

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

Local economy. The local economy has historically been based on the natural resource extractive industry, two large coal-fired electric generating stations, and Farmington's geographical position as a regional retail center catering to a regional population base of more than 225,000. Historically, the local economy has fluctuated in cycles that correspond to the price of oil and natural gas. In the last five years however, energy prices have dramatically increased and retail/services/tourism have continued to develop as major sources of revenue. During the past year, GRT revenue increased 13.3% and Lodgers Tax revenue was up 5.0% from the prior fiscal year. Electric Utility operating revenue increased 8.3% over the prior year without any rate increase. Strength in the energy markets, continued construction activity, and an improving service sector are indicators that the local economy has improved over last year. Revenue projections for the next fiscal year indicate a return to a growth mode albeit at a lower level than the 9% historical average. Growth in retail sales are expected to continue as the nation's largest retailer, Wal-mart, opens a second store in Farmington in FY 2006.

During FY 2004, the U.S. Office of Management and Budget designated Farmington as the central city of the Farmington-San Juan County Metropolitan Statistical Area. This designation qualifies Farmington for various Federal entitlement programs and, more importantly, increases the visibility of Farmington in various national economic databases that should highlight the desirability of Farmington as a potential business location.

Although just recently designated a Metropolitan Statistical Area, Farmington has participated in a national urban cost of living survey for many years. As a participant in this survey, Farmington is compared with about 400 other cities in the American Chamber of Commerce Researchers Association's Cost of Living Index. This index measures six different cost of living components such as housing, transportation, and

utilities and then rates each city in terms of the national average. In a recent survey, Farmington's cost of living index was 100% of the national average.

As our locality and facilities continue to gain recognition, Farmington will host more national and regional events in baseball, softball, soccer, swimming, mountain biking, and off-road rock climbing, as well as numerous conventions and the National High School Finals Rodeo (NHSFR). The NHSFR was hosted by San Juan County in 2002 and 2003 and proved to be a successful event for the County and the City of Farmington. In January, 2004 the City, San Juan County, and other local agencies were successful in their bid to again host the NHSFR rodeo in 2008 and 2009. These events will again be a boost to the local economy.

The City of Farmington was recently awarded the bid to play host to the Western Zones Swim Meet in the summer of 2007. There are four (4) nationwide swim zones and the Western Swim Zone includes state swim teams from Alaska, Hawaii, and all the western United States. More than 850 registered athletes with 17 teams from the Western United States will participate in this swimming qualification competition at the Farmington Aquatic Center. This swim meet will qualify the winners for continued national competition.

San Juan Regional Medical Center (SJRM) of Farmington will complete a \$70 million expansion and renovation project in August 2006. The East Tower expansion project of SJRM will add 72 private patient rooms, 8 new operating suites, a recovery room, and day surgery rooms when complete. A new entrance, lobby, and public square will also be part of the new addition. A financing partnership between the hospital and the community is paying for the project, which will also include renovation of the existing five-story facility following completion of the East Tower expansion. San Juan County voters approved a \$25-million, one-eighth cent gross receipts tax in 2003 to help pay for the expansion and renovation at San Juan Regional. SJRM is funding the remainder of the project. This expansion project is another example of the growth that the community of Farmington is experiencing.

The region (which includes the City of Farmington and surrounding rural areas within the same county) has an employed labor force of approximately 48,000, an increase of 3.3% over last year mostly attributable to an increase in oil & gas production. Major employers include a regional medical center, three public school districts, a community college, a coal mining operation, two electrical power generation plants, and a Wal-Mart superstore. Ground breaking has already begun for an additional Wal-Mart superstore which will be opening sometime in FY 2006. Meanwhile, there continues to be a discernible trend toward steady residential growth.

Long-term financial planning. The construction of a new library was completed during FY 2003. This \$9.7 million project was financed with gross receipts tax revenue bonds issued in November 2001 and existing cash balance from within the general fund. A major project completed in FY 2004 was the wastewater treatment plant expansion, which has been financed with a 3 percent \$12.8 million loan from the New Mexico Environment Department. The treatment plant's capacity has been increased by 20% to meet a projected 6.5 mgd flow rate by the year 2015. In addition, increased reliability and flexibility has been obtained through the rehabilitation of the primary clarifiers and sludge drying beds as well as the capacity expansion of the disinfection process.

As part of the plan to ensure a secure, reliable, and economical power source for utility customers, the electric utility completed an evaluation of various options for new generation, and, after the successful completion of several bond defeasances, has significantly reduced outstanding debt. In FY 2004, the Electric Utility initiated construction of a new \$59 million, 60 megawatt, gas-fired electric power plant with construction funded from existing cash reserves. The new plant went into operation in May, 2005.

During FY 2005, the City issued \$5,725,000 of Series 2005 Sales Tax Revenue Bonds to provide funds to construct, furnish, equip and improve fire-fighting facilities, and acquire and rehabilitate fire-fighting equipment.

Other long-term financial planning is incorporated into the City of Farmington's Comprehensive Plan approved by the City Council in October 2002. This Plan was developed in a multi-stage process and provides the vision, goals, objectives, and actions necessary to direct the City's progress over the next twenty years. It is an official public document that will serve as the guide for policy decisions relating to the physical, social, and economic growth of the community. 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. This planning document will serve as a planning guide for future financial capital investments.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposits, obligations of the U.S. Treasury, overnight deposits, money market accounts, and the State Treasurer's investment pool. The City earned interest revenue of \$471,993 on all governmental investments including capital projects and internal service funds and \$790,027 on all proprietary funds for the year ended June 30, 2005. The maturities of the investments range from overnight to 3 years. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, all investments were protected by federal depository insurance, adequate collateral, or the full faith and credit of the United States Government.

Risk management. The City continues to maintain a self-insured program for health, workers' compensation, property, boiler and machinery, pollution, crime, and general liability insurance. The workers compensation and general liability programs continued to be financially sound throughout FY 2005 while the health fund's cash balance decreased to \$0. Management will be reviewing the fiscal stability of the health insurance fund in FY 2006 and making appropriate modifications to the plan. The risk management and workers compensation funds were transferred to the general fund as separate divisions in the legal and human resources departments in FY 2004.

Pension and other post-employment benefits. Substantially all of the City's full time employees participate in a defined benefit contributory retirement plan through the Public Employees' Retirement Association (PERA) of the State of New Mexico authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). PERA is the administrator of the plan, which is a cost-sharing, multiple-employer public employee retirement plan. Actual pension data for the State of New Mexico, as employer, is provided at the statewide level in a separately issued financial report of the PERA.

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, 2004. This was the eleventh 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.

In addition, the City of Farmington also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2005. 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.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the 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,

Bob Hudson
City Manager

H. Andrew Mason
Administrative Services Director

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, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

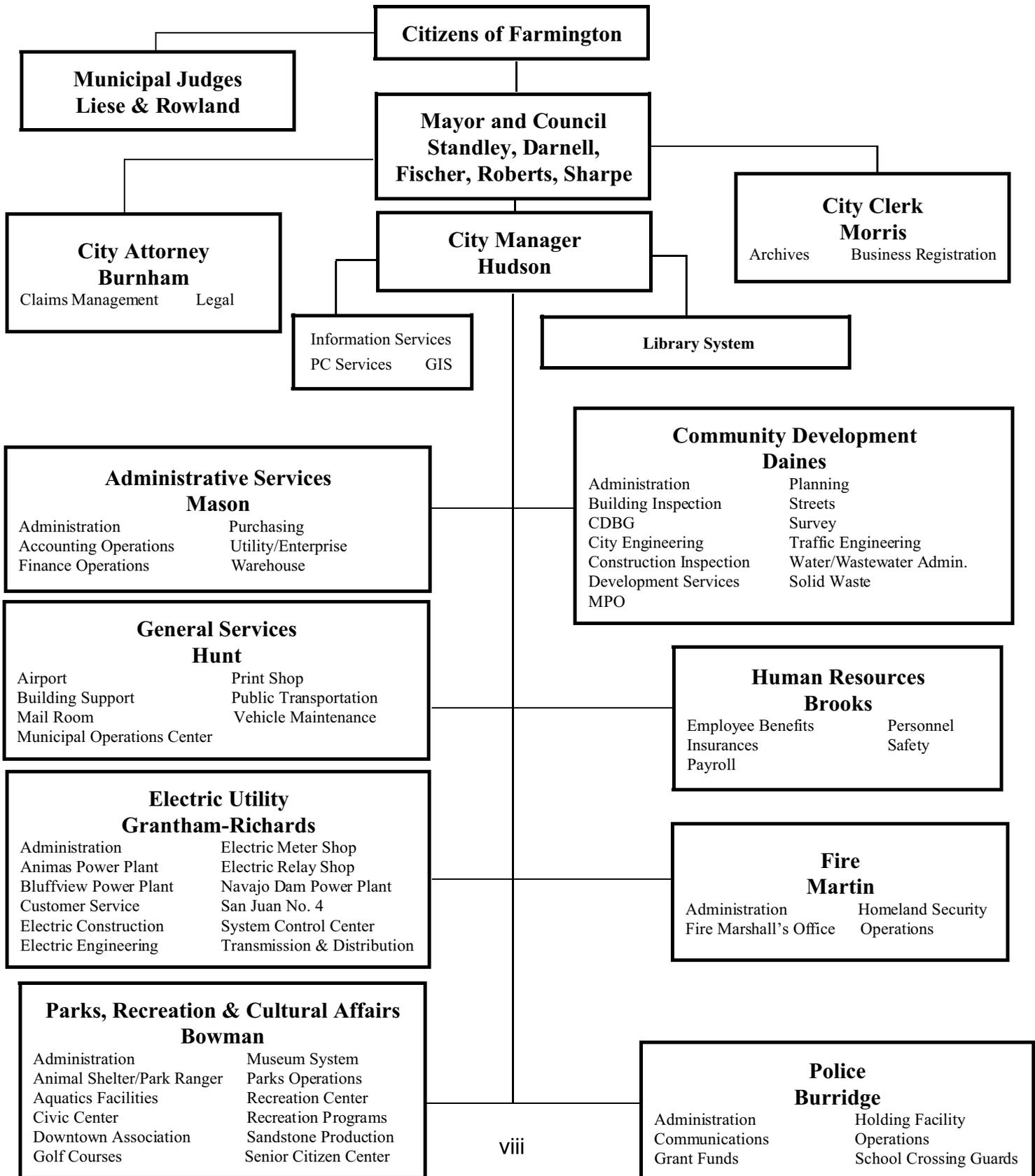
President

Jeffrey R. Enos

Executive Director

CITY OF FARMINGTON ORGANIZATIONAL CHART

June 2005



CITY OF FARMINGTON

Principal Officials

June 30, 2005

MAYOR

William Standley

CITY COUNCIL

Mary M. Fischer

George Sharpe

Dan Darnell

Tommy Roberts

CITY MANAGER

Bob Hudson

ADMINISTRATIVE SERVICES DIRECTOR

H. Andrew Mason

GENERAL SERVICES

Rod Hunt

PARKS & RECREATION

Jeff Bowman

POLICE

Michael Burrige

FIRE

Robert Martin

COMMUNITY DEVELOPEMENT

Cameron Daines

HUMAN RESOURCES

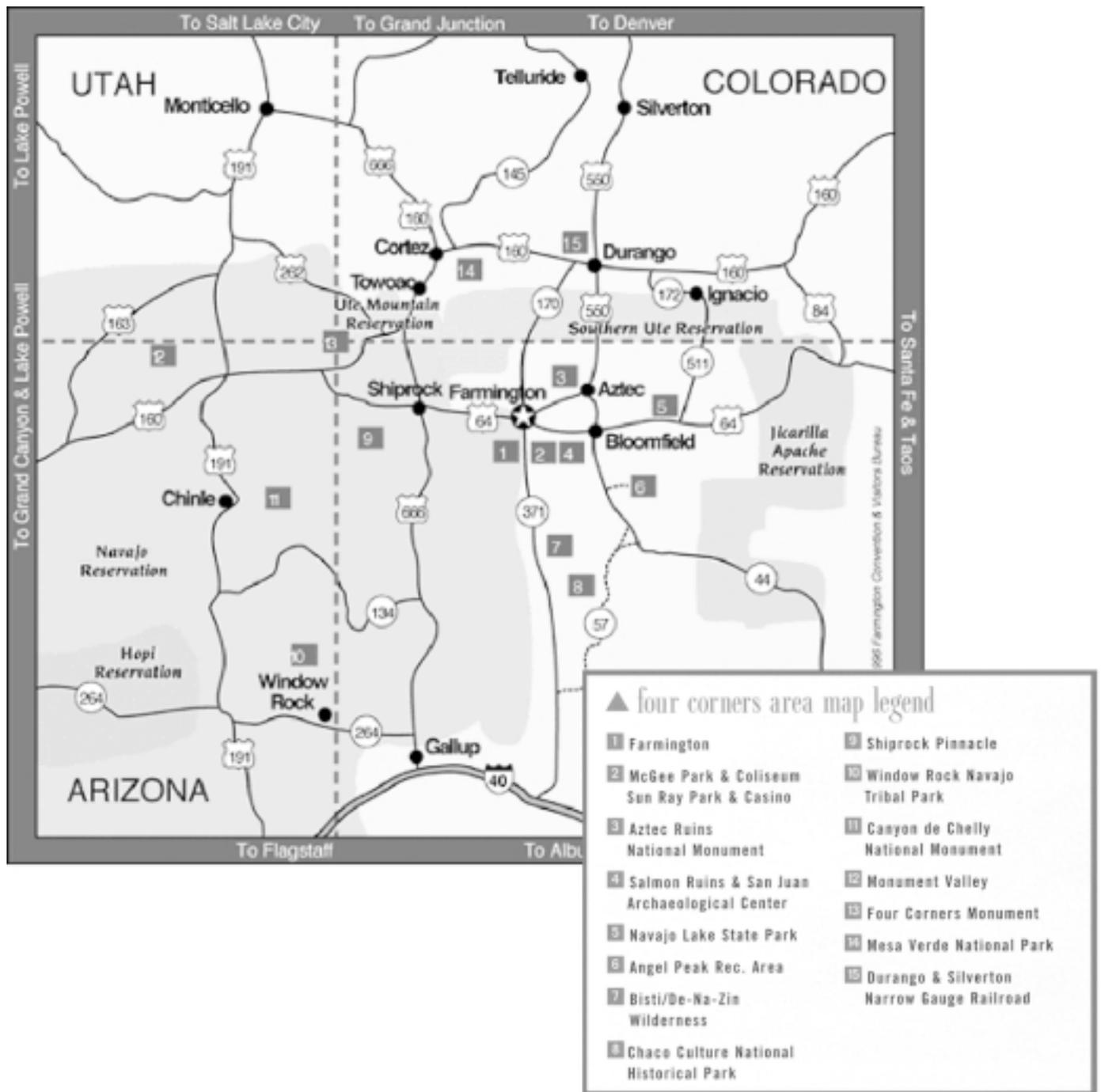
Donna Brooks

ELECTRIC UTILITY DIRECTOR

Maude Grantham-Richards

CONTROLLER

Eric D. Schlotthauer



FINANCIAL SECTION

Independent Auditor's Report

City of Farmington
Farmington, New Mexico
Honorable Mayor and City Council
and
Mr. Domingo P. Martinez, CGFM
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmington, New Mexico (City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental, enterprise, and internal service funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for each fund's activities for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, enterprise, and internal service fund of the City, as of June 30, 2005, and the respective changes in the financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, on pages 3 through 14, is not a part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by US Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to each of the respective individual funds taken as a whole.

The information included in the accompanying statistical section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subject to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

Farmington, New Mexico
October 31, 2005

Management Discussion and Analysis

**Management
Discussion and
Analysis**

Management's Discussion and Analysis

As management of the City of Farmington, we offer readers of the City of Farmington's financial statements this narrative overview and analysis of the financial activities of the City of Farmington for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which starts on page i of this report.

Financial Highlights

- The assets of the City of Farmington exceeded its liabilities at the close of FY 2005 by \$329,419,476 (net assets). Of this amount, \$41,684,893 (unrestricted net assets) may be used to meet the City's ongoing obligations.
- As of June 30, 2005, the City of Farmington's governmental funds reported combined ending fund balances of \$29,162,197, an increase of \$6,129,866 or 27% in comparison with the prior year. A total of \$25,149,317 (unreserved fund balance) is available for spending at the City's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$13,069,276, or 33.6 % of the total general fund expenditures.
- The City's total net debt decreased by \$1,710,000 or 3% during the current fiscal year.

Overview of Financial Statements

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

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

The *statement of net assets* presents information on all of the City of Farmington's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in

net assets 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, highways, and streets. The business-type activities of the City of Farmington include electric, water, wastewater, sanitation, golf, and airport operations.

The government-wide financial statements can be found on pages 15-25 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-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, both of which are considered to

be major funds. Data from the other nineteen 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* following the notes to the financial statements (pages 53-60).

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 17-20 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water, wastewater, sanitation, golf, and airport operations and are found on pages 85-90 of this report. Fund data for the internal service fund is provided on pages 82-84 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 27- 49 of this report.

Government-wide Financial Analysis

As noted earlier, over time net assets may serve as a useful indicator of a government's financial position. In the case of the City of Farmington, assets exceeded liabilities by \$329,419,476 at the close of the most recent fiscal year.

The largest portion of the City of Farmington's net assets (89.5%) 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 Assets

	Governmental Activities		Business-type Activities		Total	
	FY 2005	FY 2004 Restated	FY 2005	FY 2004 Restated	FY 2005	FY 2004 Restated
Current and other assets	\$ 37,140,194	\$ 29,400,333	\$ 44,395,940	\$ 57,504,293	\$ 81,536,134	\$ 86,904,626
Capital assets	80,217,153	77,646,258	272,208,948	244,588,603	352,426,101	322,234,861
Total assets	117,357,347	107,046,591	316,604,888	302,092,896	433,962,235	409,139,487
Long-term liabilities outstanding	15,207,163	10,416,940	57,709,602	56,530,031	72,916,765	66,946,971
Other liabilities	7,220,669	7,132,543	24,405,325	28,688,737	31,625,994	35,821,280
Total liabilities	22,427,832	17,549,483	82,114,927	85,218,768	104,542,759	102,768,251
Net assets:						
Invested in capital assets, net of related debt	66,265,472	65,005,512	215,390,130	183,033,593	281,655,602	248,039,105
Restricted	3,514,726	2,422,104	2,564,255	2,648,557	6,078,981	5,070,661
Unrestricted	25,149,317	22,295,454	16,535,576	31,191,978	41,684,893	53,487,432
Total net assets	\$ 94,929,515	\$ 89,723,070	\$ 234,489,961	\$ 216,874,128	\$ 329,419,476	\$ 306,597,198

Another portion of the City of Farmington's net assets (1.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$41,684,893) may be used to meet the City's ongoing obligations.

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

The City of Farmington's net assets increased \$22,822,278 during the current fiscal year. Almost all of this increase represents the degree to which increases in ongoing revenues have exceeded similar increases in ongoing expenses, most attributable to the utility systems.

Governmental activities. Governmental activities increased the City of Farmington's net assets by \$5,206,445. Key elements of the change in net assets are as follows:

City of Farmington's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	FY 2005	FY 2004 Restated	FY 2005	FY 2004 Restated	FY 2005	FY 2004 Restated
Revenues:						
Program revenues:						
Charges for services	\$ 5,838,533	\$ 5,788,929	\$ 108,623,372	\$ 101,341,322	\$ 114,461,905	\$ 107,130,251
Operating grants and Contributions	2,238,291	2,674,803	880,654	916,477	3,118,945	3,591,280
Capital grants and Contributions	-	-	625,693	154,309	625,693	154,309
General revenues:						
Property taxes	1,043,064	985,836	-	-	1,043,064	985,836
GRT taxes	43,134,352	38,351,092	-	-	43,134,352	38,351,092
Other taxes	2,594,484	4,556,755	-	-	2,594,484	4,556,755
Other	3,979,128	2,056,912	790,027	3,073,799	4,769,155	5,130,711
Total revenues	58,827,852	54,414,327	110,919,746	105,485,907	169,747,598	159,900,234
Expenses:						
General Government	21,153,411	23,996,456	-	-	21,153,411	23,996,456
Police	11,351,590	10,341,396	-	-	11,351,590	10,341,396
Fire	5,470,572	5,468,824	-	-	5,470,572	5,468,824
Parks, rec & cultural affairs	9,497,875	9,284,623	-	-	9,497,875	9,284,623
Community development	7,481,297	5,727,834	-	-	7,481,297	5,727,834
Electric	-	-	72,914,727	65,757,413	72,914,727	65,757,413
Water	-	-	6,944,219	7,166,332	6,944,219	7,166,332
Wastewater	-	-	4,983,626	3,726,245	4,983,626	3,726,245
Sanitation	-	-	3,625,722	3,493,487	3,625,722	3,493,487
Golf	-	-	1,209,293	1,198,867	1,209,293	1,198,867
Airport	-	-	1,871,508	2,008,715	1,871,508	2,008,715
Other	421,480	483,230	-	-	421,480	483,230
Total expenses	55,376,225	55,302,363	91,549,095	83,351,059	146,925,320	138,653,422
Increase in net assets before transfers	3,451,627	(888,036)	19,370,651	22,134,848	22,822,278	21,246,812
Transfers	1,754,818	1,440,853	(1,754,818)	(1,440,853)	-	-
Increase in net assets	5,206,445	552,817	17,615,833	20,693,995	22,822,278	21,246,812
Net assets - 7/01/04 - restated	89,723,070	89,170,253	216,874,128	196,180,133	306,597,198	285,350,386
Net assets - 6/30/05	\$ 94,929,515	\$ 89,723,070	\$ 234,489,961	\$ 216,874,128	\$ 329,419,476	\$ 306,597,198

Property taxes increased by \$57,228 or 5.8% during the year. This increase is attributable to increasing property values and continued expansion in community development.

Operating grants and contributions decreased \$436,512 or 16.3% during the year. This decrease is due to receiving less state grant parks funding and federal grant police funding.

PILT transfers increased \$107,785 or 5.5% over the prior year due to increased utility revenue.

Business-type activities. Business-type activities increased the City of Farmington's net assets by \$17,615,833, accounting for 77.2% of the total growth in the government's net assets. Key financial elements of the past fiscal year are as follows:

- Operating expenses are 82.4% of operating revenues, resulting in \$19,131,667 in operating income.
- Total electric revenue was up \$6,638,698 or 7.8%. The largest contributor to this change was surplus energy with increased sales of approximately \$4.7 million. Sales to residential and commercial customers also rose by 7.9%.
- Total water revenue decreased \$184,397 or 2.4% mostly from reduced sales to residential customers and contract water users.
- Total wastewater revenue increased by \$290,726 or 6.4% during the year due to higher sales to commercial customers.
- Total sanitation revenue increased \$156,280 or 4.4% due to higher demand for sanitation services.
- Investment earnings for business-type activities were \$790,027, a 29.3% decrease due to low interest rates and declining cash reserves.

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, *unreserved 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, 2005, the City of Farmington's governmental funds reported combined ending fund balances of \$29,162,197, an increase of \$6,129,866 in comparison with the prior year. Approximately 87% of this total amount or \$25,484,608 constitutes *unreserved 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 has already been committed for debt service (\$283,833), prepaid items (\$162,863), and statutory reserves (\$3,230,893).

The general fund is the chief operating fund of the City of Farmington. At the end of the current fiscal year, unreserved fund balance of the general fund was \$13,069,276, while total fund balance reached \$16,463,032. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 33.6% of total general fund expenditures, while total fund balance represents 42.4% of that same amount. The fund balance of the City of Farmington's general fund increased \$2,336,180 or 16.5% during the current fiscal year. The total increase in general fund revenue was \$8,069,247 due mostly to a 13.3% increase in gross receipts tax. Total general fund expenditures increased \$6,144,050 or 18.8% over the prior year. Key elements of this increase were increases for MPO expenditures (\$345,949), capital and operating expenditures for information services (\$163,988), operating expenditures for the new library (\$341,533) and an increase in parks and police expenditures mainly due to the transferring of the GRT parks & police fund to the general fund (\$4,556,345).

Other key governmental-type funds, other than the general fund, include the streets fund and parks & public works fund. Both of these funds are funded primarily with gross receipt tax revenue earmarked specifically for these fund activities. The streets fund is generally budgeted for full expenditure each fiscal year, but expenditures increased by \$445,483 or 14.2% in FY 2005 due to an increase in streets projects. The parks & public works fund also is generally budgeted for full expenditure each fiscal year. However, the fund balance increased by \$932,488 or 42% due to higher than expected GRT revenue.

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 assets of the electric utility system at the end of the year amounted to \$9,979,419; for the water utility system \$1,607,196; for the wastewater utility system \$4,132,146; and those for the other propriety funds (sanitation, golf courses, and airport) combined amounted to \$816,815. The total growth in net assets for electric was \$18,167,695, for water \$114,932, for wastewater \$(291,290), and the other funds combined was \$(375,504). The decrease in the other proprietary funds was due primarily to a reduction in federal funding for the airport. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Farmington's business-type activities.

Budgetary Highlights

FY 2005 was a much more typical year for revenues in that gross receipts tax proceeds increased by \$5,147,228 or 13.3% from the prior year. After the significant decline FY 2003, this was a welcome continuation of the recovery and much more in line with the twenty-five year trend. In the general fund, which typically receives approximately 75% of revenue from the gross receipts tax (GRT), FY 2005 GRT

revenue was \$3,723,879 or 12.5% over budget. This compares favorably with FY 2004, which was \$1,736,916 or 7.4% over budget.

On the expenditure side, the original general fund budget of \$39,754,304 was increased by over \$1.0 million during the year when it became evident that the GRT was continuing to rebound from the prior year. When revenue was declining in FY 2003, all spending was reviewed and only absolute necessities were approved. Once it became certain the revenue trend was improving, selected expenditures previously postponed were approved. This resulted in a 5.6% increase in actual FY 2005 expenditures over the prior year. Although this increase appears somewhat large, considering the postponement of expenditures from prior years and the continuing growth in the demand for services it was actually fiscally conservative.

During the year, five separate revisions were made to the original FY05 budget. With several minor and one major exception, these adjustments were not large on a percentage basis. The general fund was typical in that the difference between the original and final budget for revenue and expenditures was 1% and 2.6% respectively. In the governmental funds, the largest increase was in the fire capital projects fund because the bond proceeds from the 2005 sales tax revenue bonds issue were not originally budgeted and when the bonds were issued in April they generated \$5,725,000. Several enterprise funds had some significant increases from original to final budget resulting from a need to increase capital spending. For example, the water, wastewater, and airport funds all increased their capital outlay budgets by 86.5%, 56.6%, and 110.6% respectively. Since the revenue budget was unchanged, the expenditure increase was projected to be funded from fund balance. Only in the water fund was any of the increased budget authority actually utilized and this amount was only 19.6% of the additional authorization.

For FY 2005 several budget issues came to the forefront. The first was the ISO rating for the fire department. To maintain the current favorable rating the department needed to upgrade five fire trucks and construct a new fire station. To accomplish these improvements, bonds were issued in April of 2005. Due to growth in the northwest sector of the City, an additional fire station may have to be constructed in the next few years.

During FY 2005 San Juan County completed the construction of a new, expanded jail facility. Based upon initial negotiations, the City was paying a fixed amount per prisoner day. This originally was totaling about \$50,000 per month but has since increased to approximately \$70,000 per month. The City is also paying the County \$440,000 per year to provide a residential treatment facility for individuals convicted of drunk driving. Both of these contracts will have budgetary impacts that need to be addressed.

Two new programs also had budgetary impacts during the year. The City is in the early operational stage of developing a mass transit system. The results from prior years have been very favorable in terms of ridership, but now the original fleet of

vans will need to be replaced and although there are federal funds available, the City will need to carefully monitor the financial resources required to maintain and improve the transit system. FY 2005 was also the first complete year of the "Downtown" program. This program has the goal of improving the economic climate of the downtown area. A director has been hired, operating funds budgeted, and a general development plan adopted.

The most favorable budget highlight for the year was the budget to actual comparison at the end of the year. Actual revenue for the year was over budget by \$4,238,302 or 11.6% and actual expenditures were under budget by \$1,938,298 or 4.7%. These results left the cash balance in the general fund at a historical high of \$13.6 million. This balance generated additional flexibility for the FY 2006 budget in that a significant "cushion" existed that would allow for additional spending without creating negative financial consequences. In fact, the original FY 2006 budget anticipates spending down \$1,596,892 of this accumulated reserve.

Capital Asset and Debt Administration

Capital Assets. The City of Farmington's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$352,426,101 (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 \$272,208,948 or 77.2% of the total City of Farmington capital assets. The total increase in the business-type investment in capital assets for the current fiscal year was \$27,620,345 or 11.3%. The governmental activities investment in capital assets accounted for \$80,217,153 or 22.8% of all capital assets owned by the City. The total increase in governmental activities investment in capital assets for the current year was \$2,570,895 or 3.3%.

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

City of Farmington's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	FY 2005	FY 2004	FY 2005	Restated FY 2004	FY 2005	Restated FY 2004
Land	\$ 25,436,011	\$ 25,601,531	\$ 3,791,140	\$ 3,755,223	\$ 29,227,151	\$ 29,356,754
Buildings and system Improvements	25,129,700	25,349,626	43,153,855	44,593,195	68,283,555	69,942,821
Machinery & equipment	6,563,258	7,090,353	52,434,587	53,129,485	58,997,845	60,219,838
Infrastructure	7,569,915	6,759,556	96,301,144	98,006,619	103,871,059	104,766,175
Construction in progress	10,941,375	12,243,985	-	-	10,941,375	12,243,985
Total	4,576,894	601,207	76,528,222	45,104,081	81,105,116	45,705,288
	\$ 80,217,153	\$ 77,646,258	\$ 272,208,948	\$ 244,588,603	\$ 352,426,101	\$ 322,234,861

Capital expenditures for the electric utility system will average approximately \$10,547,924 per year over the next five fiscal years. Some large projects included in the FY 2006 capital budget are finishing the MOC building expansion (\$2,223,620), building new transmission transfer capacity (\$7,595,000), the new College Substation (\$1,450,000), and miscellaneous customer projects (\$3,500,000). 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. The capital expenditures are expected to average \$2,207,945 per year totaling \$11,039,730 for fiscal years 2006 through 2010 and will be funded with customer-generated funds.

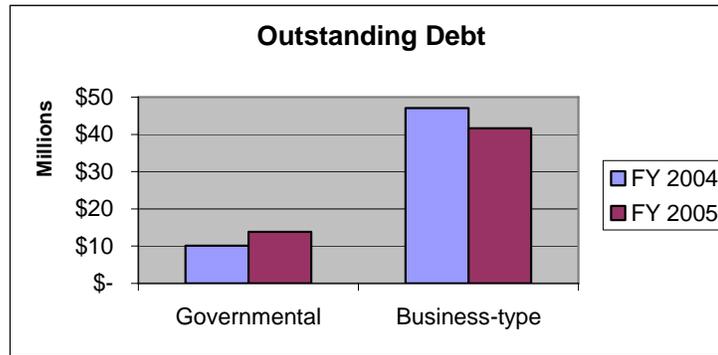
Pursuant to the Wastewater System Master Plan, in FY 2004 the City placed in service a new Wastewater treatment plant that included a new activated sludge treatment process train complete with a new secondary clarifier, rehabilitation of the existing primary clarifiers, expansion of the disinfection facility (chlorine contact chamber), reconstruction and expansion of sludge drying beds, repair of one of the digesters and provision of positive control of stormwater discharges from the facility. The expansion added 3.2 million gallons of treatment capacity to the existing 5.8 mgd plant. A \$9,800,000 loan obtained in August 2000 from the New Mexico Environment Department and increased to \$13,000,000 in September 2002 paid for this project. As of June 30, 2005, the loan has been drawn down \$12,830,162. Outstanding warranty work for the plant is expected to be completed in FY 2006 that will allow the Final Promissory Note for the loan to be issued. The note will bear interest at 3% per annum and will be amortized over a twenty year term, with twenty equal annual installments beginning one year from the date of the Final Promissory Note. Additional expansions of the wastewater treatment plant totaling \$6,500,000 are planned in FY 2008.

Additional information on the City of Farmington's capital assets can be found in Note C on pages 37-38 of this report.

Long-term debt. At the end of the current fiscal year, the City of Farmington had total bonded debt outstanding of \$55,480,000. Of this amount, \$13,860,000 constitutes special, limited obligations of the City government, payable solely from the City's existing 1.225% State shared gross receipts tax (sales tax). This tax is collected by the State and distributed monthly to the City, together with certain interest income as provided in the bond ordinance. 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 of Farmington's debt is secured solely by specified revenue sources.

City of Farmington's Outstanding Debt
Sales Tax and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	FY 2005	FY 2004	FY 2005	FY 2004	FY 2005	FY 2004
Sales tax bonds	\$ 13,860,000	\$ 10,100,000	\$ -	\$ -	\$ 13,860,000	\$ 10,100,000
Revenue bonds	-	-	41,620,000	47,090,000	41,620,000	47,090,000
Total	\$ 13,860,000	\$ 10,100,000	\$ 41,620,000	\$ 47,090,000	\$ 55,480,000	\$ 57,190,000



The City of Farmington's total net debt decreased \$1,710,000 or 3% during FY 2005. The wastewater utility system also has used \$12,830,162 of the \$13,000,000 loan for its wastewater treatment plant expansion project as discussed above under the capital assets section.

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 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 2004 assessed valuation of \$712,641,179, the City's general obligation debt limit is \$28,505,647. The City presently has no general obligation bonds outstanding. For more detailed information on the City's debt, see pages 40-43 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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Services Director, 800 Municipal Drive, Farmington, NM 87401.

Basic Financial Statements

CITY OF FARMINGTON, NEW MEXICO

Statement of Net Assets

June 30, 2005

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 25,902,248	\$ 17,009,187	\$ 42,911,435
Receivables (net, where applicable, of allowances for uncollectibles):	2,213,404	5,192,997	7,406,401
Accrued unbilled revenues	-	4,970,869	4,970,869
Special assessments	20,565	-	20,565
Intergovernmental receivable	8,546,822	-	8,546,822
Inventories	294,292	2,733,926	3,028,218
Prepays	162,863	161,556	324,419
Deferred charges	-	395,894	395,894
Restricted assets			
Temporarily restricted:			
Cash and equivalents	-	13,931,511	13,931,511
Capital assets (not being depreciated):			
Land and land rights	25,436,011	3,791,140	29,227,151
Capital assets (net of accumulated depreciation):			
Buildings and system	25,129,700	43,153,855	68,283,555
Improvements other than buildings	6,563,258	52,434,587	58,997,845
Machinery and equipment	7,569,915	96,301,144	103,871,059
Infrastructure	10,941,375	-	10,941,375
Construction in progress	4,576,894	76,528,222	81,105,116
Total assets	<u>117,357,347</u>	<u>316,604,888</u>	<u>433,962,235</u>
LIABILITIES			
Accounts payable and other current liabilities	4,447,512	7,703,707	12,151,219
Other accrued liabilities	2,471,573	1,349,844	3,821,417
Retainage deposits payable	55,507	-	55,507
Unearned revenue	220,000	3,760,693	3,980,693
Accrued interest payable	26,077	223,825	249,902
Customer deposits	-	11,367,256	11,367,256
Non-current liabilities:			
Due within one year	1,222,954	5,288,248	6,511,202
Due in more than one year	13,984,209	52,421,354	66,405,563
Total liabilities	<u>22,427,832</u>	<u>82,114,927</u>	<u>104,542,759</u>
NET ASSETS			
Invested in capital assets, net of related debt	66,265,472	215,390,130	281,655,602
Restricted for:			
Debt service	283,833	2,564,255	2,848,088
Statutory reserve	3,230,893	-	3,230,893
Unrestricted	25,149,317	16,535,576	41,684,893
Total net assets	<u>\$ 94,929,515</u>	<u>\$ 234,489,961</u>	<u>\$ 329,419,476</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, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense)Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 21,153,411	\$ 5,019,939	\$ 1,397,348	\$ -	\$ (14,736,124)	\$ -	\$ (14,736,124)
Police	11,351,590	198,017	572,936	-	(10,580,637)	-	(10,580,637)
Fire	5,470,572	-	155,990	-	(5,314,582)	-	(5,314,582)
Parks, recreation, cultural affairs	9,497,875	545,461	17,907	-	(8,934,507)	-	(8,934,507)
Community development	7,481,297	75,116	94,110	-	(7,312,071)	-	(7,312,071)
Interest on long-term debt	421,480	-	-	-	(421,480)	-	(421,480)
Total governmental activities	<u>55,376,225</u>	<u>5,838,533</u>	<u>2,238,291</u>	<u>-</u>	<u>(47,299,401)</u>	<u>-</u>	<u>(47,299,401)</u>
Business-type activities:							
Electric	72,914,727	91,152,321	863,847	-	-	19,101,441	19,101,441
Water	6,944,219	7,338,869	16,807	-	-	411,457	411,457
Wastewater	4,983,626	4,751,802	-	-	-	(231,824)	(231,824)
Sanitation	3,625,722	3,692,937	-	-	-	67,215	67,215
Golf	1,209,293	1,088,137	-	5,000	-	(116,156)	(116,156)
Airport	1,871,508	599,306	-	620,693	-	(651,509)	(651,509)
Total business-type activities	<u>91,549,095</u>	<u>108,623,372</u>	<u>880,654</u>	<u>625,693</u>	<u>-</u>	<u>18,580,624</u>	<u>18,580,624</u>
Total government	<u>\$ 146,925,320</u>	<u>\$ 114,461,905</u>	<u>\$ 3,118,945</u>	<u>\$ 625,693</u>	<u>(47,299,401)</u>	<u>18,580,624</u>	<u>(28,718,777)</u>
General revenues:							
Property taxes					1,043,064	-	1,043,064
Sales taxes					43,134,352	-	43,134,352
Franchise taxes					720,748	-	720,748
Other taxes					1,873,736	-	1,873,736
Other revenue					3,507,135	-	3,507,135
Unrestricted investment earnings					471,993	790,027	1,262,020
Transfers					1,754,818	(1,754,818)	-
Total general revenues and transfers					<u>52,505,846</u>	<u>(964,791)</u>	<u>51,541,055</u>
Change in net assets					5,206,445	17,615,833	22,822,278
Net assets-beginning - restated					89,723,070	216,874,128	306,597,198
Net assets- ending					<u>\$ 94,929,515</u>	<u>\$ 234,489,961</u>	<u>\$ 329,419,476</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, 2005**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Pooled cash and investments	\$ 13,604,383	\$ 28,741	\$ 12,269,124	\$ 25,902,248
Receivables (net, where applicable, of allowances for uncollectibles):	1,958,312	255,092	-	2,213,404
Special assessments	20,565	-	-	20,565
Due from other funds	167,837	-	-	167,837
Inventories, at cost	205,801	-	88,491	294,292
Prepaid items	162,863	-	-	162,863
Intergovernmental	6,404,022	-	2,142,800	8,546,822
Total assets	<u><u>22,523,783</u></u>	<u><u>283,833</u></u>	<u><u>14,500,415</u></u>	<u><u>37,308,031</u></u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	2,562,062	-	1,885,450	4,447,512
Other accrued expenditures	1,537,956	-	33,973	1,571,929
Retainage/deposits payable	55,507	-	-	55,507
Due to other funds	-	-	74,000	74,000
Deferred revenue	1,685,226	-	91,660	1,776,886
Unearned revenue	220,000	-	-	220,000
Total liabilities	<u><u>6,060,751</u></u>	<u><u>-</u></u>	<u><u>2,085,083</u></u>	<u><u>8,145,834</u></u>
Fund Balances:				
Reserved for:				
Debt service	-	283,833	-	283,833
Prepays	162,863	-	-	162,863
Subsequent year's statutory reserve	3,230,893	-	-	3,230,893
Unreserved, reported in:				
Designated for debt service	2,000,000	-	-	2,000,000
General fund	11,069,276	-	-	11,069,276
Special revenue funds	-	-	6,952,568	6,952,568
Capital project funds	-	-	5,462,764	5,462,764
Total fund balances	<u><u>16,463,032</u></u>	<u><u>283,833</u></u>	<u><u>12,415,332</u></u>	<u><u>29,162,197</u></u>
Total liabilities and fund balances	\$ <u><u>22,523,783</u></u>	\$ <u><u>283,833</u></u>	\$ <u><u>14,500,415</u></u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	80,217,153
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,776,886
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 assets.	(993,481)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(15,233,240)</u>
Net assets of governmental activities	\$ <u><u>94,929,515</u></u>

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

CITY OF FARMINGTON, NEW MEXICO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property	\$ 1,043,064	\$ -	\$ -	\$ 1,043,064
Gross receipts	32,626,332	2,225,112	8,282,908	43,134,352
Franchise	720,748	-	-	720,748
Other	-	-	1,873,736	1,873,736
Licenses and permits	759,548	-	60,321	819,869
Intergovernmental	1,182,892	-	1,055,399	2,238,291
Charges for services	1,278,025	-	87,383	1,365,408
Fines	1,231,086	-	187,560	1,418,646
Special assessments	46,859	-	-	46,859
Investment earnings	271,429	23,097	174,486	469,012
Miscellaneous	613,801	-	607,960	1,221,761
Total revenues	39,773,784	2,248,209	12,329,753	54,351,746
EXPENDITURES:				
Current:				
General government	15,247,239	-	-	15,247,239
Police	9,844,263	-	803,563	10,647,826
Fire	4,953,243	-	144,387	5,097,630
Parks, recreation and cultural affairs	6,327,519	-	4,154,573	10,482,092
Community development	2,143,890	-	5,042,880	7,186,770
Debt service:				
Principal	-	1,965,000	-	1,965,000
Interest	-	421,480	-	421,480
Capital outlay:				
Highways and streets	338,858	-	2,238,362	2,577,220
Public safety	-	-	2,076,440	2,076,440
Total expenditures	38,855,012	2,386,480	14,460,205	55,701,697
Excess (deficiency) of revenues over (under) expenditures	918,772	(138,271)	(2,130,452)	(1,349,951)
OTHER FINANCING SOURCES (USES):				
Transfers in	2,064,523	-	791,659	2,856,182
Transfers out	(647,115)	-	(454,250)	(1,101,365)
Sales tax debt issuance	-	-	5,725,000	5,725,000
Total other financing sources (uses)	1,417,408	-	6,062,409	7,479,817
Net change in fund balances	2,336,180	(138,271)	3,931,957	6,129,866
Fund balances-beginning (restated)	14,126,852	422,104	8,483,375	23,032,331
Fund balances- ending	\$ 16,463,032	\$ 283,833	\$ 12,415,332	\$ 29,162,197

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, 2005

Amounts reported for governmental activities in the statement of activities (page 16) are different because:

Net change in fund balances-total governmental funds (page 18)	\$ 6,129,866
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,570,895
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,852
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.	(3,664,584)
The net revenue/expense of certain activities of internal service funds is reported with governmental activities.	<u>162,416</u>
Change in net assets of governmental activities (page 16)	<u>\$ 5,206,445</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 and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Property taxes	\$ 958,000	\$ 958,000	\$ 1,043,064	\$ 85,064
Gross receipts tax	29,310,329	29,635,329	32,626,332	2,991,003
Franchise taxes	693,000	693,000	720,748	27,748
Licenses and permits	638,450	638,450	759,548	121,098
Intergovernmental	964,386	968,786	1,182,892	214,106
Charges for services	1,400,994	1,400,994	1,278,025	(122,969)
Fines	1,436,500	1,436,500	1,231,086	(205,414)
Special assessments	49,000	49,000	46,859	(2,141)
Investment earnings	220,000	220,000	271,429	51,429
Miscellaneous	268,300	268,300	613,801	345,501
Total revenues	<u>35,938,959</u>	<u>36,268,359</u>	<u>39,773,784</u>	<u>3,505,425</u>
EXPENDITURES:				
Current:				
General government:				
Council	212,157	212,157	164,235	47,922
Municipal court	1,430,231	1,430,440	1,266,715	163,725
Administrative	7,215,275	7,332,721	7,444,197	(111,476)
Legal	827,719	828,124	1,405,287	(577,163)
Administrative services	1,021,095	1,032,132	876,360	155,772
General services	4,422,867	4,859,203	4,090,445	768,758
Total general government	<u>15,129,344</u>	<u>15,694,777</u>	<u>15,247,239</u>	<u>447,538</u>
Public safety:				
Police	10,246,464	10,257,802	9,844,263	413,539
Fire	5,024,766	5,184,320	4,953,243	231,077
Total public safety	<u>15,271,230</u>	<u>15,442,122</u>	<u>14,797,506</u>	<u>644,616</u>
Community development:				
Streets	464,828	464,919	338,858	126,061
Other-unclassified	2,313,429	2,615,311	2,143,890	471,421
Total community development	<u>2,778,257</u>	<u>3,080,230</u>	<u>2,482,748</u>	<u>597,482</u>
Parks, recreation and cultural affairs	6,575,473	6,576,181	6,327,519	248,662
Total expenditures	<u>39,754,304</u>	<u>40,793,310</u>	<u>38,855,012</u>	<u>1,938,298</u>
Excess of revenues over expenditures	(3,815,345)	(4,524,951)	918,772	5,443,723
OTHER FINANCING SOURCES (USES):				
Transfers in	2,402,710	2,402,710	2,064,523	(338,187)
Transfers out	(263,224)	(652,930)	(647,115)	5,815
Total other financing sources and uses	<u>2,139,486</u>	<u>1,749,780</u>	<u>1,417,408</u>	<u>(332,372)</u>
Net change in fund balances	(1,675,859)	(2,775,171)	2,336,180	5,111,351
Fund balances-beginning (restated)	14,126,852	14,126,852	14,126,852	-
Fund balances-ending	<u>\$ 12,450,993</u>	<u>\$ 11,351,681</u>	<u>\$ 16,463,032</u>	<u>\$ 5,111,351</u>

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

(Continued)

CITY OF FARMINGTON, NEW MEXICO
Statement of Net Assets
Proprietary Funds
June 30, 2005

ASSETS	Business-type Activities-Enterprise Funds							Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport	Totals	
Current assets:								
Pooled cash and investments	\$ 9,799,195	\$ 1,309,262	\$ 4,966,522	\$ 302,550	\$ 295,897	\$ 335,761	\$ 17,009,187	\$ -
Accounts receivable (net of allowance for doubtful accounts)	3,733,458	673,821	459,158	204,384	4,987	81	5,075,889	-
Accrued unbilled revenues	4,341,494	358,850	144,034	126,491	-	-	4,970,869	-
Intergovernmental receivable	-	-	-	-	-	117,108	117,108	-
Inventories	2,733,926	-	-	-	-	-	2,733,926	-
Prepaid items	102,749	17,062	27,951	-	2,482	11,312	161,556	-
Restricted cash, cash equivalents and investments	13,234,461	623,890	73,160	-	-	-	13,931,511	-
Total current assets	<u>33,945,283</u>	<u>2,982,885</u>	<u>5,670,825</u>	<u>633,425</u>	<u>303,366</u>	<u>464,262</u>	<u>44,000,046</u>	<u>-</u>
Noncurrent assets:								
Deferred charges	316,388	68,272	11,234	-	-	-	395,894	-
Capital assets:								
Land and land rights	1,509,849	1,489,327	479,388	23,341	100,000	784,968	4,386,873	-
Building and system	32,772,566	13,990,025	22,362,148	80,640	781,367	1,949,718	71,936,464	-
Improvements other than buildings	38,459,084	27,416,902	10,765,004	14,839	2,473,353	16,392,111	95,521,293	-
Machinery and equipment	175,775,448	6,720,035	1,702,986	101,099	1,100,640	1,210,478	186,610,686	-
Construction in progress	75,616,471	88,720	67,189	-	-	755,842	76,528,222	-
Less accumulated depreciation	<u>(113,824,805)</u>	<u>(22,753,245)</u>	<u>(10,450,414)</u>	<u>(149,196)</u>	<u>(1,430,485)</u>	<u>(14,166,445)</u>	<u>(162,774,590)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>210,308,613</u>	<u>26,951,764</u>	<u>24,926,301</u>	<u>70,723</u>	<u>3,024,875</u>	<u>6,926,672</u>	<u>272,208,948</u>	<u>-</u>
Total noncurrent assets	<u>210,625,001</u>	<u>27,020,036</u>	<u>24,937,535</u>	<u>70,723</u>	<u>3,024,875</u>	<u>6,926,672</u>	<u>272,604,842</u>	<u>-</u>
Total assets	<u>\$ 244,570,284</u>	<u>\$ 30,002,921</u>	<u>\$ 30,608,360</u>	<u>\$ 704,148</u>	<u>\$ 3,328,241</u>	<u>\$ 7,390,934</u>	<u>\$ 316,604,888</u>	<u>\$ -</u>

CITY OF FARMINGTON, NEW MEXICO
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Business-type Activities-Enterprise Funds							Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport	Totals	
LIABILITIES								
Current liabilities:								
Current liabilities payable from unrestricted assets:								
Accounts payable	\$ 5,115,820	\$ 675,230	\$ 1,447,863	\$ 410,444	\$ 33,510	\$ 20,840	\$ 7,703,707	\$ 87,625
Compensated absences	394,655	4,220	4,220	-	12,336	9,978	425,409	-
Due to other funds	-	-	-	-	-	-	-	93,837
Other accrued expenses	1,196,804	86,934	5,565	-	43,341	17,200	1,349,844	-
Accrued claims payable	-	-	-	-	-	-	-	718,182
Deferred revenue	3,758,359	2,334	-	-	-	-	3,760,693	-
Capital lease payable - current	-	-	-	-	92,839	-	92,839	-
Accrued interest payable	178,875	38,599	6,351	-	-	-	223,825	-
Revenue bonds payable	<u>3,812,053</u>	<u>822,591</u>	<u>135,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,770,000</u>	<u>-</u>
Total current liabilities payable from unrestricted assets	<u>14,456,566</u>	<u>1,629,908</u>	<u>1,599,355</u>	<u>410,444</u>	<u>182,026</u>	<u>48,018</u>	<u>18,326,317</u>	<u>899,644</u>
Current liabilities payable from restricted assets	<u>11,185,550</u>	<u>181,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,367,256</u>	<u>-</u>
Total current liabilities	<u>25,642,116</u>	<u>1,811,614</u>	<u>1,599,355</u>	<u>410,444</u>	<u>182,026</u>	<u>48,018</u>	<u>29,693,573</u>	<u>899,644</u>
Noncurrent liabilities:								
(net of unamortized discounts)								
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	30,903,763	6,668,625	1,097,315	-	-	-	38,669,703	-
NMED loan	-	-	12,830,162	-	-	-	12,830,162	-
Compensated absences	403,278	12,754	12,754	-	28,739	7,850	465,375	-
Capital lease payable	-	-	-	-	456,114	-	456,114	-
Total noncurrent liabilities	<u>31,307,041</u>	<u>6,681,379</u>	<u>13,940,231</u>	<u>-</u>	<u>484,853</u>	<u>7,850</u>	<u>52,421,354</u>	<u>-</u>
Total liabilities	<u>56,949,157</u>	<u>8,492,993</u>	<u>15,539,586</u>	<u>410,444</u>	<u>666,879</u>	<u>55,868</u>	<u>82,114,927</u>	<u>899,644</u>
NET ASSETS								
Invested in capital assets, net of related debt	175,592,797	19,460,548	10,863,468	70,723	2,475,922	6,926,672	215,390,130	-
Restricted for debt service	2,048,911	442,184	73,160	-	-	-	2,564,255	-
Unrestricted	9,979,419	1,607,196	4,132,146	222,981	185,440	408,394	16,535,576	(899,644)
Total net assets	<u>\$ 187,621,127</u>	<u>\$ 21,509,928</u>	<u>\$ 15,068,774</u>	<u>\$ 293,704</u>	<u>\$ 2,661,362</u>	<u>\$ 7,335,066</u>	<u>\$ 234,489,961</u>	<u>\$ (899,644)</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 Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Business-type Activities Enterprise Funds						Totals	Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport		
Operating revenues:								
Charges for sales and services:								
Electric	\$ 90,513,050	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,513,050	\$ -
Water	-	7,332,280	-	-	-	-	7,332,280	-
Wastewater	-	-	4,747,842	-	-	-	4,747,842	-
Sanitation	-	-	-	3,656,328	-	-	3,656,328	-
Golf course	-	-	-	-	1,075,237	-	1,075,237	-
Airport	-	-	-	-	-	599,306	599,306	-
Health	-	-	-	-	-	-	-	4,473,125
Other revenues	639,271	6,589	3,960	36,609	12,900	-	699,329	-
Total operating revenues	<u>91,152,321</u>	<u>7,338,869</u>	<u>4,751,802</u>	<u>3,692,937</u>	<u>1,088,137</u>	<u>599,306</u>	<u>108,623,372</u>	<u>4,473,125</u>
Operating expenses:								
Salaries and fringe benefits	7,422,716	396,192	156,916	-	591,091	265,065	8,831,980	-
Purchased power, fuel and chemicals	50,437,874	-	-	-	-	-	50,437,874	-
Other operating expenses	7,163,633	4,466,030	3,183,525	3,618,273	417,219	442,417	19,291,097	4,219,853
Depreciation and amortization	6,877,043	1,563,493	1,117,760	7,449	200,983	1,164,026	10,930,754	-
Total operating expenses	<u>71,901,266</u>	<u>6,425,715</u>	<u>4,458,201</u>	<u>3,625,722</u>	<u>1,209,293</u>	<u>1,871,508</u>	<u>89,491,705</u>	<u>4,219,853</u>
Operating income (loss)	<u>19,251,055</u>	<u>913,154</u>	<u>293,601</u>	<u>67,215</u>	<u>(121,156)</u>	<u>(1,272,202)</u>	<u>19,131,667</u>	<u>253,272</u>
Nonoperating revenues (expenses):								
Investment earnings	583,451	71,439	119,897	6,042	5,097	4,101	790,027	2,981
Interest expense	(1,132,622)	(531,893)	(520,725)	-	-	-	(2,185,240)	-
Revenue from operating grants	-	-	-	-	-	620,693	620,693	-
Other fiscal charges	119,161	13,389	(4,700)	-	-	-	127,850	-
Total nonoperating revenues (expenses)	<u>(430,010)</u>	<u>(447,065)</u>	<u>(405,528)</u>	<u>6,042</u>	<u>5,097</u>	<u>624,794</u>	<u>(646,670)</u>	<u>2,981</u>
Income (loss) before operating transfers	18,821,045	466,089	(111,927)	73,257	(116,059)	(647,408)	18,484,997	256,253
Capital contributions	863,847	16,807	-	-	5,000	-	885,654	-
Transfers in	-	-	-	-	-	309,706	309,706	-
Transfers out	(1,517,197)	(367,964)	(179,363)	-	-	-	(2,064,524)	-
Change in net assets	18,167,695	114,932	(291,290)	73,257	(111,059)	(337,702)	17,615,833	256,253
Total net assets-beginning (restated)	169,453,432	21,394,996	15,360,064	220,447	2,772,421	7,672,768	216,874,128	(1,155,897)
Total net assets-ending	<u>\$ 187,621,127</u>	<u>\$ 21,509,928</u>	<u>\$ 15,068,774</u>	<u>\$ 293,704</u>	<u>\$ 2,661,362</u>	<u>\$ 7,335,066</u>	<u>\$ 234,489,961</u>	<u>\$ (899,644)</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, 2005

	Business-type Activities Enterprise Funds						Totals	Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport		
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers/users	\$ 92,770,612	\$ 7,386,462	\$ 4,725,333	\$ 3,697,570	\$ 1,085,456	\$ 592,174	\$ 110,257,607	\$ 4,473,125
Payments to suppliers	(60,639,023)	(4,369,358)	(2,637,856)	(3,605,790)	131,479	(428,934)	(71,549,482)	(4,702,847)
Payments to employees	(6,025,239)	(379,218)	(152,791)	-	(591,832)	(265,484)	(7,414,564)	-
Net cash provided by operating activities	<u>26,106,350</u>	<u>2,637,886</u>	<u>1,934,686</u>	<u>91,780</u>	<u>625,103</u>	<u>(102,244)</u>	<u>31,293,561</u>	<u>(229,722)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfer to other funds	(1,517,197)	(367,964)	(179,363)	-	-	-	(2,064,524)	-
Transfer from other funds	-	-	-	-	-	309,706	309,706	-
Advances from other funds	-	-	-	-	-	-	-	-
Operating grants	-	-	-	-	-	620,693	620,693	-
Other fiscal charges	119,161	13,389	(4,700)	-	-	-	127,850	-
Net cash provided (used) by capital and related financing activities	<u>(1,398,036)</u>	<u>(354,575)</u>	<u>(184,063)</u>	<u>-</u>	<u>-</u>	<u>930,399</u>	<u>(1,006,275)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from capital debt	-	-	-	-	-	-	-	-
Capital contributions	863,847	16,807	-	-	5,000	-	885,654	-
Purchases of capital assets	-	-	-	(23,341)	(525,842)	(762,763)	(1,311,946)	-
Acquisition and construction of capital assets	(34,901,563)	(1,693,270)	(644,320)	-	-	-	(37,239,153)	-
Restricted assets	(1,419,582)	39,663	48,783	-	-	-	(1,331,136)	-
Principal paid on capital debt	(1,782,387)	(1,478,819)	(725,005)	-	-	-	(3,986,211)	-
Interest paid on capital debt	(1,132,622)	(531,893)	(520,725)	-	-	-	(2,185,240)	-
Net cash provided (used) by capital and related financing activities	<u>(38,372,307)</u>	<u>(3,647,512)</u>	<u>(1,841,267)</u>	<u>(23,341)</u>	<u>(520,842)</u>	<u>(762,763)</u>	<u>(45,168,032)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest and dividends received	583,451	71,439	119,897	6,042	5,097	4,101	790,027	2,981
Net increase in cash and cash equivalents	(13,080,542)	(1,292,762)	29,253	74,481	109,358	69,493	(14,090,719)	(226,741)
Cash and cash equivalents, July 1	36,114,198	3,225,914	5,010,429	228,069	186,539	266,268	45,031,417	226,741
Cash and cash equivalents, June 30, 2005	<u>\$ 23,033,656</u>	<u>\$ 1,933,152</u>	<u>\$ 5,039,682</u>	<u>\$ 302,550</u>	<u>\$ 295,897</u>	<u>\$ 335,761</u>	<u>\$ 30,940,698</u>	<u>\$ -</u>

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund	
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport	Totals	
Reconciliation of operating income to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 19,251,055	\$ 913,154	\$ 293,601	\$ 67,215	\$ (121,156)	\$ (1,272,202)	\$ 19,131,667	\$ 253,272
Adjustments to reconcile operating income to net cash provided (used) by operating activities:								
Depreciation expense	6,877,043	1,563,493	1,117,760	7,449	200,983	1,164,026	10,930,754	-
(Increase) decrease in accounts receivable	6,256	(8,390)	(37,603)	1,459	(2,681)	(7,132)	(48,091)	-
(Increase) in accrued unbilled revenues	(971,552)	30,138	1,371	3,174	-	-	(936,869)	-
(Increase) decrease in inventories	(85,308)	-	-	-	-	-	(85,308)	-
(Increase) in prepaid items	(11,874)	815	261	-	(465)	418	(10,845)	-
(Increase) in deferred revenue	2,583,587	25,845	9,763	-	-	-	2,619,195	-
(Increase) in other accrued expenses	33,250	(2,036)	4,125	-	(741)	(419)	34,179	-
(Decrease) in due to other funds	-	-	-	-	-	-	-	93,837
(Increase) in accrued claims payable	-	-	-	-	-	-	-	(540,254)
(Increase) in customer deposits	1,364,227	19,010	-	-	-	-	1,383,237	-
Increase (decrease) in accounts payable	(2,940,334)	95,857	545,408	12,483	210	13,065	(2,273,311)	(36,577)
Increase (decrease) in capital lease	-	-	-	-	548,953	-	548,953	-
Total adjustments	6,855,295	1,724,732	1,641,085	24,565	746,259	1,169,958	12,161,894	(482,994)
Net cash provided by operating activities	\$ 26,106,350	\$ 2,637,886	\$ 1,934,686	\$ 91,780	\$ 625,103	\$ (102,244)	\$ 31,293,561	\$ (229,722)



Notes to the Financial Statements

CITY OF FARMINGTON, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

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 approximately 43,000 living within an area of 31 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, 2005.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect costs are not allocated to functions in the statement of activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 government.

The government 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 *debt service* fund accounts for the servicing of general long term debt not being financed by proprietary funds.

The government reports the following major proprietary funds:

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

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

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

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

The *golf fund* accounts for the activities of the City's two golf courses.

The *airport fund* accounts for the activities of the City's airport operations.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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, including special assessments. 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 and net assets or equity

1. Deposits and investments

The government'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.

State statutes authorize the government to invest in obligations of the U.S. Treasury, repurchase agreements, Certificates of Deposits, and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied and collected by San Juan County. The County remits to the City amounts collected for the applicable portion of the property taxes in the month following the date of receipt. The City recognizes property taxes as revenue on the modified accrual basis. Oil and gas taxes received from the County are recognized as revenue when received by the City.

Property taxes are levied as of January 1st on property values assessed on the same date. The tax levy is payable in two installments, November 10th and May 10th. The property taxes are considered delinquent and subject to lien, penalty, and interest, 30 days after the date on which they are due.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond renewal, replacement, and contingency" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. 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.

5. 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 \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Such assets, including infrastructure, have higher limits that must be met before they are capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Computer software costs, whether externally purchased or developed in-house, shall be capitalized if the total cost of the software equals or exceeds \$5,000 and has a life of at least two years. Library books are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings and structures	7 - 45 years
Improvements other than buildings	5 - 75 years
Infrastructure	3 - 50 years
Personal property	5 - 45 years

6. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund within which the liability occurs. 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. The liability for accrued convertible sick leave is reported in the general and proprietary funds. Payments of accrued compensated absences are made upon employee termination and usually are paid from either the general or electric fund.

7. *Long-term obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

8. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Reserved fund balances

The New Mexico Department of Finance and Administration (DFA) requires that 1/12th of the general fund budgeted expenditures (\$3,230,893) be reserved as subsequent year expenditures to maintain an adequate cash flow until the next significant property tax collection.

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 assets

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. 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 \$15,233,240 difference are as follows:

Bonds payable	\$ 13,860,000
Bond premium (to be amortized over the life of the debt)	197,042
Issuance costs (to be amortized over the life of the debt)	(203,366)
Accrued interest payable	26,077
Compensated absences payable	1,255,482
Capital leases payable	<u>98,005</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ <u>15,233,240</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 assets 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 \$2,570,895 are as follows:

Capital outlay	\$ 8,522,165
Depreciation	(5,679,667)
Loss on disposals and other	<u>(271,603)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>2,570,895</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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. Details of this \$(3,664,584) are as follows:

Principal repayments	\$ 1,965,000
Revenue bonds issued	(5,725,000)
Amortization of bond premium	21,893
Amortization of issuance costs	(22,596)
Accrued interest	(8,515)
Capital leases	94,036
Compensated absences	<u>10,598</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>(3,664,584)</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 \$ 162,416 difference are as follows:

Internal service charges for services	\$ 4,473,125
Internal service operating expenses	(4,313,690)
Internal service interest revenues	<u>2,981</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 162,416</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted for all funds. All budgets are 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. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended by City Council ordinance with approval by the State Department of Finance and Administration. City department heads may make transfers of appropriations within a fund. The legal level of budgetary control is the fund level. Increases or decreases of appropriations between funds require the approval of the governing 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, 2005:

General Fund	\$ 640,593
Gross Receipts Tax Streets Fund	545,927
Gross Receipts Tax Parks & Public Works Fund	648,154
Library Gifts and Grants Fund	1,388
Museum Gifts and Grants Fund	80,550
Lodgers Tax Fund	51,979
State Police Protection Fund	21
Region II Narcotics Grant Fund	68
State Fire Fund	45
Gross Receipts Tax Bond Proceeds Projects Fund	971,654
Library Construction Fun	8,805
Fire GRT Bond Projects Fund	2,297,359
Electric Utility Fund	4,224,246
Water Utility Fund	126,903
Wastewater Utility Fund	351,284
Golf Course Fund	7,196
Airport Fund	22,584
Total Encumbrances	<u>\$ 9,978,756</u>

B. Deficit Fund Equity

As of June 30, 2005, the health insurance internal service fund had a deficit net assets balance of \$(899,644). This deficit equals the following amounts: accrued claims payable; \$718,182, accounts payable; \$87,625, and interfund loan, \$93,837. Continued high claims contributed to this deficit. The negative net asset balance improved by \$256,253 over FY 2004. In February of FY 2003, a health insurance premium increase was implemented along with plan changes in an effort to return this fund to solvency.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

As of June 30, 2005, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Repurchase Agreements	\$ 3,121,046	0.08
Certificates of Deposit	45,050,000	1.53
State Treasurer's Pool	1,381,239	0.08
Total Fair Value	<u>\$ 49,552,285</u>	
Portfolio weighted average maturity		<u>1.39</u>

Interest rate risk. In accordance with its investment policy, the City manages its exposure to interest rate risk by limiting the duration of investments to three years.

Credit risk. 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.

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. State statute requires that the bank deposits be 50% collateralized and repurchase agreements be 102% collateralized. As of June 30, 2005, the City was in compliance with state statute. The City’s carrying amount of deposits as of June 30, 2005 was \$56,842,946 and the bank balance was \$54,534,715. Of the bank balance, \$600,000 was covered by federal depository insurance, \$45,493,983 was collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name, and \$8,440,732 was uncollateralized, and subject to custodial credit risk.

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

Banking Institutions			
Percentage Level of Collateralization Required			
Ratios	50%	75%	100%
<u>Primary Capital Assets</u>	Above 6%	5% - 6%	Less than 5%
<u>Net Operating Income Total Average Assets</u>	Above .60%	.051% - .60%	Less than .51%
<u>Non-Performing Loans Primary Capital</u>	Under 35%	35% - 49.9%	Above 49.9%
Savings and Loan Institutions			
Percentage Level of Collateralization Required			
Ratios	50%	75%	100%
<u>Net Worth Average Assets</u>	Above 3%	2% - 3%	Less than 2%
4 Qtrs Avg Net Income Before Tax	Above .3%	.2% - .3%	Less than .2%
4 Qtrs Avg Assets 2 Consecutive Quarters of After Tax Losses		Yes	
3 Consecutive Quarters of After Tax Losses			Yes

Only securities backed by the full faith and credit of the United States Government will be accepted as collateral. The City may make an exception and accept as collateral securities from a governmental entity within the State of New Mexico as described by State Statute 6-10-16, B.

All securities pledged as collateral shall be held by a third-party financial institution approved by the City Manager or his/her designee. Any change in the institution holding the collateral must have prior approval of the City Manager or his/her designee.

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

June 30, 2005. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the local government investment pool is voluntary.

B. Receivables

Receivables as of June 30, 2005 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:					
Accounts Receivable	\$ 1,761,816	\$ -	\$ 255,092	\$ 5,634,812	\$ 7,651,720
Unbilled Revenue	-	-	-	4,970,869	4,970,869
Special Assessments	20,565	-	-	-	20,565
Due from other funds	167,837	-	-	-	167,837
Intergovernmental	6,404,022	2,142,800	-	117,108	8,663,930
Interest	196,496	-	-	-	196,496
Gross Receivables	<u>8,550,736</u>	<u>2,142,800</u>	<u>255,092</u>	<u>10,722,789</u>	<u>21,671,417</u>
Less: Allowance for Uncollectibles	-	-	-	(558,923)	(558,923)
Net Total Receivables:	<u>\$ 8,550,736</u>	<u>\$ 2,142,800</u>	<u>\$ 255,092</u>	<u>\$ 10,163,866</u>	<u>\$ 21,112,494</u>

Intergovernmental receivables are made up of the following amounts in the general and special revenue funds: gross receipts taxes \$7,677,178, federal and state grants \$ 389,251, franchise taxes \$144,285, lodger's taxes \$120,425 and other \$215,683.

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	\$ 81,697
Uncollectibles related to water sales	10,647
Uncollectibles related to wastewater charges	7,065
Uncollectibles related to sanitation charges	<u>5,432</u>
Total uncollectibles of the current fiscal year	<u>\$ 104,841</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property Tax	\$ 1,685,226	\$ -
Delinquent Gas Taxes	48,708	-
Lodger's Tax	42,952	-
Grant proceeds not yet earned	-	<u>220,000</u>
Total deferred revenue for governmental funds	<u>\$ 1,776,886</u>	<u>\$ 220,000</u>

C. Capital assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Transfers	Additions	Deletions	Balance June 30, 2005
Governmental activities					
Non-Depreciable Assets:					
Land	\$ 25,601,531	\$ (252,904)	\$ 87,500	\$ (115)	\$ 25,436,012
Construction in progress	601,207	-	3,975,687	-	4,576,894
Total Non-Depreciable Assets	<u>26,202,738</u>	<u>(252,904)</u>	<u>4,063,187</u>	<u>(115)</u>	<u>30,012,906</u>
Depreciable Assets					
Buildings	44,101,468	252,904	1,146,377	(8,915)	45,491,834
Improvements other than buildings	9,282,879	-	158,694	-	9,441,573
Equipment	19,751,591	42,863	2,816,749	(1,582,899)	21,028,304
Infrastructure	52,540,217	-	337,158	-	52,877,375
Total Depreciable Assets	<u>125,676,155</u>	<u>295,767</u>	<u>4,458,978</u>	<u>(1,591,814)</u>	<u>128,839,086</u>
Total Governmental Assets	<u>151,878,893</u>	<u>42,863</u>	<u>8,522,165</u>	<u>(1,591,929)</u>	<u>158,851,992</u>
Accumulated Depreciation					
Buildings	(18,751,843)	-	(1,613,301)	3,009	(20,362,135)
Improvements other than buildings	(2,192,526)	-	(685,789)	-	(2,878,315)
Equipment	(12,992,035)	(41,401)	(1,740,809)	1,315,855	(13,458,390)
Infrastructure	(40,296,231)	-	(1,639,768)	-	(41,935,999)
Total Accumulated Depreciation	<u>(74,232,635)</u>	<u>(41,401)</u>	<u>(5,679,667)</u>	<u>1,318,864</u>	<u>(78,634,839)</u>
Net Governmental Assets	<u>\$ 77,646,258</u>	<u>\$ 1,462</u>	<u>\$ 2,842,498</u>	<u>\$ (273,065)</u>	<u>\$ 80,217,153</u>

	Balance July 1, 2004	Transfers	Additions	Deletions	Balance June 30, 2005
Business-type activities					
Non-Depreciable Assets:					
Land	\$ 2,578,194	\$ -	\$ 174,736	\$ -	\$ 2,752,930
Construction in progress	45,104,081	-	36,891,959	(5,467,818)	76,528,222
Total Non-Depreciable Assets	<u>47,682,275</u>	<u>-</u>	<u>37,066,695</u>	<u>(5,467,818)</u>	<u>79,281,152</u>
Depreciable Assets					
Land Rights	1,733,943	-	-	(100,000)	1,633,943
Buildings	71,380,609	-	571,980	(16,125)	71,936,464
Improvements other than buildings	92,970,460	-	2,626,300	(75,467)	95,521,293
Equipment	183,592,548	(42,863)	3,809,734	(748,733)	186,610,686
Total Depreciable Assets	<u>349,677,560</u>	<u>(42,863)</u>	<u>7,008,014</u>	<u>(940,325)</u>	<u>355,702,386</u>
Total Business-type Assets	<u>397,359,835</u>	<u>(42,863)</u>	<u>44,074,709</u>	<u>(6,408,143)</u>	<u>434,983,538</u>
Accumulated Depreciation					
Land Rights	(556,914)	-	(38,819)	-	(595,733)
Buildings	(26,787,414)	-	(2,005,172)	9,977	(28,782,609)
Improvements other than buildings	(39,840,975)	-	(3,437,971)	192,240	(43,086,706)
Equipment	(85,585,929)	35,786	(5,448,792)	689,393	(90,309,542)
Total Accumulated Depreciation	<u>(152,771,232)</u>	<u>35,786</u>	<u>(10,930,754)</u>	<u>891,610</u>	<u>(162,774,590)</u>
Net Business-type Assets	<u>\$ 244,588,603</u>	<u>\$ (7,077)</u>	<u>\$ 33,143,955</u>	<u>\$ (5,516,533)</u>	<u>\$ 272,208,948</u>

Enterprise Assets – by fund

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>	<u>Golf</u>	<u>Airport</u>
Land and land Rights	\$ 1,509,849	\$ 1,489,327	\$ 479,388	\$ 23,341	\$ 100,000	\$ 784,968
Buildings and Structures	32,772,566	13,990,025	22,362,148	80,640	781,367	1,949,718
Improvements other Than buildings	38,459,084	27,416,902	10,765,004	14,839	2,473,353	16,392,111
Equipment	175,775,448	6,720,035	1,702,986	101,099	1,100,640	1,210,478
Total	<u>248,516,947</u>	<u>49,616,289</u>	<u>35,309,526</u>	<u>219,919</u>	<u>4,455,360</u>	<u>20,337,275</u>
Less accumulated Depreciation	(113,824,805)	(22,753,245)	(10,450,414)	(149,196)	(1,430,485)	(14,166,445)
Work in progress	75,616,471	88,720	67,189	-	-	755,842
Net Assets	<u>\$ 210,308,613</u>	<u>\$ 26,951,764</u>	<u>\$ 24,926,301</u>	<u>\$ 70,723</u>	<u>\$ 3,024,875</u>	<u>\$ 6,926,672</u>

In 1988, the City entered into a lease agreement to lease land for the Pinon Hills Golf Course from San Juan College for \$10. The lease expires in the year 2087, at which time the land, including improvements, will be returned to San Juan College.

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

Governmental activities:

General government	\$ 539,935
Police	601,281
Fire	320,086
Parks, recreation, cultural affairs	2,296,417
Community development	479,475
Highways and streets	<u>1,442,473</u>
Total depreciation expense - governmental activities	<u>\$ 5,679,667</u>

Business-type activities:

Electric	\$ 6,877,043
Water	1,563,493
Wastewater	1,117,760
Sanitation	7,449
Golf	200,983
Airport	<u>1,164,026</u>
Total depreciation expense - business-type activities	<u>\$ 10,930,754</u>

Construction commitments

The City has an active construction project as of June 30, 2005. The project is the building of the new Bluffview Power Plant. At year end, the City's commitment with contractors was as follows:

Project	<u>Expended to-date</u>	<u>Remaining Commitment</u>
Bluffview Power Plant	\$ <u>58,561,296</u>	\$ <u>68,272</u>

D. Interfund receivables, payables and transfers

The composition of interfund balances as of June 30, 2005 is as follows:

Interfund Payables

	Due From	Due To
General fund - operating loan	\$ -	\$ 93,837
General fund - capital projects loan	-	74,000
Health fund – operating loan	93,837	-
GRT parks & public works - capital projects loan	74,000	-
	<hr/>	<hr/>
Total Interfund Payables	\$ 167,837	\$ 167,837

Transfers

	In	Out
Governmental Funds		
General fund – operating transfer	\$ -	\$ 647,115
General fund – operating transfer	2,064,524	-
GRT streets fund – operating transfer	-	454,250
GRT parks and public works – operating transfer	275,000	-
Region II fund – matching funds for grant	30,000	-
Fast cops fund – matching funds for grant	25,380	-
Law enforcement block grant fund – matching funds for grant	7,029	-
Community development grant projects fund – operating	454,250	-
	<hr/>	<hr/>
Total governmental funds transfers	2,856,183	\$ 1,101,365
	<hr/>	
Net governmental funds transfers	\$ 1,745,818	
	<hr/>	
Business-type funds		
Electric utility fund – operating transfer	\$ -	\$ 1,517,197
Water utility fund – operating transfer	-	367,964
Wastewater utility fund – operating transfer	-	179,363
Airport fund – operating transfer	309,706	-
	<hr/>	<hr/>
Total business-type funds transfers	\$ 309,706	2,064,524
	<hr/>	
Net business-type transfers		\$ 1,754,818

E. Leases

Capital Leases

The City has entered into a lease agreement for two fire truck pumpers valued at \$561,922. This agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. This lease is recorded in the governmental activity funds. The City has also entered into two new lease agreements this year for golf carts and turf equipment for the golf courses. The golf carts are valued at \$198,305 and the turf equipment is valued at \$ 381,092. Both of these agreements qualify as

capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through this capital lease are as follows:

	Governmental Activities	Business Activities
Asset:		
Machinery and equipment	\$ 561,922	\$ 579,397
Less: accumulated depreciation	(311,112)	(57,940)
Total	<u>\$ 250,810</u>	<u>\$ 521,457</u>

The future minimum lease obligation and the net present value of those minimum lease payments as of June 30, 2005 were as follows:

Year Ending	Fire Pumpers	Golf Carts	Golf Course Turf Equipment
June 30, 2006	\$ 100,216	\$ 39,499	\$ 88,032
June 30, 2007	-	39,499	88,032
June 30, 2008	-	39,499	88,032
June 30, 2009	-	114,980	146,626
Total minimum lease payments	<u>100,216</u>	<u>233,477</u>	<u>410,722</u>
Less: amount representing interest	<u>(2,211)</u>	<u>(37,349)</u>	<u>(57,897)</u>
Present value of minimum lease payments	<u>\$ 98,005</u>	<u>\$ 196,128</u>	<u>\$ 352,825</u>

F. Long-term debt

General Obligation bonds

The City has the capacity to issue general obligation bonds to provide funds for the acquisition and/or construction of major capital projects, but as of June 30, 2005 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.

During FY 2002, the City redeemed the outstanding balance on the 1993 Sales Tax Revenue Bond issue in the amount of \$395,000. With the issuance of the 2001 Sales Tax Revenue Improvement and Refunding Bonds the City provided for the refunding of the previously issued 1994 Sales Tax Revenue Bonds and issued an additional \$11 million dollars for the purpose of completing construction of a new library and several major street projects.

In FY 2005, the City issued \$5,725,000 of Series 2005 Sales Tax Revenue Bonds to provide funds to construct, furnish, equip and improve fire-fighting facilities and acquire and rehabilitate fire-fighting equipment.

On December 17, 2002 the City issued \$44,390,000 of 2002A utility revenue bonds and \$2,280,000 of 2002B utility revenue bonds to refund \$47,150,000 of 1992 utility revenue bonds. The estimated present value benefit of refunding the 1992 bonds is \$6,342,865. The transaction resulted in an accounting loss of \$2,959,014. On May 15, 2005, the City made the final payments on the 1993A and 1993B Utility Revenue Bonds.

Revenue bonds outstanding as of June 30, 2005 are as follows:

	Interest Rates	General Govt	Electric	Water	Wastewater	Total
Governmental Activities						
Sales Tax Bonds 2001	3.75 - 5.00%	\$ 8,135,000	\$ -	\$ -	\$ -	\$ 8,135,000
Sales Tax Bonds 2005	3.25 - 4.00%	5,725,000	-	-	-	5,725,000
Business Activities						
Serial Bonds 2002	2.25 - 5.00%	-	33,261,560	7,177,406	1,181,034	41,620,000
Total Amount		\$13,860,000	\$33,261,560	\$ 7,177,406	\$ 1,181,034	\$55,480,000

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

Year Ending 30-Jun	General Govt.		Electric		Water		Wastewater	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 1,060,000	\$ 588,522	\$ 3,812,053	\$1,431,003	\$ 822,591	\$ 308,791	\$ 135,356	\$ 50,811
2007	1,130,000	512,904	3,919,941	1,316,642	845,872	284,113	139,187	46,750
2008	1,180,000	470,217	4,103,751	1,135,868	885,535	245,105	145,714	40,332
2009	1,225,000	425,643	4,267,581	971,718	920,888	209,684	151,531	34,503
2010	1,270,000	379,342	4,415,428	822,352	952,791	177,453	156,781	29,200
2011	1,315,000	330,393	4,639,197	601,581	1,001,077	129,813	164,726	21,361
2012	1,370,000	279,692	4,870,956	369,622	1,051,088	79,759	172,956	13,124
2013	1,420,000	225,680	3,232,653	126,073	697,564	27,205	114,783	4,477
2014	1,485,000	158,780	-	-	-	-	-	-
2015	445,000	96,200	-	-	-	-	-	-
2016	460,000	78,400	-	-	-	-	-	-
2017	480,000	60,000	-	-	-	-	-	-
2018	500,000	40,800	-	-	-	-	-	-
2019	520,000	20,800	-	-	-	-	-	-
Total	\$13,860,000	\$3,667,373	\$33,261,560	\$6,774,859	\$7,177,406	\$1,461,923	\$1,181,034	\$240,558

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond proceeds are reported as other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount, whereas issuance costs are reported as deferred charges. Deferred amounts on refunding (the difference between the reacquisition price and the net carrying amount of the old debt) are amortized as a component of interest expense. The unamortized portion of the deferred amount is reported as a deduction from revenue bonds payable.

The 2002A Utility Revenue bonds are secured by and are payable solely from the net revenues derived by the City from the utility system (Electric, Water and Wastewater utility funds), after payment of operating and maintenance expenses. Payment is also secured by an insurance policy issued by Financial Guaranty Insurance Company. The Policy is non-cancelable, and the premium was paid at the time of delivery of the bonds. There are a number of limitations and restrictions contained in the bond indenture. During FY 2005 the final payment was made on the 1993A and 1993B utility revenue bonds. As of June 30, 2005, the City was in compliance with all significant limitations and restrictions.

On January 25, 2001, the Farmington Electric Utility System used \$11,919,636 of system cash and \$2,052,825 released from the debt reserve fund to defease a portion of the 1993A and 1992 Utility System Revenue Bonds. The cash was placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on \$5,540,000 of 1993A outstanding bonds and \$7,870,000 of 1992 outstanding bonds. As a result, these bonds met the requirements of a legal cash defeasance and the liability for the bonds was removed from the Electric Utility Fund's outstanding debt. The transaction resulted in an extraordinary loss of \$1,562,951. As of June 30, 2005, the 1993A bonds were fully paid off.

On February 14, 2000, the Farmington Electric Utility System used \$10,385,257 of system cash and \$1,120,489 released from the debt reserve fund to defease a portion of the 1993A and 1992 Utility System Revenue Bonds. The cash was placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on \$3,400,000 of 1993A outstanding bonds and \$8,200,000 of 1992 outstanding bonds. As a result, these bonds met the requirements of a legal cash defeasance and the liability for the bonds was removed from the Electric Utility Fund's outstanding debt. The transaction resulted in an extraordinary loss of \$687,904. As of June 30, 2005, the 1993A bonds were fully paid off.

On May 20, 1999, the Farmington Electric Utility System used \$17,764,474 of system cash and \$2,008,324 released from the debt reserve fund to defease a portion of the 1993A and 1992 Utility System Revenue Bonds. The cash was placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on \$6,230,000 of 1993A outstanding bonds and \$13,410,000 of 1992 outstanding bonds. As a result, these bonds met the requirements of a legal cash defeasance and the liability for the bonds was removed from the Electric Utility Fund's outstanding debt. The transaction resulted in an extraordinary loss of \$1,631,041. As of June 30, 2005, the 1993A bonds were fully paid off.

On August 20, 1998, the Farmington Electric Utility System used \$19,027,433 of system cash, as well as \$1,796,980 released from the debt reserve fund, to defease a portion of the 1993A and 1992 Utility System Revenue Bonds. The cash was placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on \$5,220,000 of 1993A outstanding bonds and \$14,930,000 of 1992 outstanding bonds. As a result, these bonds met the requirements of a legal cash defeasance and the liability for the bonds has been removed from the Electric Utility Fund Balance Sheet. The transaction resulted in an extraordinary loss of \$2,098,811. As of June 30, 2005, the 1993A bonds were fully paid off.

New Mexico Environment Department Loan. In August 2000, the City entered into a loan agreement with the New Mexico Environment Department for a \$9.8 million, 3% loan for expansion of the wastewater treatment plant. On September 9, 2002 the loan amount was increased to \$13 million. Repayment of the loan will begin one year after the completion of the expansion. As of June 30, 2005, the City has received \$12,830,162 in draw down payments.

Defeasance of Prior Debt. In prior years, the City defeased certain outstanding revenue bonds by placing the proceeds of new bonds and additional funds from their respective funds in an irrevocable trust to provide for all future debt service payments on the old bonds. All debt service payments made for the year ended June 30, 2005 were made as scheduled from the trust funds. The trust accounts and the defeased bonds are not included in the City's financial statements. As of June 30, 2005, the following outstanding bonds are considered defeased (amounts in thousands):

	Series 1983 A	Series 1983 B	Series 1992	Series 1993 A
Original issue amount	\$ 109,100	\$ 37,950	\$ 49,205	\$ 31,320
Retired prior to fiscal year	(41,715)	(25,275)	-	(25,535)
Retired during the year ended 2005	(5,000)	(3,235)	(130)	(5,785)
Balance of principal remaining	<u>\$ 62,385</u>	<u>\$ 9,440</u>	<u>\$ 49,075</u>	<u>\$ -</u>
Interest payments made during year ended June 30, 2005	\$ 6,654	\$ 1,252	\$ 2,829	\$ 362

Changes in Long-term Liabilities

During the year ended June 30, 2005, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Bonds payable:					
2001 Sales tax revenue	\$ 10,100,000	\$ -	\$ (1,965,000)	\$ 8,135,000	\$ 770,000
2005 Sales tax revenue	-	5,725,000	-	5,725,000	290,000
Issuance costs	(225,962)	-	22,596	(203,366)	-
Premium on bonds	218,935	-	(21,893)	197,042	-
Total bonds payable	<u>10,092,973</u>	<u>5,725,000</u>	<u>(1,964,297)</u>	<u>13,853,676</u>	<u>1,060,000</u>
Capital leases	192,042	-	(94,037)	98,005	98,005
Compensated absences	1,267,729	1,296,619	(1,308,866)	1,255,482	64,949
Total long-term liabilities					
Governmental activities	<u>\$ 11,552,744</u>	<u>\$ 7,021,619</u>	<u>\$ (3,367,200)</u>	<u>\$ 15,207,163</u>	<u>\$ 1,222,954</u>
Business-type activities:					
Bonds payable:					
Series 2002A	\$ 43,525,000	\$ -	\$ (1,905,000)	\$ 41,620,000	\$ 4,770,000
Series 1993A	3,045,000	-	(3,045,000)	-	-
Series 1993B	520,000	-	(520,000)	-	-
NMED loan	12,830,162	-	-	12,830,162	-
Plus: deferred	1,634,848	184,855	-	1,819,703	-
Total bonds payable	<u>61,555,010</u>	<u>184,855</u>	<u>(5,470,000)</u>	<u>56,269,865</u>	<u>4,770,000</u>
Capital leases	-	579,397	(30,444)	548,953	92,839
Compensated absences	864,587	451,606	(425,409)	890,784	425,409
Total long-term liabilities					
Business-type activities	<u>\$ 62,419,597</u>	<u>\$ 1,215,858</u>	<u>\$ (5,925,853)</u>	<u>\$ 57,709,602</u>	<u>\$ 5,288,248</u>

G. Restricted Assets

The following is a summary of restricted assets as of June 30, 2005:

Enterprise Funds

	Electric	Water	Wastewater	Total
Revenue bond current debt service	\$ 450,566	\$ 97,282	\$ 16,407	\$ 564,255
Revenue bond renewal, replacement and contingency account	1,598,345	344,902	56,753	2,000,000
Customer deposits/overpayments	11,185,550	181,706	-	11,367,256
Total restricted assets	<u>\$ 13,234,461</u>	<u>\$ 623,890</u>	<u>\$ 73,160</u>	<u>\$ 13,931,511</u>

V. OTHER INFORMATION

A. Risk Management

The government is exposed to various risks of loss related to torts, theft, property damage, errors and omissions, and natural disasters for which the government has designed a self insurance program in conjunction with commercial insurance coverage. The amount of settlement has not exceeded insurance coverage for the past three fiscal years. Effective November 11, 2002, the self insured retention for excess liability coverage was increased from \$250,000 to \$500,000.

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

	June 30, 2003		June 30, 2004		June 30, 2005	
	<u>Health</u>	<u>Risk Mgmt.</u>	<u>Health</u>	<u>Risk Mgmt.</u>	<u>Health</u>	<u>Risk Mgmt.</u>
Unpaid claims, beginning of fiscal year	\$ 945,726	\$ 1,542,954	\$ 841,694	\$ 1,756,856	\$ 1,258,436	\$ 1,486,966
Incurred claims and changes in estimate	3,367,186	849,071	3,927,951	876,724	2,313,954	431,857
Claim payments	<u>(3,471,218)</u>	<u>(635,169)</u>	<u>(3,511,209)</u>	<u>(1,146,614)</u>	<u>(2,854,208)</u>	<u>(410,471)</u>
Unpaid claims, end of fiscal year	<u>\$ 841,694</u>	<u>\$ 1,756,856</u>	<u>\$ 1,258,436</u>	<u>\$ 1,486,966</u>	<u>\$ 718,182</u>	<u>\$ 1,508,352</u>

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 counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

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 FY 2005 the City contributed \$0 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 FY 2005 the City did not make any financial contribution to the Commission. Complete financial statements may be obtained by contacting the San Juan Water Commission.

Joint Powers Agreement for the San Juan County Criminal Justice Training Authority. The City joined with the cities of Aztec and Bloomfield, the County of San Juan, the State of New Mexico Department of Public Safety, and the San Juan Community College to create a separate entity to provide law enforcement training on a regional basis. The initial facilities included classrooms at San Juan College, a shooting range, and a driving track. The City is obligated to provide 44% of the operating budget of the authority. During FY 2005 the City contributed \$36,002 as its share of the operating costs. San Juan College is the fiscal agent for the Authority and manages and maintains all accounts on behalf of the Authority. Complete financial statements may be obtained by contacting San Juan College.

D. Other Post Employment Benefits

The City allows retirees to maintain their access to the City health insurance plan by agreeing to assume the responsibility for the full cost of the premium. There are currently 109 retirees that participate in this arrangement out of a total group membership of 604. While there is no premium cost to the City, the cost of retiree claims constitutes a portion of total health expenditures in the Health Insurance Fund.

E. Employee Retirement Systems and Plans

Public Employees Retirement Association (PERA)

Plan Description. Substantially all of the City's full time employees participate in a defined benefit contributory retirement plan through the Public Employees' Retirement Association (PERA) of the State of New Mexico authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). PERA is the administrator of the plan which is a cost-

sharing, multiple-employer public employee retirement plan. Actual pension data for the State of New Mexico, as employer, is provided at the state-wide level in a separately issued financial report of the PERA. A copy of the PERA financial report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504.

Retirement Eligibility. Eligibility for receiving the monthly benefits equal to the number of years of credited service times 2.5% of their final average monthly salary for the thirty-six consecutive months of credited service producing the largest average is as follows:

- Any age with 25 or more years of credited service; or age 60 or older with 20 or more years of credited service; or
- Age 61 or older with 17 or more years of credited service; or
- Age 62 or older with 14 or more years of credited service; or
- Age 63 or older with 11 or more years of credited service; or
- Age 64 or older with 8 or more years of credited service; or
- Age 65 or older with 5 or more years of credited service.

Police officers and fire fighters are eligible for retirement at any age after 20 years of service. Benefits vest after 5 years of credited service.

Contribution Requirements. Contributions to the pension plan as of June 30, 2005 are equal to percentages of annual salaries as follows:

	City	Employee	
	<u>Contribution</u>	<u>Contribution</u>	<u>Total</u>
Police	18.50%	16.30%	34.80%
Fire	21.25%	16.20%	37.45%
General	9.15%	9.15%	18.30%
IBEW	9.15%	13.15%	22.3%

The contribution requirements of plan members and the City are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The actuarially determined contribution requirements and actual contributions made for the year ended June 30, 2005 were \$6,518,720, (which consisted of \$3,317,196 from the City and \$3,201,524 from employees; representing 12.1% and 11.7% of covered payroll, respectively). The payroll for employees covered by PERA for the year ended June 30, 2005 was \$27,347,772; the total payroll for all employees of the City was \$32,613,223. Contributions for the past three years are as follows:

Fiscal		Annual		Net
<u>Year</u>		<u>Pension</u>	<u>Percentage</u>	<u>Benefit</u>
		<u>Cost</u>	<u>Contribution</u>	<u>Obligation</u>
2003	\$	5,940,238	100%	\$ -
2004	\$	6,215,280	100%	\$ -
2005	\$	6,518,720	100%	\$ -

If member's employment is terminated before the member is eligible for any other benefits under PERA, the member may receive a refund of the member's contribution and interest accrued based on rates established biannually by the retirement board.

Trend Information. Information pertaining to the actuarially computed present value of vested accumulated plan benefits and non-vested accumulated plan benefits, the plan's net assets available for benefits and the assumed rate of return used in computing the present value, and ten-year historical trend information presenting PERA's progress in accumulating sufficient assets to pay benefits when due is not available by individual government agencies participating in the plan. Actuarial pension data for the State of New Mexico, as employer, is provided at the state-wide level in a separately-issued financial report of the PERA.

F. Undivided Interest in San Juan Unit No. 4.

On November 17, 1981, the City acquired an 8.475% undivided interest in Unit No. 4 of the San Juan Electric Generating Station located in San Juan County, New Mexico. Unit No. 4 is owned 8.475% by the City and 91.525% by the Public Service Company of New Mexico ("PNM") and others. The unit became operational April 27, 1982.

Unit No. 4 provides electricity to the co-owners and to other unrelated parties. The City's pro rata portions of the operations are reported in the accompanying statement of revenues and expenses of the Electric Utility Fund. The operating agreement between the City and PNM provides that PNM and other owners are entitled to receive energy from the Unit on a pro rata basis. Maintenance and operating costs, other than fuel costs, are also shared on a pro rata basis. Fuel costs are paid by PNM and the other owners, including the City, in proportion to their share of monthly energy scheduled and produced from the Unit.

PNM has an option to purchase up to 50% of the City's capacity entitlement and associated energy in Unit No. 4. PNM must give eight years notice of its intent to purchase (no notice has been given). The investment is reported at the amount of the City's equity in the underlying net assets of the unit and is included in the Electric Utility capital assets.

G. Contracted Water and Wastewater Services.

In November, 1999, the City entered into an agreement with Operations Management International (OMI) to provide water and wastewater services to the City of Farmington. The company operates and maintains the water and wastewater facilities. The contract expires in January, 2007. The company is responsible for operating expenditures, as well as repairs and replacements up to \$2,000. The City paid approximately \$4.5 million for contracted services for the year ended June 30, 2005.

H. Conduit Debt

Conduit debt has been defined by GAAP as "certain limited-obligation revenue bonds or similar debt instruments issued by a local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity." The City has not reported any conduit debt or the related asset on the financial statements. The aggregate amount of all conduit debt obligations as of June 30, 2005 was \$1,314,850,000. This debt will never constitute an indebtedness of the City of Farmington 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 Farmington or a charge against its general or taxing powers.

I. Prior Period Adjustments

The City made the following prior period adjustments during FY 2005:

1. a. In FY 2004, the City did not recognize unbilled and delinquent property taxes in the General Fund in the amount of \$1,685,226. In restating the property tax, the current assets and the unrestricted net assets in the governmental activities both increased by \$1,685,226.

- b. In FY 2004, the City did not include the balance of the amortized issuance costs on the 2001 sales tax bonds in the amount of \$225,962. In restating the balance of the amortized issuance costs, the investment in capital assets (net of related debt) and the total net assets both increased by \$225,962.

The following table shows the effect of these restatements on the entity-wide statements as of June 30, 2004:

Net Assets	Accounts Receivable	Issuance Costs	Total Net Assets
June 30, 2004 - as reported	\$ 549,894	\$ -	\$ 87,811,882
Corrections	1,685,226	225,962	1,911,188
June 30, 2004 - as restated	<u>\$ 2,235,120</u>	<u>\$ 225,962</u>	<u>\$ 89,723,070</u>

2. Expenditures that should have been charged to the Library Construction Fund (capital projects fund) were mistakenly charged to the Library Gifts and Grants Fund (special revenue fund) during FY 2004. By restating the expenditures to the proper fund the fund balance of the Library Construction Fund decreased by \$152,809 and the fund balance of the Library Gifts and Grants Fund increased by \$152,809. Since these funds are combined in the entity-wide statements there is no effect on them. The following table shows the restatement in the governmental funds:

Fund Balance	June 30, 2004 (As Reported)	Corrections	June 30, 2004 (As Restated)
Library Gifts & Grants fund	\$ 121,881	\$ 152,809	\$ 274,690
Library Construction fund	492,000	(152,809)	339,191
Net change	<u>\$ 613,881</u>	<u>\$ -</u>	<u>\$ 613,881</u>

3. At the end of FY 2004, the City consolidated the Parks & Police GRT Fund into the General Fund but did not transfer the fund balance between the funds resulting in an understatement of the General Fund balance and an overstatement of the Parks & Police Fund balance of \$732,877. Since these funds are combined in the entity-wide statements there is no effect on them. The following table shows the restatement in the governmental funds:

Fund Balance	June 30, 2004 (As Reported)	Corrections	June 30, 2004 (As Restated)
General fund	\$ 13,393,975	\$ 732,877	\$ 14,126,852
Other Governmental funds	9,216,252	(732,877)	8,483,375
Net change	<u>\$ 22,610,227</u>	<u>\$ -</u>	<u>\$ 22,610,227</u>

4. The City did not capitalize interest on proprietary fund construction projects in prior years. The Electric Utility began construction of the Bluffview Power Plant in FY 2003 and even though no new debt was issued and the project was paid for with Electric Utility cash, according to FASB 34 interest must be imputed and capitalized if there is any outstanding debt. Accordingly, the City has made prior period adjustments for FY 2003 and FY 2004 increasing the Electric Utility's net assets and capital assets \$856,517. The FY 2005 beginning net assets were restated from \$168,596,915 to \$169,453,432 and capital assets have been restated from \$181,427,576 to \$182,284,093 as shown in the following table:

	June 30, 2004		June 30, 2004
	<u>(As Reported)</u>	<u>Corrections</u>	<u>(As Restated)</u>
Capital assets	\$ 288,718,339	\$ 856,517	\$ 289,574,856
Accumulated depreciation	<u>(107,290,763)</u>	<u>-</u>	<u>(107,290,763)</u>
Net capital assets	<u>\$ 181,427,576</u>	<u>\$ 856,517</u>	<u>\$ 182,284,093</u>

Likewise, in the Wastewater Utility during the construction period of the new treatment plant, the City incorrectly expensed NMED loan interest. A prior period adjustment has been made to the Wastewater Utility increasing net assets and capital assets by \$577,164. The beginning FY 2005 net assets were restated from \$14,782,900 to \$15,360,064 and capital assets have been restated from \$24,822,577 to \$25,399,741 as shown in the following table.

	June 30, 2004		June 30, 2004
	<u>(As Reported)</u>	<u>Corrections</u>	<u>(As Restated)</u>
Capital assets	\$ 34,221,527	\$ 577,164	\$ 34,798,691
Accumulated depreciation	<u>(9,398,950)</u>	<u>-</u>	<u>(9,398,950)</u>
Net capital assets	<u>\$ 24,822,577</u>	<u>\$ 577,164</u>	<u>\$ 25,399,741</u>

June 30, 2004 net assets for the proprietary funds increased from \$215,440,447 as previously reported to \$216,874,128 as restated and total capital assets increased from \$243,154,922 as previously reported to \$244,588,603 as restated due to these two prior period adjustments.



Nonmajor Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Gross Receipts Tax Streets Fund - City Ordinance 606 established this fund to account for the City's share of gross receipts tax that is legally restricted to the maintenance of streets and storm drainage.

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

Parks 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.

Recreation Fund - City management established this fund to account for the City's share of a state cigarette tax legally restricted for parks and recreation expenditures (approved by City Council Resolution # 2001-1013).

Library Gifts and Grants Fund - City management established this fund to account for state and county gifts and grants restricted for the purchase of library books and other educational library needs.

Parks/Recreation Gifts and Grants Fund - City management established this fund to account for state grants restricted to expenditures for local beautification purposes and expenditures for leisure activities of senior citizens.

Museum Gifts and Grants Fund - City management established this fund to account for state grants restricted to expenditures for museum purposes.

Lodgers Tax Fund - State statute 3-38-15N.M.S.A. and City Ordinance 480 established this fund to account for the City-imposed tax restricted for tourism and promotion. One-fourth of the revenues are restricted to tourism and promotion and three-fourths of the revenues are restricted for promotional facilities.

State Police Protection Fund - City management established this fund to account for state grants restricted for the purchase of police equipment and other approved police needs.

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

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

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

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

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

Capital Projects Funds

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

Community Development Grant Projects Fund - This fund is used to account for community improvements throughout the City.

Gross Receipts Tax Bond Proceeds Projects Fund - This fund is used to account for various infrastructure projects.

Library Construction Project Fund - This fund is used to account for the purchase of land and the construction of the new library.

Fire Gross Receipts Tax Bond Projects Fund - This fund is used to account for the purchase of new fire trucks and the construction of the new fire station.

Debt Service Fund

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

CITY OF FARMINGTON, NEW MEXICO
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue				
	Gross Receipts Tax Streets	Gross Receipts Tax Parks and Public Works	Park Development Fees	Recreation	Library Gifts and Grants
ASSETS:					
Pooled cash and investments	\$ 1,441,555	\$ 2,456,050	\$ 235,946	\$ -	\$ 449,523
Inventory	-	88,491	-	-	-
Intergovernmental receivable	969,295	843,401	-	-	-
Total assets	<u>2,410,850</u>	<u>3,387,942</u>	<u>235,946</u>	<u>-</u>	<u>449,523</u>
LIABILITIES:					
Accounts payable	343,790	147,584	-	-	-
Deferred revenue	48,708	-	-	-	-
Due to other funds	-	74,000	-	-	-
Accrued wages payable	-	12,024	-	-	-
Total liabilities	<u>392,498</u>	<u>233,608</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:					
Unreserved - designated for subsequent years	2,018,352	3,154,334	235,946	-	449,523
Unreserved	-	-	-	-	-
Total fund balances	<u>2,018,352</u>	<u>3,154,334</u>	<u>235,946</u>	<u>-</u>	<u>449,523</u>
Total liabilities and fund balances	<u>\$ 2,410,850</u>	<u>\$ 3,387,942</u>	<u>\$ 235,946</u>	<u>\$ -</u>	<u>\$ 449,523</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, 2005

	Special Revenue				
	Parks/ Recreation Gifts and Grants	Museum Gifts and Grants	Lodgers Tax	State Police Protection Grant	Region II Narcotics Grant
ASSETS:					
Pooled cash and investments	\$ 475,866	\$ 6,918	\$ 420,078	\$ 119	\$ 154,721
Inventory	-	-	-	-	-
Intergovernmental receivable	873	-	120,425	-	158,049
Total assets	476,739	6,918	540,503	119	312,770
LIABILITIES:					
Accounts payable	76,793	2,627	99,720	-	45,617
Deferred revenue	-	-	42,952	-	-
Due to other funds	-	-	-	-	-
Accrued wages payable	7,798	-	2,363	-	8,895
Total liabilities	84,591	2,627	145,035	-	54,512
FUND BALANCES:					
Unreserved - designated for subsequent years	392,148	4,291	395,468	119	258,258
Unreserved	-	-	-	-	-
Total fund balances	392,148	4,291	395,468	119	258,258
Total liabilities and fund balances	\$ 476,739	\$ 6,918	\$ 540,503	\$ 119	\$ 312,770

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, 2005

	Special Revenue				
	Cops Program	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	Total Special Revenue
ASSETS:					
Pooled cash and investments	\$ -	\$ -	\$ 44,129	\$ 19,388	\$ 5,704,293
Inventory	-	-	-	-	88,491
Intergovernmental receivable	-	-	-	-	2,092,043
Total assets	-	-	44,129	19,388	7,884,827
LIABILITIES:					
Accounts payable	-	-	-	19,388	735,519
Deferred revenue	-	-	-	-	91,660
Due to other funds	-	-	-	-	74,000
Accrued wages payable	-	-	-	-	31,080
Total liabilities	-	-	-	19,388	932,259
FUND BALANCES:					
Unreserved - designated for subsequent years	-	-	44,129	-	6,952,568
Unreserved	-	-	-	-	-
Total fund balances	-	-	44,129	-	6,952,568
Total liabilities and fund balances	\$ -	\$ -	\$ 44,129	\$ 19,388	\$ 7,884,827

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, 2005

**Capital
Projects**

	<u>Community Development Grant Projects</u>	<u>GRT Bond Proceeds Projects</u>	<u>Library Constuction Project</u>	<u>Fire GRT Bond Projects</u>	<u>Total Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS:						
Pooled cash and investments	\$ 388,082	\$ 1,345,506	\$ 149,386	\$ 4,681,857	\$ 6,564,831	\$ 12,269,124
Inventory	-	-	-	-	-	88,491
Intergovernmental receivable	50,757	-	-	-	50,757	2,142,800
Total assets	<u>438,839</u>	<u>1,345,506</u>	<u>149,386</u>	<u>4,681,857</u>	<u>6,615,588</u>	<u>14,500,415</u>
LIABILITIES:						
Accounts payable	-	88,300	38,754	1,022,877	1,149,931	1,885,450
Deferred revenue	-	-	-	-	-	91,660
Due to other funds	-	-	-	-	-	74,000
Accrued wages payable	2,893	-	-	-	2,893	33,973
Total liabilities	<u>2,893</u>	<u>88,300</u>	<u>38,754</u>	<u>1,022,877</u>	<u>1,152,824</u>	<u>2,085,083</u>
FUND BALANCES:						
Unreserved - designated for special revenue purposes	-	-	-	-	-	6,952,568
Unreserved - designated for capital projects	435,946	1,257,206	110,632	3,658,980	5,462,764	5,462,764
Total fund balances	<u>435,946</u>	<u>1,257,206</u>	<u>110,632</u>	<u>3,658,980</u>	<u>5,462,764</u>	<u>12,415,332</u>
Total liabilities and fund balances	<u>\$ 438,839</u>	<u>\$ 1,345,506</u>	<u>\$ 149,386</u>	<u>\$ 4,681,857</u>	<u>\$ 6,615,588</u>	<u>\$ 14,500,415</u>

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

CITY OF FARMINGTON
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

Special Revenue

	Gross Receipts Tax Streets	Gross Receipts Tax Parks and Public Works	Park Development Fees	Recreation	Library Gifts and Grants
REVENUES:					
Taxes:					
Gross receipts tax	\$ 3,619,266	\$ 4,663,642	\$ -	\$ -	-
Other taxes	974,161	-	-	40,542	-
Licenses and permits	-	-	60,321	-	-
Intergovernmental	-	-	-	-	214,456
Charges for services	-	-	-	-	-
Fines	-	-	-	-	-
Investment earnings	23,053	44,992	4,664	-	3,370
Donations	-	-	-	-	48,812
Miscellaneous	4,476	-	-	-	-
Total revenues	<u>4,620,956</u>	<u>4,708,634</u>	<u>64,985</u>	<u>40,542</u>	<u>266,638</u>
EXPENDITURES:					
Current:					
Police operations	-	-	-	-	-
Fire operations	-	-	-	-	-
Parks, recreation and cultural affairs	-	2,046,513	12,207	40,542	91,805
Community development	3,038,247	2,004,633	-	-	-
Capital outlay:					
Highways and streets	556,552	-	-	-	-
Total expenditures	<u>3,594,799</u>	<u>4,051,146</u>	<u>12,207</u>	<u>40,542</u>	<u>91,805</u>
Excess (deficiency) of revenues over (under) expenditures	1,026,157	657,488	52,778	-	174,833
OTHER FINANCING SOURCES (USES):					
Transfers in	-	275,000	-	-	-
Transfers out	(454,250)	-	-	-	-
Total other financing sources (uses)	<u>(454,250)</u>	<u>275,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	571,907	932,488	52,778	-	174,833
Fund balances-beginning (restated)	1,446,445	2,221,846	183,168	-	274,690
Fund balances-ending	<u>\$ 2,018,352</u>	<u>\$ 3,154,334</u>	<u>\$ 235,946</u>	<u>\$ -</u>	<u>\$ 449,523</u>

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

CITY OF FARMINGTON
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

Special Revenue

	Parks/ Recreation Gifts and Grants	Museum Gifts and Grants	Lodgers Tax	State Police Protection Grant	Region II Narcotics Grant
REVENUES:					
Taxes:					
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	859,033	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	17,907	-	-	92,400	365,381
Charges for services	-	87,383	-	-	-
Fines	-	-	-	-	-
Investment earnings	11,711	531	8,268	-	-
Donations	437,210	25,563	-	-	-
Miscellaneous	84,535	-	1,097	-	-
Total revenues	<u>551,363</u>	<u>113,477</u>	<u>868,398</u>	<u>92,400</u>	<u>365,381</u>
EXPENDITURES:					
Current:					
Police operations	-	-	-	92,516	348,722
Fire operations	-	-	-	-	-
Parks, recreation and cultural affairs	823,636	140,399	762,079	-	-
Community development	-	-	-	-	-
Capital outlay:					
Highways and streets	-	-	-	-	-
Total expenditures	<u>823,636</u>	<u>140,399</u>	<u>762,079</u>	<u>92,516</u>	<u>348,722</u>
Excess (deficiency) of revenues over (under) expenditures	(272,273)	(26,922)	106,319	(116)	16,659
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	30,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Net change in fund balances	(272,273)	(26,922)	106,319	(116)	46,659
Fund balances-beginning (restated)	664,421	31,213	289,149	235	211,599
Fund balances-ending	<u>\$ 392,148</u>	<u>\$ 4,291</u>	<u>\$ 395,468</u>	<u>\$ 119</u>	<u>\$ 258,258</u>

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

CITY OF FARMINGTON
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

Special Revenue

	Cops Program Grant	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	Total Special Revenue
REVENUES:					
Taxes:					
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	8,282,908
Other taxes	-	-	-	-	1,873,736
Licenses and permits	-	-	-	-	60,321
Intergovernmental	73,915	41,240	155,990	-	961,289
Charges for services	-	-	-	-	87,383
Fines	-	-	-	187,560	187,560
Investment earnings	-	182	2,303	-	99,074
Donations	-	-	-	-	511,585
Miscellaneous	-	-	-	-	90,108
Total revenues	<u>73,915</u>	<u>41,422</u>	<u>158,293</u>	<u>187,560</u>	<u>12,153,964</u>
EXPENDITURES:					
Current:					
Police operations	115,679	48,536	-	198,110	803,563
Fire operations	-	-	144,387	-	144,387
Parks, recreation and cultural affairs	-	-	-	-	3,917,181
Community development	-	-	-	-	5,042,880
Capital outlay:					
Highways and streets	-	-	-	-	556,552
Total expenditures	<u>115,679</u>	<u>48,536</u>	<u>144,387</u>	<u>198,110</u>	<u>10,464,563</u>
Excess (deficiency) of revenues over (under) expenditures	(41,764)	(7,114)	13,906	(10,550)	1,689,401
OTHER FINANCING SOURCES (USES):					
Transfers in	25,380	7,029	-	-	337,409
Transfers out	-	-	-	-	(454,250)
Total other financing sources (uses)	<u>25,380</u>	<u>7,029</u>	<u>-</u>	<u>-</u>	<u>(116,841)</u>
Net change in fund balances	(16,384)	(85)	13,906	(10,550)	1,572,560
Fund balances-beginning (restated)	16,384	85	30,223	10,550	5,380,008
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,129</u>	<u>\$ -</u>	<u>\$ 6,952,568</u>

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

CITY OF FARMINGTON
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	<u>Capital Projects</u>					
	<u>Community Development Grant Projects</u>	<u>GRT Bond Proceeds Projects</u>	<u>Library Constuction Project</u>	<u>Fire GRT Bond Projects</u>	<u>Total Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES:						
Taxes:						
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -	8,282,908
Other taxes	-	-	-	-	-	1,873,736
Licenses and permits	-	-	-	-	-	60,321
Intergovernmental	94,110	-	-	-	94,110	1,055,399
Charges for services	-	-	-	-	-	87,383
Fines	-	-	-	-	-	187,560
Investment earnings	5,331	50,828	8,833	10,420	75,412	174,486
Donations	-	-	-	-	-	511,585
Miscellaneous	-	6,267	-	-	6,267	96,375
Total revenues	<u>99,441</u>	<u>57,095</u>	<u>8,833</u>	<u>10,420</u>	<u>175,789</u>	<u>12,329,753</u>
EXPENDITURES:						
Current:						
Police operations	-	-	-	-	-	803,563
Fire operations	-	-	-	-	-	144,387
Parks, recreation and cultural affairs	-	-	237,392	-	237,392	4,154,573
Community development	-	-	-	-	-	5,042,880
Capital outlay:						
Highways and streets	221,630	1,460,180	-	-	1,681,810	2,238,362
Public safety	-	-	-	2,076,440	2,076,440	2,076,440
Total expenditures	<u>221,630</u>	<u>1,460,180</u>	<u>237,392</u>	<u>2,076,440</u>	<u>3,995,642</u>	<u>14,460,205</u>
Excess (deficiency) of revenues over (under) expenditures	(122,189)	(1,403,085)	(228,559)	(2,066,020)	(3,819,853)	(2,130,452)
OTHER FINANCING SOURCES (USES):						
Transfers in	454,250	-	-	-	454,250	791,659
Transfers out	-	-	-	-	-	(454,250)
Sales tax bond issued	-	-	-	5,725,000	5,725,000	5,725,000
Total other financing sources (uses)	<u>454,250</u>	<u>-</u>	<u>-</u>	<u>5,725,000</u>	<u>6,179,250</u>	<u>6,062,409</u>
Net change in fund balances	332,061	(1,403,085)	(228,559)	3,658,980	2,359,397	3,931,957
Fund balances-beginning (restated)	103,885	2,660,291	339,191	-	3,103,367	8,483,375
Fund balances-ending	<u>\$ 435,946</u>	<u>\$ 1,257,206</u>	<u>\$ 110,632</u>	<u>\$ 3,658,980</u>	<u>\$ 5,462,764</u>	<u>\$ 12,415,332</u>

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

CITY OF FARMINGTON, NEW MEXICO
Gross Receipts Tax Streets Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Gross receipts taxes	\$ 2,978,832	\$ 2,978,832	\$ 3,619,266	\$ 640,434
Other taxes	915,000	915,000	974,161	59,161
Investment earnings	8,000	8,000	23,053	15,053
Miscellaneous	120,000	120,000	4,476	(115,524)
Total revenues	<u>4,021,832</u>	<u>4,021,832</u>	<u>4,620,956</u>	<u>599,124</u>
EXPENDITURES:				
Current:				
Community development	3,547,304	3,885,753	3,038,247	847,506
Capital Outlay:				
Highways and streets	175,000	295,000	556,552	(261,552)
Total expenditures	<u>3,722,304</u>	<u>4,180,753</u>	<u>3,594,799</u>	<u>585,954</u>
Excess (deficiency) of revenues over (under) expenditures	299,528	(158,921)	1,026,157	1,185,078
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(454,250)</u>	<u>(454,250)</u>	<u>(454,250)</u>	<u>-</u>
Net change in fund balances	(154,722)	(613,171)	571,907	1,185,078
Fund balances-beginning	1,446,445	1,446,445	1,446,445	-
Fund balances-ending	<u>\$ 1,291,723</u>	<u>\$ 833,274</u>	<u>\$ 2,018,352</u>	<u>\$ 1,185,078</u>

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

CITY OF FARMINGTON, NEW MEXICO
Gross Receipts Tax Parks and Public Works Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Gross receipts taxes	\$ 4,125,378	\$ 4,125,378	\$ 4,663,642	\$ 538,264
Investment earnings	30,000	30,000	44,992	14,992
Total revenues	<u>4,155,378</u>	<u>4,155,378</u>	<u>4,708,634</u>	<u>553,256</u>
EXPENDITURES:				
Current:				
Parks, Recreation and Cultural Affairs	1,830,513	2,411,412	2,046,513	364,899
Community development	<u>2,080,512</u>	<u>3,737,307</u>	<u>2,004,633</u>	<u>1,732,674</u>
Total expenditures	<u>3,911,025</u>	<u>6,148,719</u>	<u>4,051,146</u>	<u>2,097,573</u>
Excess (deficiency) of revenues over (under) expenditures	244,353	(1,993,341)	657,488	2,650,829
OTHER FINANCING SOURCES (USES):				
Transfers in	-	275,000	275,000	-
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>	<u>250,000</u>
Total Other Financing Sources (Uses):	<u>(250,000)</u>	<u>25,000</u>	<u>275,000</u>	<u>250,000</u>
Net change in fund balances	(5,647)	(1,968,341)	932,488	2,900,829
Fund balances-beginning	<u>2,221,846</u>	<u>2,221,846</u>	<u>2,221,846</u>	<u>-</u>
Fund balances-ending	<u>\$ 2,216,199</u>	<u>\$ 253,505</u>	<u>\$ 3,154,334</u>	<u>\$ 2,900,829</u>

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

CITY OF FARMINGTON, NEW MEXICO
Park Development Fees Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Licenses and permits	\$ 20,000	\$ 20,000	\$ 60,321	\$ 40,321
Investment earnings	3,250	3,250	4,664	1,414
Total revenues	<u>23,250</u>	<u>23,250</u>	<u>64,985</u>	<u>41,735</u>
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	<u>60,000</u>	<u>60,000</u>	<u>12,207</u>	<u>47,793</u>
Excess (deficiency) of revenues over (under) expenditures	(36,750)	(36,750)	52,778	89,528
Fund balances-beginning	<u>183,168</u>	<u>183,168</u>	<u>183,168</u>	<u>-</u>
Fund balances-ending	<u>\$ 146,418</u>	<u>\$ 146,418</u>	<u>\$ 235,946</u>	<u>\$ 89,528</u>

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

CITY OF FARMINGTON, NEW MEXICO
Recreation Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Other taxes	\$ 50,000	\$ 50,000	\$ 40,542	\$ (9,458)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	50,000	50,000	40,542	9,458
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances-beginning	-	-	-	-
Fund balances-ending	\$ -	\$ -	\$ -	\$ -

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

CITY OF FARMINGTON, NEW MEXICO
Library Gifts and Grants Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 133,000	\$ 133,000	\$ 214,456	\$ 81,456
Investment earnings	3,000	3,000	3,370	370
Donations	15,000	15,000	48,812	33,812
Total revenues	151,000	151,000	266,638	115,638
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	230,000	248,593	91,805	156,788
Excess (deficiency) of revenues over (under) expenditures	(79,000)	(97,593)	174,833	272,426
Fund balances-beginning (restated)	274,690	274,690	274,690	-
Fund balances-ending	\$ 195,690	\$ 177,097	\$ 449,523	\$ 272,426

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

CITY OF FARMINGTON, NEW MEXICO
Parks/Recreation Gifts and Grant Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 34,500	\$ 34,500	\$ 17,907	\$ (16,593)
Investment earnings	10,500	10,500	11,711	1,211
Donations	155,100	430,100	437,210	7,110
Miscellaneous	119,800	119,800	84,535	(35,265)
Total revenues	<u>319,900</u>	<u>594,900</u>	<u>551,363</u>	<u>(43,537)</u>
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	<u>316,137</u>	<u>841,137</u>	<u>823,636</u>	<u>17,501</u>
Excess (deficiency) of revenues over (under) expenditures	3,763	(246,237)	(272,273)	(26,036)
Fund balances-beginning	664,421	664,421	664,421	-
Fund balances-ending	<u>\$ 668,184</u>	<u>\$ 418,184</u>	<u>\$ 392,148</u>	<u>\$ (26,036)</u>

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

CITY OF FARMINGTON, NEW MEXICO
Museum Gifts and Grants Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
Charges for Services	105,600	105,600	87,383	(18,217)
Investment earnings	1,400	1,400	531	(869)
Donations	32,000	32,000	25,563	(6,437)
Total revenues	<u>149,000</u>	<u>149,000</u>	<u>113,477</u>	<u>(35,523)</u>
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	<u>107,848</u>	<u>140,443</u>	<u>140,399</u>	<u>44</u>
Excess (deficiency) of revenues over (under) expenditures	41,152	8,557	(26,922)	(35,479)
Fund balances-beginning	<u>31,213</u>	<u>31,213</u>	<u>31,213</u>	<u>-</u>
Fund balances-ending	<u>\$ 72,365</u>	<u>\$ 39,770</u>	<u>\$ 4,291</u>	<u>\$ (35,479)</u>

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

CITY OF FARMINGTON, NEW MEXICO
Lodgers Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 827,500	\$ 827,500	\$ 859,033	\$ 31,533
Investment earnings	5,200	5,200	8,268	3,068
Miscellaneous revenue	-	-	1,097	1,097
Total revenues	832,700	832,700	868,398	35,698
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	832,700	869,536	762,079	107,457
Excess (deficiency) of revenues over (under) expenditures	-	(36,836)	106,319	143,155
Fund balances-beginning	289,149	289,149	289,149	-
Fund balances-ending	\$ 289,149	\$ 252,313	\$ 395,468	\$ 143,155

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

CITY OF FARMINGTON, NEW MEXICO
State Police Protection Grant Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 93,000	\$ 93,000	\$ 92,400	\$ (600)
EXPENDITURES:				
Current:				
Police operations	93,000	104,447	92,516	11,931
Excess (deficiency) of revenues over (under) expenditures	-	(11,447)	(116)	11,331
Fund balances-beginning	235	235	235	-
Fund balances-ending	<u>\$ 235</u>	<u>\$ (11,212)</u>	<u>\$ 119</u>	<u>\$ 11,331</u>

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

CITY OF FARMINGTON, NEW MEXICO
Region II Narcotics Grant Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 381,460	\$ 359,151	\$ 365,381	\$ 6,230
EXPENDITURES:				
Current:				
Public safety	413,894	409,346	348,722	60,624
Excess (deficiency) of revenues over (under) expenditures	(32,434)	(50,195)	16,659	66,854
OTHER FINANCING SOURCES (USES):				
Transfers in	30,000	30,000	30,000	-
Net change in fund balances	(2,434)	(20,195)	46,659	66,854
Fund balances-beginning	211,599	211,599	211,599	-
Fund balances-ending	<u>\$ 209,165</u>	<u>\$ 191,404</u>	<u>\$ 258,258</u>	<u>\$ 66,854</u>

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

CITY OF FARMINGTON, NEW MEXICO
Cops Program Grant Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 76,000	\$ 76,000	\$ 73,915	\$ (2,085)
EXPENDITURES:				
Current:				
Police operations	111,360	123,360	115,679	7,681
Excess (deficiency) of revenues over (under) expenditures	(35,360)	(47,360)	(41,764)	5,596
OTHER FINANCING SOURCES (USES):				
Transfers in	33,841	33,841	25,380	(8,461)
Net change in fund balances	(1,519)	(13,519)	(16,384)	(2,865)
Fund balances-beginning	16,384	16,384	16,384	-
Fund balances-ending	\$ 14,865	\$ 2,865	\$ -	\$ (2,865)

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

CITY OF FARMINGTON, NEW MEXICO
Law Enforcement Block Grant Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 93,826	\$ 43,826	\$ 41,240	\$ (2,586)
Investment earnings	600	600	182	(418)
Total revenues	<u>94,426</u>	<u>44,426</u>	<u>41,422</u>	<u>(3,004)</u>
EXPENDITURES:				
Current:				
Public safety	<u>103,809</u>	<u>59,294</u>	<u>48,536</u>	<u>10,758</u>
Excess (deficiency) of revenues over (under) expenditures	(9,383)	(14,868)	(7,114)	7,754
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>9,383</u>	<u>4,383</u>	<u>7,029</u>	<u>2,646</u>
Net change in fund balances	-	(10,485)	(85)	10,400
Fund balances-beginning	85	85	85	-
Fund balances-ending	<u>\$ 85</u>	<u>\$ (10,400)</u>	<u>\$ -</u>	<u>\$ 10,400</u>

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

CITY OF FARMINGTON, NEW MEXICO
State Fire Grant Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 132,787	\$ 132,787	\$ 155,990	\$ 23,203
Investment earnings	1,600	1,600	2,303	703
Total revenues	<u>134,387</u>	<u>134,387</u>	<u>158,293</u>	<u>23,906</u>
EXPENDITURES:				
Current:				
Fire operations	<u>132,787</u>	<u>147,787</u>	<u>144,387</u>	<u>3,400</u>
Excess (deficiency) of revenues over (under) expenditures	1,600	(13,400)	13,906	27,306
Fund balances-beginning	<u>30,223</u>	<u>30,223</u>	<u>30,223</u>	<u>-</u>
Fund balances-ending	<u>\$ 31,823</u>	<u>\$ 16,823</u>	<u>\$ 44,129</u>	<u>\$ 27,306</u>

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

CITY OF FARMINGTON, NEW MEXICO
Penalty Assessment Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Fines	\$ 240,000	\$ 240,000	\$ 187,560	\$ (52,440)
EXPENDITURES:				
Current:				
Public safety	240,000	240,000	198,110	41,890
Excess (deficiency) of revenues over (under) expenditures	-	-	(10,550)	(10,550)
Fund balances-beginning	10,550	10,550	10,550	-
Fund balances-ending	<u>\$ 10,550</u>	<u>\$ 10,550</u>	<u>\$ -</u>	<u>\$ (10,550)</u>

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

CITY OF FARMINGTON, NEW MEXICO
Community Development Grant Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,454,750	\$ 1,454,750	\$ 94,110	\$ (1,360,640)
Investment earnings	8,100	8,100	5,331	(2,769)
Total revenues	1,462,850	1,462,850	99,441	(1,363,409)
EXPENDITURES:				
Capital Outlay:				
Highways and Streets	1,909,000	2,023,627	221,630	1,801,997
Excess (deficiency) of revenues over (under) expenditures	(446,150)	(560,777)	(122,189)	438,588
OTHER FINANCING SOURCES (USES):				
Transfers in	454,250	454,250	454,250	-
Net change in fund balances	8,100	(106,527)	332,061	438,588
Fund balances-beginning	103,885	103,885	103,885	-
Fund balances-ending	\$ 111,985	\$ (2,642)	\$ 435,946	\$ 438,588

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

CITY OF FARMINGTON, NEW MEXICO
GRT Bond Proceeds Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment earnings	\$ 38,000	\$ 38,000	\$ 50,828	\$ 12,828
Miscellaneous	-	-	6,267	6,267
Total revenues	<u>38,000</u>	<u>38,000</u>	<u>57,095</u>	<u>19,095</u>
EXPENDITURES:				
Capital Outlay:				
Highways and Streets	<u>2,376,364</u>	<u>2,732,593</u>	<u>1,460,180</u>	<u>1,272,413</u>
Excess (deficiency) of revenues over (under) expenditures	(2,338,364)	(2,694,593)	(1,403,085)	(1,253,318)
Fund balances-beginning	<u>2,660,291</u>	<u>2,660,291</u>	<u>2,660,291</u>	<u>-</u>
Fund balances-ending	<u>\$ 321,927</u>	<u>\$ (34,302)</u>	<u>\$ 1,257,206</u>	<u>\$ (1,253,318)</u>

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

CITY OF FARMINGTON, NEW MEXICO
Library Construction Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment earnings	\$ 14,500	\$ 14,500	\$ 8,833	\$ (5,667)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	632,500	590,570	237,392	353,178
Excess (deficiency) of revenues over (under) expenditures	(618,000)	(576,070)	(228,559)	347,511
Fund balances-beginning (restated)	339,191	339,191	339,191	-
Fund balances-ending	<u>\$ (278,809)</u>	<u>\$ (236,879)</u>	<u>\$ 110,632</u>	<u>\$ 347,511</u>

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

CITY OF FARMINGTON, NEW MEXICO
Fire GRT Bond Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment earnings	\$ -	\$ -	\$ 10,420	\$ 10,420
EXPENDITURES:				
Capital Outlay:				
Public Safety	-	5,468,000	2,076,440	3,391,560
Excess (deficiency) of revenues over (under) expenditures	-	(5,468,000)	(2,066,020)	3,401,980
OTHER FINANCING SOURCES (USES):				
Sales tax bonds issued	-	5,468,000	5,725,000	257,000
Net change in fund balances	-	-	3,658,980	3,658,980
Fund balances-beginning	-	-	-	-
Fund balances-ending	\$ -	\$ -	\$ 3,658,980	\$ 3,658,980

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

CITY OF FARMINGTON, NEW MEXICO
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Gross receipts taxes	\$ 2,364,012	\$ 2,364,012	\$ 2,225,112	\$ (138,900)
Investment earnings	22,468	22,468	23,097	629
Total revenues	<u>2,386,480</u>	<u>2,386,480</u>	<u>2,248,209</u>	<u>(138,271)</u>
EXPENDITURES:				
Debt Service:				
Principal	1,965,000	1,965,000	1,965,000	-
Interest	<u>421,480</u>	<u>422,480</u>	<u>421,480</u>	<u>1,000</u>
Total expenditures	<u>2,386,480</u>	<u>2,387,480</u>	<u>2,386,480</u>	<u>1,000</u>
Excess (deficiency) of revenues over (under) expenditures	-	(1,000)	(138,271)	(137,271)
Fund balances-beginning	422,104	422,104	422,104	-
Fund balances-ending	<u>\$ 422,104</u>	<u>\$ 421,104</u>	<u>\$ 283,833</u>	<u>\$ (137,271)</u>

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



Internal Service Fund

Internal Service Fund

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

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

CITY OF FARMINGTON, NEW MEXICO
Health Insurance
Statement of Net Assets
June 30, 2005

	<u>Health Insurance</u>
ASSETS:	
Current assets:	
Pooled cash and investments	\$ <u> -</u>
 LIABILITIES:	
Current liabilities:	
Accounts Payable	87,625
Accrued claims payable	718,182
Due to other funds	<u>93,837</u>
Total liabilities	<u><u>899,644</u></u>
 NET ASSETS:	
Invested in capital assets	-
Unrestricted	(899,644)
Total net assets	<u><u>\$ (899,644)</u></u>

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

CITY OF FARMINGTON, NEW MEXICO
Health Insurance
Schedule of Revenues, Expenses and Changes in Fund Net Assets
June 30, 2005

	<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	\$ 4,678,734	\$ 4,858,734	\$ 4,473,125	\$ (385,609)
Operating expenses:				
Costs of services	4,649,001	5,087,645	4,219,853	867,792
Operating income	<u>29,733</u>	<u>(228,911)</u>	<u>253,272</u>	<u>482,183</u>
Nonoperating revenues (expenses):				
Investment earnings	3,000	3,000	2,981	(19)
Change in net assets	<u>32,733</u>	<u>(225,911)</u>	<u>256,253</u>	<u>482,164</u>
Total net assets-beginning	<u>(1,155,897)</u>	<u>(1,155,897)</u>	<u>(1,155,897)</u>	<u>-</u>
Total net assets-ending	<u>\$ (1,123,164)</u>	<u>\$ (1,381,808)</u>	<u>\$ (899,644)</u>	<u>\$ 482,164</u>

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

CITY OF FARMINGTON, NEW MEXICO
Health Insurance
Statement of Cash Flows
For the Year Ended June 30, 2005

	<u>Health Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers/users	\$ 4,473,125
Payments to suppliers	<u>(4,702,847)</u>
Net cash provided by operating activities	<u>(229,722)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	<u>2,981</u>
Net increase in cash and cash equivalents	(226,741)
Cash and cash equivalents, July 1	<u>226,741</u>
Cash and cash equivalents, June 30	<u><u>\$ -</u></u>
 Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ <u>253,272</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Increase in accounts payable	(36,577)
Increase in accrued claims payable	(540,254)
(Decrease) in due to other funds	<u>93,837</u>
Total adjustments	<u>(482,994)</u>
Net cash provided by operating activities	<u><u>\$ (229,722)</u></u>

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

Enterprise Funds

CITY OF FARMINGTON, NEW MEXICO
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual
Non-GAAP Budgetary Basis
Electric Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Electric	\$ 89,732,972	\$ 89,732,972	\$ 90,584,951	\$ 851,979
Other revenues	<u>410,000</u>	<u>410,000</u>	<u>639,271</u>	<u>229,271</u>
Total operating revenues	<u>90,142,972</u>	<u>90,142,972</u>	<u>91,224,222</u>	<u>1,081,250</u>
Operating expenses:				
Salaries and fringe benefits	7,547,036	7,547,036	7,422,716	124,320
Purchased power, fuel and chemicals	46,456,728	46,456,728	50,437,874	(3,981,146)
Other operating expenses	10,660,833	10,812,331	7,235,534	3,576,797
Depreciation and amortization	7,525,000	7,525,000	6,877,043	647,957
Capital outlay	<u>40,972,056</u>	<u>42,078,624</u>	<u>33,728,750</u>	<u>8,349,874</u>
Total operating expenses	<u>113,161,653</u>	<u>114,419,719</u>	<u>105,701,917</u>	<u>8,717,802</u>
Operating income	<u>(23,018,681)</u>	<u>(24,276,747)</u>	<u>(14,477,695)</u>	<u>9,799,052</u>
Nonoperating revenues (expenses):				
Investment earnings	396,000	396,000	583,451	187,451
Interest expense	(2,072,873)	(2,072,873)	(1,132,622)	940,251
Other fiscal charges	119,161	119,161	119,161	-
Principal on debt service	<u>(3,209,698)</u>	<u>(3,209,698)</u>	<u>(3,209,698)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(4,767,410)</u>	<u>(4,767,410)</u>	<u>(3,639,708)</u>	<u>1,127,702</u>
Income (loss) before operating transfers	(27,786,091)	(29,044,157)	(18,117,403)	10,926,754
Capital contributions	1,458,000	1,458,000	863,847	(594,153)
Transfers out	<u>(1,592,760)</u>	<u>(1,592,760)</u>	<u>(1,517,197)</u>	<u>75,563</u>
Change in net assets	(27,920,851)	(29,178,917)	(18,770,753) \$	<u><u>10,408,164</u></u>
ADJUSTMENTS TO GAAP				
Capital outlay capitalized			33,728,750	
Principal on debt service			<u>3,209,698</u>	
			<u>36,938,448</u>	
GAAP BASIS CHANGE IN NET ASSETS			18,167,695	
Total net assets-beginning (restated)	169,453,432	169,453,432	169,453,432	
Total net assets-ending	<u>\$ 141,532,581</u>	<u>\$ 140,274,515</u>	<u>\$ 187,621,127</u>	

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

CITY OF FARMINGTON, NEW MEXICO
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual
Non-GAAP Budgetary Basis
Water Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Operating revenues:				
Charges for sales and services:				
Water	\$ 7,810,610	\$ 7,810,610	\$ 7,342,472	\$ (468,138)
Other revenues	1,000	1,000	6,589	5,589
Total operating revenues	7,811,610	7,811,610	7,349,061	(462,549)
Operating expenses:				
Salaries and fringe benefits	542,711	542,711	396,192	146,519
Other operating expenses	4,032,803	4,095,433	4,476,222	(380,789)
Capital outlay	1,585,500	2,957,329	1,855,689	1,101,640
Total operating expenses	6,161,014	7,595,473	6,728,103	867,370
Operating income	1,650,596	216,137	620,958	404,821
Nonoperating revenues (expenses):				
Investment earnings	77,000	77,000	71,439	(5,561)
Interest expense	(400,889)	(400,889)	(531,893)	(131,004)
Other fiscal charges	13,389	13,389	13,389	-
Principal on debt service	(1,539,100)	(1,539,100)	(1,538,994)	106
Total nonoperating revenues (expenses)	(1,849,600)	(1,849,600)	(1,986,059)	(136,459)
Income (loss) before operating transfers	(199,004)	(1,633,463)	(1,365,101)	268,362
Capital contributions	-	-	16,807	16,807
Transfers out	(380,850)	(380,850)	(367,964)	12,886
Change in net assets	(579,854)	(2,014,313)	(1,716,258) \$	298,055
ADJUSTMENTS TO GAAP				
Depreciation and amortization			(1,563,493)	
Capital outlay capitalized			1,855,689	
Principal on debt service			1,538,994	
			1,831,190	
GAAP BASIS CHANGE IN NET ASSETS			114,932	
Total net assets-beginning	21,394,996	21,394,996	21,394,996	
Total net assets-ending	\$ 20,815,142	\$ 19,380,683	\$ 21,509,928	

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

CITY OF FARMINGTON, NEW MEXICO
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual
Non-GAAP Budgetary Basis
Wastewater Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Wastewater	\$ 3,582,830	\$ 3,582,830	\$ 3,587,251	\$ 4,421
Environmental tax	1,031,344	1,031,344	1,165,894	134,550
Other revenues	4,000	4,000	3,960	(40)
Total operating revenues	4,618,174	4,618,174	4,757,105	138,931
Operating expenses:				
Salaries and fringe benefits	202,882	202,882	156,916	45,966
Other operating expenses	3,115,977	3,535,523	3,188,828	346,695
Capital outlay	1,295,000	2,029,261	604,663	1,424,598
Total operating expenses	4,613,859	5,767,666	3,950,407	1,817,259
Operating income	4,315	(1,149,492)	806,698	1,956,190
Nonoperating revenues (expenses):				
Investment earnings	73,000	73,000	119,897	46,897
Interest expense	(466,700)	(466,700)	(520,725)	(54,025)
Other fiscal charges	(4,700)	(4,700)	(4,700)	-
Principal on debt service	(1,205,204)	(1,205,204)	(721,307)	483,897
Total nonoperating revenues (expenses)	(1,603,604)	(1,603,604)	(1,126,835)	476,769
Income (loss) before operating transfers	(1,599,289)	(2,753,096)	(320,137)	2,432,959
Transfers out	(179,100)	(179,100)	(179,363)	(263)
Change in net assets	(1,778,389)	(2,932,196)	(499,500)	\$ 2,432,696
ADJUSTMENTS TO GAAP				
Depreciation and amortization			(1,117,760)	
Capital outlay capitalized			604,663	
Principal on debt service			721,307	
			208,210	
GAAP BASIS CHANGE IN NET ASSETS			(291,290)	
Total net assets-beginning (restated)	15,360,064	15,360,064	15,360,064	
Total net assets-ending	\$ 13,581,675	\$ 12,427,868	\$ 15,068,774	

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

CITY OF FARMINGTON, NEW MEXICO
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual
Non-GAAP Budgetary Basis
Sanitation Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Operating revenues:				
Charges for sales and services:				
Sanitation	\$ 3,603,175	\$ 3,603,175	\$ 3,660,189	\$ 57,014
Other revenues	35,500	35,500	36,609	1,109
Total operating revenues	3,638,675	3,638,675	3,696,798	58,123
Operating expenses:				
Other operating expenses	3,565,476	3,565,476	3,622,134	(56,658)
Capital outlay	25,000	82,900	23,341	59,559
Total operating expenses	3,590,476	3,648,376	3,645,475	2,901
Operating income	48,199	(9,701)	51,323	61,024
Nonoperating revenues (expenses):				
Investment earnings	3,400	3,400	6,042	2,642
Change in net assets	51,599	(6,301)	57,365	\$ <u>63,666</u>
ADJUSTMENTS TO GAAP				
Depreciation and amortization			(7,449)	
Capital outlay capitalized			23,341	
			15,892	
GAAP BASIS CHANGE IN NET ASSETS			73,257	
Total net assets-beginning	220,447	220,447	220,447	
Total net assets-ending	\$ 272,046	\$ 214,146	\$ 293,704	

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

CITY OF FARMINGTON, NEW MEXICO
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual
Non-GAAP Budgetary Basis
Golf Fund
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for sales and services:				
Golf	\$ 1,038,758	\$ 1,038,758	\$ 1,075,237	\$ 36,479
Other revenues	-	-	12,900	12,900
Total operating revenues	<u>1,038,758</u>	<u>1,038,758</u>	<u>1,088,137</u>	<u>49,379</u>
Operating expenses:				
Salaries and fringe benefits	640,059	640,059	591,091	48,968
Other operating expenses	316,129	319,104	358,665	(39,561)
Capital outlay	75,000	75,000	42,220	32,780
Total operating expenses	<u>1,031,188</u>	<u>1,034,163</u>	<u>991,976</u>	<u>42,187</u>
Operating income	7,570	4,595	96,161	91,566
Nonoperating revenues (expenses):				
Investment earnings	700	700	5,097	4,397
Income (loss) before operating transfers	8,270	5,295	101,258	95,963
Capital contributions	-	-	5,000	5,000
Change in net assets	8,270	5,295	106,258	<u>\$ 100,963</u>
ADJUSTMENTS TO GAAP				
Gain(loss) on disposition of fixed assets			(58,554)	
Depreciation and amortization			(200,983)	
Capital outlay capitalized			42,220	
GAAP BASIS CHANGE IN NET ASSETS			<u>(217,317)</u>	
			(111,059)	
Total net assets-beginning	2,772,421	2,772,421	2,772,421	
Total net assets-ending	<u>\$ 2,780,691</u>	<u>\$ 2,777,716</u>	<u>\$ 2,661,362</u>	

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

CITY OF FARMINGTON, NEW MEXICO
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual
Non-GAAP Budgetary Basis
Airport Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Airport	\$ 539,712	\$ 539,712	\$ 599,306	\$ 59,594
Operating expenses:				
Salaries and fringe benefits	260,026	260,026	265,065	(5,039)
Other operating expenses	449,221	464,343	442,417	21,926
Capital outlay	1,252,907	2,638,907	752,113	1,886,794
Total operating expenses	1,962,154	3,363,276	1,459,595	1,903,681
Operating income	(1,422,442)	(2,823,564)	(860,289)	1,963,275
Nonoperating revenues (expenses):				
Investment earnings	-	-	4,101	4,101
Revenue from operating grants	1,232,442	2,247,590	620,693	(1,626,897)
Total nonoperating revenues (expenses)	1,232,442	2,247,590	624,794	(1,622,796)
Income (loss) before operating transfers	(190,000)	(575,974)	(235,495)	340,479
Operating transfers, in	190,000	309,706	309,706	-
Change in net assets	-	(266,268)	74,211	\$ 340,479
ADJUSTMENTS TO GAAP				
Depreciation and amortization			(1,164,026)	
Capital outlay capitalized			752,113	
			(411,913)	
GAAP BASIS CHANGE IN NET ASSETS			(337,702)	
Total net assets-beginning	7,672,768	7,672,768	7,672,768	
Total net assets-ending	\$ 7,672,768	\$ 7,406,500	\$ 7,335,066	

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, 2004 and 2005

	2005	2004
Governmental funds capital assets:		
Land	\$ 25,436,011	\$ 25,601,531
Buildings	45,491,835	44,101,468
Improvements other than buildings	9,441,573	9,282,879
Machinery and equipment	21,028,305	19,751,591
Infrastructure	52,877,374	52,540,217
Construction In Progress	4,576,894	601,207
Total governmental funds capital assets	\$ 158,851,992	\$ 151,878,893
Investments in governmental funds capital assets by source:		
General fund	\$ 50,672,259	\$ 45,800,123
Special revenue fund	92,611,003	92,350,914
Capital projects funds	14,823,667	13,329,921
Donations	745,063	397,935
Total governmental funds capital assets	\$ 158,851,992	\$ 151,878,893

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, 2005

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
GENERAL GOVERNMENT:							
Legislative	\$ 4,000	\$ 6,946	\$ -	\$ 24,982	\$ -	\$ 315	\$ 36,243
Judicial	-	10,095	-	151,903	-	113	162,111
Operations center	-	-	-	401,798	-	24,850	426,648
Fleet maintenance	-	4,469	-	306,298	-	425	311,192
Stores	-	21,263	137,285	401,871	-	-	560,419
Finance administration	-	3,741	-	34,085	-	121	37,947
Personnel administration	-	35,366	-	36,529	-	1,958	73,853
Purchasing	-	-	-	84,440	-	1,006	85,446
Law enforcement	-	-	-	25,796	-	1,085	26,881
Administrative services	1,022,830	7,274,752	53,545	697,468	-	17,838	9,066,433
Planning and zoning	-	-	-	75,439	-	932	76,371
Data processing	-	31,020	-	1,213,181	-	-	1,244,201
Total general government	<u>1,026,830</u>	<u>7,387,652</u>	<u>190,830</u>	<u>3,453,790</u>	<u>-</u>	<u>48,643</u>	<u>12,107,745</u>
PUBLIC SAFETY:							
Police	391,314	3,681,540	61,719	4,755,680	-	18,590	8,908,843
Fire	43,480	1,515,677	3,729	4,479,100	-	993,099	7,035,085
Inspection	-	-	-	212,708	-	73	212,781
Traffic	-	8,235	-	458,427	1,809,261	5,912	2,281,835
Total public safety	<u>434,794</u>	<u>5,205,452</u>	<u>65,448</u>	<u>9,905,915</u>	<u>1,809,261</u>	<u>1,017,674</u>	<u>18,438,544</u>
PUBLIC WORKS:							
Streets	15,816,128	-	-	2,039,984	40,493,273	2,363,368	60,712,753
Bridges and storm drains	-	-	-	-	10,041,260	529,808	10,571,068
Administration	1,317,802	992,072	220,646	81,212	533,580	31,470	3,176,782
Survey	-	-	-	112,912	-	-	112,912
Engineering	-	-	-	111,987	-	6,508	118,495
Total public works	<u>17,133,930</u>	<u>992,072</u>	<u>220,646</u>	<u>2,346,095</u>	<u>51,068,113</u>	<u>2,931,154</u>	<u>74,692,010</u>
CULTURE AND RECREATION:							
Parks and recreation	4,244,131	14,991,965	8,797,135	3,688,734	-	524,035	32,246,000
Civic center	92,174	3,066,572	6,047	429,001	-	5,744	3,599,538
Senior citizens center	141,496	670,949	-	151,024	-	10,572	974,041
Museum	970,988	4,661,370	55,467	150,092	-	32,012	5,869,929
Total culture and recreation	<u>5,448,789</u>	<u>23,390,856</u>	<u>8,858,649</u>	<u>4,418,851</u>	<u>-</u>	<u>572,363</u>	<u>42,689,508</u>
LIBRARIES							
	<u>1,391,668</u>	<u>8,515,803</u>	<u>106,000</u>	<u>903,654</u>	<u>-</u>	<u>7,060</u>	<u>10,924,185</u>
Total governmental funds capital assets	<u>\$ 25,436,011</u>	<u>\$ 45,491,835</u>	<u>\$ 9,441,573</u>	<u>\$ 21,028,305</u>	<u>\$ 52,877,374</u>	<u>\$ 4,576,894</u>	<u>\$ 158,851,992</u>

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

CITY OF FARMINGTON, NEW MEXICO
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the fiscal year ended June 30, 2005

<u>Function and Activity</u>	<u>General Fixed Assets June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Transfers</u>	<u>General Fixed Assets June 30, 2005</u>
GENERAL GOVERNMENT:					
Legislative	\$ 36,683	\$ 315	\$ (755)	-	\$ 36,243
Judicial	162,410	4,473	(4,772)	-	162,111
Operations center	403,657	28,010	(14,783)	9,765	426,649
Fleet maintenance	401,602	65,040	-	(155,452)	311,190
Stores	516,881	47,709	(4,170)	-	560,420
Finance administration	38,344	4,127	(4,524)	-	37,947
Personnel administration	87,789	1,958	(15,894)	-	73,853
Purchasing	85,940	1,006	(1,500)	-	85,446
Law enforcement	25,797	1,085	-	-	26,882
Administrative services	8,554,406	252,003	(109,428)	369,451	9,066,432
Planning and zoning	75,439	932	-	-	76,371
Data processing	1,255,114	9,897	(23,182)	2,372	1,244,201
Total general government	<u>11,644,062</u>	<u>416,555</u>	<u>(179,008)</u>	<u>226,136</u>	<u>12,107,745</u>
PUBLIC SAFETY:					
Police	9,011,325	594,861	(686,044)	(11,300)	8,908,842
Fire	5,011,502	2,404,673	(381,089)	-	7,035,086
Inspection	183,706	43,022	(13,948)	-	212,780
Traffic	2,299,476	11,447	(28,988)	(100)	2,281,835
Total public safety	<u>16,506,009</u>	<u>3,054,003</u>	<u>(1,110,069)</u>	<u>(11,400)</u>	<u>18,438,543</u>
PUBLIC WORKS:					
Streets	58,812,123	1,967,704	(212,761)	145,687	60,712,753
Bridges and storm drains	10,030,102	540,967	-	-	10,571,069
Administration	3,030,004	1,077,601	(115)	(930,708)	3,176,782
Survey	116,119	-	(3,207)	-	112,912
Engineering	88,552	33,178	(20,100)	16,866	118,496
Total public works	<u>72,076,900</u>	<u>3,619,450</u>	<u>(236,183)</u>	<u>(768,155)</u>	<u>74,692,012</u>
CULTURE AND RECREATION:					
Parks and recreation	30,538,664	1,120,648	(56,243)	642,931	32,246,000
Civic center	3,574,323	26,642	(1,427)	-	3,599,538
Senior citizens center	923,293	87,126	(40,178)	3,800	974,041
Museum	5,840,172	29,757	-	-	5,869,929
Total culture and recreation	<u>40,876,452</u>	<u>1,264,173</u>	<u>(97,848)</u>	<u>646,731</u>	<u>42,689,508</u>
LIBRARIES					
	<u>10,775,470</u>	<u>199,163</u>	<u>-</u>	<u>(50,449)</u>	<u>10,924,184</u>
Total general fixed assets	<u>\$ 151,878,893</u>	<u>\$ 8,553,344</u>	<u>\$ (1,623,108)</u>	<u>\$ 42,863</u>	<u>\$ 158,851,992</u>
Accumulated depreciation	<u>\$ 74,232,635</u>	<u>\$ 5,679,667</u>	<u>\$ (1,318,863)</u>	<u>\$ 41,401</u>	<u>\$ 78,634,840</u>



STATISTICAL SECTION

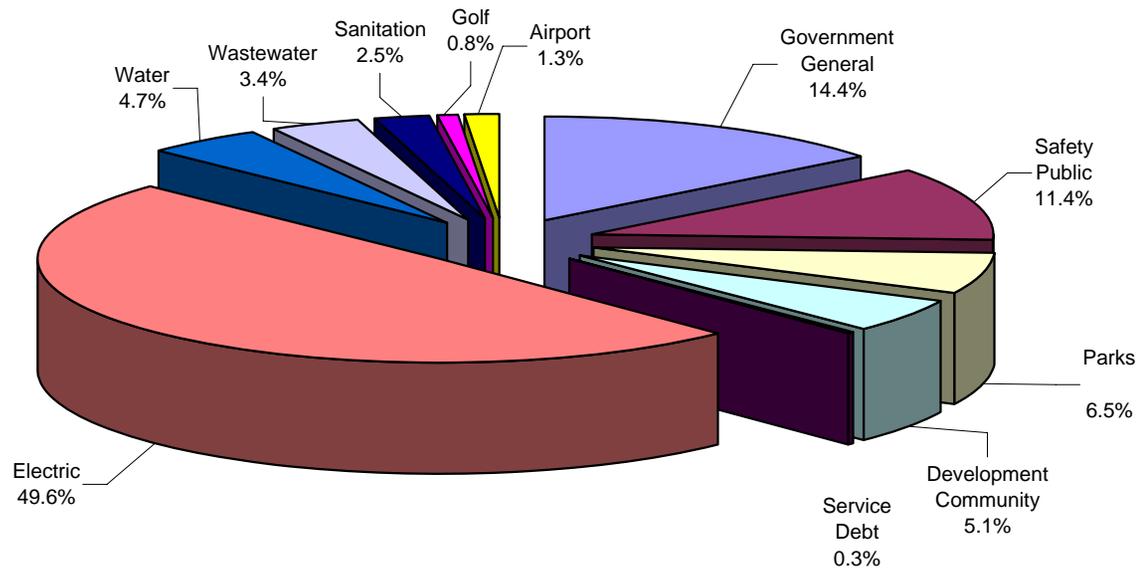
**CITY OF FARMINGTON, NEW MEXICO
GOVERNMENT-WIDE EXPENSES BY FUNCTION**

Table 1

LAST THREE FISCAL YEARS

(1) Fiscal Year	General Government	Public Safety	Parks	Community Development	Debt Service	Electric	Water	Wastewater	Sanitation	Golf	Airport	Total
2002	\$17,921,350	\$13,798,656	\$ 9,232,612	\$ 7,359,539	\$ 378,265	\$ 63,434,816	\$ 6,096,326	\$ 3,203,574	\$3,345,147	\$1,076,241	\$ 1,422,951	\$ 127,271,479
2003	\$17,191,605	\$15,158,640	\$ 8,392,730	\$ 7,395,603	\$ 560,368	\$ 68,903,423	\$ 7,180,833	\$ 3,488,296	\$3,358,430	\$1,060,103	\$ 1,563,162	134,253,193
2004	23,996,456	15,810,220	9,284,623	5,727,834	483,230	65,214,544	6,785,002	4,127,386	3,493,487	1,198,867	2,008,715	138,130,364
2005	21,153,411	16,822,162	9,497,875	7,481,297	421,480	72,914,727	6,944,219	4,983,626	3,625,722	1,209,293	1,871,508	146,925,320

GOVERNMENT-WIDE EXPENSES BY FUNCTION



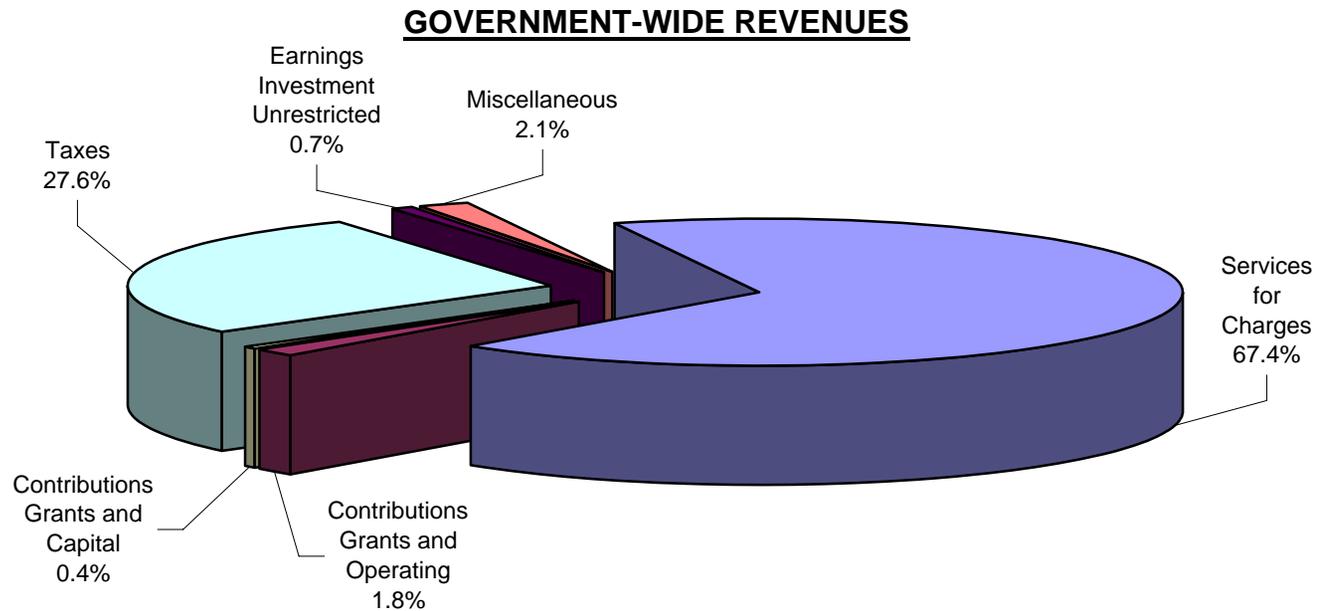
(1) FY2002 is the first year government-wide information is presented

**CITY OF FARMINGTON, NEW MEXICO
GOVERNMENT-WIDE REVENUES**

Table 2

LAST THREE FISCAL YEARS

(1) Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Investment Earnings	Miscellaneous	Total
2002	\$ 100,353,541	\$ 5,733,957	\$ 1,211,547	\$ 41,112,611	\$ 2,399,058	\$ 1,108,732	\$ 151,919,446
2003	100,840,441	2,427,495	1,025,342	40,403,271	2,114,545	1,865,241	148,676,335
2004	107,130,251	3,591,280	154,309	41,936,944	1,546,168	3,584,543	157,943,495
2005	114,461,905	3,118,945	625,693	46,771,900	1,262,020	3,507,135	169,747,598



(1) FY2002 is the first year government-wide information is presented

**CITY OF FARMINGTON, NEW MEXICO
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)**

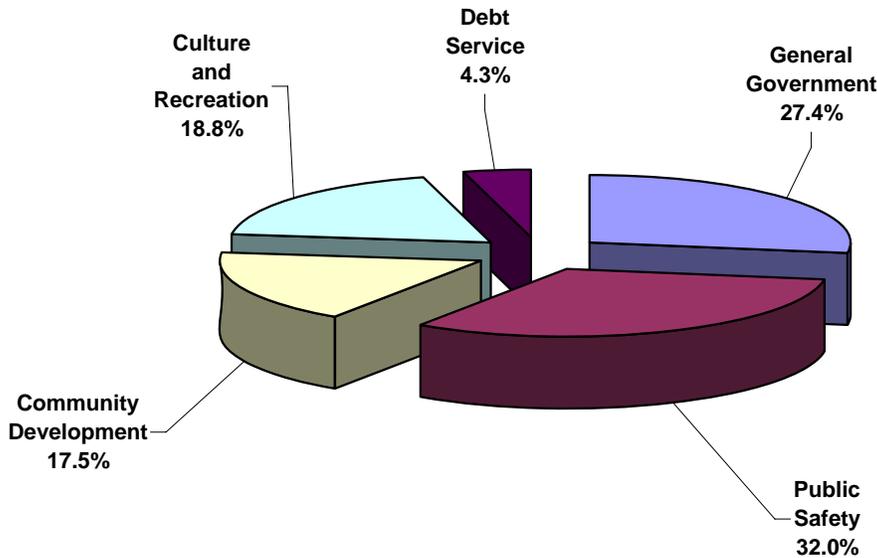
Table 3

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Community Development</u>	<u>Health and Welfare</u>	<u>Culture and Recreation</u>	<u>Debt Service</u>	<u>Total</u>
1996	8,300,871	11,840,114	5,775,793	218,016	7,205,974	1,293,438	34,634,206
1997	8,557,917	12,227,964	5,626,125	33,413	8,385,380	1,294,492	36,125,291
1998	7,039,288	12,528,640	5,013,740	78	10,344,132	1,297,492	36,223,370
1999	8,335,656	11,446,907	8,482,998	-	10,690,406	1,296,243	40,252,210
2000	9,594,926	13,925,959	6,877,761	-	12,583,544	1,258,364	44,240,554
2001	12,033,658	14,288,219	7,703,717	-	9,549,436	1,239,653	44,814,683
2002	12,937,208	13,990,746	9,525,722	-	10,917,165	1,843,385	49,214,226
2003	12,757,384	15,079,768	8,622,811	-	15,061,168	2,375,368	53,896,499
2004	13,801,711	16,107,300	8,079,551	-	10,285,641	2,383,230	50,657,433
2005	15,247,239	17,821,896	9,763,990	-	10,482,092	2,386,480	55,701,697

(1) Includes general, special revenue, capital projects and debt service funds.

FY05 EXPENDITURES



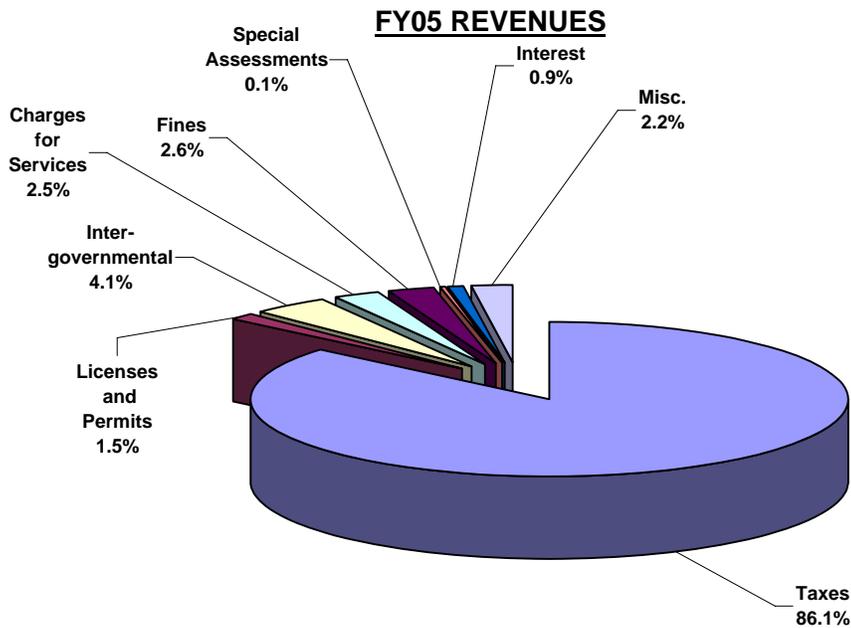
CITY OF FARMINGTON, NEW MEXICO
 GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

Table 4

LAST TEN FISCAL YEARS

Fiscal Year	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Fines	Special Assessments	Interest	Misc.	Total
1996	29,691,651	543,234	3,608,229	585,538	737,342	217,581	881,037	460,642	36,725,254
1997	29,769,001	496,364	3,131,576	626,690	722,709	188,713	952,860	951,613	36,839,526
1998	32,682,823	474,271	3,246,942	623,088	627,185	154,617	1,174,017	853,509	39,836,452
1999	33,591,316	545,882	3,190,337	623,128	560,224	160,775	1,074,426	424,661	40,170,749
2000	36,329,065	541,787	2,980,318	591,993	923,530	180,097	906,553	746,565	43,199,908
2001	38,862,323	605,528	2,887,641	599,326	1,069,025	92,337	1,040,200	688,425	45,844,805
2002	41,112,611	556,573	1,761,181	852,738	1,265,848	77,800	960,773	875,603	47,463,127
2003	40,403,271	605,478	1,869,860	978,022	1,403,928	72,337	634,552	1,341,924	47,309,372
2004	41,936,973	602,971	2,674,803	1,170,531	1,602,721	61,327	425,731	1,317,524	49,792,581
2005	46,771,900	819,869	2,238,291	1,365,408	1,418,646	46,859	469,012	1,221,761	54,351,746

(1) Includes general, special revenue, capital projects and debt service funds.



**CITY OF FARMINGTON, NEW MEXICO
PROPERTY TAX LEVIES AND COLLECTIONS**

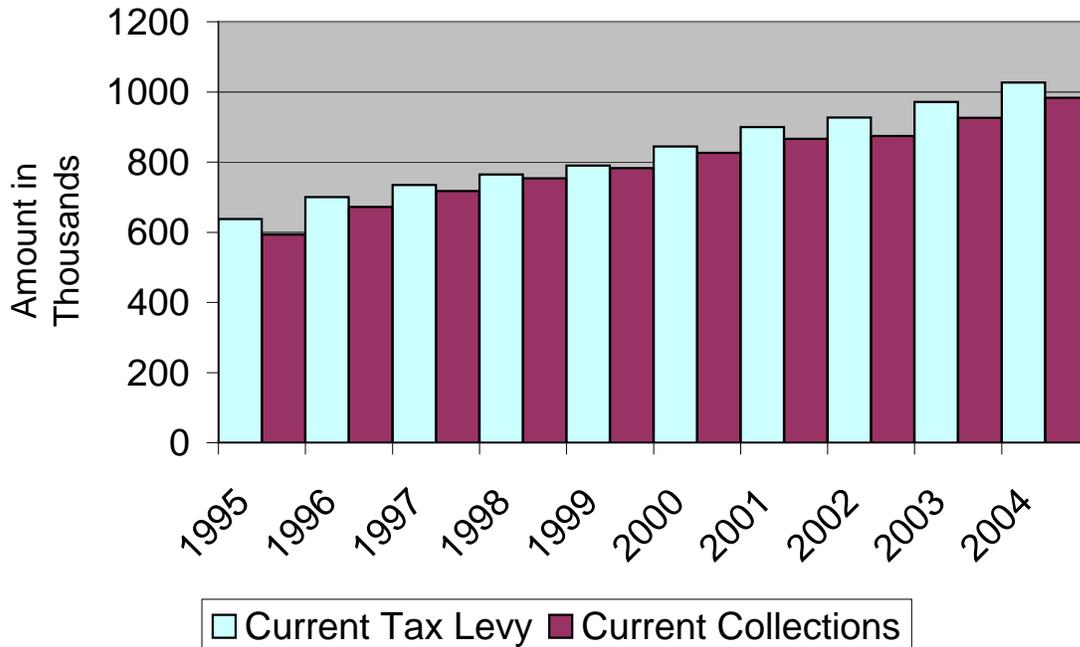
Table 5

LAST TEN TAX YEARS

Fiscal Year	Total Current Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Total Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1995	637,805	593,279	93%	26,153	619,432	97%	16,223	2.62%
1996	700,498	671,897	96%	21,781	693,678	99%	48,801	7.04%
1997	734,277	717,162	98%	35,681	752,843	103%	34,199	4.54%
1998	764,652	753,653	99%	36,620	790,273	103%	33,260	4.21%
1999	789,988	782,611	99%	36,463	819,074	104%	35,510	4.34%
2000	844,443	826,288	98%	31,365	857,653	102%	31,617	3.69%
2001	899,429	865,899	96%	41,751	907,650	101%	33,931	4.64%
2002	927,021	874,028	94%	38,212	912,240	98%	31,876	4.12%
2003	971,270	926,305	95%	41,402	967,707	100%	48,176	4.26%
2004	1,026,992	982,868	96%	37,284	1,020,152	99%	53,601	3.63%

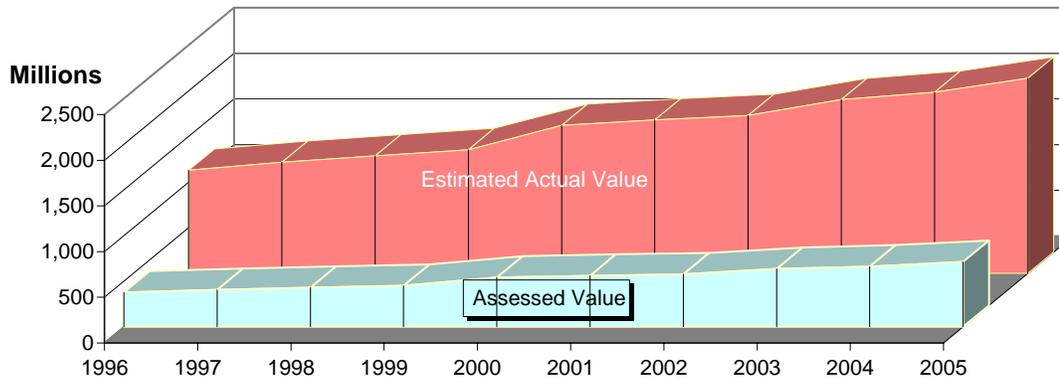
Taxes are levied and collected by the County Treasurer and distributed to all taxing jurisdictions. The tax rate is requested by the City Council and set by the Department of Finance and Administration of the State. The State allows the rate to be set at 5% in excess of requirements to allow for delinquencies.

PROPERTY TAX LEVIES AND COLLECTIONS



LAST TEN FISCAL YEARS

ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY



Fiscal Year	<u>Real Property</u>		<u>Personal Property</u>		<u>Total</u>	<u>Total</u>	Assessed Value to Total Estimated Actual Value
	Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	
1996	338,679,991	1,017,057,030	37,573,897	112,834,526	376,253,888	1,129,891,556	33.3%
1997	366,149,267	1,099,547,348	39,260,240	117,898,619	405,409,507	1,217,445,967	33.3%
1998	385,246,789	1,156,897,264	43,332,429	130,127,414	428,579,218	1,287,024,678	33.3%
1999	403,264,325	1,211,003,979	47,930,836	143,936,444	451,195,161	1,354,940,422	33.3%
2000	487,524,946	1,464,038,877	52,732,381	158,355,498	540,257,327	1,622,394,374	33.3%
2001	503,347,493	1,511,554,033	56,231,225	168,862,538	559,578,718	1,680,416,570	33.3%
2002	515,327,445	1,547,529,865	61,117,936	183,372,145	576,445,381	1,729,509,094	33.3%
2003	569,007,159	1,708,730,207	65,556,230	196,688,359	634,563,389	1,903,880,555	33.3%
2004	594,141,367	1,784,208,309	66,969,671	200,929,106	661,111,038	1,983,531,467	33.3%
2005	643,457,883	1,932,305,955	69,183,296	207,570,645	712,641,179	2,138,137,351	33.3%

(1) The assessed values are 33-1/3% of assumed market value, as set by New Mexico statutes.

(2) All amounts are before exemptions and exclude centrally assessed property.

**CITY OF FARMINGTON, NEW MEXICO
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**

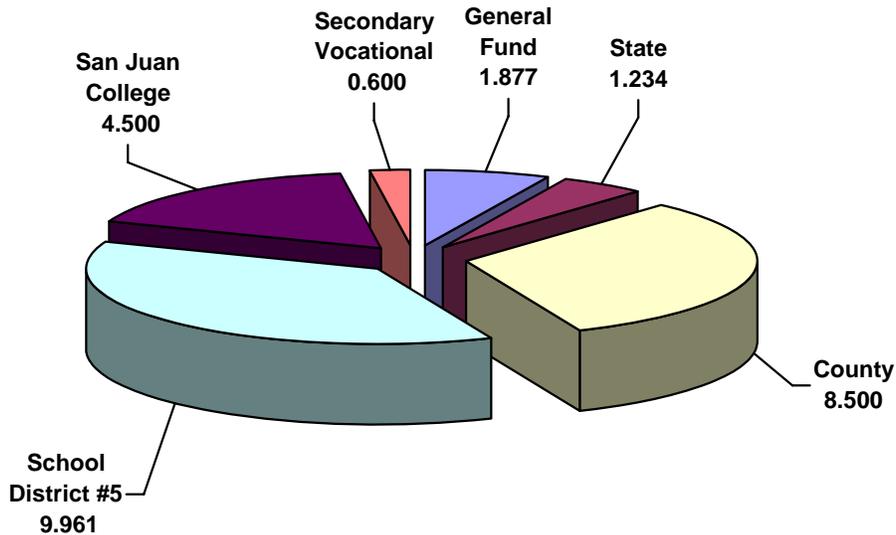
Table 7

**LAST TEN FISCAL YEARS
(PER \$1,000 OF ASSESSED VALUE)**

<u>City of Farmington</u>									
Fiscal Year	General Fund	Debt Service Fund	Total	State	County	School District #5	San Juan College	Secondary Vocational	Total
1996	1.954	-	1.954	1.556	6.000	11.662	4.500	0.600	26.272
1997	2.030	-	2.030	1.347	8.000	11.692	4.500	0.600	28.169
1998	2.042	-	2.042	1.438	8.000	11.902	4.500	0.600	28.482
1999	2.051	-	2.051	1.482	8.000	11.225	4.500	0.600	27.858
2000	1.916	-	1.916	1.529	8.000	11.077	4.500	0.600	27.622
2001	1.935	-	1.935	1.765	8.000	10.637	4.500	0.600	27.437
2002	1.905	-	1.905	1.123	8.000	10.469	4.500	0.600	26.597
2003	1.806	-	1.806	1.520	8.000	9.887	4.500	0.600	26.313
2004	1.850	-	1.850	1.028	8.500	9.943	4.500	0.600	26.421
2005	1.877	-	1.877	1.234	8.500	9.961	4.500	0.600	26.672

Source: San Juan County Assessor's Office.
School District 5IN NR

COUNTY TAX RATES BY GOVERNMENT



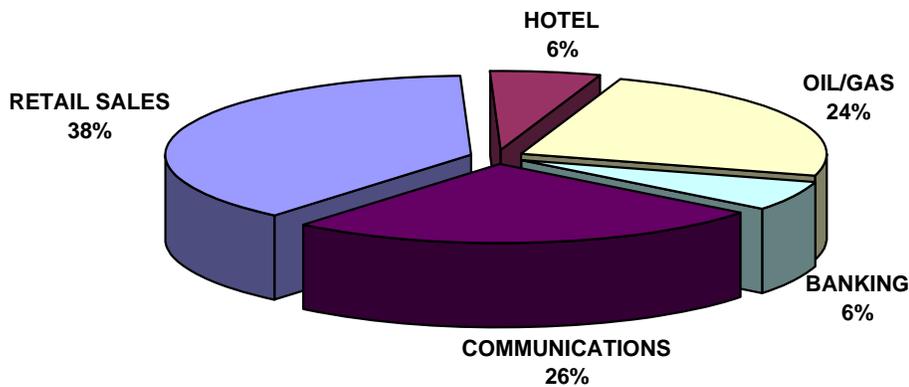
**CITY OF FARMINGTON, NEW MEXICO
PRINCIPAL TAXPAYERS**

Table 8

June 30, 2005

<u>Taxpayer</u>	<u>Business</u>	<u>2004 Assessed Value</u>	<u>Percentage of Total Assessed</u>
Price Development - Animas Mall	Retail Sales	\$31,832,071	24.34%
Qwest Corporation	Communications	19,251,296	14.72%
Alltel Communications	Communications	14,137,217	10.81%
Burlington Resources	Oil and Gas	13,949,270	10.66%
Wal-Mart Stores	Retail Sales	10,071,247	7.70%
Hanover Compression Limited Partnership	Oil and Gas	10,056,843	7.69%
Plaza Farmington II LLC	Retail Sales	8,215,702	6.28%
Fleet Capital Corporation	Banking	7,989,617	6.11%
Henry Production Inc.	Oil and Gas	7,703,962	5.89%
SW Farmington Incorporated (The Inn)	Hotel and Motel	7,597,135	5.81%
		<u>\$130,804,360</u>	<u>100.00%</u>

SAN JUAN COUNTY PRINCIPAL TAXPAYERS



Principal Taxpayers = 18% of Total Assessed Value
 Real Property = 90% of Total Assessed Value
 Personal Property = 10% of Total Assessed Value
 Graph Percentages = 100% of Principal Taxpayers (18% of Total Assessed Value)

**CITY OF FARMINGTON, NEW MEXICO
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
 GENERAL OBLIGATION BONDED DEBT TO TOTAL
 GENERAL GOVERNMENTAL EXPENDITURES**

Table 9

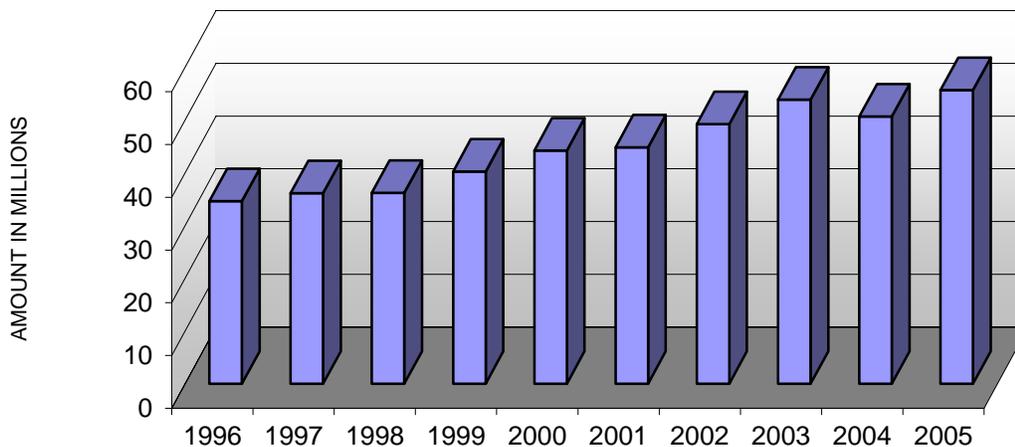
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest (1)</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (2)</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1996	-	-	-	34,634,206	N/A
1997	-	-	-	36,125,291	N/A
1998	-	-	-	36,223,370	N/A
1999	-	-	-	40,252,210	N/A
2000	-	-	-	44,240,554	N/A
2001	-	-	-	44,814,683	N/A
2002	-	-	-	49,214,226	N/A
2003	-	-	-	53,896,499	N/A
2004	-	-	-	50,657,433	N/A
2005	-	-	-	55,701,697	N/A

(1) Excludes bond issuance and other costs.

(2) Includes general, special revenue, capital projects and debt service funds.

TOTAL GENERAL GOVERNMENTAL EXPENDITURES



**CITY OF FARMINGTON, NEW MEXICO
COMPUTATION OF LEGAL DEBT MARGIN**

Table 10

June 30, 2005

Assessed Valuations:		
Assessed Value (1)		\$650,930,835
Add back - exempt property		<u>61,710,344</u>
Total Assessed Value		<u><u>\$712,641,179</u></u>
Legal Debt Margin		
Debt limitation - 4 percent of total assessed value		\$28,505,647
Debt applicable to limitation:		
Total bonded debt	55,480,000	
Less: Revenue bonds	<u>55,480,000</u>	
Total debt applicable to limitation		-
Legal Debt Margin		<u><u>\$28,505,647</u></u>

(1) Excludes centrally assessed property

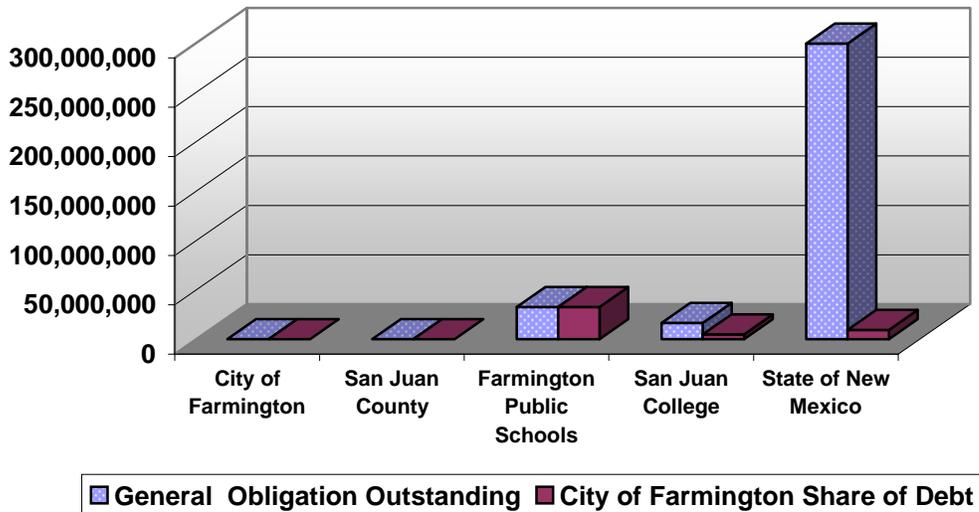
**CITY OF FARMINGTON, NEW MEXICO
DIRECT AND OVERLAPPING DEBT**

Table 11

June 30, 2005

	General Obligation Outstanding	Percentage Applicable to Farmington	City of Farmington Share of Debt
City of Farmington	\$ -	100.00%	\$ -
San Juan County	-	30.32%	-
Farmington Public Schools	32,715,000	100.00%	32,715,000
San Juan College	16,475,000	30.32%	4,995,550
State of New Mexico	299,295,000	3.17%	<u>9,496,630</u>
			<u><u>\$47,207,180</u></u>

**CITY OF FARMINGTON
SHARE OF DEBT**

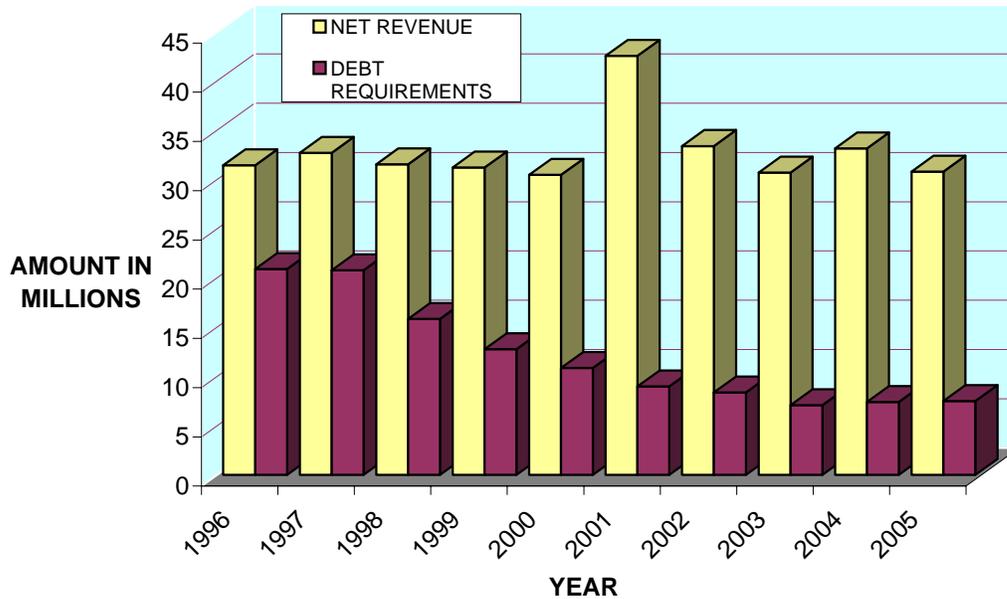


CITY OF FARMINGTON, NEW MEXICO
 REVENUE BOND COVERAGE
 UTILITY SYSTEM ENTERPRISE FUND

Table 12

LAST TEN FISCAL YEARS

DEBT SERVICE REQUIREMENTS COMPARED TO NET REVENUE



Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1996	60,759,531	29,307,749	31,451,782	9,360,000	11,567,391	20,927,391	1.50%
1997	62,008,078	29,294,348	32,713,730	9,990,000	10,798,482	20,788,482	1.57%
1998	63,978,884	32,428,756	31,550,128	6,465,000	9,387,108	15,852,108	1.99%
1999	70,945,775	39,720,550	31,225,225	5,252,551	7,518,423	12,770,974	2.45%
2000	72,162,111	41,672,313	30,489,798	5,120,000	5,761,169	10,881,169	2.80%
2001	95,338,525	52,772,478	42,566,047	5,385,000	3,625,288	9,010,288	4.72%
2002	92,079,901	58,676,235	33,403,666	4,380,000	4,005,058	8,385,058	3.98%
2003	91,914,248	61,217,128	30,697,120	4,350,000	2,726,755	7,076,755	4.34%
2004	97,272,752	64,101,912	33,170,840	5,120,000	2,291,203	7,411,203	4.48%
2005	104,017,779	73,226,886	30,790,893	5,470,000	2,048,221	7,518,221	4.10%

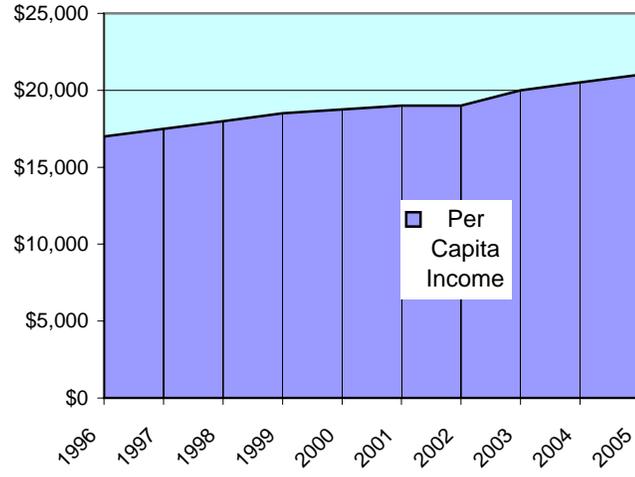
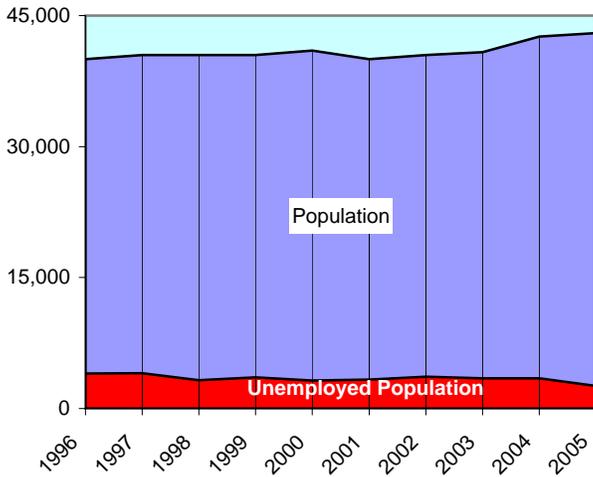
(1) Total revenues (including interest).

(2) Total operating expenses exclusive of depreciation & amounts do not include the effect of capitalized interest.

**CITY OF FARMINGTON, NEW MEXICO
DEMOGRAPHIC STATISTICS**

Table 13

LAST TEN FISCAL YEARS



<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Income</u>	<u>Unemployment Rate (2)</u>
1996	40,000	17,000	10.0%
1997	40,500	17,500	10.0%
1998	40,500	18,000	8.0%
1999	40,500	18,500	8.8%
2000	41,000	18,750	7.8%
2001	40,000	19,000	8.3%
2002	40,500	19,000	9.0%
2003	40,800	20,000	8.5%
2004	42,600	20,511	8.1%
2005	43,000	21,000	6.0%

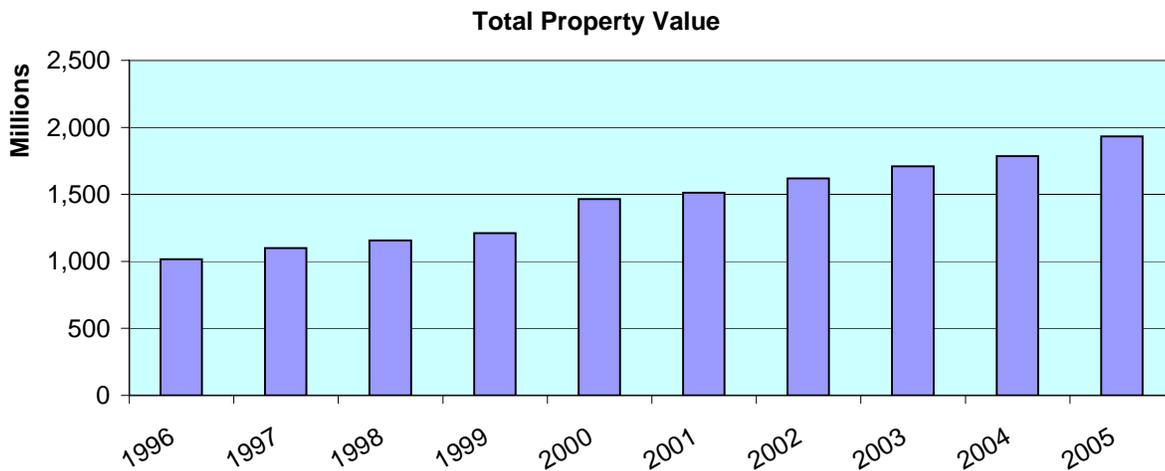
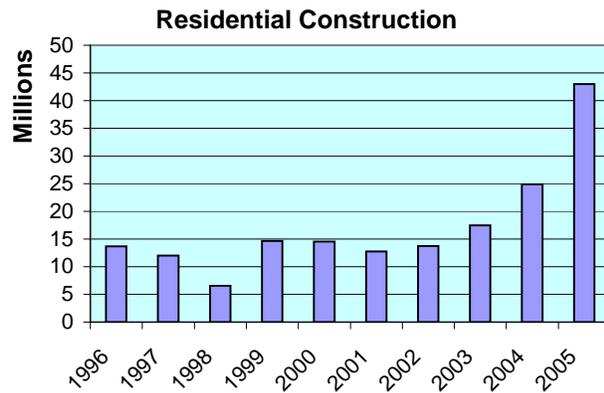
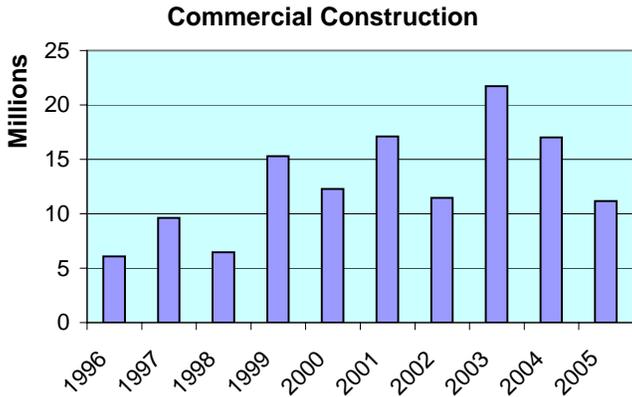
Data Sources

(1) City of Farmington Community Development Department mid-year staff estimate.

(2) State Employment Security Commission (rates are representative of the entire county, as City rates are not available).

LAST TEN FISCAL YEARS

Year	Real Property Value			Total (1)	Commercial Construction		Residential Construction		Bank Deposits
	Residential	Nonresidential	Exemptions (3)		Number of Units	Value	Number of Units	Value	
1996	617,426,027	399,631,003	30,862,734	1,017,057,030	35	6,091,960	143	13,694,016	844,538,499
1997	676,981,742	422,565,606	32,461,700	1,099,547,348	27	9,611,512	178	12,024,398	876,946,459
1998	726,978,721	429,918,543	32,901,231	1,156,897,264	12	6,468,490	56	6,542,187	900,783,558
1999	768,629,142	442,374,837	33,380,149	1,211,003,979	22	15,278,862	107	14,660,335	883,065,367
2000	884,689,644	579,349,233	57,201,892	1,464,038,877	32	12,290,513	109	14,515,191	(2)
2001	913,268,650	598,285,383	54,407,855	1,511,554,033	29	17,115,291	97	12,732,208	(2)
2002	942,519,786	676,175,214	53,434,815	1,618,695,000	36	11,451,406	106	13,743,350	(2)
2003	1,026,258,622	682,471,585	56,984,789	1,708,730,207	31	21,714,246	140	17,460,240	(2)
2004	1,079,385,681	704,822,628	59,092,903	1,784,208,309	28	17,003,942	171	24,890,285	(2)
2005	1,197,319,021	734,986,934	61,710,344	1,932,305,955	35	11,160,167	269	42,991,645	(2)



(1) Estimated actual values from Table 6.
 (2) Information not available.
 (3) Information taken from San Juan County Abstract of Property.

**CITY OF FARMINGTON, NEW MEXICO
MISCELLANEOUS STATISTICS**

Table 15

June 30, 2005

Date of Incorporation	1901
Form of Government	Council - Manager
Area in Square Miles	31.03

Name of Government Facilities and Services:

Fire protection:

Number of stations	5
Number of uniformed fire personnel	71

Police protection:

Number of stations	1
Number of community policing sub-stations	3
Number of commissioned police personnel	101

Recreation and culture:

Number of parks	80
Number of Golf Courses	2
Developed acres	588
Undeveloped acres	1,289
Number of libraries	1
Number of volumes	174,381

Employees:

Permanent	667
Temporary and seasonal	386
Elected officials	6

Total Taxable Gross Receipts for the City Reported To The State By Major Industrial Classifications
(\$ in Thousands)

<u>Fiscal Year</u> <u>Ending 6/30</u>	<u>2001</u>	<u>% of</u> <u>Total</u>	<u>2002</u>	<u>% of</u> <u>Total</u>	<u>2003</u>	<u>% of</u> <u>Total</u>	<u>(3)</u> <u>2004</u>	<u>% of</u> <u>Total</u>	<u>(4)</u> <u>2005</u>	<u>% of</u> <u>Total</u>
Agriculture	12	0.0%	208	0.0%	2,002	0.1%	2,461	0.2%	2,729	0.2%
Mining	117,792	8.7%	125,093	8.4%	108,454	7.2%	122,936	7.8%	133,973	7.6%
Construction	74,984	5.5%	97,131	6.5%	98,292	6.5%	90,069	5.7%	118,025	6.7%
Manufacturing	32,266	2.4%	40,120	2.7%	27,001	1.8%	33,015	2.1%	50,656	2.9%
Trans., Comm, & Ut	59,034	4.4%	48,676	3.3%	24,178	1.6%	15,481	1.0%	20,096	1.1%
Wholesale Trade	101,477	7.5%	103,921	7.0%	76,836	5.1%	85,158	5.4%	113,951	6.5%
Retail Trade	620,126	45.7%	667,453	44.7%	668,134	44.5%	653,535	41.3%	673,785	38.3%
Information and Cultural	0	0.0%	0	0.0%	0	0.0%	25,225	1.6%	44,094	2.5%
Fin., Ins. & Real Est	23,176	1.7%	22,102	1.5%	21,467	1.4%	20,539	1.3%	21,001	1.2%
Services	302,388	22.3%	365,188	24.4%	365,245	24.3%	464,410	29.4%	507,610	28.9%
Gov't & Misc. (1)	24,620	-	24,789	-	109,196	-	69,030	-	71,307	-
Total (2)	\$ 1,355,875	98%	\$ 1,494,681	98%	\$ 1,500,805	93%	\$ 1,581,859	96%	\$ 1,757,227	97%

(1) Data has been suppressed for purposes of taxpayer confidentiality. Information is suppressed when too few taxpayers are included in a category.

(2) Although the figures in the table have been derived from "NM_FR003-500 Local Govt 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.

(3) Beginning with the 1st Quarter of FY 2004, the State changed the gross receipts tax classification system in the report NM_FR003-500 Local Govt Distribution Summary, from the Standard Industrial Classification format to the North American Industrial Classification format.

(4) Beginning with the FY2005 financial statement, the Gross Receipts Tax information and prior year history is derived from the NM_FR003-500 Local Govt Distribution Summary, rather than the previously used Report 080-Analysis of Gross Receipts.

<u>Fiscal</u> <u>Year</u>	<u>Pro-Forma Historical Debt Service Coverage</u>		<u>Coverage</u>
	<u>Total</u> <u>Pledged Revenues</u> <u>Collected (1)</u>	<u>Maximum</u> <u>Annual Principal</u> <u>and Interest (2)</u>	
2000	16,146,221	1,339,868	12.05
2001	17,026,118	2,386,480	7.13
2002	19,170,092	2,386,480	8.03
2003	18,278,054	2,386,480	7.66
2004	19,726,251	2,386,480	8.27
2005	22,341,489	2,175,740	10.27

(1) Figures represent actual receipts using the cash basis of accounting.

(2) Maximum annual debt service for the 2001 & 2005 Sales Tax Bonds

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

Table 16

Two - Year Comparison of Monthly State Shared Gross Receipts Tax Collections

Month	Twelve-Month Period Ending June 30, 2005		Twelve-Month Period Ending June 30, 2004		Percent Increase (Decrease)	
	Current Month	Year To Date	Current Month	Year To Date	Current Month	Year To Date
July	\$ 1,785,534	\$ 1,785,534	\$ 1,564,198	\$ 1,564,198	14.2%	14.2%
August	1,812,034	3,597,568	1,754,741	3,318,939	3.3%	8.4%
September	1,736,921	5,334,489	1,622,371	4,941,310	7.1%	8.0%
October	1,716,965	7,051,454	1,758,892	6,700,202	-2.4%	5.2%
November	1,716,921	8,768,375	1,476,956	8,177,158	16.2%	7.2%
December	1,854,392	10,622,767	1,616,356	9,793,514	14.7%	8.5%
January	1,794,338	12,417,105	1,507,494	11,301,008	19.0%	9.9%
February	2,368,754	14,785,859	1,950,178	13,251,186	21.5%	11.6%
March	1,580,604	16,366,463	1,781,920	15,033,106	-11.3%	8.9%
April	1,919,550	18,286,013	1,586,573	16,619,679	21.0%	10.0%
May	1,993,707	20,279,720	1,523,736	18,143,415	30.8%	11.8%
June	2,061,769	22,341,489	1,582,836	19,726,251	30.3%	13.3%

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

Five Year Collections History - Pledged Revenues (cash basis)

Fiscal Year	State Shared Gross Receipts Tax Revenues (1)	Percent Change
2001	17,026,118	-
2002	19,170,092	12.6%
2003	18,278,054	-4.7%
2004	19,726,251	7.9%
2005	22,341,489	13.3%

(1) Presented using the cash basis of accounting.

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



Single Audit Section

CITY OF FARMINGTON, NEW MEXICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

PROGRAM NAME	CFDA Number	Grantor / Pass-through ID Number	Balance July 1, 2004	Cash Receipts	Disbursements	Balance June 30, 2005
DIRECT PROGRAMS						
Airport Improvement Program 2003-04 Project Noise Mitigation Project	20.106	U.S. Department of Transportation	-	(517,265)	551,845	34,580
Airport Improvement Program 2003-04 Project	20.106	U.S. Department of Transportation	78,099	(161,939)	83,840	-
Community Development Block Grant (CDBG)	14.228	U.S. Department of HUD	-	(50,757)	50,757	-
Red Apple 2003 Transit Operations	20.505	U.S. Department of Transportation	-	(27,770)	27,770	-
Red Apple 2004 Transit Ops & Planning	20.505	U.S. Department of Transportation	-	(182,567)	182,567	-
Red Apple 2004 Bus Shelter	20.505	U.S. Department of Transportation	-	(64,004)	64,004	-
Law Enforcement Block Grant-2003	16.592	U.S. Department of Justice	(11,185)	-	11,185	-
Law Enforcement Block Grant-2004	16.592	U.S. Department of Justice	-	(30,005)	30,005	-
Bullet Proof Vest program	16.207	U.S. Department of Justice	-	(6,720)	6,720	-
COPS-IN-SCHOOLS	16.710	U.S. Department of Justice	23,482	(73,915)	50,433	-
PASS THROUGH PROGRAMS						
From the State of New Mexico						
Region II Narcotics Grant (U.N.E.T.)	16.579	U.S. Department of Justice / 04-DCSI-PPA 02-REGION II-FY05	181,160	(318,096)	247,520	110,584
HIDTA Grant	16.000	Office of the President / I4PSNP572	43,758	(179,827)	183,534	47,465
Total Federal Assistance			\$ 315,314	\$ (1,612,865)	\$ 1,490,180	\$ 192,629

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, 2005

NOTE 1 - SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

All federal grant operations of the City of Farmington (the "City") are included in the scope of the Office of Management and Budget ("OMB") Circular A-133 audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement. Compliance testing of all requirements as described in the Compliance Supplement was performed for the grant programs noted below. These programs represent all federal award programs and other grants with fiscal 2005 cash and non-cash expenditures to ensure coverage of at least 25 percent (low risk auditee) of federally granted funds. Actual coverage is 37% of total cash and non-cash federal award program expenditures.

	<u>Fiscal Year 2005</u> <u>Expenditure</u>
Major Federal Award Program Description	
20.106 – Airport Improvement Program	\$ 551,845

The City has one high-risk type A and no low-risk type A programs for the 2005 audit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards includes all federal grants to the City that had activity during the fiscal year ended June 30, 2005. This schedule has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the City has met the qualifications for the respective grants.

Accrued and deferred reimbursements

Various reimbursement procedures are used for Federal awards received by the City. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year-end represent an excess of reimbursable expenditures over receipts to date. Generally, accrued or deferred balances covered by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period.

Audits performed by other entities

There were no other audits performed by other organizations of the City's federal grant programs in 2005.

**Report on Compliance and on
Internal Control Over Financial Reporting Based on an Audit
of Financial Statements Performed in Accordance With
Government Auditing Standards**

City of Farmington
Farmington, New Mexico
Honorable Mayor and City Council
and
Mr. Domingo P. Martinez, CGFM
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmington, New Mexico (City) as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 31, 2005. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying schedule of audit findings as items 2005-1, 2005-2 and 2005-3.

Page Two

This report is intended solely for the information and use of the City Council, City management, the Office of the State Auditor, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Farmington, New Mexico
October 31, 2005

**Report on Compliance
With Requirements Applicable to Each
Major Program and Internal Control Over
Compliance in Accordance With
OMB Circular A-133**

City of Farmington
Farmington, New Mexico
Honorable Mayor and City Council
and
Mr. Domingo P. Martinez, CGFM
New Mexico State Auditor

Compliance

We have audited the compliance of the City of Farmington, New Mexico (City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal 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 OMB Circular A-133.

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

This report is intended solely for the information and use of the City Council, City management, the Office of the State Auditor, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Farmington, New Mexico
October 31, 2005

**CITY OF FARMINGTON
SCHEDULE OF FINDINGS AND
QUESTIONED COSTS
Year Ended June 30, 2005**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the City of Farmington.
2. No material weaknesses relating to the audit of the financial are reported in the Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the City are reported in Part C. of this Schedule.
7. The program tested as major programs included:

	<u>Fiscal Year 2005</u> <u>Expenditure</u>
Major Federal Award Program Description	
20.106 – Airport Improvement Program	\$ 551,845

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City was determined to be a low-risk auditee.

**CITY OF FARMINGTON
SCHEDULE OF FINDINGS AND
QUESTIONED COSTS
Year Ended June 30, 2005**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

Prior Year Findings		Status
2004-01	Purchase Cards	Cleared
2004-02	Procurement	Cleared
2004-03	Payroll	Cleared
2004-04	Travel and Per Diem	Cleared
2004-05	Budget Submission	Cleared

Current Year Findings

2005-1 Outstanding Bank Items

Condition

The finance division did not adjust for outstanding bank reconciliation items on a timely basis.

Criteria

Good accounting practices require that bank reconciliation items be adjusted on a timely basis to avoid any errors in the bank reconciliation process.

Cause

The employee responsible for preparing the bank reconciliation was not adjusting the outstanding items on a timely basis.

Effect

Errors could occur and not be discovered on a timely basis.

Recommendation

The City should establish policies and procedures for reviewing the bank reconciliation and adjusting reconciling items on a timely basis.

Management Response

A former employee did not notify management of the outstanding items that required adjustment in a timely manner. Management will review all bank reconciliations on a monthly basis.

**CITY OF FARMINGTON
SCHEDULE OF FINDINGS AND
QUESTIONED COSTS
Year Ended June 30, 2005**

2005-2 Unbilled Property Taxes

Condition

The City did not record unbilled property taxes receivable prior to June 30, 2005.

Criteria

Generally accepted accounting principles (GAAP) require that property taxes be recorded as a receivable when the City has a legal claim to the property taxes. The date that the City has an enforceable legal claim is the date of levy which is January 1st preceding the City's year end of June 30th.

Cause

The finance division was unaware of the requirements of the accounting standards for unbilled property tax recognition.

Effect

The property tax receivable and deferred revenue was understated in prior years for fund accounting and the property tax receivable and net assets were understated for the entity-wide financial statements.

Recommendation

The City should review all material sources of revenue to determine asset and revenue recognition for internal and external reporting purposes.

Management Response

Unbilled property taxes have been properly recorded in the FY 2005 financial statements and all material revenue has been reviewed for proper recognition.

**CITY OF FARMINGTON
SCHEDULE OF FINDINGS AND
QUESTIONED COSTS
Year Ended June 30, 2005**

2005-3 Enterprise Budget to Actual Comparisons

Condition

The City is not consistent with the budget to actual comparisons for all of the enterprise funds. The Electric Utility budgets depreciation and capital expenditures but the other enterprise funds only budget for capital expenditures. Also, the City did not present the budget to actual comparison on the “budgetary basis” in prior years.

Criteria

The City should be consistent in its budgetary basis for all enterprise funds. Also, the actual numbers used for budget to actual comparison should be on the same basis as the approved budget for enterprise funds.

Cause

The Electric Utility budgets for depreciation (a non-cash item) in addition to budgeting for capital expenditures, while all other enterprise funds budget only for cash expenditures.

Effect

The budgetary basis for all of the enterprise funds was not consistent. Also, the budget to actual comparisons were not on a comparable basis in prior years.

Recommendation

The City should establish policies and procedures for preparing all enterprise funds on a consistent basis and preparing the budget comparison schedules on the basis that the budget is approved.

Management Response

Management will review the need to budget non-cash expenses in the Electric Utility fund and make revisions as appropriate. Also, the City has presented a budget to actual comparison on the budgetary basis for all enterprise funds for FY05.

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

**CITY OF FARMINGTON
EXIT CONFERENCE
Year Ended June 30, 2005**

An exit conference was held on November 3, 2005. In attendance were:

For the City of Farmington:

William Standley	Mayor
Bob Hudson	City Manager
Andy Mason	Administrative Services Director
Eric Schlotthauer	Controller
Steve Ellison	Financial Accountant
Sue Nipper	Enterprise Accounting Supervisor

For David Berry, CPA, PC (auditors):

David Berry	CPA
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OTHER INFORMATION

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

June 30, 2005

	<u>Bank of America</u>	<u>Citizens Bank of Farmington</u>	<u>Wells Fargo</u>
<u>City of Farmington Deposits</u>			
Demand Deposit Accounts	\$ 1,339,157	\$ 215,741	\$ 4,808,771
Overnight Deposits	-	-	3,121,046
Certificate of Deposit	10,000,000	26,050,000	9,000,000
Sub-Total	<u>11,339,157</u>	<u>26,265,741</u>	<u>16,929,817</u>
Less FDIC insurance	200,000	200,000	200,000
Uninsured amount	11,139,157	26,065,741	16,729,817
<u>Pledge Collateral Required</u>			
102 percent - overnight	-	-	3,183,467
50 percent - deposits	5,569,579	13,032,871	6,804,386
Total Pledged Collateral Required	<u>5,569,579</u>	<u>13,032,871</u>	<u>9,987,852</u>
Pledged collateral	<u>5,764,204</u>	<u>18,717,743</u>	<u>21,012,036</u>
Excess of pledged collateral	<u>\$ 194,626</u>	<u>\$ 5,684,873</u>	<u>\$ 11,024,184</u>

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

Location of collateral	Dallas, TX	Dallas, TX	Los Angeles
Federal Home Loan Bank			
cusip # 013572FS6 08/01/06	\$	\$ 1,830,060	\$
cusip # 3128F4SJ1 12/01/24		659,185	
cusip # 31359MSL8 07/17/13		4,928,000	
cusip # 3136F6YL7 12/25/12		4,153,480	
cusip # 31371LPU7 04/01/14		3,331,240	
cusip # 31393APP6 12/25/32		1,453,390	
cusip # 31394HYD7 05/15/16		2,362,388	
FNMS			
cusip # 31385XAZO 05/01/33	5,764,204		
FHARM			
cusip # 31348T2F8 10/01/20			75,442
cusip # 31349TWL1 10/01/34			3,259,925
FNCT			
cusip # 31371LMH9 02/01/24			10,872,574
FNCL			
cusip # 31371KF89 12/01/31			2,428,306
cusip # 31374TNW5 03/01/29			499,768
cusip # 31385HXE7 11/01/31			17,981
cusip # 31385JRN0 11/01/32			88,749
cusip # 31385JRT7 11/01/32			263,391
cusip # 31385W2S7 03/01/33			281,277
cusip # 31385XBD8 05/01/33			125,256
cusip # 31385XD95 04/01/33			555,505
cusip # 31388WXD3 01/01/32			233,256
cusip # 31391GGC4 11/01/32			240,144
cusip # 31391VKQ5 01/01/33			411,933
cusip # 31404YH70 06/01/34			308,470
cusip # 31405AAW3 06/01/34			106,479
G2SF			
cusip # 36202DUV1 10/20/32			77,072
GNSF			
cusip # 36225BEK0 05/15/29			998,842
cusip # 36225BEV6 06/15/29			57,904
cusip # 36225BKX5 09/15/29			67,084
cusip # 36225BM39 04/15/31			42,678
	<u>\$ 5,764,204</u>	<u>\$ 18,717,743</u>	<u>\$ 21,012,036</u>

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

June 30, 2005

Participants (including City of Farmington)	Responsible Party	Description	Dates of Agreement	Total Amount/ City Share	FY05 Amount	Audit Responsibility
Aztec, Bloomfield & San Juan County	San Juan County Communications Authority	Communications	3/31/92 until termination	\$125,000/ up to \$55,000/yr	\$ -	San Juan County Communications Authority
Aztec, Bloomfield & San Juan County	Crime Stoppers	Law enforcement	7/1/96 until termination	\$23,000/\$8,050	\$ 8,050	City of Aztec
Aztec, Bloomfield, San Juan County San Juan Water Users Assoc.	Water Commission	Water issues	3/5/86 until termination	\$18.2m/32.46%	-	Commission
Aztec, Bloomfield, SJ County, NM Dept. of Public Safety San Juan College	San Juan County Criminal Justice Training Authority	Police Training	8/07/96 until termination	\$75,000/\$36,002	\$ 36,002	SJ College
Aztec, Bloomfield & San Juan County	City of Farmington	Recycling Center	11/1/97 until termination	\$76,323/\$58,305	\$ 58,305	Each entity
San Juan County	San Juan County	Septage Station	12/16/94 through 12/16/14	\$200,000/operating	in-kind only	City
Aztec, Bloomfield, B.L.M. San Juan County N.M.Environment Dept.	Trash Force	Illegal dumping	9/26/91 until termination	"as needed"	in-kind only	City
San Juan County	City of Farmington	Impact Fees	2/15/96 perpetual	Fee for service	-	City
Aztec, Bloomfield, San Juan County	All Participants	Solid Waste	03/25/92	As required	-	City
NM Taxation & Revenue	Tax & Revenue	Taxpayer Identi.	05/17/89 perpetual	Not applicable	-	City
NM Community Development Council and NM Dept of Finance & Admin.	Dept. of Finance	Title 1 Housing	04/12/00 perpetual	Not applicable	-	City
Aztec, Bloomfield, SJ County	City of Farmington	MPO	3/11/03 to 9/30/06	\$269,114 / \$45,815	\$ 45,815	City
San Juan County	San Juan County	Detention Center	12/16/04 to 6/30/06	\$1,500,000/\$848,404	\$ 848,404	San Juan County
San Juan County	San Juan County	DWI Treatment Ctr	10/20/04 to 09/30/05	\$880,000/\$440,000	\$ 440,000	San Juan County

CITY OF FARMINGTON, NEW MEXICO
Four Corners Regional Airport
PFC Revenue and Disbursement Schedule

June 30, 2005

	FY 2004	1st QTR	2nd QTR	3rd QTR	4th QTR	FY 2005	FY 2005
	Program Total	Jul. - Sept.	Oct. - Dec.	Jan. - Mar.	Apr. - Jun.	Total	Program Total
Revenue	\$ 66,410.00	\$ 22,279.00	\$ 25,912.00	\$ 23,581.00	\$ 28,815.00	\$ 100,587.00	\$ 166,997.00
Disbursements							
FY91 AIP	35,387.00	-	-	-	-	-	35,387.00
FY92 AIP	31,023.00	-	-	-	92,921.00	92,921.00	123,944.00
FY93 AIP	-	-	-	-	7,666.00	7,666.00	7,666.00
Total Disbursements	66,410.00	-	-	-	100,587.00	100,587.00	166,997.00
Net PFC Revenue	-	22,279.00	25,912.00	23,581.00	(71,772.00)	-	-
PFC Account Balance	\$ -	\$ 22,279.00	\$ 48,191.00	\$ 71,772.00	\$ -	\$ -	\$ -

