



# CAFAR

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF FARMINGTON NEW MEXICO  
JULY 1, 2006 - JUNE 30, 2007

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

**For The Year Ended June 30, 2007**

**Prepared By:**

**Administrative Services Department – Finance Division**

**Eric D. Schlotthauer, Controller**

**Sheree Wilson, Enterprise Accountant**

**Sarah Talley, Staff Accountant II**

**With Special Thanks To:**

**Steve Ellison, Budget Officer**

**Susan Nipper, Utility Financial Analyst**

**Carol Taulbee, Administrative Accountant**



Printing by City of Farmington Print Shop

Brenda Keith, Print Shop Supervisor

Brandy Sabo, Print Shop Technician

# TABLE OF CONTENTS

## Page

### INTRODUCTORY SECTION

Transmittal Letter .....	i
Certificate of Achievement for Excellence in Financial Reporting .....	vii
Organizational Chart .....	viii
List of Principal Officials .....	ix
City of Farmington Map .....	x
Four Corners Area Map .....	xi

### FINANCIAL SECTION

<b>Independent Auditor's Report .....</b>	<b>1</b>
<b>Management's Discussion and Analysis .....</b>	<b>3</b>
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Assets .....	15
Statement of Activities .....	16
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds .....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund .....	20
Statement of Net Assets – Proprietary Funds .....	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	23
Statement of Cash Flows – Proprietary Funds .....	24
<b>Notes to the Financial Statements .....</b>	<b>27</b>
<b>Supplementary Information:</b>	
<b>Nonmajor Governmental Funds:</b>	
Combining Balance Sheet – Nonmajor Governmental Funds .....	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	55
<b>Special Revenue Funds:</b>	
Gross Receipts Tax Streets Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	59

	<u>Page</u>
Gross Receipts Tax Parks and Public Works Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	60
Park Development Fees Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	61
Recreation Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	62
Library Gifts and Grants Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	63
Parks/Recreation Gifts and Grants Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	64
Museum Gifts and Grants Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	65
Lodgers Tax Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	66
State Police Protection Grant Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	67
Region II Narcotics Grant Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	68
Law Enforcement Block Grant Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	69
State Fire Grant Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	70
Penalty Assessment Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	71

**Capital Projects Funds:**

Community Development Grant Projects Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	72
Library Construction Project Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	73
Fire GRT Bond Projects Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	74
Governmental Projects Fund: Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	75

**Debt Service Fund:**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual .....	76
--	----

**Business-type Funds:**

**Internal Service Fund:**

Health Insurance Fund: Statement of Net Assets .....	78
Schedule of Revenues, Expenses and Changes in Fund Net Assets .....	79
Statement of Cash Flows.....	80

**Enterprise Funds:**

Electric Utility Enterprise Fund: Schedule of Revenues, Expenses and Changes in Fund Net Assets .....	81
Water Utility Enterprise Fund: Schedule of Revenues, Expenses and Changes in Fund Net Assets .....	82
Wastewater Utility Enterprise Fund: Schedule of Revenues, Expenses and Changes in Fund Net Assets .....	83
Sanitation Enterprise Fund: Schedule of Revenues, Expenses and Changes in Fund Net Assets .....	84
Golf Courses Enterprise Fund: Schedule of Revenues, Expenses and Changes in Fund Net Assets .....	85
Airport Enterprise Fund: Schedule of Revenues, Expenses and Changes in Fund Net Assets .....	86

**Capital Assets Used in the Operation of Governmental Funds:**

Comparative Schedules by Source .....	87
Schedule by Function and Activity .....	88
Schedule of Changes by Function and Activity .....	89

**STATISTICAL SECTION (Unaudited)**

**Schedule**

**Financial Trends:**

Net Assets by Component.....	1	92
Changes in Net Assets.....	2	93
Fund Balance, Governmental Funds.....	3	95
Changes in Fund Balances, Governmental Funds.....	4	96

**Revenue Capacity:**

Electric Kilowatt Sales and Revenue.....	5	97
Electric Rates by Customer Type.....	6	98
Electric Principle Revenue Payers .....	7	99
Tax Revenue by Source, Governmental Funds .....	8	100
Taxable Gross Receipts by Industry .....	9	101
Direct and Overlapping Gross Receipts Tax Rates.....	10	102
Taxable Gross Receipts Payers by Industry .....	11	103
Assessed Value and Estimated Actual Value of Taxable Property .....	12	104
Direct and Overlapping Property Tax Rates.....	13	105
Principle Property Tax Payers.....	14	106
Property Tax Levies and Collections.....	15	107

**Debt Capacity:**

Ratios of Outstanding Debt by Type .....	16	108
Direct and Overlapping Governmental Activities Debt .....	17	109
Legal Debt Margin .....	18	110
Pledged-Revenue Coverage .....	19	111

**Demographic and Economic Information:**

Demographic and Economic Status .....	20	112
Principle Employers.....	21	113

**Operating Information:**

Full-time-Equivalent City Government Employees by Function / Program.....	22	114
Operating Indicators by Function / Program.....	23	115
Capital Asset Statistics by Function / Program .....	24	116

**Single Audit Section:**

Schedule of Expenditures of Federal Awards .....	117
Notes to Schedule of Expenditures of Federal Awards .....	118

**Page**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	119
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 ..	121
Schedule of Findings and Questioned Costs .....	123
Report on Compliance Applicable to the PFC Charge Program and on Internal Control Over Compliance in Accordance with the PFC Audit Guide for Public Agencies and on the Schedule of PFC Revenues and Disbursements .....	129
Schedule of PFC Revenues and Disbursements .....	131
PFC Program Audit Summary .....	132
Exit Conference .....	133

**Other Information:**

Schedule of Pledged Collateral by Financial Institution .....	135
Schedule of Joint Powers Agreements .....	136



# INTRODUCTORY SECTION



## CITY OF FARMINGTON

800 Municipal Drive  
Farmington, NM 87401-2663  
(505) 599-1102  
Fax: (505) 599-8430  
<http://www.fmtn.org>

December 1, 2007

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, 2007.

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, 2007, 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, 2007, 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 43,600. 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 on a monthly basis.

The current total in-city GRT rate is 7.0% and includes the City's local option taxes in the amount of 1.1875%. Together with the 1.225% State share, the City's tax rate amounts to 2.4125%. Another .625% in local option tax authority is available to the City, but to date has not been imposed.

The City of Farmington has operated under the council/manager form of government since 1965. Policy-making and legislative authority are vested in a governing council consisting of the mayor and four council members. The City Council 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, overseeing the day-to-day operations of the City, and appointing directors of the various departments. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with two Council members elected every two years. The Mayor is elected to serve a four-year term. The four Council members are elected by district and the Mayor is elected at large.

The City of Farmington provides a full range of services including police and fire protection; the construction, operation, and maintenance of multi-utility systems; the construction and maintenance of highways, streets, parks, and other infrastructure; and recreational activities, libraries 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 31 of each year. The City of Farmington's fiscal year begins July 1 of each year and ends on June 30. The appropriated budget is prepared according to fund, function (e.g. public safety), and department (e.g. police). Department directors may make transfers of appropriations within a fund and between their divisions. Transfers of appropriations between funds, however, require the special approval of the City

Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 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 6.3% and Lodgers Tax revenue was up 13.7% from the prior fiscal year. Electric utility operating revenue increased 2.1% over the prior year. Strong 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 Wal-mart, the world's largest retailer, opened a second store in Farmington in May, 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 repeat as host to the NHSFR rodeo. Two sites from Washington State were beat out by the City and County for the right to host the event in 2008 and 2009. This event is billed as the "World's Largest Rodeo". When the NHSFR was held in

San Juan County in July 2002 and 2003, more than 1500 contestants participated and an average of 7,100 spectators attended each performance. As a result, more than \$11 million was brought into the New Mexico economy. These events will again provide a boost to the local economy in 2008 and 2009.

The Farmington community annually hosts the Connie Mack World Series which continues to be a popular and beneficial event for the local community. This national tournament for amateur baseball's best 17 and 18 year-olds brings in 10 teams from across the country. The teams hail from regions throughout the contiguous United States as well as Puerto Rico and Canada. It is one of the largest spectator attended events in the State of New Mexico and provides a significant economic boost to the entire region. The World Series began in Farmington in 1965.

San Juan Regional Medical Center (SJRMC) of Farmington completed a \$70 million expansion and renovation project during FY 2007. The East Tower expansion project of SJRMC added 72 private patient rooms, 8 new operating suites, a recovery room, and several day surgery rooms. A new entrance, lobby, and public square are also a part of the new addition. A financing partnership between the hospital and the community is paying for the project, which includes 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. SJRMC 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 56,978, a decrease of 1.1% over last year mostly attributable to a leveling off of oil and gas production. Major employers include a regional medical center, four public school districts, a community college, a coal mining operation, two electrical power generation plants, and two Wal-Mart superstores. Meanwhile, there continues to be a discernible trend toward steady residential growth of about 2% per year.

**Long-term financial planning.** The construction of a new library was completed during FY 2003. This \$9.7 million project was financed with \$7.6 million of gross receipts tax revenue bonds issued in November 2001 and the balance from the General Fund's existing cash balance from within the general fund. A major project completed in FY 2004 was the wastewater treatment plant expansion, which was financed with a 3% \$14.2 million loan from the New Mexico Environment Department (NMED). The first loan payment of \$952,997 was made on July 1, 2007 and the final loan payment will be July 2026. The treatment plant's capacity has increased by 15% to meet a projected 6.67 mgd flow rate. In addition, reliability and flexibility have improved through the rehabilitation of the primary clarifiers and sludge drying beds as well as the capacity expansion of the disinfection process.

The wastewater treatment plant's next expansion phase for a new facility that will more efficiently treat three million gallons of waste per day, is scheduled for FY 2009. Design work for the project began in the fall of FY 2006. Construction for this expansion project will be budgeted in FY 2009 at an estimated cost of \$7 million. It is anticipated the City will be working with the NMED on an additional low interest loan through the Clean Water State Revolving Fund Program.

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.

In FY 2005, the City issued \$5,725,000 of Series 2005 Sales Tax Revenue Bonds to construct, furnish, equip and improve fire-fighting facilities, and acquire and rehabilitate fire-fighting equipment. Fire Station 6, completed in July 2006, provides much-needed response and emergency service coverage to the west side of the city. In addition to the new state-of-the-art fire station, the bond proceeds purchased two new 95 foot platform ladder trucks and three 75 foot aerial ladder trucks.

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 document will serve as a planning guide for future financial capital investments. It is also currently serving as the springboard for development of a Metropolitan Redevelopment Plan (MRP) covering all three downtown neighborhoods.

**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 \$1,064,838 on all governmental investments including capital projects and internal service funds and \$2,357,973 on all proprietary funds for the year ended June 30, 2007. 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 partially self-insured program for group health, workers' compensation, property, boiler and machinery, pollution, crime, and excess liability insurance. The workers compensation and general liability programs continued to be financially sound throughout FY 2007, while the health fund's cash balance decreased \$1,507 to \$0 at June 30, 2007. Management will review the fiscal stability of the health insurance fund in FY 2008 and make appropriate modifications to the plan. Beginning January 1, 2008, the retirees participating in the City of Farmington's health plan will be transferred to the New Mexico Retiree Health Care Authority. This is anticipated to reduce the amount of claims in the second half of FY 2008 which will theoretically have a positive effect on the health fund's net asset balance. 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.** The City's full time employees participate in a 401 (a) defined benefit contributory retirement plan through the Public Employees' Retirement Association (PERA) of the State of New Mexico. The plan is

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, 2006. 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 FY 2007. 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,



Michael Miller  
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, 2006

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.

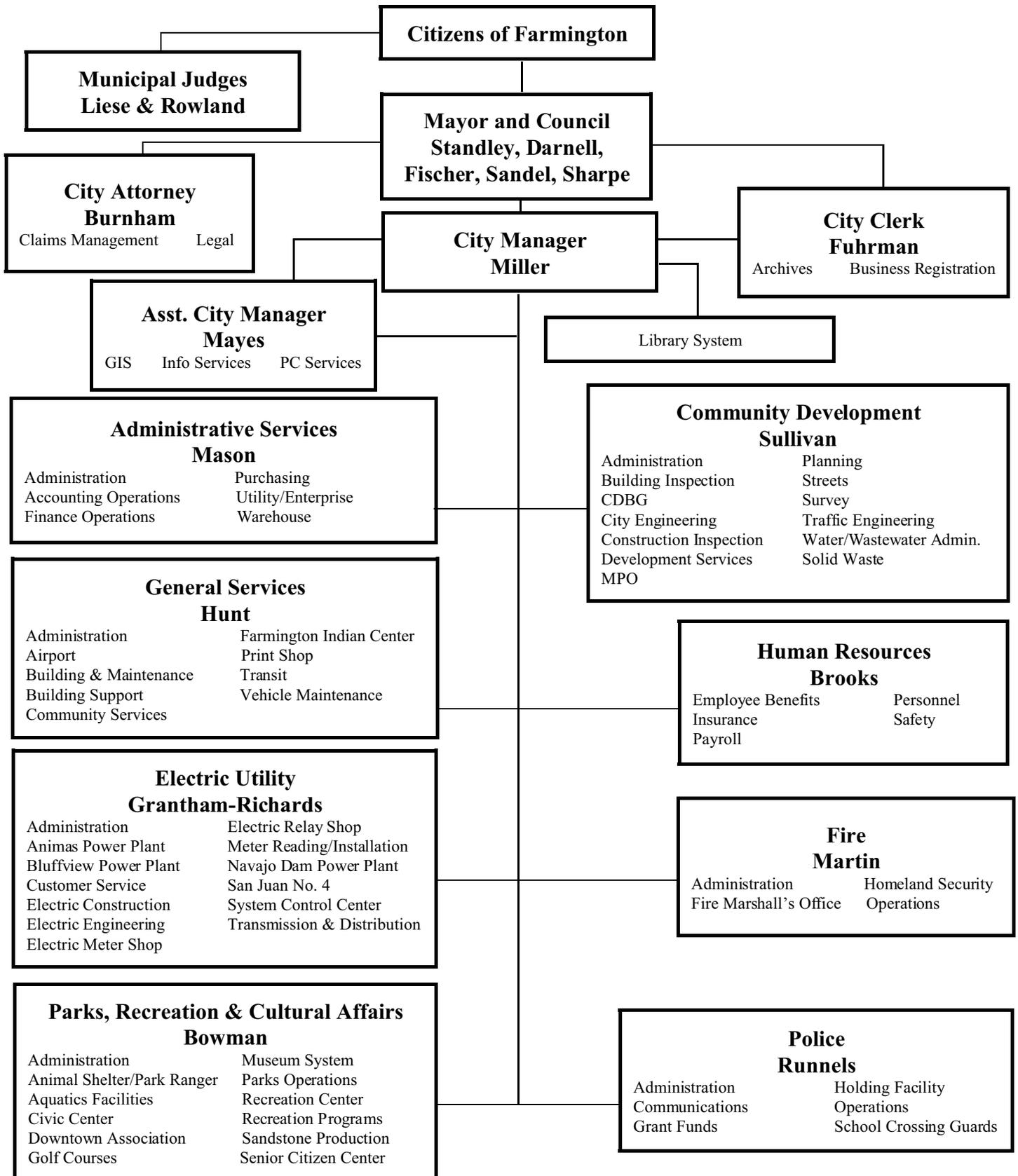


President

Executive Director

# CITY OF FARMINGTON ORGANIZATIONAL CHART

June 2007



# **CITY OF FARMINGTON**

## **Principal Officials**

**June 30, 2007**

---

### **MAYOR**

**William Standley**

### **CITY COUNCIL**

**Mary M. Fischer**

**George Sharpe**

**Dan Darnell**

**Jason Sandel**

### **CITY MANAGER**

**Michael G. Miller**

### **ADMINISTRATIVE SERVICES DIRECTOR**

**H. Andrew Mason**

### **GENERAL SERVICES**

**Rod Hunt**

### **PARKS & RECREATION**

**Jeff Bowman**

### **POLICE**

**James Runnels**

### **FIRE**

**Robert Martin**

### **COMMUNITY DEVELOPEMENT**

**Michael Sullivan**

### **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. Hector H. Balderas  
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, 2007, 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, 2007, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund 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, 2007, and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major debt service fund, nonmajor governmental funds and business-type funds for the year then 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 November 7, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 14 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally 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 opinions on the basic financial statements, the combining and individual fund financial statements, and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. 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 financial statements. The additional schedules listed as "other information" in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 the basic financial statements taken as a whole.

The information included in the accompanying introductory section and 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  
November 7, 2007

# **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, 2007. 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 2007 by \$391,562,674 (net assets). Of this amount, \$68,623,846 (unrestricted net assets) may be used to meet the City's ongoing obligations.
- As of June 30, 2007, the City of Farmington's governmental funds reported combined ending fund balances of \$27,799,675, a decrease of \$1,333,750 or 4.6% in comparison with the prior year. A total of \$23,102,726 (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 \$12,808,778, or 25.4 % of the total general fund expenditures.
- The City's total net debt decreased by \$6,035,000 or 12.2% during the current fiscal year.

### Overview of Financial Statements

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

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

The *statement of net 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 15-16 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 nineteen (19) 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 seventeen (17) governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of *combining statements* (pages 51-58).

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 81-86 of this report. Fund data for the internal service fund is provided on pages 78-80 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 27-48 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 \$391,562,674 at the close of FY 2007.

The largest portion of the City of Farmington's net assets (80.6%) 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 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
Current and other assets	\$ 34,225,116	\$ 34,251,005	\$ 76,404,785	\$ 57,349,164	\$ 110,629,901	\$ 91,600,169
Capital assets	86,666,015	87,133,682	287,843,552	279,351,393	374,509,567	366,485,075
Total assets	120,891,131	121,384,687	364,248,337	336,700,557	485,139,468	458,085,244
Long-term liabilities outstanding	13,066,834	14,156,962	48,303,026	52,696,330	61,369,860	66,853,292
Other liabilities	5,457,869	4,109,577	26,749,065	23,472,853	32,206,934	27,582,430
Total liabilities	18,524,703	18,266,539	75,052,091	76,169,183	93,576,794	94,435,722
Net assets:						
Invested in capital assets, net of related debt	75,000,933	74,339,304	240,531,317	227,625,271	315,532,250	301,964,575
Restricted	4,491,602	4,219,427	2,914,976	2,615,937	7,406,578	6,835,364
Unrestricted	22,873,893	24,559,417	45,749,953	30,290,166	68,623,846	54,849,583
Total net assets	\$ 102,366,428	\$ 103,118,148	\$ 289,196,246	\$ 260,531,374	\$ 391,562,674	\$ 363,649,522

Another portion of the City of Farmington's net assets (1.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$68,623,846) 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 \$27,913,152 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 decreased the City of Farmington's net assets by \$751,720. Key elements of the change in net assets are as follows:

City of Farmington's Changes in Net Assets						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
Revenues:						
Program revenues:						
Charges for services	\$ 9,156,926	\$ 8,345,287	\$ 111,374,243	\$ 108,470,937	\$ 120,531,169	\$ 116,816,224
Operating grants and Contributions	2,600,396	2,929,307	1,227,869	927,492	3,828,265	3,856,799
Capital grants and Contributions	-	-	495,436	794,531	495,436	794,531
General revenues:						
Property taxes	1,235,064	1,121,723	-	-	1,235,064	1,121,723
GRT taxes	51,818,982	49,274,220	-	-	51,818,982	49,274,220
Other taxes	2,990,508	3,536,122	-	-	2,990,508	3,536,122
Other	2,264,513	1,734,861	2,357,973	1,454,975	4,622,486	3,189,836
Total revenues	70,066,389	66,941,520	115,455,521	111,647,935	185,521,910	178,589,455
Expenses:						
General Government	24,470,791	21,649,221	-	-	24,470,791	21,649,221
Police	15,029,695	12,356,592	-	-	15,029,695	12,356,592
Fire	7,606,467	6,466,886	-	-	7,606,467	6,466,886
Parks, rec & cultural affairs	13,769,347	11,105,380	-	-	13,769,347	11,105,380
Community development	10,776,798	8,511,853	-	-	10,776,798	8,511,853
Electric	-	-	66,341,885	65,152,992	66,341,885	65,152,992
Water	-	-	7,207,259	6,992,577	7,207,259	6,992,577
Wastewater	-	-	5,274,284	4,690,385	5,274,284	4,690,385
Sanitation	-	-	4,002,806	3,815,728	4,002,806	3,815,728
Golf	-	-	1,164,683	1,217,011	1,164,683	1,217,011
Airport	-	-	1,453,617	1,812,263	1,453,617	1,812,263
Other	511,126	588,521	-	-	511,126	588,521
Total expenses	72,164,224	60,678,453	85,444,534	83,680,956	157,608,758	144,359,409
Increase in net assets before transfers	(2,097,835)	6,263,067	30,010,987	27,966,979	27,913,152	34,230,046
Transfers	1,346,115	1,925,566	(1,346,115)	(1,925,566)	-	-
Increase in net assets	(751,720)	8,188,633	28,664,872	26,041,413	27,913,152	34,230,046
Net assets - 7/01/06	103,118,148	94,929,515	260,531,374	234,489,961	363,649,522	329,419,476
Net assets - 6/30/07	\$ 102,366,428	\$ 103,118,148	\$ 289,196,246	\$ 260,531,374	\$ 391,562,674	\$ 363,649,522

Oil and gas royalties decreased by \$591,565 or 67.4% during the year. This is due to some non-recurring receipts and delinquent/overdue payments received in FY 2006.

Operating grants and contributions decreased \$328,911 or 11.2% during the year. This is primarily due to decreases in police, MPO, and San Juan County pass-through grant funding.

**Business-type activities.** Business-type activities increased the City of Farmington's net assets by \$28,664,872, accounting for 102.7% of the total growth in the government's net assets. Key financial elements of the past fiscal year are as follows:

- Operating expenses are 74.9% of operating revenues, resulting in \$27,996,479 in operating income.
- Total electric revenue increased \$2,705,039 or 3.0%. Electric sales were up \$1.8 million, and investment earnings increased 71.8% or \$802,337. Surplus energy sales decreased \$960,340, commercial electric sales increased \$553,418, and the power cost adjustment increased \$3.3 million. Industrial sales decreased \$486,547 while wholesale revenues increased \$2.2 million.
- Total water revenue increased \$709,685 or 8.8% due mainly to an increase in water rates and the implementation of a renewal and replacement fee for water infrastructure improvements.
- Total wastewater revenue increased by \$533,432 or 10.1% during the year due to an increase in wastewater rates, the implementation of a renewal and replacement fee for wastewater infrastructure improvements, and an infrastructure grant received from the State of New Mexico.
- Total sanitation revenue increased \$169,215 or 4.3% mainly due to the consumer price index increase that is built into the sanitation rate structure.
- Investment earnings for business-type activities were \$2,357,973, a 62.1% increase over FY 2006 due to increased interest rates and increasing 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, 2007, the City of Farmington's governmental funds reported combined ending fund balances of \$27,799,675, a decrease of \$1,333,750 in comparison with the prior year. Approximately 83.1% of this total amount or \$23,102,726 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 (\$310,848), prepaid items (\$205,347), and statutory reserves (\$4,180,754).

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 \$12,808,778, while total fund balance reached \$17,194,879. 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 25.4% of total general fund expenditures, while total fund balance represents 34.1% of that same amount. The fund balance of the City of Farmington's general fund decreased \$1,537,243 or 8.2% during the current fiscal year. The total increase in general fund revenue was \$1,385,592 due mostly to a 5.3% increase in gross receipts tax. Total general fund expenditures increased \$5,119,398 or 11.3% over the prior year. Key elements of this increase were the upgrade of the City's phone system (\$147,580), increased costs for jail fees (\$147,616), expansion and additional staffing for the animal shelter/clinic (\$208,991), a one-time cost for the buy-in to the New Mexico Health Care Authority (\$1,274,744), and increases for wages/benefits for police (\$1,765,800) and fire (\$1,205,491).

Other key governmental-type funds include the streets fund and parks & public works fund. Both of these funds are funded primarily with gross receipt tax revenue earmarked specifically for streets, parks, and public works activities. The streets fund is generally budgeted for full expenditure each fiscal year, but expenditures increased by \$2,769,326 or 80.3% in FY 2007 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 \$1,025,785 or 31.7% due to funds for budgeted construction projects not being expended during the fiscal year.

**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 at the end of the year amounted to \$36,434,752 in the electric utility system, \$2,220,216 in the water utility system, \$6,325,118 in the wastewater utility system, and \$769,867 in combined net assets for the other propriety funds (sanitation, golf course, and airport). The total growth in net assets was \$26,635,890 in the electric fund, \$1,284,682 in the water fund, \$417,341 in the wastewater fund, and \$326,959 in the other funds combined. The increase in the other proprietary funds was due primarily to a large airport improvement asset that became fully depreciated last year reducing the depreciation expense for FY 2007. 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 2007 was a favorable year for revenues as Gross Receipts Tax (GRT) proceeds increased by \$3,195,241 or 6.3% from the prior year on a GAAP basis. This level reflects a continued flattening of the growth curve from FY 2006, when GRT

increased 15.9% over the prior year. While still favorable, this level is somewhat below the twenty-five year average growth trend of 9%. In the general fund, which received approximately 83.5% of revenue from the gross receipts tax (GRT), FY 2007 GRT revenue was \$39,806,346 or 5.3% over FY 2006 actual revenue of \$37,800,669. Comparison with the FY 2007 budget was also very favorable in that, actual revenue ended the year \$722,809 or 1.8% over budget.

On the expenditure side, the original general fund budget of \$49,146,152 was increased by over \$1.9 million to \$51,083,992 during FY 2007. As the positive revenue trend continued in FY 2007, selected expenditures postponed in prior years were approved. This resulted in a 11.3% increase in actual FY 2007 expenditures over the prior year. The difference between the increase in revenue and the increase in expenditures was funded by existing cash balance which decreased by \$1,079,525 from the prior year. This decrease in cash reserves will be carefully monitored to insure that only one-time expenditures are funded from cash balance and that projected revenue will be sufficient to cover normal operating expenditures.

During the year, five separate revisions were made to the original FY 2007 budget. These adjustments totaled \$11,148,451 and equaled 5.7% of the original total budget. Budget revisions in the general fund between the original and final budget for revenue and expenditures amounted to an increase of 0.4% and an increase of 3.9% respectively. In the governmental funds, the largest increase in expenditures was in the GRT-parks and public works fund. This was a result of encumbrances rolled over from the prior year. The water and wastewater enterprise funds had significant increases from original to final budget, due to a revised rate schedule that was adopted during the year to fund the need for increased capital spending to maintain and expand water/wastewater infrastructure. These adjustments were made to cover only a portion of the year. For the FY 2008 budget, the rate increases for a full year were implemented.

In FY 2007, several general fund budget issues were addressed. The first issue involved the hiring of personnel to staff the newly completed Fire Station #6. To accomplish this twelve new Fire positions were added. The second issue was the recommended increase in Police personnel to handle increasing incoming calls and other community policing issues. For FY 2007, an additional twenty-one Police positions were added. These additional thirty-three personnel obviously affected operating costs so the priority for the FY 2007 budget was to cover these operating costs without significantly affecting cash reserves. To do this, all general fund capital projects were budgeted to be transferred to the governmental capital projects fund when the project was ready to be started. In this way, expenditures could be controlled by not initiating capital projects unless revenue was coming in at, or above, projected levels and operating expenditures were under budget. In fact, this strategy worked well as revenue came in above projections, expenditures came in below projections, and design work on the Sycamore Park Community Center took longer than expected. As a result of these situations, the ending cash balance budget of \$7,799,858 was exceeded by \$4,046,167 as the actual ending cash balance totaled \$11,846,025. This situation has allowed the increasing GRT to "catch up" with the

increased personnel costs so the FY 2008 budget will be balanced with the exception of the capital costs to be transferred to the governmental capital projects fund.

Due to growth in the northwest sector of the City, an additional fire station may be needed in the next few years. Another community issue, the Sycamore Park Community Center has completed the design process and bids for construction will soon be awarded. For FY 2008, both of these projects have some funding allocated, in the governmental capital projects fund and elsewhere, \$400 thousand for Fire Station #7 and \$1.8 million for the Sycamore Park Community Center. However, another \$4 million will be needed for these projects to be completed. The source for this funding has not yet been identified and without it the projects can not be completed. Other capital projects such as a regional animal shelter and a bridge over the Animas River are also in the planning stages.

During FY 2007, the City used the acquisition of the Animas Credit Union building to establish new offices for the Human Resources Department. The additional remodeling costs were funded from transfers to the governmental capital projects fund. Additional funding will be required in FY 2008 to remodel various other offices affected by the move.

The budget for 2007 was also affected by the implementation of new water and wastewater rates. Red Oak Consulting recommended the need to develop a revenue rate structure that would provide for the renewal and replacement of water and wastewater infrastructure, the rate adjustment was implemented and plans were made to start replacing the oldest and most deteriorated lines. This effort will continue in future years as the city upgrades it's aging infrastructure and expands the system to new customers. A list of priority projects will be developed for work in FY 2008.

The most favorable budget highlight for the year was the budget to actual comparison for the general fund at the end of the year. Actual revenue for the year exceeded the budget by \$3,172,250 or 6.9% and actual expenditures were under budget by \$678,713 or 1.3%. These results left the cash balance in the general fund at \$11,846,025 million which is equal to 22.6% of the FY 2008 beginning budget. This balance generates additional flexibility for the FY 2008 budget creating a significant "cushion" exists which allows for additional spending without creating negative financial consequences. The final FY 2008 budget anticipates spending down over \$2.2 million of this accumulated reserve, mostly for the Sycamore Park Community Center.

## **Capital Asset and Debt Administration**

**Capital Assets.** The City of Farmington's investment in capital assets for governmental and business type activities as of June 30, 2007 was \$374,509,567 (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 \$287,843,552 or 76.9% 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 \$8,492,159 or 3.0%. The governmental activities investment in capital assets accounted for \$86,666,015 or 23.1% of all capital assets owned by the City. The total increase in governmental activities investment in capital assets for the current year was \$(467,667) or (0.5)%.

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 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
Land	\$ 25,780,126	\$ 25,780,126	\$ 5,958,417	\$ 5,905,282	\$ 31,738,543	\$ 31,685,408
Buildings and system Improvements	25,599,746	25,276,672	61,072,050	63,768,452	86,671,796	89,045,124
Machinery & equipment	6,831,034	6,360,550	54,873,106	54,662,046	61,704,140	61,022,596
Infrastructure	11,036,089	7,508,552	128,373,488	125,127,246	139,409,577	132,635,798
Construction in progress	10,853,642	11,215,804	-	-	10,853,642	11,215,804
Total	6,565,378	10,991,978	37,566,491	29,888,367	44,131,869	40,880,345
	<u>\$ 86,666,015</u>	<u>\$ 87,133,682</u>	<u>\$ 287,843,552</u>	<u>\$ 279,351,393</u>	<u>\$ 374,509,567</u>	<u>\$ 366,485,075</u>

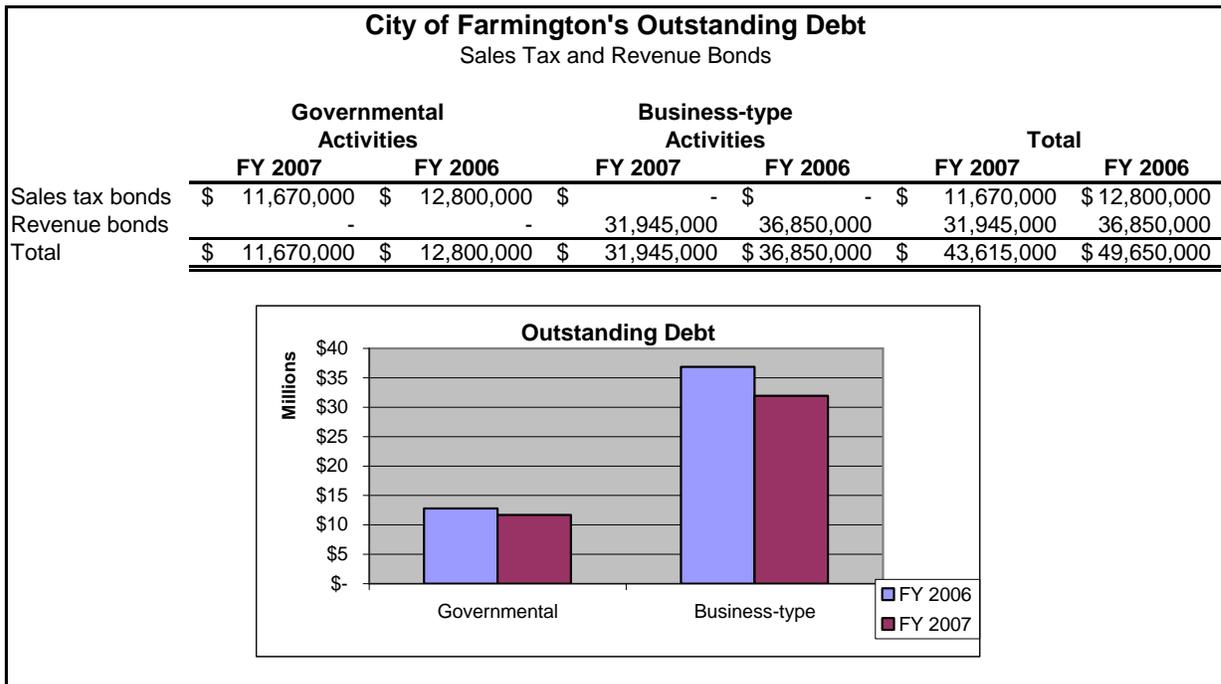
Capital expenditures for the electric utility system will average approximately \$16,196,500 per year over the next five fiscal years. Some large projects included in the FY 2008 capital budget are the new San Juan Switching Station (\$2,600,000), the Blanco Switching Station (\$4,770,000), the West Loop Switching Station (\$2,990,000), and miscellaneous customer projects (\$4,300,000). The City expects to fund these projects from electric customer-generated revenues.

Capital expenditures for the water utility system scheduled in the current five-year capital improvements plan principally include upgrades and replacements of existing facilities to maintain the existing system and meet future demand requirements. Capital expenditures average \$4,288,000 per year, totaling \$21,440,000 for fiscal years 2008 through 2012. In mid-year FY 2007, the City of Farmington implemented the first water rate increase since 1991. Included in this rate increase is a renewal and replacement fee, plus a water rights acquisition fee to generate revenues for capital projects and ensure adequate water sources for the future.

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 for positive control of stormwater discharges from the facility. The expansion added approximately 870,000 gallons of treatment capacity to the existing 5.8 mgd plant. Funding of the expansion came from a \$9,800,000 loan

obtained in August 2000 from the New Mexico Environment Department (NMED), which was later increased to \$13,000,000 in September 2002. As of June 30, 2007, draws on the loan were \$12,830,162 and interest on the draws during the construction period totaled \$1,348,028. The repayment phase of the loan began in FY 2007 with the final promissory note to the NMED, which equaled draws to date plus construction interest, and the first payment was paid June 30, 2007. The note bears interest at 3% per annum and will be amortized over twenty years and have equal annual installments. An additional expansion of the wastewater treatment plant in FY 2009 is estimated to cost \$7 million. During FY 2007, the wastewater fund implemented a rate increase and a new renewal and replacement fee to generate additional revenues for capital projects. Additional information on the City of Farmington's capital assets can be found in Note C on pages 37-39 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Farmington had total bonded debt outstanding of \$43,615,000. Of this amount, \$11,670,000 constitutes special, limited obligations of the City government, payable solely from the City's existing 1.225% State-shared gross receipts tax. This tax is collected by the State and distributed monthly to the City. Per the bond ordinance, interest may be earned on cash balances held by the City until debt payments are made. The bonds are not an indebtedness of the City within any constitutional or statutory provision or limitation and are not general obligations of the City. Consequently, the registered owners cannot look to the general fund or other fund for any payment that becomes due on the bonds other than the special funds that are specifically pledged for their payment under the terms of the bond ordinance. The remainder of the City of Farmington's debt is secured solely by specified revenue sources.



The City of Farmington's total net debt decreased \$6,035,000 or 12.2% during FY 2007. The wastewater utility system expended \$12,830,162 of the \$13,000,000 loan for its wastewater treatment plant expansion project and accrued \$1,348,028 in construction interest 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 2006 assessed valuation of \$875,898,611, the City's general obligation debt limit is \$35,035,944. The City presently has no general obligation bonds outstanding. For more detailed information on the City's debt, see pages 41-44 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, 2007

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 21,031,491	\$ 36,837,300	\$ 57,868,791
Receivables (net, where applicable, of allowances for uncollectibles):	863,166	5,877,007	6,740,173
Accrued unbilled revenues	-	5,675,594	5,675,594
Special assessments	10,057	-	10,057
Intergovernmental receivable	11,429,910	472,520	11,902,430
Internal balances	251,664	(251,664)	-
Inventories	275,307	4,128,680	4,403,987
Prepays	205,347	1,387,972	1,593,319
Deferred charges	158,174	295,879	454,053
Restricted assets			
Temporarily restricted:			
Cash and equivalents	-	21,981,497	21,981,497
Capital assets (not being depreciated):			
Land and land rights	25,780,126	5,958,417	31,738,543
Capital assets (net of accumulated depreciation):			
Buildings and system	25,599,746	61,072,050	86,671,796
Improvements other than buildings	6,831,034	54,873,106	61,704,140
Machinery and equipment	11,036,089	128,373,488	139,409,577
Infrastructure	10,853,642	-	10,853,642
Construction in progress	6,565,378	37,566,491	44,131,869
Total assets	120,891,131	364,248,337	485,139,468
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	2,540,828	6,064,546	8,605,374
Wages and benefits payable	809,501	241,396	1,050,897
Other accrued liabilities	40,399	1,197,248	1,237,647
Accrued claims liabilities	1,979,118	-	1,979,118
Retainage deposits payable	68,431	-	68,431
Unearned revenue	-	1,691	1,691
Accrued interest payable	19,592	177,663	197,255
Customer deposits	-	19,066,521	19,066,521
Non-current liabilities:			
Due within one year	1,242,179	6,261,984	7,504,163
Due in more than one year	11,824,655	42,041,042	53,865,697
Total liabilities	18,524,703	75,052,091	93,576,794
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	75,000,933	240,531,317	315,532,250
Restricted for:			
Debt service	310,848	2,914,976	3,225,824
Statutory reserve	4,180,754	-	4,180,754
Unrestricted	22,873,893	45,749,953	68,623,846
Total net assets	\$ 102,366,428	\$ 289,196,246	\$ 391,562,674

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, 2007**

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	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 24,470,791	\$ 6,906,273	\$ 1,285,717	\$ -	\$ (16,278,801)	\$ -	\$ (16,278,801)
Police	15,029,695	1,266,550	461,025	-	(13,302,120)	-	(13,302,120)
Fire	7,606,467	-	308,095	-	(7,298,372)	-	(7,298,372)
Parks, recreation, cultural affairs	13,769,347	888,618	25,659	-	(12,855,070)	-	(12,855,070)
Community development	10,776,798	95,485	519,900	-	(10,161,413)	-	(10,161,413)
Interest on long-term debt	511,126	-	-	-	(511,126)	-	(511,126)
Total governmental activities	<u>72,164,224</u>	<u>9,156,926</u>	<u>2,600,396</u>	<u>-</u>	<u>(60,406,902)</u>	<u>-</u>	<u>(60,406,902)</u>
Business-type activities:							
Electric	66,341,885	91,704,560	916,900	-	-	26,279,575	26,279,575
Water	7,207,259	8,688,421	-	-	-	1,481,162	1,481,162
Wastewater	5,274,284	5,214,261	310,969	-	-	250,946	250,946
Sanitation	4,002,806	4,051,998	-	-	-	49,192	49,192
Golf	1,164,683	1,113,328	-	-	-	(51,355)	(51,355)
Airport	1,453,617	601,675	-	495,436	-	(356,506)	(356,506)
Total business-type activities	<u>85,444,534</u>	<u>111,374,243</u>	<u>1,227,869</u>	<u>495,436</u>	<u>-</u>	<u>27,653,014</u>	<u>27,653,014</u>
Total government	<u>\$ 157,608,758</u>	<u>\$ 120,531,169</u>	<u>\$ 3,828,265</u>	<u>\$ 495,436</u>	<u>(60,406,902)</u>	<u>27,653,014</u>	<u>(32,753,888)</u>
General revenues:							
Property taxes					1,235,064	-	1,235,064
Sales taxes					51,818,982	-	51,818,982
Franchise taxes					1,045,698	-	1,045,698
Gasoline taxes					788,518	-	788,518
Cigarette taxes					55,803	-	55,803
Lodger's taxes					1,100,489	-	1,100,489
Miscellaneous					1,199,675	-	1,199,675
Unrestricted investment earnings					1,064,838	2,357,973	3,422,811
Transfers					1,346,115	(1,346,115)	-
Total general revenues and transfers					<u>59,655,182</u>	<u>1,011,858</u>	<u>60,667,040</u>
Change in net assets					(751,720)	28,664,872	27,913,152
Net assets - beginning					<u>103,118,148</u>	<u>260,531,374</u>	<u>363,649,522</u>
Net assets - ending					<u>\$ 102,366,428</u>	<u>\$ 289,196,246</u>	<u>\$ 391,562,674</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, 2007**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Pooled cash and investments	\$ 11,846,025	\$ 56,266	\$ 9,129,200	\$ 21,031,491
Receivables (net, where applicable, of allowances for uncollectibles):	486,290	254,582	-	740,872
Special assessments	10,057	-	-	10,057
Due from other funds	461,593	-	-	461,593
Inventories, at cost	158,151	-	117,156	275,307
Prepaid items	205,347	-	-	205,347
Intergovernmental	8,908,534	-	2,521,376	11,429,910
Total assets	<u>22,075,997</u>	<u>310,848</u>	<u>11,767,732</u>	<u>34,154,577</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts payable	1,123,551	-	1,359,645	2,483,196
Wages and benefits payable	789,812	-	19,689	809,501
Other accrued expenditures	40,399	-	-	40,399
Accrued claims payable	1,486,607	-	-	1,486,607
Retainage/deposits payable	68,431	-	-	68,431
Deferred revenue	1,372,318	-	94,450	1,466,768
Total liabilities	<u>4,881,118</u>	<u>-</u>	<u>1,473,784</u>	<u>6,354,902</u>
Fund Balances:				
Reserved for:				
Debt service	-	310,848	-	310,848
Prepays	205,347	-	-	205,347
Subsequent year's statutory reserve	4,180,754	-	-	4,180,754
Unreserved, reported in:				
Designated for debt service	2,000,000	-	-	2,000,000
General fund	10,808,778	-	-	10,808,778
Special revenue funds	-	-	9,331,067	9,331,067
Capital project funds	-	-	962,881	962,881
Total fund balances	<u>17,194,879</u>	<u>310,848</u>	<u>10,293,948</u>	<u>27,799,675</u>
Total liabilities and fund balances	\$ <u>22,075,997</u>	\$ <u>310,848</u>	\$ <u>11,767,732</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.	86,666,015
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,466,768
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.	(637,778)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(12,928,252)</u>
Net assets of governmental activities	\$ <u>102,366,428</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, 2007**

	<b>General</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>				
Taxes:				
Property	\$ 1,235,064	\$ -	\$ -	\$ 1,235,064
Gross receipts	39,806,346	1,527,492	10,485,144	51,818,982
Franchise	1,045,698	-	-	1,045,698
Gasoline	-	-	788,518	788,518
Cigarette	-	-	55,803	55,803
Lodger's	-	-	1,100,489	1,100,489
Licenses and permits	732,549	-	33,145	765,694
Intergovernmental	1,262,994	-	1,337,402	2,600,396
Charges for services	1,510,767	-	126,670	1,637,437
Fines	1,070,334	-	151,837	1,222,171
Special assessments	39,943	-	-	39,943
Investment earnings	602,650	28,526	433,662	1,064,838
Miscellaneous	614,272	-	585,403	1,199,675
Total revenues	47,920,617	1,556,018	15,098,073	64,574,708
<b>EXPENDITURES:</b>				
Current:				
General government	18,715,493	-	-	18,715,493
Police	14,005,315	-	672,864	14,678,179
Fire	7,084,937	-	180,787	7,265,724
Parks, recreation and cultural affairs	7,574,792	-	5,191,065	12,765,857
Community development	2,376,613	-	4,885,537	7,262,150
Debt service:				
Principal	-	1,130,000	-	1,130,000
Interest	-	512,905	-	512,905
Capital outlay:				
General government	-	-	462,935	462,935
Highways and streets	648,129	-	3,749,422	4,397,551
Public safety	-	-	63,779	63,779
Total expenditures	50,405,279	1,642,905	15,206,389	67,254,573
Excess (deficiency) of revenues over (under) expenditures	(2,484,662)	(86,887)	(108,316)	(2,679,865)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,991,115	110,000	1,187,696	3,288,811
Transfers out	(1,043,696)	-	(899,000)	(1,942,696)
Total other financing sources (uses)	947,419	110,000	288,696	1,346,115
Net change in fund balances	(1,537,243)	23,113	180,380	(1,333,750)
Fund balances-beginning	18,732,122	287,735	10,113,568	29,133,425
Fund balances- ending	\$ 17,194,879	\$ 310,848	\$ 10,293,948	\$ 27,799,675

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, 2007**

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)	\$ (1,333,750)
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.	(467,667)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	110,362
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.	1,250,081
The net revenue/expense of certain activities of internal service funds is reported with governmental activities.	<u>(310,746)</u>
Change in net assets of governmental activities (page 16)	<u>\$ (751,720)</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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 1,122,890	\$ 1,234,890	\$ 1,235,064	\$ 174
Gross receipts tax	39,083,537	39,083,537	39,806,346	722,809
Franchise taxes	785,000	875,000	1,045,698	170,698
Licenses and permits	830,420	780,420	732,549	(47,871)
Intergovernmental	1,066,787	1,066,787	1,262,994	196,207
Charges for services	1,680,752	1,709,752	1,510,767	(198,985)
Fines	1,035,500	985,500	1,070,334	84,834
Special assessments	23,100	23,100	39,943	16,843
Investment earnings	435,000	435,000	602,650	167,650
Miscellaneous	269,297	304,967	614,272	309,305
Total revenues	<u>46,332,283</u>	<u>46,498,953</u>	<u>47,920,617</u>	<u>1,421,664</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
Council	329,370	335,208	311,124	24,084
Municipal court	1,532,217	1,532,426	1,558,115	(25,689)
Administrative	8,470,410	9,102,573	9,933,542	(830,969)
Legal	1,061,281	1,066,738	1,192,179	(125,441)
Administrative services	836,420	889,196	643,832	245,364
General services	5,300,415	5,844,311	5,076,701	767,610
Total general government	<u>17,530,113</u>	<u>18,770,452</u>	<u>18,715,493</u>	<u>54,959</u>
Public safety:				
Police	13,563,409	13,942,155	14,005,315	(63,160)
Fire	6,844,717	6,896,520	7,084,937	(188,417)
Total public safety	<u>20,408,126</u>	<u>20,838,675</u>	<u>21,090,252</u>	<u>(251,577)</u>
Community development:				
Streets	661,860	662,012	648,129	13,883
Other-unclassified	2,897,934	2,919,142	2,376,613	542,529
Total community development	<u>3,559,794</u>	<u>3,581,154</u>	<u>3,024,742</u>	<u>556,412</u>
Parks, recreation and cultural affairs	7,648,119	7,893,711	7,574,792	318,919
Total expenditures	<u>49,146,152</u>	<u>51,083,992</u>	<u>50,405,279</u>	<u>678,713</u>
Excess of revenues over expenditures	<u>(2,813,869)</u>	<u>(4,585,039)</u>	<u>(2,484,662)</u>	<u>2,100,377</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	2,196,833	2,063,833	1,991,115	(72,718)
Transfers out	(2,697,000)	(2,867,000)	(1,043,696)	1,823,304
Total other financing sources and uses	<u>(500,167)</u>	<u>(803,167)</u>	<u>947,419</u>	<u>1,750,586</u>
Net change in fund balances	(3,314,036)	(5,388,206)	(1,537,243)	3,850,963
Fund balances-beginning	18,732,122	18,732,122	18,732,122	-
Fund balances-ending	<u>\$ 15,418,086</u>	<u>\$ 13,343,916</u>	<u>\$ 17,194,879</u>	<u>\$ 3,850,963</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, 2007**

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund	
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport		Totals
<b>ASSETS</b>								
Current assets:								
Pooled cash and investments	\$ 28,609,459	\$ 1,570,653	\$ 5,791,337	\$ 487,018	\$ 378,833	\$ -	\$ 36,837,300	\$ -
Accounts receivable (net of allowance for doubtful accounts)	4,302,392	786,416	531,179	236,700	2,827	17,493	5,877,007	122,294
Accrued unbilled revenues	4,816,281	519,889	174,223	165,201	-	-	5,675,594	-
Intergovernmental receivable	-	-	-	-	-	472,520	472,520	-
Inventories	3,970,643	146,686	11,351	-	-	-	4,128,680	-
Prepaid items	1,319,292	19,881	24,783	-	5,747	18,269	1,387,972	-
Restricted cash, cash equivalents and investments	20,980,626	649,030	351,841	-	-	-	21,981,497	-
Total current assets	<u>63,998,693</u>	<u>3,692,555</u>	<u>6,884,714</u>	<u>888,919</u>	<u>387,407</u>	<u>508,282</u>	<u>76,360,570</u>	<u>122,294</u>
Noncurrent assets:								
Deferred charges	236,458	51,025	8,396	-	-	-	295,879	-
Capital assets:								
Land and land rights	3,543,906	1,617,275	479,388	23,341	100,000	879,968	6,643,878	-
Building and system	55,449,709	13,994,247	22,376,821	80,640	781,367	1,962,488	94,645,272	-
Improvements other than buildings	44,909,600	28,565,477	11,228,294	14,839	2,473,353	17,066,159	104,257,722	-
Machinery and equipment	218,083,404	7,617,618	2,222,964	101,099	1,018,095	1,247,845	230,291,025	-
Construction in progress	34,605,200	555,393	199,809	-	-	2,206,089	37,566,491	-
Less accumulated depreciation	<u>(129,037,746)</u>	<u>(25,770,875)</u>	<u>(12,711,137)</u>	<u>(162,419)</u>	<u>(1,755,989)</u>	<u>(16,122,670)</u>	<u>(185,560,836)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>227,554,073</u>	<u>26,579,135</u>	<u>23,796,139</u>	<u>57,500</u>	<u>2,616,826</u>	<u>7,239,879</u>	<u>287,843,552</u>	<u>-</u>
Total noncurrent assets	<u>227,790,531</u>	<u>26,630,160</u>	<u>23,804,535</u>	<u>57,500</u>	<u>2,616,826</u>	<u>7,239,879</u>	<u>288,139,431</u>	<u>-</u>
Total assets	<u>\$ 291,789,224</u>	<u>\$ 30,322,715</u>	<u>\$ 30,689,249</u>	<u>\$ 946,419</u>	<u>\$ 3,004,233</u>	<u>\$ 7,748,161</u>	<u>\$ 364,500,001</u>	<u>\$ 122,294</u>

**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2007**

**Business-type Activities**  
**Enterprise Funds**

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Sanitation</u>	<u>Golf Courses</u>	<u>Airport</u>	<u>Totals</u>	<b>Governmental Activities Internal Service Fund</b>
<b>LIABILITIES</b>								
Current liabilities:								
Current liabilities payable from unrestricted assets:								
Accounts payable	\$ 4,708,646	\$ 730,475	\$ 185,196	\$ 497,156	\$ 48,977	\$ 135,492	\$ 6,305,942	\$ 57,632
Compensated absences	437,467	7,093	7,093	-	13,891	11,521	477,065	-
Due to other funds	-	-	-	-	-	251,664	251,664	209,929
Other accrued expenses	1,075,057	89,445	3,829	-	21,866	7,051	1,197,248	-
Accrued claims payable	-	-	-	-	-	-	-	492,511
Deferred revenue	-	1,691	-	-	-	-	1,691	-
Capital lease payable - current	-	-	-	-	106,438	-	106,438	-
Accrued interest payable	141,984	30,638	5,041	-	-	-	177,663	-
Revenue bonds payable	4,103,751	885,535	145,714	-	-	-	5,135,000	-
NMED loan	-	-	543,481	-	-	-	543,481	-
Total current liabilities payable from unrestricted assets	<u>10,466,905</u>	<u>1,744,877</u>	<u>890,354</u>	<u>497,156</u>	<u>191,172</u>	<u>405,728</u>	<u>14,196,192</u>	<u>760,072</u>
Current liabilities payable from restricted assets	<u>18,872,415</u>	<u>194,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,066,521</u>	<u>-</u>
Total current liabilities	<u>29,339,320</u>	<u>1,938,983</u>	<u>890,354</u>	<u>497,156</u>	<u>191,172</u>	<u>405,728</u>	<u>33,262,713</u>	<u>760,072</u>
Noncurrent liabilities:								
(net of unamortized discounts)								
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	22,512,681	4,857,940	799,368	-	-	-	28,169,989	-
NMED loan	-	-	13,107,058	-	-	-	13,107,058	-
Compensated absences	456,619	14,992	14,992	-	20,894	6,229	513,726	-
Capital lease payable	-	-	-	-	250,269	-	250,269	-
Total noncurrent liabilities	<u>22,969,300</u>	<u>4,872,932</u>	<u>13,921,418</u>	<u>-</u>	<u>271,163</u>	<u>6,229</u>	<u>42,041,042</u>	<u>-</u>
Total liabilities	<u>52,308,620</u>	<u>6,811,915</u>	<u>14,811,772</u>	<u>497,156</u>	<u>462,335</u>	<u>411,957</u>	<u>75,303,755</u>	<u>760,072</u>
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	200,937,641	20,835,660	9,200,518	57,500	2,260,119	7,239,879	240,531,317	-
Restricted for debt service	2,108,211	454,924	351,841	-	-	-	2,914,976	-
Unrestricted	36,434,752	2,220,216	6,325,118	391,763	281,779	96,325	45,749,953	(637,778)
Total net assets	<u>\$ 239,480,604</u>	<u>\$ 23,510,800</u>	<u>\$ 15,877,477</u>	<u>\$ 449,263</u>	<u>\$ 2,541,898</u>	<u>\$ 7,336,204</u>	<u>\$ 289,196,246</u>	<u>\$ (637,778)</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, 2007**

	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	\$ 91,199,674	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,199,674	\$ -
Water	-	8,685,765	-	-	-	-	8,685,765	-
Wastewater	-	-	5,212,226	-	-	-	5,212,226	-
Sanitation	-	-	-	3,999,078	-	-	3,999,078	-
Golf course	-	-	-	-	1,111,493	-	1,111,493	-
Airport	-	-	-	-	-	601,675	601,675	-
Health	-	-	-	-	-	-	-	5,491,681
Other revenues	504,886	2,656	2,035	52,920	1,835	-	564,332	-
Total operating revenues	<u>91,704,560</u>	<u>8,688,421</u>	<u>5,214,261</u>	<u>4,051,998</u>	<u>1,113,328</u>	<u>601,675</u>	<u>111,374,243</u>	<u>5,491,681</u>
Operating expenses:								
Salaries and fringe benefits	8,718,838	442,054	235,560	-	576,364	302,692	10,275,508	-
Purchased power, fuel and chemicals	39,162,790	-	-	-	-	-	39,162,790	-
Other operating expenses	8,206,758	5,019,570	3,434,658	3,997,032	391,131	369,863	21,419,012	5,802,427
Depreciation and amortization	8,941,903	1,461,755	1,132,772	5,774	197,188	781,062	12,520,454	-
Total operating expenses	<u>65,030,289</u>	<u>6,923,379</u>	<u>4,802,990</u>	<u>4,002,806</u>	<u>1,164,683</u>	<u>1,453,617</u>	<u>83,377,764</u>	<u>5,802,427</u>
Operating income (loss)	<u>26,674,271</u>	<u>1,765,042</u>	<u>411,271</u>	<u>49,192</u>	<u>(51,355)</u>	<u>(851,942)</u>	<u>27,996,479</u>	<u>(310,746)</u>
Nonoperating revenues (expenses):								
Investment earnings	1,920,523	118,339	278,483	19,656	13,074	7,898	2,357,973	-
Revenue from grants	-	-	310,394	-	-	495,436	805,830	-
Interest expense	(1,311,596)	(283,880)	(471,294)	-	-	-	(2,066,770)	-
Total nonoperating revenues (expenses)	<u>608,927</u>	<u>(165,541)</u>	<u>117,583</u>	<u>19,656</u>	<u>13,074</u>	<u>503,334</u>	<u>1,097,033</u>	<u>-</u>
Income (loss) before transfers	27,283,198	1,599,501	528,854	68,848	(38,281)	(348,608)	29,093,512	(310,746)
Capital contributions	916,900	-	575	-	-	-	917,475	-
Transfers in	-	-	-	-	-	645,000	645,000	-
Transfers out	(1,564,208)	(314,819)	(112,088)	-	-	-	(1,991,115)	-
Change in net assets	<u>26,635,890</u>	<u>1,284,682</u>	<u>417,341</u>	<u>68,848</u>	<u>(38,281)</u>	<u>296,392</u>	<u>28,664,872</u>	<u>(310,746)</u>
Total net assets-beginning	212,844,714	22,226,118	15,460,136	380,415	2,580,179	7,039,812	260,531,374	(327,032)
Total net assets-ending	<u>\$ 239,480,604</u>	<u>\$ 23,510,800</u>	<u>\$ 15,877,477</u>	<u>\$ 449,263</u>	<u>\$ 2,541,898</u>	<u>\$ 7,336,204</u>	<u>\$ 289,196,246</u>	<u>\$ (637,778)</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, 2007**

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund	
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport		Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Receipts from customers/users	\$ 87,808,597	\$ 8,354,413	\$ 5,084,896	\$ 3,996,534	\$ 1,115,135	\$ 176,350	\$ 106,535,925	\$ 5,843,275
Payments to suppliers	(47,108,573)	(4,509,081)	(3,340,659)	(3,938,635)	(468,628)	(236,076)	(59,601,652)	(5,754,711)
Payments to employees	(4,215,896)	(449,915)	(234,468)	-	(583,258)	(304,037)	(5,787,574)	-
Net cash provided by operating activities	<u>36,484,128</u>	<u>3,395,417</u>	<u>1,509,769</u>	<u>57,899</u>	<u>63,249</u>	<u>(363,763)</u>	<u>41,146,699</u>	<u>88,564</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
Transfer to other funds	(1,564,208)	(314,819)	(112,088)	-	-	-	(1,991,115)	(90,071)
Transfer from other funds	-	-	-	-	-	645,000	645,000	-
Operating grants	-	-	310,394	-	-	-	310,394	-
Net cash provided (used) by capital and related financing activities	<u>(1,564,208)</u>	<u>(314,819)</u>	<u>198,306</u>	<u>-</u>	<u>-</u>	<u>645,000</u>	<u>(1,035,721)</u>	<u>(90,071)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Capital contributions	916,900	-	575	-	-	-	917,475	-
Purchases of capital assets	-	-	-	-	-	(1,329,491)	(1,329,491)	-
Capital grants	-	-	-	-	-	495,436	495,436	-
Acquisition and construction of capital assets	(17,053,153)	(1,964,370)	(701,717)	-	-	-	(19,719,240)	-
Restricted assets	(4,405,153)	5,389	(1,625,387)	-	-	-	(6,025,151)	-
Principal paid on capital debt	278,921	(895,776)	952,277	-	-	-	335,422	-
Interest paid on capital debt	(1,311,596)	(283,880)	(471,294)	-	-	-	(2,066,770)	-
Net cash provided (used) by capital and related financing activities	<u>(21,574,081)</u>	<u>(3,138,637)</u>	<u>(1,845,546)</u>	<u>-</u>	<u>-</u>	<u>(834,055)</u>	<u>(27,392,319)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Interest and dividends received	1,920,523	118,339	278,483	19,656	13,074	7,898	2,357,973	-
Net increase in cash and cash equivalents	15,266,362	60,300	141,012	77,555	76,323	(544,920)	15,076,632	(1,507)
Cash and cash equivalents, July 1	34,323,723	2,128,368	5,997,063	409,463	302,510	291,060	43,452,187	-
Cash and cash equivalents, June 30, 2007	<u>\$ 49,590,085</u>	<u>\$ 2,188,668</u>	<u>\$ 6,138,075</u>	<u>\$ 487,018</u>	<u>\$ 378,833</u>	<u>\$ (253,860)</u>	<u>\$ 58,528,819</u>	<u>\$ (1,507)</u>

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

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund	
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport		Totals
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>								
Operating income (loss)	\$ 26,674,271	\$ 1,765,042	\$ 411,271	\$ 49,192	\$ (51,355)	\$ (851,942)	\$ 27,996,479	\$ (310,746)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:								
Depreciation expense	8,941,903	1,461,755	1,132,772	5,774	197,188	781,062	12,520,454	-
(Increase) decrease in accounts receivable	(1,067,779)	(171,997)	(98,323)	(37,721)	1,807	(425,325)	(1,799,338)	351,594
(Increase) in accrued unbilled revenues	(483,011)	(170,289)	(32,461)	(17,743)	-	-	(703,504)	-
(Increase) decrease in inventories	(358,665)	42,999	15,694	-	-	-	(299,972)	-
(Increase) in prepaid items	20,476	1,342	1,377	-	432	696	24,323	-
(Increase) in deferred revenue	(2,345,173)	8,278	1,419	-	-	-	(2,335,476)	-
(Increase) in other accrued expenses	138,011	6,207	1,092	-	(6,894)	(1,345)	137,071	-
(Increase) in accrued claims payable	-	-	-	-	-	-	-	(9,916)
(Increase) in customer deposits	4,364,931	(14,068)	-	-	-	-	4,350,863	-
Increase (decrease) in accounts payable	599,164	466,148	76,928	58,397	21,478	133,091	1,355,206	57,632
Increase (decrease) in capital lease	-	-	-	-	(99,407)	-	(99,407)	-
Total adjustments	9,809,857	1,630,375	1,098,498	8,707	114,604	488,179	13,150,220	399,310
Net cash provided by operating activities	\$ 36,484,128	\$ 3,395,417	\$ 1,509,769	\$ 57,899	\$ 63,249	\$ (363,763)	\$ 41,146,699	\$ 88,564



# Notes to the Financial Statements

## CITY OF FARMINGTON, NEW MEXICO

### NOTES TO FINANCIAL STATEMENTS

June 30, 2007

#### 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 43,600 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, 2007.

##### **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. Derived tax revenues (gross receipts taxes, cigarette taxes and gas taxes) are recognized when the underlying transaction takes place. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The *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 weighted-average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

### ***4. 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 \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Such assets, including infrastructure, have higher limits that must be met before they are capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Computer software costs, whether externally purchased or developed in-house, shall be capitalized if the total cost of the software equals or exceeds \$5,000 and has a life of at least two years. Library books are not capitalized.

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

	<u>Threshold</u>	<u>Estimated Useful Life</u>
Buildings and structures	\$ 10,000	7 - 45 years
Improvements other than buildings	\$ 10,000	5 - 75 years
Infrastructure	\$ 50,000	3 - 50 years
Personal property	\$ 5,000	5 - 45 years

## **6. *Compensated absences***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Accrued sick leave over 520 hours, (728 hours for fire shift personnel), may be converted to vacation time at the conversion ratio of three sick days to one vacation day at any time. A liability for accrued convertible sick leave is reported in the proprietary funds. A liability for these amounts is reported in the governmental funds only if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement). Payments of accrued compensated absences are made upon employee termination and usually are paid from either the general or electric fund.

## **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.

## **9. *Net Assets***

In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. None of the City's net assets are restricted as a result of enabling legislation adopted by the City. Invested in capital assets, net of related debt, represents the City's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

## **10. *Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in

the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**E. Reserved fund balances**

The New Mexico Department of Finance and Administration (DFA) requires that 1/12<sup>th</sup> of the general fund budgeted expenditures (\$4,180,754) 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 \$12,928,252 difference are as follows:

Bonds payable	\$ 11,670,000
Bond premium (to be amortized over the life of the debt)	153,254
Issuance costs (to be amortized over the life of the debt)	(158,174)
Accrued interest payable	19,592
Compensated absences payable	<u>1,243,580</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 12,928,252</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 \$(467,667) are as follows:

Capital outlay	\$ 6,113,514
Depreciation	(6,493,949)
Loss on disposals and other	<u>(87,232)</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>\$ (467,667)</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 \$1,250,081 are as follows:

Principal repayments	\$ 1,130,000
Amortization of bond premium	21,894
Amortization of issuance costs	(22,596)
Accrued interest	1,779
Compensated absences	<u>119,004</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>\$ 1,250,081</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 \$(310,746) difference are as follows:

Internal service charges for services	\$ 5,491,681
Internal service operating expenses	<u>(5,802,427)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (310,746)</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, 2007:

General Fund	\$ 1,067,539
Gross Receipts Tax Streets Fund	660,245
Gross Receipts Tax Parks & Public Works Fund	1,281,755
Parks Gifts and Grants Fund	27,626
Museum Gifts and Grants Fund	108
Lodgers Tax Fund	123
State Fire Fund	82,806
Gross Receipts Tax Bond Proceeds Projects Fund	25,376
Electric Utility Fund	2,804,174
Water Utility Fund	445,605
Wastewater Utility Fund	653,932
Golf Course Fund	72
Airport Fund	496,583
Total Encumbrances	\$ <u><u>7,545,944</u></u>

**B. Excess of expenditures over appropriations**

For the year ended June 30, 2007, all expenditures for all funds were within the budgeted amounts approved by the City Council.

**C. Deficit Fund Equity**

As of June 30, 2007, the health insurance internal service fund had a deficit net asset balance of \$(637,778). This deficit is equal to accrued payables of \$550,143 and an interfund loan of \$209,929, less receivables totaling \$122,294. Continued high claims contributed to this deficit. The negative net asset balance declined by \$310,746 over FY 2006. Beginning January 1, 2008, the retirees participating in the City of Farmington's health plan will be spun-off to the New Mexico Retiree Health Care Authority. This is anticipated to reduce the amount of claims in FY 2008 which will have a positive effect on the health fund's net asset balance.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

As of June 30, 2007, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Repurchase Agreements	\$ 3,017,647	0.08
Certificates of Deposit	59,100,000	0.96
State Treasurer's Pool	17,399,021	0.08
Total Fair Value	\$ <u><u>79,516,668</u></u>	
Portfolio weighted average maturity		<u>0.98</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, 2007, the City was in compliance with state statute. The City’s carrying amount of deposits as of June 30, 2007 was \$62,451,267 and the bank balance was \$66,188,510. Of the bank balance, \$400,000 was covered by federal depository insurance, \$36,792,539 was collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name, and \$28,995,971 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%.

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

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

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

The City has investments in the State Treasurer external investment pool (the Local Government Investment Pool). The investments are valued at fair value based on quoted market prices as of June 30, 2007. The State Treasurer Local Government Investment Pool (LGIP) is not SEC

registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1F, 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. The LGIP has been rated by Standard & Poor's and has received an AAAM rating.

## **B. Receivables**

Receivables as of June 30, 2007 are as follows:

Intergovernmental receivables are made up of the following amounts in the general and special

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Total</u>
<b>Receivables:</b>					
Accounts Receivable	\$ 486,290	\$ -	\$ 254,582	\$ 6,370,729	\$ 7,111,601
Unbilled Revenue	-	-	-	5,675,594	5,675,594
Special Assessments	10,057	-	-	-	10,057
Due from other funds	461,593	-	-	-	461,593
Intergovernmental	8,908,534	2,521,376	-	472,520	11,902,430
	<u>9,866,474</u>	<u>2,521,376</u>	<u>254,582</u>	<u>12,518,843</u>	<u>25,161,275</u>
Gross Receivables					
<b>Less:</b> Allowance for Uncollectibles	-	-	-	(493,722)	(493,722)
<b>Net Total Receivables:</b>	<u>\$ 9,866,474</u>	<u>\$ 2,521,376</u>	<u>\$ 254,582</u>	<u>\$ 12,025,121</u>	<u>\$ 24,667,553</u>

revenue funds: gross receipts taxes \$8,725,253, property taxes \$1,372,318, federal and state grants \$ 792,591, franchise taxes \$157,324, lodger's taxes \$265,472 and other taxes \$116,952. 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	\$ 92,087
Uncollectibles related to water sales	11,455
Uncollectibles related to wastewater charges	7,445
Uncollectibles related to sanitation charges	<u>4,060</u>
Total uncollectibles of the current fiscal year	<u>\$ 115,047</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. The City reported no unearned revenue during the year. At the end of the current fiscal year, *deferred revenue* reported in the governmental funds was as follows:

	<u>Unavailable</u>
Property Tax	<u>\$ 1,466,768</u>

## C. Capital assets

Capital asset activity for the year ended June 30, 2007 was as follows:

<b><u>Governmental activities</u></b>	Balance July 1, 2006	Transfers	Additions	Deletions	Balance June 30, 2007
Non-Depreciable Assets:					
Land	\$ 25,780,126	\$ -	\$ -	\$ -	\$ 25,780,126
Construction in progress	10,991,978	-	2,165,091	(6,591,691)	6,565,378
Total Non-Depreciable Assets	<u>36,772,104</u>	<u>-</u>	<u>2,165,091</u>	<u>(6,591,691)</u>	<u>32,345,504</u>
Depreciable Assets:					
Buildings	47,365,169	-	2,097,990	(24,076)	49,439,083
Improvements other than buildings	9,948,950	-	1,308,910	(9,900)	11,247,960
Equipment	22,298,221	(13,350)	5,822,034	(1,318,199)	26,788,706
Infrastructure	54,801,172	-	1,311,180	-	56,112,352
Total Depreciable Assets	<u>134,413,512</u>	<u>(13,350)</u>	<u>10,540,114</u>	<u>(1,352,175)</u>	<u>143,588,101</u>
Total Governmental Assets	<u>171,185,616</u>	<u>(13,350)</u>	<u>12,705,205</u>	<u>(7,943,866)</u>	<u>175,933,605</u>
Accumulated Depreciation:					
Buildings	(22,088,497)	-	(1,764,858)	14,018	(23,839,337)
Improvements other than buildings	(3,588,400)	-	(838,426)	9,900	(4,416,926)
Equipment	(14,789,669)	13,350	(2,217,323)	1,241,025	(15,752,617)
Infrastructure	(43,585,368)	-	(1,673,342)	-	(45,258,710)
Total Accumulated Depreciation	<u>(84,051,934)</u>	<u>13,350</u>	<u>(6,493,949)</u>	<u>1,264,943</u>	<u>(89,267,590)</u>
Net Governmental Assets	<u>\$ 87,133,682</u>	<u>\$ -</u>	<u>\$ 6,211,256</u>	<u>\$ (6,678,923)</u>	<u>\$ 86,666,015</u>
<b><u>Business-type activities</u></b>	Balance July 1, 2006	Transfers	Additions	Deletions	Balance June 30, 2007
Non-Depreciable Assets:					
Land	\$ 4,786,987	\$ -	\$ 95,000	\$ -	\$ 4,881,987
Construction in progress	29,888,367	-	16,895,434	(9,217,310)	37,566,491
Total Non-Depreciable Assets	<u>34,675,354</u>	<u>-</u>	<u>16,990,434</u>	<u>(9,217,310)</u>	<u>42,448,478</u>
Depreciable Assets:					
Land Rights	1,758,891	-	3,000	-	1,761,891
Buildings	94,632,294	-	12,978	-	94,645,272
Improvements other than buildings	101,085,200	-	3,277,527	(105,005)	104,257,722
Equipment	220,631,362	13,350	9,985,604	(339,291)	230,291,025
Total Depreciable Assets	<u>418,107,747</u>	<u>13,350</u>	<u>13,279,109</u>	<u>(444,296)</u>	<u>430,955,910</u>
Total Business-type Assets	<u>452,783,101</u>	<u>13,350</u>	<u>30,269,543</u>	<u>(9,661,606)</u>	<u>473,404,388</u>
Accumulated Depreciation:					
Land Rights	(640,596)	-	(44,865)	-	(685,461)
Buildings	(30,863,842)	-	(2,709,380)	-	(33,573,222)
Improvements other than buildings	(46,423,154)	-	(3,240,648)	279,186	(49,384,616)
Equipment	(95,504,116)	(13,350)	(6,705,411)	305,340	(101,917,537)
Total Accumulated Depreciation	<u>(173,431,708)</u>	<u>(13,350)</u>	<u>(12,700,304)</u>	<u>584,526</u>	<u>(185,560,836)</u>
Net Business-type Assets	<u>\$ 279,351,393</u>	<u>\$ -</u>	<u>\$ 17,569,239</u>	<u>\$ (9,077,080)</u>	<u>\$ 287,843,552</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	\$ 3,543,906	\$ 1,617,275	\$ 479,388	\$ 23,341	\$ 100,000	\$ 879,968
Buildings and Structures	55,449,709	13,994,247	22,376,821	80,640	781,367	1,962,488
Improvements other Than buildings	44,909,600	28,565,477	11,228,294	14,839	2,473,353	17,066,159
Equipment	<u>218,083,404</u>	<u>7,617,618</u>	<u>2,222,964</u>	<u>101,099</u>	<u>1,018,095</u>	<u>1,247,845</u>
Total	321,986,619	51,794,617	36,307,467	219,919	4,372,815	21,156,460
Less accumulated Depreciation	(129,037,746)	(25,770,875)	(12,711,137)	(162,419)	(1,755,989)	(16,122,670)
Work in progress	<u>34,605,200</u>	<u>555,393</u>	<u>199,809</u>	<u>-</u>	<u>-</u>	<u>2,206,089</u>
Net Assets	<u>\$ 227,554,073</u>	<u>\$ 26,579,135</u>	<u>\$ 23,796,139</u>	<u>\$ 57,500</u>	<u>\$ 2,616,826</u>	<u>\$ 7,239,879</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	\$ 568,573
Police	722,871
Fire	532,473
Parks, recreation, cultural affairs	2,717,380
Community development	573,887
Highways and streets	<u>1,378,765</u>
Total depreciation expense - governmental activities	\$ <u>6,493,949</u>

**Business-type activities:**

Electric	\$ 9,085,634
Water	1,492,770
Wastewater	1,137,875
Sanitation	5,774
Golf	197,188
Airport	<u>781,062</u>
Total depreciation expense - business-type activities	\$ <u>12,700,303</u>

## Construction commitments

The City has an active construction project as of June 30, 2007. The project is the building of the new Southside Community Center. At year end, the City's commitment with contractors was as follows:

<u>Project</u>	<u>Expended To Date</u>	<u>Remaining Commitment</u>
Southside Community Center	\$ 156,510	\$ 3,200,000

## D. Interfund receivables, payables and transfers

The composition of accrued claims and other accrued liabilities as of June 30, 2007 is as follows:

<u>Accrued Claims Payable</u>	<u>Governmental Funds</u>	<u>Health Fund</u>	<u>Total</u>
Health/WorkComp/Liability Claims	\$ 1,486,607	\$ 492,511	\$ 1,979,118
<b>Other Accrued Liabilities</b>			
Taxes	361	-	361
Intergovernmental	1,048	-	1,048
Court collections	10,872	-	10,872
Compensated absences	28,118	-	28,118
	<u>40,399</u>	<u>-</u>	<u>40,399</u>
<b>Total</b>	<b>\$ 1,527,006</b>	<b>\$ 492,511</b>	<b>\$ 2,019,517</b>

The composition of other accrued expenses as of June 30, 2007 is as follows:

<u>Other Accrued Expenses</u>	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Golf</u>	<u>Airport</u>	<u>Total</u>
Wages & benefits	\$ 213,430	\$ 4,235	\$ 2,910	\$ 14,860	\$ 5,962	\$ 241,397
Gross receipts taxes	425,387	68,581	-	7,006	1,089	502,063
Water conservation fee	-	16,629	-	-	-	16,629
Mainline extension/impact fee	-	-	919	-	-	919
Compensating taxes	52,240	-	-	-	-	52,240
Ad valorem taxes	207,500	-	-	-	-	207,500
Franchise taxes	136,077	-	-	-	-	136,077
PNM deferred credits	31,496	-	-	-	-	31,496
Billed customer deposits	8,927	-	-	-	-	8,927
<b>Total</b>	<b>\$ 1,075,057</b>	<b>\$ 89,445</b>	<b>\$ 3,829</b>	<b>\$ 21,866</b>	<b>\$ 7,051</b>	<b>\$ 1,197,248</b>

The composition of interfund balances as of June 30, 2007 is as follows:

<b>Interfund payables and receivables</b>		
	<u>Due From</u>	<u>Due To</u>
General fund - operating loan	\$ -	\$ 461,593
Airport fund - operating transfer	251,664	-
Health fund - operating loan	209,929	-
	<u>461,593</u>	<u>461,593</u>
Total Interfund Payables	<u>\$ 461,593</u>	<u>\$ 461,593</u>

<b>Transfers</b>		
	<u>In</u>	<u>Out</u>
<b>Governmental Funds</b>		
General fund - operating transfer to airport fund	\$ -	\$ 270,000
General fund - operating transfer to region II fund	-	30,000
General fund - operating transfer (pilt) from Electric/Water/Wastewater	1,991,115	-
General fund - transfer to general government capital projects fund	-	743,696
GRT streets fund – operating transfer to community development grant projects fund	-	414,000
GRT parks and public works – operating transfer to airport fund	-	75,000
Region II fund - matching funds for grant from general fund	30,000	-
State fire grant fund - matching funds for fire station to debt service fund	-	110,000
Community development grant projects fund – operating transfer from grt streets fund	414,000	-
General government capital projects fund - from general fund	743,696	-
General government capital projects fund - transfer to airport	-	300,000
Debt service fund - operating transfer from state fire fund	110,000	-
	<u>3,288,811</u>	<u>\$ 1,942,696</u>
Total governmental funds transfers	<u>3,288,811</u>	<u>\$ 1,942,696</u>
<b>Net governmental funds transfers</b>	<u>\$ 1,346,115</u>	
<b>Business-type funds</b>		
Electric utility fund - operating transfer (pilt) to general fund	\$ -	\$ 1,564,208
Water utility fund - operating transfer (pilt) to general fund	-	314,819
Wastewater utility fund - operating transfer (pilt) to general fund	-	112,088
Airport fund - operating transfer from general fund	270,000	-
Airport fund - transfer from general government capital projects fund	300,000	-
Airport fund - operating transfer from grt parks & public works fund	75,000	-
	<u>645,000</u>	<u>1,991,115</u>
Total business-type funds transfers	<u>\$ 645,000</u>	<u>1,991,115</u>
<b>Net business-type transfers</b>		<u>\$ 1,346,115</u>

## **E. Leases**

### **Capital Leases**

The City has entered into two lease agreements 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:

<b>Asset</b>	<b>Business Activities</b>
Machinery and equipment	\$ 579,397
Less: accumulated depreciation	(289,698)
Total	<u>\$ 289,699</u>

The future minimum lease obligation and the net present value of those minimum lease payments as of June 30, 2007 were as follows:

<b>Year Ending</b>	<b>Golf Course Turf</b>	
	<b>Golf Carts</b>	<b>Equipment</b>
June 30, 2008	\$ 39,499	\$ 88,032
June 30, 2009	<u>114,980</u>	<u>146,626</u>
Total minimum lease payments	154,479	234,658
Less: amount representing interest payments	<u>(14,414)</u>	<u>(18,016)</u>
	<u>\$ 140,065</u>	<u>\$ 216,642</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, 2007 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.

Revenue bonds outstanding as of June 30, 2007 are as follows:

	Interest Rates	Interest				Total
		General Govt	Electric	Water	Wastewater	
<b>Governmental Activities</b>						
Sales Tax Bonds 2001	4.00 - 5.00%	\$ 6,570,000	\$ -	\$ -	\$ -	\$ 6,570,000
Sales Tax Bonds 2005	3.25 - 4.00%	5,100,000	-	-	-	5,100,000
<b>Business Activities</b>						
Serial Bonds 2002	3.50 - 5.00%	-	25,529,566	5,508,944	906,490	31,945,000
<b>Total</b>		<b>\$11,670,000</b>	<b>\$25,529,566</b>	<b>\$ 5,508,944</b>	<b>\$ 906,490</b>	<b>\$43,615,000</b>

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

Year Ending June 30	General Govt.		Electric		Water		Wastewater	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2008	\$ 1,180,000	\$ 470,217	\$ 4,103,751	\$ 1,135,868	\$ 885,535	\$ 245,105	\$ 145,714
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	172,955	13,124
2013	1,420,000	225,680	3,232,653	126,073	697,565	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	-	-	-	-	-	-
<b>Total</b>	<b>\$ 11,670,000</b>	<b>\$ 2,565,947</b>	<b>\$ 25,529,566</b>	<b>\$ 4,027,214</b>	<b>\$ 5,508,944</b>	<b>\$ 869,019</b>	<b>\$ 906,490</b>	<b>\$142,997</b>

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. As of June 30, 2007, the City was in compliance with all significant limitations and restrictions.

**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. As of June 30, 2007, the City has received \$12,830,162 in draw down payments and accrued \$1,346,974 in construction interest. Repayment of the loan, which includes payments plus construction interest, began on June 30, 2007, one year after completion of the expansion.

The NMED loan repayment schedule is as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2008	\$ 543,481	\$ 409,516
2009	559,785	393,212
2010	576,579	376,418
2011	593,876	359,121
2012	611,693	341,305
2013-2017	3,344,985	1,420,000
2018-2022	3,877,756	887,229
2023-2026	3,542,384	269,605
<b>Total</b>	<b>\$ 13,650,539</b>	<b>\$ 4,456,406</b>

**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, 2007 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, 2007, the following outstanding bonds are considered defeased (amounts in thousands):

	<b>Series 1983 B</b>	<b>Series 1992</b>
Original issue amount	\$ 37,950	\$ 49,205
Retired prior to fiscal year	(32,065)	(8,925)
Retired during the year ended 2007	(3,905)	(7,270)
Balance of principal remaining	<u>\$ 1,980</u>	<u>\$ 33,010</u>
Interest payments made during year ended June 30, 2007	\$ 581	\$ 2,320

## **Changes in Long-term Liabilities**

During the year ended June 30, 2007, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Governmental activities:</b>					
Bonds payable:					
2001 Sales tax revenue	\$ 7,365,000	\$ -	\$ (795,000)	\$ 6,570,000	\$ 830,000
2005 Sales tax revenue	5,435,000	-	(335,000)	5,100,000	350,000
Premium on bonds	175,148	-	(21,894)	153,254	-
Total bonds payable	12,975,148	-	(1,151,894)	11,823,254	1,180,000
Compensated absences	1,362,584	1,376,615	(1,495,619)	1,243,580	62,179
Total long-term liabilities Governmental activities	\$ 14,337,732	\$ 1,376,615	\$ (2,647,513)	\$ 13,066,834	\$ 1,242,179
<b>Business-type activities:</b>					
Bonds payable:					
Series 2002A	\$ 36,850,000	\$ -	\$ (4,905,000)	\$ 31,945,000	\$ 5,135,000
Premium on bonds	1,589,846	-	(229,857)	1,359,989	-
Total bonds payable	38,439,846	-	(5,134,857)	33,304,989	5,135,000
NMED loan	12,830,162	1,348,028	(527,651)	13,650,539	543,481
Capital leases	456,114	-	(99,407)	356,707	106,438
Compensated absences	970,208	497,652	(477,069)	990,791	477,065
Total long-term liabilities Business-type activities	\$ 52,696,330	\$ 1,845,680	\$ (6,238,984)	\$ 48,303,026	\$ 6,261,984

## **G. Restricted Assets**

The following is a summary of restricted assets as of June 30, 2007:

### ***Enterprise Funds***

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Revenue bond current debt service	\$ 509,866	\$ 110,022	\$ 18,104	\$ 637,992
NMED loan debt service reserves	-	-	276,984	276,984
Revenue bond renewal, replacement and contingency account	1,598,345	344,902	56,753	2,000,000
Customer deposits/overpayments	18,872,415	194,106	-	19,066,521
Total restricted assets	\$ 20,980,626	\$ 649,030	\$ 351,841	\$ 21,981,497

## **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, 2005		June 30, 2006		June 30, 2007	
	Health	Risk Mgmt	Health	Risk Mgmt	Health	Risk Mgmt
Unpaid claims, beginning of fiscal year	\$1,258,436	\$1,486,966	\$ 718,182	\$1,508,352	\$ 502,427	\$1,075,404
Incurred claims and changes in estimate	2,313,954	431,857	2,974,866	398,126	4,206,951	822,406
Claim payments	(2,854,208)	(410,471)	(3,190,621)	(831,074)	(4,216,867)	(411,203)
Unpaid claims, end of fiscal year	\$ 718,182	\$1,508,352	\$ 502,427	\$1,075,404	\$ 492,511	\$1,486,607

#### **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 2007, the City contributed \$30,398 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 2007 the City did not make any financial contribution to the Commission. Complete financial statements may be obtained by contacting the San Juan Water Commission.

#### **D. Other Post Employment Benefits**

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or the out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65 percent of the employee's annual salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained in writing by the Retiree Health Care Authority, 4308 Carlisle Blvd., NE, Suite 104, Albuquerque, New Mexico 87107.

For the year ended June 30, 2007, the City remitted \$1,638,662 in employer contributions and \$0 in employee contributions to the Retiree Health Care Authority as a one-time buy-in into the Retiree Health Care Authority. The City recorded \$1,274,744 and \$363,918 as an expense in the general fund and the enterprise funds, respectively, for the year ended June 30, 2007.

#### **E. Employee Retirement Systems and Plans**

##### ***Public Employees Retirement Association (PERA)***

**Plan Description.** 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, 2007 are equal to percentages of annual salaries as follows:

	<b>City</b>	<b>Employee</b>	
	<b>Contribution</b>	<b>Contribution</b>	<b>Total</b>
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, 2007 were \$7,805,193, (which consisted of \$4,001,094 from the City and \$3,804,099 from employees; representing 12.3% and 11.7% of covered payroll, respectively). The payroll for employees covered by PERA for the year ended June 30, 2007 was \$32,407,280; the total payroll for all employees of the City was \$39,335,045.

PERA contributions for the past three years are as follows:

<b>Fiscal</b>	<b>Annual</b>	<b>Percentage</b>	<b>Net</b>
<b>Year</b>	<b>Pension</b>	<b>Contribution</b>	<b>Benefit</b>
	<b>Cost</b>		<b>Obligation</b>
2005	\$ 6,518,720	100%	\$ -
2006	\$ 7,278,096	100%	\$ -
2007	\$ 7,805,193	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, 2008. The company is responsible for operating expenditures, as well as repairs and replacements up to \$2,000. The City paid approximately \$4.7 million for contracted services for the year ended June 30, 2007.

#### **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, 2007 was \$1,361,020,000. 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. Accounting Standard Pronouncements**

In June 2004, GASB issued Statement No. 45 "Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions" which is effective for the City's fiscal year ending June 30, 2008. As the City has joined the State of New Mexico Retiree Health Care Plan, the requirements of this statement are not expected to have an effect on the City.

# 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.

**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.

**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 a new fire station.

**Governmental Capital Projects Fund** – This fund is used to account for capital projects that are funded with transfers from the general fund.

---

## 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, 2007**

	<b>Special Revenue</b>				
	<b>Gross Receipts Tax Streets</b>	<b>Gross Receipts Tax Parks and Public Works</b>	<b>Park Development Fees</b>	<b>Recreation</b>	<b>Library Gifts and Grants</b>
<b>ASSETS:</b>					
Pooled cash and investments	\$ 2,985,555	\$ 3,549,276	\$ 353,283	\$ -	\$ 180,524
Inventory	-	117,156	-	-	-
Intergovernmental receivable	977,493	954,608	-	5,152	-
Total assets	3,963,048	4,621,040	353,283	5,152	180,524
<b>LIABILITIES:</b>					
Accounts payable	855,983	354,722	-	-	-
Deferred revenue	39,426	-	-	-	-
Accrued wages payable	-	6,909	-	-	-
Total liabilities	895,409	361,631	-	-	-
<b>FUND BALANCES:</b>					
Unreserved - designated for subsequent years	3,067,639	4,259,409	353,283	5,152	180,524
Unreserved	-	-	-	-	-
Total fund balances	3,067,639	4,259,409	353,283	5,152	180,524
Total liabilities and fund balances	\$ 3,963,048	\$ 4,621,040	\$ 353,283	\$ 5,152	\$ 180,524

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, 2007**

**Special Revenue**

	<u>Parks/ Recreation Gifts and Grants</u>	<u>Museum Gifts and Grants</u>	<u>Lodgers Tax</u>	<u>State Police Protection Grant</u>	<u>Region II Narcotics Grant</u>
<b>ASSETS:</b>					
Pooled cash and investments	\$ 309,291	\$ 64,731	\$ 463,017	\$ 402	\$ 220,009
Inventory	-	-	-	-	-
Intergovernmental receivable	104,310	-	265,472	-	126,437
Total assets	<u>413,601</u>	<u>64,731</u>	<u>728,489</u>	<u>402</u>	<u>346,446</u>
<b>LIABILITIES:</b>					
Accounts payable	9,359	291	-	-	42,585
Deferred revenue	-	-	55,024	-	-
Accrued wages payable	2,663	-	6,022	-	2,976
Total liabilities	<u>12,022</u>	<u>291</u>	<u>61,046</u>	<u>-</u>	<u>45,561</u>
<b>FUND BALANCES:</b>					
Unreserved - designated for subsequent years	401,579	64,440	667,443	402	300,885
Unreserved	-	-	-	-	-
Total fund balances	<u>401,579</u>	<u>64,440</u>	<u>667,443</u>	<u>402</u>	<u>300,885</u>
Total liabilities and fund balances	<u>\$ 413,601</u>	<u>\$ 64,731</u>	<u>\$ 728,489</u>	<u>\$ 402</u>	<u>\$ 346,446</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, 2007**

	<b>Special Revenue</b>			
	<b>Law Enforcement Block Grant</b>	<b>State Fire Grant</b>	<b>Penalty Assessment</b>	<b>Total Special Revenue</b>
<b>ASSETS:</b>				
Pooled cash and investments	\$ 3,993	\$ 26,318	\$ 27,577	\$ 8,183,976
Inventory	-	-	-	117,156
Intergovernmental receivable	-	-	-	2,433,472
Total assets	3,993	26,318	27,577	10,734,604
<b>LIABILITIES:</b>				
Accounts payable	-	-	27,577	1,290,517
Deferred revenue	-	-	-	94,450
Accrued wages payable	-	-	-	18,570
Total liabilities	-	-	27,577	1,403,537
<b>FUND BALANCES:</b>				
Unreserved - designated for subsequent years	3,993	26,318	-	9,331,067
Unreserved	-	-	-	-
Total fund balances	3,993	26,318	-	9,331,067
Total liabilities and fund balances	\$ 3,993	\$ 26,318	\$ 27,577	\$ 10,734,604

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, 2007**

**Capital Projects**

	<u>Community Development Grant Projects</u>	<u>Library Constuction Project</u>	<u>Fire GRT Bond Projects</u>	<u>Governmental Capitai Projects</u>	<u>Total Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS:</b>						
Pooled cash and investments	\$ 884,659	\$ -	\$ -	\$ 60,565	\$ 945,224	\$ 9,129,200
Inventory	-	-	-	-	-	117,156
Intergovernmental receivable	87,904	-	-	-	87,904	2,521,376
Total assets	<u>972,563</u>	<u>-</u>	<u>-</u>	<u>60,565</u>	<u>1,033,128</u>	<u>11,767,732</u>
<b>LIABILITIES:</b>						
Accounts payable	8,563	-	-	60,565	69,128	1,359,645
Deferred revenue	-	-	-	-	-	94,450
Accrued wages payable	1,119	-	-	-	1,119	19,689
Total liabilities	<u>9,682</u>	<u>-</u>	<u>-</u>	<u>60,565</u>	<u>70,247</u>	<u>1,473,784</u>
<b>FUND BALANCES:</b>						
Unreserved - designated for special revenue purposes	-	-	-	-	-	9,331,067
Unreserved - designated for capital projects	962,881	-	-	-	962,881	962,881
Total fund balances	<u>962,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>962,881</u>	<u>10,293,948</u>
Total liabilities and fund balances	<u>\$ 972,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,565</u>	<u>\$ 1,033,128</u>	<u>\$ 11,767,732</u>

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

**CITY OF FARMINGTON**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

**Special Revenue**

	<b>Gross Receipts Tax Streets</b>	<b>Gross Receipts Tax Parks and Public Works</b>	<b>Park Development Fees</b>	<b>Recreation</b>	<b>Library Gifts and Grants</b>
<b>REVENUES:</b>					
Taxes:					
Gross receipts tax	\$ 4,975,824	\$ 5,509,320	\$ -	\$ -	-
Gasoline taxes	788,518	-	-	-	-
Cigarette taxes	-	-	-	55,803	-
Lodger's taxes	-	-	-	-	-
Licenses and permits	-	-	33,145	-	-
Intergovernmental	-	-	-	-	22,723
Charges for services	-	-	-	-	-
Fines	-	-	-	-	-
Investment earnings	162,112	142,241	14,766	-	13,889
Donations	-	-	-	-	54,370
Miscellaneous	2,361	3,323	11	-	293
Total revenues	<u>5,928,815</u>	<u>5,654,884</u>	<u>47,922</u>	<u>55,803</u>	<u>91,275</u>
<b>EXPENDITURES:</b>					
Current:					
Police operations	-	-	-	-	-
Fire operations	-	-	-	-	-
Parks, recreation and cultural affairs	-	2,993,394	42,593	50,651	339,709
Community development	3,324,832	1,560,705	-	-	-
Capital outlay:					
Highways and streets	2,894,645	-	-	-	-
Total expenditures	<u>6,219,477</u>	<u>4,554,099</u>	<u>42,593</u>	<u>50,651</u>	<u>339,709</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(290,662)</u>	<u>1,100,785</u>	<u>5,329</u>	<u>5,152</u>	<u>(248,434)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers out	(414,000)	(75,000)	-	-	-
Total other financing sources (uses)	<u>(414,000)</u>	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(704,662)	1,025,785	5,329	5,152	(248,434)
Fund balances-beginning	3,772,301	3,233,624	347,954	-	428,958
Fund balances-ending	<u>\$ 3,067,639</u>	<u>\$ 4,259,409</u>	<u>\$ 353,283</u>	<u>\$ 5,152</u>	<u>\$ 180,524</u>

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

**CITY OF FARMINGTON**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

**Special Revenue**

	<b>Parks/ Recreation Gifts and Grants</b>	<b>Museum Gifts and Grants</b>	<b>Lodgers Tax</b>	<b>State Police Protection Grant</b>	<b>Region II Narcotics Grant</b>
<b>REVENUES:</b>					
Taxes:					
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -
Gasoline taxes	-	-	-	-	-
Cigarette taxes	-	-	-	-	-
Lodger's taxes	-	-	1,100,489	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	25,359	300	-	89,400	371,625
Charges for services	-	126,670	-	-	-
Fines	-	-	-	-	-
Investment earnings	19,045	2,241	21,170	-	-
Donations	333,610	13,390	-	-	-
Miscellaneous	171,944	280	881	296	1,053
Total revenues	<u>549,958</u>	<u>142,881</u>	<u>1,122,540</u>	<u>89,696</u>	<u>372,678</u>
<b>EXPENDITURES:</b>					
Current:					
Police operations	-	-	-	90,632	383,252
Fire operations	-	-	-	-	-
Parks, recreation and cultural affairs	655,595	86,915	1,022,208	-	-
Community development	-	-	-	-	-
Capital outlay:					
Highways and streets	-	-	-	-	-
Total expenditures	<u>655,595</u>	<u>86,915</u>	<u>1,022,208</u>	<u>90,632</u>	<u>383,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(105,637)</u>	<u>55,966</u>	<u>100,332</u>	<u>(936)</u>	<u>(10,574)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
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	(105,637)	55,966	100,332	(936)	19,426
Fund balances-beginning	507,216	8,474	567,111	1,338	281,459
Fund balances-ending	<u>\$ 401,579</u>	<u>\$ 64,440</u>	<u>\$ 667,443</u>	<u>\$ 402</u>	<u>\$ 300,885</u>

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

**CITY OF FARMINGTON**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

	<u>Special Revenue</u>			<u>Total Special Revenue</u>
	<u>Law Enforcement Block Grant</u>	<u>State Fire Grant</u>	<u>Penalty Assessment</u>	
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	10,485,144
Gasoline taxes	-	-	-	788,518
Cigarette taxes	-	-	-	55,803
Lodger's taxes	-	-	-	1,100,489
Licenses and permits	-	-	-	33,145
Intergovernmental	-	308,095	-	817,502
Charges for services	-	-	-	126,670
Fines	-	-	151,837	151,837
Investment earnings	423	6,561	-	382,448
Donations	-	2,000	-	403,370
Miscellaneous	-	449	-	180,891
Total revenues	<u>423</u>	<u>317,105</u>	<u>151,837</u>	<u>14,525,817</u>
<b>EXPENDITURES:</b>				
Current:				
Police operations	47,143	-	151,837	672,864
Fire operations	-	180,787	-	180,787
Parks, recreation and cultural affairs	-	-	-	5,191,065
Community development	-	-	-	4,885,537
Capital outlay:				
Highways and streets	-	-	-	2,894,645
Total expenditures	<u>47,143</u>	<u>180,787</u>	<u>151,837</u>	<u>13,824,898</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(46,720)</u>	<u>136,318</u>	<u>-</u>	<u>700,919</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	30,000
Transfers out	-	(110,000)	-	(599,000)
Total other financing sources (uses)	<u>-</u>	<u>(110,000)</u>	<u>-</u>	<u>(569,000)</u>
Net change in fund balances	(46,720)	26,318	-	131,919
Fund balances-beginning	50,713	-	-	9,199,148
Fund balances-ending	<u>\$ 3,993</u>	<u>\$ 26,318</u>	<u>\$ -</u>	<u>\$ 9,331,067</u>

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

**CITY OF FARMINGTON**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

	<u>Capital Projects</u>					
	<u>Community Development Grant Projects</u>	<u>Library Constuction Project</u>	<u>Fire GRT Bond Projects</u>	<u>Governmental Capital Projects</u>	<u>Total Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES:</b>						
Taxes:						
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -	10,485,144
Gasoline taxes	-	-	-	-	-	788,518
Cigarette taxes	-	-	-	-	-	55,803
Lodger's taxes	-	-	-	-	-	1,100,489
Licenses and permits	-	-	-	-	-	33,145
Intergovernmental	519,900	-	-	-	519,900	1,337,402
Charges for services	-	-	-	-	-	126,670
Fines	-	-	-	-	-	151,837
Investment earnings	32,192	-	275	18,747	51,214	433,662
Donations	-	-	-	-	-	403,370
Miscellaneous	345	-	305	492	1,142	182,033
Total revenues	<u>552,437</u>	<u>-</u>	<u>580</u>	<u>19,239</u>	<u>572,256</u>	<u>15,098,073</u>
<b>EXPENDITURES:</b>						
Current:						
Police operations	-	-	-	-	-	672,864
Fire operations	-	-	-	-	-	180,787
Parks, recreation and cultural affairs	-	-	-	-	-	5,191,065
Community development	-	-	-	-	-	4,885,537
Capital outlay:						
General government	-	-	-	462,935	462,935	462,935
Highways and streets	854,777	-	-	-	854,777	3,749,422
Public safety	-	-	63,779	-	63,779	63,779
Total expenditures	<u>854,777</u>	<u>-</u>	<u>63,779</u>	<u>462,935</u>	<u>1,381,491</u>	<u>15,206,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(302,340)</u>	<u>-</u>	<u>(63,199)</u>	<u>(443,696)</u>	<u>(809,235)</u>	<u>(108,316)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	414,000	-	-	743,696	1,157,696	1,187,696
Transfers out	-	-	-	(300,000)	(300,000)	(899,000)
Total other financing sources (uses)	<u>414,000</u>	<u>-</u>	<u>-</u>	<u>443,696</u>	<u>857,696</u>	<u>288,696</u>
Net change in fund balances	111,660	-	(63,199)	-	48,461	180,380
Fund balances-beginning	851,221	-	63,199	-	914,420	10,113,568
Fund balances-ending	<u>\$ 962,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 962,881</u>	<u>\$ 10,293,948</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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Gross receipts taxes	\$ 4,882,383	\$ 4,882,383	\$ 4,975,824	\$ 93,441
Gasoline taxes	950,000	950,000	788,518	(161,482)
Investment earnings	53,000	53,000	162,112	109,112
Miscellaneous	-	-	2,361	2,361
Total revenues	<u>5,885,383</u>	<u>5,885,383</u>	<u>5,928,815</u>	<u>43,432</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	4,156,699	4,467,628	3,324,832	1,142,796
Capital Outlay:				
Highways and streets	1,935,000	2,048,642	2,894,645	(846,003)
Total expenditures	<u>6,091,699</u>	<u>6,516,270</u>	<u>6,219,477</u>	<u>296,793</u>
Excess (deficiency) of revenues over (under) expenditures	(206,316)	(630,887)	(290,662)	340,225
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(414,000)	(414,000)	(414,000)	-
Net change in fund balances	(620,316)	(1,044,887)	(704,662)	340,225
Fund balances-beginning	3,772,301	3,772,301	3,772,301	-
Fund balances-ending	<u>\$ 3,151,985</u>	<u>\$ 2,727,414</u>	<u>\$ 3,067,639</u>	<u>\$ 340,225</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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Gross receipts taxes	\$ 5,415,883	\$ 5,415,883	\$ 5,509,320	\$ 93,437
Investment earnings	55,000	90,000	142,241	52,241
Miscellaneous	-	1,730	3,323	1,593
Total revenues	5,470,883	5,507,613	5,654,884	147,271
<b>EXPENDITURES:</b>				
Current:				
Parks, Recreation and Cultural Affairs	2,939,279	3,558,664	2,993,394	565,270
Community development	4,202,285	4,145,199	1,560,705	2,584,494
Total expenditures	7,141,564	7,703,863	4,554,099	3,149,764
Excess (deficiency) of revenues over (under) expenditures	(1,670,681)	(2,196,250)	1,100,785	3,297,035
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(74,000)	(75,000)	(75,000)	-
Net change in fund balances	(1,744,681)	(2,271,250)	1,025,785	3,297,035
Fund balances-beginning	3,233,624	3,233,624	3,233,624	-
Fund balances-ending	\$ 1,488,943	\$ 962,374	\$ 4,259,409	\$ 3,297,035

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Licenses and permits	\$ 60,000	\$ 60,000	\$ 33,145	\$ (26,855)
Investment earnings	12,000	12,000	14,766	2,766
Miscellaneous	-	-	11	11
Total revenues	72,000	72,000	47,922	(24,078)
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation and cultural affairs	60,000	210,000	42,593	167,407
Excess (deficiency) of revenues over (under) expenditures	12,000	(138,000)	5,329	143,329
Fund balances-beginning	347,954	347,954	347,954	-
Fund balances-ending	\$ 359,954	\$ 209,954	\$ 353,283	\$ 143,329

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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Cigarette taxes	\$ 47,000	\$ 50,700	\$ 55,803	\$ 5,103
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation and cultural affairs	47,000	50,700	50,651	49
Excess (deficiency) of revenues over (under) expenditures	-	-	5,152	5,152
Fund balances-beginning	-	-	-	-
Fund balances-ending	\$ -	\$ -	\$ 5,152	\$ 5,152

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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 125,000	\$ 125,000	\$ 22,723	\$ (102,277)
Investment earnings	14,000	14,000	13,889	(111)
Donations	25,000	25,000	54,370	29,370
Miscellaneous	-	-	293	293
Total revenues	<u>164,000</u>	<u>164,000</u>	<u>91,275</u>	<u>(72,725)</u>
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation and cultural affairs	<u>157,000</u>	<u>505,449</u>	<u>339,709</u>	<u>165,740</u>
Excess (deficiency) of revenues over (under) expenditures	7,000	(341,449)	(248,434)	93,015
Fund balances-beginning	<u>428,958</u>	<u>428,958</u>	<u>428,958</u>	<u>-</u>
Fund balances-ending	<u>\$ 435,958</u>	<u>\$ 87,509</u>	<u>\$ 180,524</u>	<u>\$ 93,015</u>

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 21,000	\$ 21,000	\$ 25,359	\$ 4,359
Investment earnings	17,000	17,000	19,045	2,045
Donations	92,600	132,600	333,610	201,010
Miscellaneous	129,300	259,300	171,944	(87,356)
Total revenues	259,900	429,900	549,958	120,058
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation and cultural affairs	264,429	698,368	655,595	42,773
Excess (deficiency) of revenues over (under) expenditures	(4,529)	(268,468)	(105,637)	162,831
Fund balances-beginning	507,216	507,216	507,216	-
Fund balances-ending	\$ 502,687	\$ 238,748	\$ 401,579	\$ 162,831

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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ 300	\$ 300
Charges for Services	120,125	120,125	126,670	6,545
Investment earnings	1,000	1,000	2,241	1,241
Donations	27,500	27,500	13,390	(14,110)
Miscellaneous	-	-	280	280
Total revenues	<u>148,625</u>	<u>148,625</u>	<u>142,881</u>	<u>(5,744)</u>
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation and cultural affairs	<u>153,625</u>	<u>113,635</u>	<u>86,915</u>	<u>26,720</u>
Excess (deficiency) of revenues over (under) expenditures	(5,000)	34,990	55,966	20,976
Fund balances-beginning	<u>8,474</u>	<u>8,474</u>	<u>8,474</u>	<u>-</u>
Fund balances-ending	<u>\$ 3,474</u>	<u>\$ 43,464</u>	<u>\$ 64,440</u>	<u>\$ 20,976</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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Lodger's taxes	\$ 1,027,000	\$ 1,027,000	\$ 1,100,489	\$ 73,489
Investment earnings	16,000	16,000	21,170	5,170
Miscellaneous	-	-	881	881
Total revenues	<u>1,043,000</u>	<u>1,043,000</u>	<u>1,122,540</u>	<u>79,540</u>
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation and cultural affairs	<u>1,030,909</u>	<u>1,074,861</u>	<u>1,022,208</u>	<u>52,653</u>
Excess (deficiency) of revenues over (under) expenditures	12,091	(31,861)	100,332	132,193
Fund balances-beginning	<u>567,111</u>	<u>567,111</u>	<u>567,111</u>	<u>-</u>
Fund balances-ending	<u>\$ 579,202</u>	<u>\$ 535,250</u>	<u>\$ 667,443</u>	<u>\$ 132,193</u>

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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 95,000	\$ 89,400	\$ 89,400	\$ -
Miscellaneous	-	300	296	(4)
Total revenues	<u>95,000</u>	<u>89,700</u>	<u>89,696</u>	<u>(4)</u>
<b>EXPENDITURES:</b>				
Current:				
Police operations	<u>92,400</u>	<u>91,038</u>	<u>90,632</u>	<u>406</u>
Excess (deficiency) of revenues over (under) expenditures	2,600	(1,338)	(936)	402
Fund balances-beginning	<u>1,338</u>	<u>1,338</u>	<u>1,338</u>	<u>-</u>
Fund balances-ending	<u>\$ 3,938</u>	<u>\$ -</u>	<u>\$ 402</u>	<u>\$ 402</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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 300,500	\$ 395,500	\$ 371,625	\$ (23,875)
Miscellaneous	7,000	7,000	1,053	(5,947)
Total revenues	<u>307,500</u>	<u>402,500</u>	<u>372,678</u>	<u>(29,822)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	<u>272,212</u>	<u>525,934</u>	<u>383,252</u>	<u>142,682</u>
Excess (deficiency) of revenues over (under) expenditures	35,288	(123,434)	(10,574)	112,860
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	65,288	(93,434)	19,426	112,860
Fund balances-beginning	<u>281,459</u>	<u>281,459</u>	<u>281,459</u>	<u>-</u>
Fund balances-ending	<u>\$ 346,747</u>	<u>\$ 188,025</u>	<u>\$ 300,885</u>	<u>\$ 112,860</u>

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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 50,713	\$ 50,713	\$ -	\$ (50,713)
Investment earnings	-	-	423	423
Total revenues	<u>50,713</u>	<u>50,713</u>	<u>423</u>	<u>(50,290)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	<u>50,713</u>	<u>50,713</u>	<u>47,143</u>	<u>3,570</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(46,720)	(46,720)
Fund balances-beginning	<u>50,713</u>	<u>50,713</u>	<u>50,713</u>	<u>-</u>
Fund balances-ending	<u>\$ 50,713</u>	<u>\$ 50,713</u>	<u>\$ 3,993</u>	<u>\$ (46,720)</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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 298,000	\$ 308,095	\$ 308,095	\$ -
Investment earnings	7,500	7,500	6,561	(939)
Donations	-	-	2,000	2,000
Miscellaneous	-	-	449	449
Total revenues	<u>305,500</u>	<u>315,595</u>	<u>317,105</u>	<u>1,510</u>
<b>EXPENDITURES:</b>				
Current:				
Fire operations	<u>195,500</u>	<u>205,595</u>	<u>180,787</u>	<u>24,808</u>
Excess (deficiency) of revenues over (under) expenditures	110,000	110,000	136,318	26,318
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(110,000)</u>	<u>(110,000)</u>	<u>(110,000)</u>	<u>-</u>
Net change in fund balances	-	-	26,318	26,318
Fund balances-beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,318</u>	<u>\$ 26,318</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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Fines	\$ 155,000	\$ 155,000	\$ 151,837	\$ (3,163)
<b>EXPENDITURES:</b>				
Current:				
Public safety	155,000	155,000	151,837	3,163
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances-beginning	-	-	-	-
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Community Development Grant Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual**  
**For the Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 1,033,953	\$ 1,033,953	\$ 519,900	\$ (514,053)
Investment earnings	13,000	13,000	32,192	19,192
Miscellaneous	-	-	345	345
Total revenues	<u>1,046,953</u>	<u>1,046,953</u>	<u>552,437</u>	<u>(494,516)</u>
<b>EXPENDITURES:</b>				
Capital Outlay:				
Highways and Streets	<u>1,400,223</u>	<u>2,029,710</u>	<u>854,777</u>	<u>1,174,933</u>
Excess (deficiency) of revenues over (under) expenditures	(353,270)	(982,757)	(302,340)	680,417
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	<u>414,000</u>	<u>411,000</u>	<u>414,000</u>	<u>3,000</u>
Net change in fund balances	60,730	(571,757)	111,660	683,417
Fund balances-beginning	<u>851,221</u>	<u>851,221</u>	<u>851,221</u>	<u>-</u>
Fund balances-ending	<u>\$ 911,951</u>	<u>\$ 279,464</u>	<u>\$ 962,881</u>	<u>\$ 683,417</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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Investment earnings	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation and cultural affairs	-	49,295	-	49,295
Excess (deficiency) of revenues over (under) expenditures	-	(49,295)	-	49,295
Fund balances-beginning	-	-	-	-
Fund balances-ending	<u>\$ -</u>	<u>\$ (49,295)</u>	<u>\$ -</u>	<u>\$ 49,295</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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Investment earnings	\$ -	\$ 600	\$ 275	\$ (325)
Miscellaneous	-	-	305	305
Total Revenues	<u>-</u>	<u>600</u>	<u>580</u>	<u>(20)</u>
<b>EXPENDITURES:</b>				
Capital Outlay:				
Public Safety	-	617,684	63,779	553,905
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(617,084)</u>	<u>(63,199)</u>	<u>553,885</u>
Fund balances-beginning	<u>63,199</u>	<u>63,199</u>	<u>63,199</u>	<u>-</u>
Fund balances-ending	<u>\$ 63,199</u>	<u>\$ (553,885)</u>	<u>\$ -</u>	<u>\$ 553,885</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Governmental Capital Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual**  
**For the Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Investment earnings	\$ -	\$ -	\$ 18,747	\$ 18,747
Miscellaneous	-	-	492	492
Total revenues	<u>-</u>	<u>-</u>	<u>19,239</u>	<u>19,239</u>
<b>EXPENDITURES:</b>				
Capital Outlay:				
General Government	<u>2,567,000</u>	<u>2,267,000</u>	<u>462,935</u>	<u>1,804,065</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,567,000)</u>	<u>(2,267,000)</u>	<u>(443,696)</u>	<u>1,822,812</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	2,567,000	2,567,000	743,696	(1,822,812)
Transfers out	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,567,000</u>	<u>2,267,000</u>	<u>443,696</u>	<u>(1,822,812)</u>
Net change in fund balances	-	-	-	-
Fund balances-beginning	-	-	-	-
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual**  
**For the Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Gross receipts taxes	\$ 1,527,500	\$ 1,527,500	\$ 1,527,492	\$ (8)
Investment earnings	16,000	16,000	28,526	12,526
Total revenues	<u>1,543,500</u>	<u>1,543,500</u>	<u>1,556,018</u>	<u>12,518</u>
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	1,130,000	1,130,000	1,130,000	-
Interest	512,905	512,905	512,905	-
Total expenditures	<u>1,642,905</u>	<u>1,642,905</u>	<u>1,642,905</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(99,405)	(99,405)	(86,887)	12,518
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	<u>-</u>
Net change in fund balances	10,595	10,595	23,113	12,518
Fund balances-beginning	<u>287,735</u>	<u>287,735</u>	<u>287,735</u>	<u>-</u>
Fund balances-ending	<u>\$ 298,330</u>	<u>\$ 298,330</u>	<u>\$ 310,848</u>	<u>\$ 12,518</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, 2007**

	<u>Health Insurance</u>
<b>ASSETS:</b>	
Current assets:	
Accounts receivable	\$ 122,294
Total assets	<u>122,294</u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts Payable	57,632
Accrued claims payable	492,511
Due to other funds	209,929
Total liabilities	<u>760,072</u>
<b>NET ASSETS:</b>	
Unrestricted	(637,778)
Total net assets	<u>\$ (637,778)</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**  
**For the Year Ended June 30, 2007**

	<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	\$ 4,414,518	\$ 6,089,518	\$ 5,491,681	\$ (597,837)
Operating expenses:				
Costs of services	4,414,518	6,086,135	5,802,427	283,708
Operating income (loss)	-	3,383	(310,746)	(314,129)
Total net assets-beginning	(327,032)	(327,032)	(327,032)	-
Total net assets-ending	<u>\$ (327,032)</u>	<u>\$ (323,649)</u>	<u>\$ (637,778)</u>	<u>\$ (314,129)</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, 2007**

	<u>Health Insurance</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers/users	\$ 5,843,275
Payments to suppliers	<u>(5,754,711)</u>
Net cash provided by operating activities	<u>88,564</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer to other funds	(90,071)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(1,507)
Cash and cash equivalents, July 1	<u>1,507</u>
 <b>Cash and cash equivalents, June 30</b>	 <u><u>\$ -</u></u>
 Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ <u>(310,746)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Decrease) in accounts receivable	351,594
Increase in accounts payable	57,632
(Decrease) in accrued claims payable	<u>(9,916)</u>
Total adjustments	<u>399,310</u>
 <b>Net cash provided by operating activities</b>	 <u><u>\$ 88,564</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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Electric	\$ 90,837,698	\$ 90,837,698	\$ 91,199,674	\$ 361,976
Other revenues	370,000	370,000	504,886	134,886
Total operating revenues	91,207,698	91,207,698	91,704,560	496,862
Operating expenses:				
Salaries and fringe benefits	9,513,284	9,513,284	8,718,838	794,446
Purchased power, fuel and chemicals	39,546,069	39,546,069	39,162,790	383,279
Other operating expenses	13,708,263	14,147,900	8,206,758	5,941,142
Capital outlay	27,158,460	29,399,221	5,994,410	23,404,811
Total operating expenses	89,926,076	92,606,474	62,082,796	30,523,678
Operating income	1,281,622	(1,398,776)	29,621,764	31,020,540
Nonoperating revenues (expenses):				
Investment earnings	660,000	660,000	1,920,523	1,260,523
Interest expense	(1,327,141)	(1,327,141)	(1,311,596)	15,545
Principal on debt service	(3,919,941)	(3,919,941)	(3,919,941)	-
Total nonoperating revenues (expenses)	(4,587,082)	(4,587,082)	(3,311,014)	1,276,068
Income (loss) before operating transfers	(3,305,460)	(5,985,858)	26,310,750	32,296,608
Capital contributions	-	-	916,900	916,900
Transfers out	(1,604,289)	(1,604,289)	(1,564,208)	40,081
Change in net assets	(4,909,749)	(7,590,147)	25,663,442	\$ 33,253,589
<b>ADJUSTMENTS TO GAAP</b>				
Depreciation			(9,085,634)	
Amortization			143,731	
Capital outlay capitalized			5,994,410	
Principal on debt service			3,919,941	
			972,448	
<b>GAAP BASIS CHANGE IN NET ASSETS</b>			26,635,890	
Total net assets-beginning	212,844,714	212,844,714	212,844,714	
Total net assets-ending	\$ 207,934,965	\$ 205,254,567	\$ 239,480,604	

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Water	\$ 8,275,727	\$ 9,193,727	\$ 8,685,765	\$ (507,962)
Other revenues	1,000	1,000	2,656	1,656
Total operating revenues	8,276,727	9,194,727	8,688,421	(506,306)
Operating expenses:				
Salaries and fringe benefits	439,166	439,166	442,054	(2,888)
Other operating expenses	5,005,545	4,978,894	5,019,570	(40,676)
Capital outlay	1,492,556	2,804,217	1,568,783	1,235,434
Total operating expenses	6,937,267	8,222,277	7,030,407	1,191,870
Operating income	1,339,460	972,450	1,658,014	685,564
Nonoperating revenues (expenses):				
Investment earnings	67,800	67,800	118,339	50,539
Interest expense	(285,238)	(285,238)	(283,880)	1,358
Principal on debt service	(845,872)	(845,872)	(845,872)	-
Total nonoperating revenues (expenses)	(1,063,310)	(1,063,310)	(1,011,413)	51,897
Income (loss) before operating transfers	276,150	(90,860)	646,601	737,461
Capital contributions	4,395	4,395	-	(4,395)
Transfers out	(396,570)	(318,570)	(314,819)	3,751
Change in net assets	(116,025)	(405,035)	331,782	\$ 736,817
<b>ADJUSTMENTS TO GAAP</b>				
Depreciation			(1,492,770)	
Amortization			31,015	
Capital outlay capitalized			1,568,783	
Principal on debt service			845,872	
			952,900	
<b>GAAP BASIS CHANGE IN NET ASSETS</b>			1,284,682	
Total net assets-beginning	22,226,118	22,226,118	22,226,118	
Total net assets-ending	\$ 22,110,093	\$ 21,821,083	\$ 23,510,800	

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Wastewater	\$ 3,919,488	\$ 4,357,488	\$ 3,834,892	\$ (522,596)
Environmental tax	1,353,971	1,353,971	1,377,334	23,363
Other revenues	4,000	4,000	2,035	(1,965)
Total operating revenues	5,277,459	5,715,459	5,214,261	(501,198)
Operating expenses:				
Salaries and fringe benefits	225,049	225,049	235,560	(10,511)
Other operating expenses	3,341,309	3,570,068	3,434,658	135,410
Capital outlay	1,601,000	2,055,183	635,367	1,419,816
Total operating expenses	5,167,358	5,850,300	4,305,585	1,544,715
Operating income	110,101	(134,841)	908,676	1,043,517
Nonoperating revenues (expenses):				
Investment earnings	57,800	115,800	278,483	162,683
Revenue from operating grants	-	284,200	310,394	26,194
Interest expense	(467,823)	(467,823)	(471,294)	(3,471)
Principal on debt service	(668,254)	(668,254)	(666,838)	1,416
Total nonoperating revenues (expenses)	(1,078,277)	(736,077)	(549,255)	186,822
Income (loss) before operating transfers	(968,176)	(870,918)	359,421	1,230,339
Capital contributions	-	-	575	575
Transfers out	(195,974)	(137,974)	(112,088)	25,886
Change in net assets	(1,164,150)	(1,008,892)	247,908	\$ 1,256,800
<b>ADJUSTMENTS TO GAAP</b>				
Depreciation			(1,137,875)	
Amortization			5,103	
Capital outlay capitalized			635,367	
Principal on debt service			666,838	
			169,433	
<b>GAAP BASIS CHANGE IN NET ASSETS</b>			417,341	
Total net assets-beginning	15,460,136	15,460,136	15,460,136	
Total net assets-ending	\$ 14,295,986	\$ 14,451,244	\$ 15,877,477	

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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for sales and services:				
Sanitation	\$ 3,809,786	\$ 4,009,786	\$ 3,999,078	\$ (10,708)
Other revenues	<u>33,672</u>	<u>33,672</u>	<u>52,920</u>	<u>19,248</u>
Total operating revenues	<u>3,843,458</u>	<u>4,043,458</u>	<u>4,051,998</u>	<u>8,540</u>
Operating expenses:				
Other operating expenses	3,816,909	4,043,748	3,997,032	46,716
Capital outlay	<u>58,560</u>	<u>58,560</u>	<u>-</u>	<u>58,560</u>
Total operating expenses	<u>3,875,469</u>	<u>4,102,308</u>	<u>3,997,032</u>	<u>105,276</u>
Operating income	(32,011)	(58,850)	54,966	113,816
Nonoperating revenues (expenses):				
Investment earnings	<u>5,600</u>	<u>5,600</u>	<u>19,656</u>	<u>14,056</u>
Change in net assets	(26,411)	(53,250)	<u>74,622</u>	<u>\$ 127,872</u>
<b>ADJUSTMENTS TO GAAP</b>				
Depreciation			<u>(5,774)</u>	
<b>GAAP BASIS CHANGE IN NET ASSETS</b>			68,848	
Total net assets-beginning	380,415	380,415	380,415	
Total net assets-ending	<u>\$ 354,004</u>	<u>\$ 327,165</u>	<u>\$ 449,263</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**  
**Golf Fund**  
**For the Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Golf	\$ 1,123,617	\$ 1,123,617	\$ 1,111,493	\$ (12,124)
Other revenues	-	-	1,835	1,835
Total operating revenues	1,123,617	1,123,617	1,113,328	(10,289)
Operating expenses:				
Salaries and fringe benefits	631,478	631,478	576,364	55,114
Other operating expenses	449,798	387,845	391,131	(3,286)
Capital outlay	130,000	101,875	99,406	2,469
Total operating expenses	1,211,276	1,121,198	1,066,901	54,297
Operating income	(87,659)	2,419	46,427	44,008
Nonoperating revenues (expenses):				
Investment earnings	11,000	11,000	13,074	2,074
Change in net assets	(76,659)	13,419	59,501	\$ 46,082
<b>ADJUSTMENTS TO GAAP</b>				
Depreciation			(197,188)	
Capital outlay capitalized			99,406	
			(97,782)	
<b>GAAP BASIS CHANGE IN NET ASSETS</b>			(38,281)	
Total net assets-beginning	2,580,179	2,580,179	2,580,179	
Total net assets-ending	\$ 2,503,520	\$ 2,593,598	\$ 2,541,898	

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Airport	\$ 683,249	\$ 683,249	\$ 600,325	\$ (82,924)
Other revenues	1,000	1,000	1,350	350
Total operating revenues	684,249	684,249	601,675	(82,574)
Operating expenses:				
Salaries and fringe benefits	284,135	284,135	302,692	(18,557)
Other operating expenses	583,625	500,498	369,863	130,635
Capital outlay	2,847,300	2,634,469	1,052,731	1,581,738
Total operating expenses	3,715,060	3,419,102	1,725,286	1,693,816
Operating income (loss)	(3,030,811)	(2,734,853)	(1,123,611)	1,611,242
Nonoperating revenues (expenses):				
Investment earnings	10,000	10,000	7,898	(2,102)
Revenue from operating grants	2,925,000	1,925,000	495,436	(1,429,564)
Total nonoperating revenues (expenses)	2,935,000	1,935,000	503,334	(1,431,666)
Income (loss) before operating transfers	(95,811)	(799,853)	(620,277)	179,576
Operating transfers, in	100,000	645,000	645,000	-
Change in net assets	4,189	(154,853)	24,723	\$ 179,576
<b>ADJUSTMENTS TO GAAP</b>				
Depreciation			(781,062)	
Capital outlay capitalized			1,052,731	
			271,669	
<b>GAAP BASIS CHANGE IN NET ASSETS</b>			296,392	
Total net assets-beginning	7,039,812	7,039,812	7,039,812	
Total net assets-ending	\$ 7,044,001	\$ 6,884,959	\$ 7,336,204	

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, 2006 and 2007**

	<b>2007</b>	<b>2006</b>
Governmental funds capital assets:		
Land	\$ 25,780,126	\$ 25,780,126
Buildings	49,439,083	47,365,169
Improvements other than buildings	11,247,960	9,948,950
Machinery and equipment	26,788,706	22,298,221
Infrastructure	56,112,352	54,801,172
Construction In Progress	6,565,378	10,991,978
Total governmental funds capital assets	\$ 175,933,605	\$ 171,185,616
Investments in governmental funds capital assets by source:		
General fund	\$ 55,509,874	\$ 59,996,762
Special revenue fund	98,113,359	95,401,522
Capital projects funds	21,361,169	14,632,269
Donations	949,203	1,155,063
Total governmental funds capital assets	\$ 175,933,605	\$ 171,185,616

**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, 2007**

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction In Progress	Total
<b>GENERAL GOVERNMENT:</b>							
Legislative	\$ 4,000	\$ 6,946	\$ -	\$ 40,332	\$ -	\$ -	\$ 51,278
Judicial	80,000	830,416	-	165,301	-	-	1,075,717
Operations center	-	-	-	540,386	-	-	540,386
Fleet maintenance	-	4,468	-	420,152	-	-	424,620
Stores	-	21,264	191,159	361,640	-	90,766	664,829
Finance administration	-	3,741	-	32,983	-	-	36,724
Personnel administration	-	35,366	-	26,757	-	-	62,123
Purchasing	-	-	-	79,970	-	-	79,970
Law enforcement	-	-	-	24,608	-	-	24,608
Administrative services	1,105,313	7,801,290	53,545	1,014,596	-	121,391	10,096,135
Planning and zoning	-	-	-	115,724	-	-	115,724
Data processing	-	31,020	-	940,119	-	-	971,139
Total general government	<u>1,189,313</u>	<u>8,734,511</u>	<u>244,704</u>	<u>3,762,568</u>	<u>-</u>	<u>212,157</u>	<u>14,143,253</u>
<b>PUBLIC SAFETY:</b>							
Police	399,869	3,688,517	61,719	5,560,806	-	78,209	9,789,120
Fire	60,098	3,381,937	1,989	7,399,025	-	39,144	10,882,193
Inspection	-	-	-	206,335	-	-	206,335
Traffic	-	6,656	-	452,994	2,029,606	-	2,489,256
Total public safety	<u>459,967</u>	<u>7,077,110</u>	<u>63,708</u>	<u>13,619,160</u>	<u>2,029,606</u>	<u>117,353</u>	<u>23,366,904</u>
<b>PUBLIC WORKS:</b>							
Streets	15,827,228	-	78,780	2,112,517	42,549,266	4,495,985	65,063,776
Bridges and storm drains	-	-	-	-	10,892,103	525,857	11,417,960
Administration	1,320,817	164,774	965,558	246,210	641,378	700,921	4,039,658
Survey	-	-	-	112,912	-	-	112,912
Engineering	-	-	-	151,553	-	898	152,451
Total public works	<u>17,148,045</u>	<u>164,774</u>	<u>1,044,338</u>	<u>2,623,192</u>	<u>54,082,747</u>	<u>5,723,661</u>	<u>80,786,757</u>
<b>CULTURE AND RECREATION:</b>							
Parks and recreation	4,386,475	16,293,806	9,727,696	4,784,650	-	484,392	35,677,019
Civic center	92,174	3,103,362	6,047	442,180	-	-	3,643,763
Senior citizens center	141,496	670,949	-	147,224	-	21,883	981,552
Museum	970,988	4,769,188	55,467	187,604	-	5,931	5,989,178
Total culture and recreation	<u>5,591,133</u>	<u>24,837,305</u>	<u>9,789,210</u>	<u>5,561,658</u>	<u>-</u>	<u>512,206</u>	<u>46,291,512</u>
<b>LIBRARIES</b>							
	<u>1,391,668</u>	<u>8,625,383</u>	<u>106,000</u>	<u>1,222,128</u>	<u>-</u>	<u>-</u>	<u>11,345,179</u>
Total governmental funds capital assets	<u>\$ 25,780,126</u>	<u>\$ 49,439,083</u>	<u>\$ 11,247,960</u>	<u>\$ 26,788,706</u>	<u>\$ 56,112,353</u>	<u>\$ 6,565,377</u>	<u>\$ 175,933,605</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, 2007**

<u>Function and Activity</u>	<u>Capital Assets June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Transfers</u>	<u>Capital Assets June 30, 2007</u>
<b>GENERAL GOVERNMENT:</b>					
Legislative	\$ 54,994	\$ 7,638	\$ (11,354)	\$ -	\$ 51,278
Judicial	1,087,254	-	(113)	(11,424)	1,075,717
Operations center	595,304	3,405	(77,288)	18,965	540,386
Fleet maintenance	440,551	18,272	(60,409)	26,206	424,620
Stores	587,805	115,473	(38,449)	-	664,829
Finance administration	36,845	-	(121)	-	36,724
Personnel administration	116,238	-	(1,958)	(52,157)	62,123
Purchasing	85,446	-	(5,476)	-	79,970
Law enforcement	26,882	-	(2,274)	-	24,608
Administrative services	9,938,613	310,343	(220,527)	67,706	10,096,135
Planning and zoning	88,782	26,942	-	-	115,724
Data processing	1,001,033	448,855	(478,749)	-	971,139
Total general government	<u>14,059,747</u>	<u>930,928</u>	<u>(896,718)</u>	<u>49,296</u>	<u>14,143,253</u>
<b>PUBLIC SAFETY:</b>					
Police	9,647,195	384,277	(240,643)	(1,709)	9,789,120
Fire	10,675,257	255,510	(48,574)	-	10,882,193
Inspection	237,392	-	(31,057)	-	206,335
Traffic	2,489,256	-	-	-	2,489,256
Total public safety	<u>23,049,100</u>	<u>639,787</u>	<u>(320,274)</u>	<u>(1,709)</u>	<u>23,366,904</u>
<b>PUBLIC WORKS:</b>					
Streets	64,129,451	984,767	(19,897)	(30,545)	65,063,776
Bridges and storm drains	10,958,209	459,751	-	-	11,417,960
Administration	2,635,472	1,423,329	-	(19,143)	4,039,658
Survey	113,451	-	(539)	-	112,912
Engineering	134,048	5,996	(6,736)	19,143	152,451
Total public works	<u>77,970,631</u>	<u>2,873,843</u>	<u>(27,172)</u>	<u>(30,545)</u>	<u>80,786,757</u>
<b>CULTURE AND RECREATION:</b>					
Parks and recreation	34,315,036	1,539,789	(142,614)	(35,192)	35,677,019
Civic center	3,645,052	4,652	(10,741)	4,800	3,643,763
Senior citizens center	960,887	20,665	-	-	981,552
Museum	5,909,896	79,282	-	-	5,989,178
Total culture and recreation	<u>44,830,871</u>	<u>1,644,388</u>	<u>(153,355)</u>	<u>(30,392)</u>	<u>46,291,512</u>
<b>LIBRARIES</b>					
	<u>11,275,267</u>	<u>97,003</u>	<u>(27,091)</u>	<u>-</u>	<u>11,345,179</u>
Total general fixed assets	<u>\$ 171,185,616</u>	<u>\$ 6,185,949</u>	<u>\$ (1,424,610)</u>	<u>\$ (13,350)</u>	<u>\$ 175,933,605</u>
Accumulated depreciation	<u>\$ 84,051,934</u>	<u>\$ 6,493,949</u>	<u>\$ (1,278,293)</u>	<u>\$ -</u>	<u>\$ 89,267,590</u>



# STATISTICAL SECTION

# STATISTICAL SECTION

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

<b><i>Financial Trends</i></b>	<b><u>Page</u></b>
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	<b>92</b>
<b><i>Revenue Capacity</i></b>	
These schedules contain information to help the reader assess the City’s most significant revenue source - gross receipts tax. Also included are property tax schedules.	<b>97</b>
<b><i>Debt Capacity</i></b>	
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	<b>108</b>
<b><i>Demographic and Economic Information</i></b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	<b>112</b>
<b><i>Operating Information</i></b>	
The schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	<b>114</b>

**City of Farmington**  
**Net Assets by Component**  
**Last Six Fiscal Years**  
(accrual basis of accounting)

**Schedule 1**

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$ 55,674,508	\$ 63,961,010	\$ 64,779,550	\$ 66,265,472	\$ 74,339,304	\$ 75,000,933
Restricted	2,689,505	2,678,373	2,422,104	3,514,726	4,219,427	4,491,602
Unrestricted	28,039,208	20,619,682	20,610,228	25,149,317	24,559,417	22,873,893
Total governmental activities net assets	<u>\$ 86,403,221</u>	<u>\$ 87,259,065</u>	<u>\$ 87,811,882</u>	<u>\$ 94,929,515</u>	<u>\$ 103,118,148</u>	<u>\$ 102,366,428</u>
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	\$ 145,695,695	\$ 151,976,725	\$ 194,430,074	\$ 215,390,130	\$ 227,625,271	\$ 240,531,317
Restricted	3,450,823	2,643,773	2,648,557	2,564,255	2,615,937	2,914,976
Unrestricted	33,466,317	41,559,635	18,361,816	16,535,576	30,290,166	45,749,953
Total business-type activities net assets	<u>\$ 182,612,835</u>	<u>\$ 196,180,133</u>	<u>\$ 215,440,447</u>	<u>\$ 234,489,961</u>	<u>\$ 260,531,374</u>	<u>\$ 289,196,246</u>
<b>Primary government</b>						
Invested in capital assets, net of related debt	\$ 201,370,203	\$ 215,937,735	\$ 259,209,624	\$ 281,655,602	\$ 301,964,575	\$ 315,532,250
Restricted	6,140,328	5,322,146	5,070,661	6,078,981	6,835,364	7,406,578
Unrestricted	61,505,525	62,179,317	38,972,044	41,684,893	54,849,583	68,623,846
Total primary government net assets	<u>\$ 269,016,056</u>	<u>\$ 283,439,198</u>	<u>\$ 303,252,329</u>	<u>\$ 329,419,476</u>	<u>\$ 363,649,522</u>	<u>\$ 391,562,674</u>

**Note:** The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2002.

**City of Farmington**  
**Changes in Net Assets**  
**Last Six Fiscal Years**  
(accrual basis of accounting)

**Schedule 2**  
  
**(continued)**

	<b>Fiscal Year</b>					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>						
Governmental activities:						
General government	\$ 17,921,350	\$ 17,191,605	\$ 23,996,456	\$ 21,153,411	\$ 21,649,221	\$ 24,470,791
Police	9,137,433	10,251,979	10,341,396	11,351,590	12,356,592	15,029,695
Fire	4,661,223	4,906,661	5,468,824	5,470,572	6,466,886	7,606,467
Parks, recreation, cultural affairs	9,232,612	8,392,730	9,284,623	9,497,875	11,105,380	13,769,347
Community development	7,359,539	7,395,603	5,727,834	7,481,297	8,511,853	10,776,798
Interest on long term debt	378,265	560,368	483,230	421,480	588,521	511,126
Total governmental activities expenses	<u>48,690,422</u>	<u>48,698,946</u>	<u>55,302,363</u>	<u>55,376,225</u>	<u>60,678,453</u>	<u>72,164,224</u>
Business-type activities:						
Electric	63,434,816	68,903,423	65,214,544	72,914,727	65,152,992	66,341,885
Water	6,096,326	7,180,833	6,785,002	6,944,219	6,992,577	7,207,259
Wastewater	3,203,574	3,488,296	4,127,386	4,983,626	4,690,385	5,274,284
Sanitation	3,345,147	3,358,430	3,493,487	3,625,722	3,815,728	4,002,806
Golf	1,076,241	1,060,103	1,198,867	1,209,293	1,217,011	1,164,683
Airport	1,422,951	1,563,162	2,008,715	1,871,508	1,812,263	1,453,617
Total business-type activities expenses	<u>78,579,055</u>	<u>85,554,247</u>	<u>82,828,001</u>	<u>91,549,095</u>	<u>83,680,956</u>	<u>85,444,534</u>
Total primary government expenses	<u>\$ 127,269,477</u>	<u>\$ 134,253,193</u>	<u>\$ 138,130,364</u>	<u>\$ 146,925,320</u>	<u>\$ 144,359,409</u>	<u>\$ 157,608,758</u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
General government	\$ 4,315,068	\$ 4,892,278	\$ 5,085,210	\$ 5,019,939	\$ 5,379,345	\$ 6,906,273
Police	14,457	15,132	74,215	198,017	39,903	1,266,550
Parks, recreation, cultural affairs	546,488	530,669	552,114	545,461	703,731	888,618
Community development	69,040	68,155	77,390	75,116	101,605	95,485
Operating grants and contributions	1,526,052	1,276,299	2,674,803	2,238,291	2,929,307	2,600,396
Capital grants and contributions	-	-	-	-	-	-
Total governmental activities program revenues	<u>6,471,105</u>	<u>6,782,533</u>	<u>8,463,732</u>	<u>8,076,824</u>	<u>9,153,891</u>	<u>11,757,322</u>
Business-type activities:						
Charges for services:						
Electric	78,835,548	79,130,644	84,158,287	91,152,321	89,801,858	91,704,560
Water	7,997,027	7,073,545	7,515,514	7,338,869	7,991,740	8,688,421
Wastewater	3,824,407	4,239,721	4,489,948	4,751,802	5,071,951	5,214,261
Sanitation	3,350,941	3,392,079	3,538,632	3,692,937	3,889,876	4,051,998
Golf	859,042	933,981	1,042,176	1,088,137	1,121,313	1,113,328
Airport	541,523	564,237	596,765	599,306	594,199	601,675
Operating grants and contributions	4,207,905	1,151,196	916,477	880,654	927,492	1,227,869
Capital grants and contributions	1,211,547	1,025,342	154,309	625,693	794,531	495,436
Total business-type activities program revenues	<u>100,827,940</u>	<u>97,510,745</u>	<u>102,412,108</u>	<u>110,129,719</u>	<u>110,192,960</u>	<u>113,097,548</u>
Total primary government program revenues	<u>\$ 107,299,045</u>	<u>\$ 104,293,278</u>	<u>\$ 110,875,840</u>	<u>\$ 118,206,543</u>	<u>\$ 119,346,851</u>	<u>\$ 124,854,870</u>

**Note:** The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2002.

**City of Farmington**  
**Changes in Net Assets**  
**Last Six Fiscal Years**  
(accrual basis of accounting)

Schedule 2

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Net (Expenses)/Revenues</b>						
Governmental activities	\$ (42,219,317)	\$ (41,916,413)	\$ (46,838,631)	\$ (47,299,401)	\$ (51,524,562)	\$ (60,406,902)
Business-type activities	22,248,885	11,956,498	19,584,107	18,580,624	26,512,004	27,653,014
Total primary governmental activities expenses	<u>\$ (19,970,432)</u>	<u>\$ (29,959,915)</u>	<u>\$ (27,254,524)</u>	<u>\$ (28,718,777)</u>	<u>\$ (25,012,558)</u>	<u>\$ (32,753,888)</u>
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Taxes						
Gross receipts taxes	\$ 35,922,137	\$ 35,146,693	\$ 38,351,092	\$ 43,134,352	\$ 49,274,220	\$ 51,818,982
Property taxes	922,002	930,112	985,836	1,043,064	1,121,723	1,235,064
Franchise taxes	2,551,995	2,601,794	715,022	720,748	1,594,098	1,045,698
Other taxes	1,716,477	1,724,672	1,884,994	1,873,736	1,942,024	1,944,810
Other revenue	3,010,951	3,769,728	3,584,543	3,507,135	2,996,953	1,199,675
Unrestricted investment earnings	963,133	635,745	429,108	471,993	858,611	1,064,838
Loss on sale of capital assets	(1,902,219)	(1,904,487)	-	-	-	-
Transfers	415	(132,000)	1,440,853	1,754,818	1,925,566	1,346,115
Total governmental activities	<u>43,184,891</u>	<u>42,772,257</u>	<u>47,391,448</u>	<u>52,505,846</u>	<u>59,713,195</u>	<u>59,655,182</u>
Business-type activities:						
Unrestricted investment earnings	1,435,925	1,478,800	1,117,060	790,027	1,454,975	2,357,973
Transfers	(415)	132,000	(1,440,853)	(1,754,818)	(1,925,566)	(1,346,115)
Total business-type activities	<u>1,435,510</u>	<u>1,610,800</u>	<u>(323,793)</u>	<u>(964,791)</u>	<u>(470,591)</u>	<u>1,011,858</u>
Total primary government	<u>\$ 44,620,401</u>	<u>\$ 44,383,057</u>	<u>\$ 47,067,655</u>	<u>\$ 51,541,055</u>	<u>\$ 59,242,604</u>	<u>\$ 60,667,040</u>
<b>Change in Net Assets</b>						
Governmental activities	\$ 965,574	\$ 855,844	\$ 552,817	\$ 5,206,445	\$ 8,188,633	\$ (751,720)
Business-type activities	23,684,395	13,567,298	19,260,314	17,615,833	26,041,413	28,664,872
Total primary government	<u>\$ 24,649,969</u>	<u>\$ 14,423,142</u>	<u>\$ 19,813,131</u>	<u>\$ 22,822,278</u>	<u>\$ 34,230,046</u>	<u>\$ 27,913,152</u>

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

Schedule 3

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Fund</b>										
Reserved	\$ 396,396	\$ 439,874	\$ 283,314	\$ 229,464	\$ 2,282,737	\$ 2,256,852	\$ 2,000,000	\$ 3,393,756	\$ 4,138,050	\$ 4,386,101
Unreserved	6,070,883	13,198,488	15,117,685	12,733,806	11,618,472	11,452,345	12,126,852	13,069,276	14,594,072	12,808,778
Total general fund	<u>\$ 6,467,279</u>	<u>\$ 13,638,362</u>	<u>\$ 15,400,999</u>	<u>\$ 12,963,270</u>	<u>\$ 13,901,209</u>	<u>\$ 13,709,197</u>	<u>\$ 14,126,852</u>	<u>\$ 16,463,032</u>	<u>\$ 18,732,122</u>	<u>\$ 17,194,879</u>
<b>All Other Governmental Funds</b>										
Reserved										
Debt service funds	\$ 395,732	\$ 1,167,533	\$ 1,109,110	\$ 1,096,449	\$ 406,768	\$ 421,521	\$ 422,104	\$ 283,833	\$ 287,735	\$ 310,848
Unreserved, reported in										
Special revenue funds	10,880,051	7,976,337	2,998,790	2,870,143	2,872,194	3,129,017	5,227,200	6,952,568	9,199,148	9,331,067
Capital projects funds	2,167,676	1,073,947	407,657	3,781,016	12,602,816	5,196,626	3,256,176	5,462,764	914,420	962,881
Total all other governmental funds	<u>\$ 13,443,459</u>	<u>\$ 10,217,817</u>	<u>\$ 4,515,557</u>	<u>\$ 7,747,608</u>	<u>\$ 15,881,778</u>	<u>\$ 8,747,164</u>	<u>\$ 8,905,480</u>	<u>\$ 12,699,165</u>	<u>\$ 10,401,303</u>	<u>\$ 10,604,796</u>

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

Schedule 4

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
Taxes	\$ 37,750,804	\$ 33,591,316	\$ 36,336,066	\$ 38,862,323	\$ 41,112,611	\$ 40,403,271	\$ 41,936,943	\$ 46,771,900	\$ 53,932,065	\$ 56,044,554
Licenses and permits	474,271	545,882	541,787	605,528	556,573	605,478	602,971	819,869	951,280	765,694
Intergovernmental	8,074,476	5,458,960	4,684,185	3,083,418	1,761,181	1,869,860	2,674,803	2,238,291	2,929,307	2,600,396
Charges for services	623,088	623,128	591,993	599,326	852,738	978,022	1,170,531	1,365,408	1,840,336	1,637,437
Fines	627,185	560,224	923,530	1,069,025	1,265,848	1,403,928	1,602,721	1,418,646	1,133,053	1,222,171
Special assessments	154,617	160,775	180,097	92,337	77,800	72,337	61,327	46,859	36,370	39,943
Investment earnings	1,321,363	1,154,620	966,600	1,052,525	960,773	634,552	425,731	469,012	858,611	1,064,838
Miscellaneous	871,754	434,654	746,565	688,425	875,603	1,341,924	1,317,524	1,221,761	876,250	1,199,675
<b>Total revenues</b>	<b>49,897,558</b>	<b>42,529,559</b>	<b>44,970,823</b>	<b>46,052,907</b>	<b>47,463,127</b>	<b>47,309,372</b>	<b>49,792,551</b>	<b>54,351,746</b>	<b>62,557,272</b>	<b>64,574,708</b>
<b>Expenditures</b>										
Current										
General government	7,039,366	8,335,656	9,594,926	12,033,658	12,937,208	12,757,384	13,801,711	15,247,239	18,478,746	18,715,493
Police	8,829,177	7,377,884	9,680,015	9,861,647	9,499,112	10,359,890	10,690,905	10,647,826	12,606,701	14,678,179
Fire	3,699,463	4,069,023	4,245,944	4,426,573	4,491,634	4,719,878	5,416,395	5,097,630	5,872,350	7,265,724
Parks, recreation and cultural affairs	10,344,132	10,690,406	12,583,544	9,549,436	10,917,165	15,061,168	10,285,641	10,482,092	11,128,612	12,765,857
Community development	5,013,740	8,482,998	6,877,761	7,703,717	7,946,575	7,116,935	6,357,491	7,186,770	7,182,068	7,262,150
Debt service										
Principal	850,000	895,000	865,000	955,000	1,360,000	1,815,000	1,900,000	1,965,000	1,060,000	1,130,000
Interest	447,492	401,243	393,364	284,653	378,265	560,368	483,230	421,480	588,521	512,905
Arbitrage rebate	-	-	-	-	34,387	-	-	-	-	-
Bond issuance costs	-	-	-	-	70,733	-	-	-	-	-
Capital outlay	7,622,800	3,394,502	4,081,929	574,043	1,579,147	1,505,876	1,722,060	4,653,660	6,844,613	4,924,265
<b>Total expenditures</b>	<b>43,846,170</b>	<b>43,646,712</b>	<b>48,322,483</b>	<b>45,388,727</b>	<b>49,214,226</b>	<b>53,896,499</b>	<b>50,657,433</b>	<b>55,701,697</b>	<b>63,761,611</b>	<b>67,254,573</b>
Excess of revenues over (under) expenditures	<b>6,051,388</b>	<b>(1,117,153)</b>	<b>(3,351,660)</b>	<b>664,180</b>	<b>(1,751,099)</b>	<b>(6,587,127)</b>	<b>(864,882)</b>	<b>(1,349,951)</b>	<b>(1,204,339)</b>	<b>(2,679,865)</b>
<b>Other Financing Sources (Uses)</b>										
Operating transfers in	771,703	2,566,188	3,088,479	5,540,599	960,119	104,810	2,539,337	2,856,182	3,000,104	3,288,811
Operating transfers out	(771,703)	(2,571,575)	(3,669,441)	(5,603,991)	(1,220,341)	(844,310)	(1,098,484)	(1,101,365)	(1,824,537)	(1,942,696)
Refunding bonds issued	-	-	-	-	15,076,862	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	(4,412,245)	-	-	-	-	-
Sale tax debt issuance	-	-	-	-	-	-	-	5,725,000	-	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>(5,387)</b>	<b>(580,962)</b>	<b>(63,392)</b>	<b>10,404,395</b>	<b>(739,500)</b>	<b>1,440,853</b>	<b>7,479,817</b>	<b>1,175,567</b>	<b>1,346,115</b>
<b>Net change in fund balance</b>	<b>\$ 6,051,388</b>	<b>\$ (1,122,540)</b>	<b>\$ (3,932,622)</b>	<b>\$ 600,788</b>	<b>\$ 8,653,296</b>	<b>\$ (7,326,627)</b>	<b>\$ 575,971</b>	<b>\$ 6,129,866</b>	<b>\$ (28,772)</b>	<b>\$ (1,333,750)</b>
Debt service as a percentage of noncapital expenditures	3.1%	3.2%	3.2%	3.4%	4.5%	5.8%	5.4%	5.1%	3.3%	2.7%

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

Schedule 5

Fiscal Year	General		Large General		Residential		Street Lighting		Total	
	kWh	Revenue	kWh	Revenue	kWh	Revenue	kWh	Revenue	kWh	Revenue
1998	307,576,761	\$17,491,591	204,177,086	\$ 14,842,805	176,709,661	\$14,331,248	4,135,364	\$ 583,988	692,598,872	\$ 47,249,632
1999	463,066,631	23,838,389	219,432,395	15,569,568	184,228,457	14,849,680	4,285,934	650,231	871,013,417	54,907,868
2000	512,653,056	26,009,121	224,718,652	15,999,205	190,427,304	15,216,300	4,378,023	695,741	932,177,035	57,920,367
2001	529,567,195	30,918,518	233,569,781	17,018,831	200,550,981	16,332,643	4,473,852	727,302	968,161,809	64,997,294
2002	566,962,363	32,797,222	233,868,594	18,306,614	204,910,713	17,762,166	4,543,706	773,347	1,010,285,376	69,639,349
2003	615,590,823	36,550,084	239,246,447	19,300,034	213,197,135	18,692,226	4,525,518	791,085	1,072,559,923	75,333,429
2004	645,101,516	40,724,080	247,298,565	19,618,406	221,192,493	18,937,000	4,535,509	788,920	1,118,128,083	80,068,406
2005	645,609,668	42,070,709	259,647,378	21,142,537	223,336,276	19,829,050	4,514,936	802,834	1,133,108,258	83,845,130
2006	692,536,857	40,615,625	290,308,550	22,026,455	236,844,321	19,789,570	4,534,870	792,434	1,224,224,598	83,224,084
2007	681,029,013	39,851,660	299,061,397	23,517,486	248,119,606	21,419,197	4,638,648	831,099	1,232,848,664	85,619,442
Change 1998-2007	121.4%	127.8%	46.5%	58.4%	40.4%	49.5%	12.2%	42.3%	78.0%	81.2%

**Type of Customer**

**General Service**

- \$4.50 Customer charge
- \$0.0875/kWh first 400 kWh
- \$0.0865/kWh additional kWh

**Large General Service**

- \$7.75/kW for demand charge
- \$0.0540/kWh first 500 per kW of billing demand is the energy charge
- \$0.040/kWh for all energy in excess of 500 kWh per kW of billing demand

**Residential**

- \$3.00 Customer charge
- \$0.08/kWh first 200 kWh
- \$0.0765/kWh additional kWh

**Street Lighting**

Lamps

- \$7.75 100 W sodium 7/94
- \$11.75 100 W sodium 8/94
- \$14.00 250 W sodium 7/94
- \$14.75 250 W sodium 8/94
- \$7.75 175 W mercury
- \$14.00 400 W mercury

**Note: The City of Farmington Electric Utility has not implemented a rate increase in 10 years.**

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

Schedule 7

Customer	2007			1998		
	Revenue	Rank	Percentage of Revenue	Revenue	Rank	Percentage of Revenue
Enterprise Field Services/EPFS	\$ 19,254,578	1	2.2%	\$ 1,751,160	3	0.4%
Transwestern Pipeline/Paragon/Enron	5,878,321	2	0.7%	1,336,250	4	0.3%
TEPPCO Partners/Burlington Resources	1,879,939	3	0.2%	4,755,268	1	1.1%
Giant Industries	1,834,195	4	0.2%	1,762,023	2	0.4%
Praxair, Inc.	1,595,497	5	0.2%	-	-	-
Duke Energy Field Services	1,321,946	6	0.2%	-	-	-
San Juan Regional Medical Center	1,266,202	7	0.1%	691,952	5	0.2%
Wal-Mart/Sam's Club	960,566	8	0.1%	409,301	8	0.1%
San Juan College	920,959	9	0.1%	473,321	6	0.1%
Animas Valley Mall	478,261	10	0.1%	434,431	7	0.1%
Smith's Food & Drug	-	-	-	224,371	9	0.1%
Western Gas Resources	-	-	-	147,571	10	0.0%
<b>Total</b>	<b>\$ 35,390,464</b>		<b>4.0%</b>	<b>\$ 11,985,648</b>		<b>2.8%</b>

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

**Schedule 8**

<b>Fiscal Year</b>	<b>Gross Receipts Tax</b>	<b>Property Tax</b>	<b>Franchise Tax</b>	<b>Other Taxes</b>	<b>Total Taxes</b>
1998	32,471,206	755,619	3,506,973	1,017,006	37,750,804
1999	28,497,933	796,418	3,285,030	1,011,935	33,591,316
2000	31,039,545	831,478	2,893,504	1,571,539	36,336,066
2001	33,213,633	883,140	3,177,912	1,587,638	38,862,323
2002	35,922,137	922,002	2,551,995	1,716,477	41,112,611
2003	35,146,693	930,112	2,601,794	1,724,672	40,403,271
2004	38,351,091	985,836	715,022	1,884,994	41,936,943
2005	43,134,352	1,043,064	720,748	1,873,736	46,771,900
2006	49,274,220	1,121,723	1,594,098	1,942,024	53,932,065
2007	51,818,982	1,235,064	1,045,698	1,944,810	56,044,554
Change 1998-2007	59.6%	63.5%	-70.2%	91.2%	48.5%

**Note:** Prior to 2004 Payment in Lieu of Taxes (PILT) was reported in the Franchise Tax category. PILT is currently reported as an interfund transfer.

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

Ending 6/30	Fiscal Year									
	1998	1999	2000	(c) 2001	2002	2003	(d) 2004	(e) 2005	2006	2007
Agriculture	\$ 1,557	\$ 1,724	\$ 2,199	\$ 12	\$ 208	\$ 2,002	\$ 2,461	\$ 2,726	\$ 2,769	\$ 3,325
Mining	62,599	71,688	100,802	117,792	125,093	108,454	122,936	133,973	192,806	222,893
Construction	80,477	77,766	96,788	74,984	97,131	98,292	90,069	118,025	142,174	124,428
Manufacturing	26,943	33,136	31,951	32,266	40,120	27,001	33,015	50,656	78,377	69,509
Trans/Comm/Utility	40,831	41,789	42,428	59,034	48,676	24,178	15,481	20,096	33,026	26,547
Wholesale Trade	88,739	83,114	84,959	101,477	103,921	76,836	85,158	113,951	160,468	197,225
Retail Trade	591,284	609,087	630,252	620,126	667,453	668,134	653,535	673,785	634,152	717,121
Information and Cultural	-	-	-	-	-	-	25,225	44,094	43,293	51,774
Finance/Ins/Real Estate	18,484	21,750	22,326	23,176	22,102	21,467	20,539	21,001	26,338	30,878
Services	237,056	265,693	298,995	302,388	365,188	365,245	464,410	507,610	506,892	537,818
Government	-	216	-	-	-	-	2,240	1,920	-	-
Unclassified	-	-	-	-	84	75,713	35,955	40,682	39,669	1,486
Undisclosed (a)	-	-	-	24,620	24,705	33,493	30,835	28,708	26,503	26,258
<b>Total (b)</b>	<b>\$ 1,147,970</b>	<b>\$ 1,205,963</b>	<b>\$ 1,310,700</b>	<b>\$ 1,355,875</b>	<b>\$ 1,494,681</b>	<b>\$ 1,500,815</b>	<b>\$ 1,581,859</b>	<b>\$ 1,757,227</b>	<b>\$ 1,886,467</b>	<b>\$ 2,009,262</b>
City Direct Sales Tax Rate	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%

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

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

(b) Although the figures in the table have been derived from "NM\_FR003-500 Local Gov't Distribution Summary" issued monthly by the State, the State suppresses revenue information in certain categories, if release of the information would compromise the confidentiality of an individual taxpayer. Accordingly, the "Taxable Gross Receipts Tax" totals in this table will differ from those in other tables.

(c) Beginning with FY 2001, the Gross Receipts Tax information is derived from the NM\_FR003-500 Local Gov't Distribution Summary. Prior year history stems from the previously used Report 080-Analysis of Gross Receipts.

(d) Beginning with the 1st Quarter of FY 2004, the State changed the gross receipts tax classification system in the report NM\_FR003-500 Local Gov't Distribution Summary, from the Standard Industrial Classification format to the North American Industrial Classification format.

(e) Effective January 2005, state legislation removed the state and local options gross receipts tax (GRT) from the sales of food and most health care services, by allowing retail food outlets and medical service providers to deduct qualifying food and health services from gross receipts reported to the NM Taxation and Revenue Department. However, municipalities and counties are "held harmless" and are reimbursed the local option GRT on these nontaxable items from the State of New Mexico. The financing of this reimbursement is provided by an increase State GRT of .5%. Although the "taxable gross receipts" column does not include food sales and health care services, the amounts reported as GRT collected by the City does include these items.

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

Schedule 10

Fiscal Year	State GRT	City Share of State GRT	City Direct Rate	San Juan County	Total City GRT
1998	3.2750%	1.2250%	1.1875%	0.2500%	5.9375%
1999	3.2750%	1.2250%	1.1875%	0.2500%	5.9375%
2000	3.2750%	1.2250%	1.1875%	0.3750%	6.0625%
2001	3.2750%	1.2250%	1.1875%	0.3750%	6.0625%
2002	3.2750%	1.2250%	1.1875%	0.3750%	6.0625%
2003	3.2750%	1.2250%	1.1875%	0.3750%	6.0625%
2004	3.2750%	1.2250%	1.1875%	0.6875%	6.3750%
2005	3.7750%	1.2250%	1.1875%	0.6875%	6.8750%
2006	3.7750%	1.2250%	1.1875%	0.8125%	7.0000%
2007	3.7750%	1.2250%	1.1875%	0.8125%	7.0000%

**Source:** State of New Mexico Taxation and Revenue

**Note:** The Local Option Gross Receipts can be increased by enacting a City Ordinance. An increase to Gross Receipts Tax by either raising the Municipal Infrastructure Tax or implementing the Municipal Capital Outlay Tax requires an election.

**City of Farmington**  
**Taxable Gross Receipts Payers by Industry**  
**Current Year and Nine Years Ago**

**Schedule 11**

Ending 6/30	Fiscal Year 2007 (c)				Fiscal Year 1998			
	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (d) (thousands)	Percentage of Total	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (d) (thousands)	Percentage of Total
Agriculture	6	0.22%	\$ 3,325	0.17%	1	0.05%	\$ 1,557	0.14%
Mining	68	2.46%	222,893	11.09%	48	2.29%	62,599	5.45%
Construction	256	9.28%	124,428	6.19%	198	9.46%	80,477	7.01%
Manufacturing	94	3.41%	69,509	3.46%	66	3.15%	26,943	2.35%
Trans/Comm/Utility	45	1.63%	26,547	1.32%	86	4.11%	40,831	3.56%
Wholesale Trade	184	6.67%	197,225	9.82%	136	6.50%	88,739	7.73%
Retail Trade	629	22.80%	717,121	35.69%	595	28.43%	591,284	51.51%
Information and Cultural	94	3.41%	51,774	2.58%	-	0.00%	-	0.00%
Finance/Ins/Real Estate	103	3.73%	30,878	1.54%	66	3.15%	18,484	1.61%
Services	1,257	45.56%	537,818	26.77%	889	42.47%	237,056	20.65%
Government	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Unclassified	18	0.65%	1,486	0.07%	-	0.00%	-	0.00%
Undisclosed (a)	5	0.18%	26,258	1.31%	8	0.38%	-	0.00%
<b>Total (b)</b>	<b>2,759</b>	<b>100.00%</b>	<b>\$ 2,009,262</b>	<b>100.00%</b>	<b>2,093</b>	<b>100.00%</b>	<b>\$ 1,147,970</b>	<b>100.00%</b>

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

**Notes:** Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the city's revenue.

Beginning with FY2001, the Gross Receipts Tax information is derived from the NM\_FR003-500 Local Gov't Distribution Summary. Prior year history stems from the previously used NM Report 080-Analysis of Gross Receipts.

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

(b) Although the figures in the table have been derived from "NM\_FR003-500 Local Gov't Distribution Summary" issued monthly by the state, the state suppresses revenue information in certain categories if the release of information would compromise the confidentiality of an individual taxpayer. Accordingly, the "Taxable Gross Receipts Tax" totals in this table will differ from those in other tables.

(c) Beginning with the 1st Quarter of FY 2004, the State changed the gross receipts tax classification system in the report NM\_FR003-500 Local Gov't Distribution Summary from the Standard Industrial Classification format to the North American Industrial Classification format.

(d) Effective January 2005, state legislation removed state gross receipts tax from groceries and healthcare, and held municipal gross receipts tax "harmless".

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

Schedule 12

Fiscal Year	Residential Property	Nonresidential	Personal	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Residential Tax Rate	Total Direct Non Residential Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
1998	253,132,399	165,015,621	43,332,429	32,901,231	428,579,218	1.713	2.042	1,287,024,679	33.3%
1999	267,418,680	169,225,794	47,930,836	33,380,149	451,195,161	1.667	2.051	1,354,940,423	33.3%
2000	305,827,139	238,899,699	52,732,381	57,201,892	540,257,327	1.539	1.916	1,622,394,375	33.3%
2001	315,605,501	242,149,847	56,231,225	54,407,855	559,578,718	1.582	1.935	1,680,416,571	33.3%
2002	301,906,840	266,855,420	61,117,936	53,434,815	576,445,381	1.584	1.905	1,731,067,210	33.3%
2003	355,058,558	270,933,390	65,556,230	56,984,789	634,563,389	1.510	1.806	1,905,595,763	33.3%
2004	373,904,326	279,329,944	66,969,671	59,092,903	661,111,038	1.526	1.850	1,985,318,432	33.3%
2005	414,565,770	290,602,457	69,183,296	61,710,344	712,641,179	1.496	1.877	2,140,063,601	33.3%
2006	449,119,354	300,261,150	72,774,277	61,449,809	760,704,972	1.511	1.877	2,284,399,315	33.3%
2007	518,861,269	343,707,380	80,889,474	67,559,512	875,898,611	1.434	1.824	2,630,326,159	33.3%

Source: San Juan County Assessor's Office

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

City of Farmington Residential Direct Rates				Overlapping Rates					Total Direct and Overlapping Rates
Fiscal Year	General Fund	Debt Service Fund	Total Direct Rate	State	County	School District #5	San Juan College	Secondary Vocational	
1998	1.713	-	1.713	1.438	7.035	11.798	3.816	0.600	26.400
1999	1.667	-	1.667	1.482	6.693	11.054	3.631	0.600	25.127
2000	1.539	-	1.539	1.529	6.096	10.814	3.307	0.600	23.885
2001	1.582	-	1.582	1.765	6.276	10.409	3.405	0.600	24.037
2002	1.584	-	1.584	1.123	6.285	10.346	3.410	0.600	23.348
2003	1.510	-	1.510	1.520	6.050	9.757	3.282	0.600	22.719
2004	1.526	-	1.526	1.028	6.661	9.794	3.342	0.600	22.951
2005	1.496	-	1.496	1.234	6.627	9.751	3.316	0.600	23.024
2006	1.511	-	1.511	1.291	6.737	9.800	3.371	0.600	23.310
2007	1.434	-	1.434	1.221	6.451	9.690	3.228	0.600	22.624

City of Farmington Nonresidential Direct Rates				Overlapping Rates					Total Direct and Overlapping Rates
Fiscal Year	General Fund	Debt Service Fund	Total Direct Rate	State	County	School District #5	San Juan College	Secondary Vocational	
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
2006	1.925	-	1.925	1.291	8.500	9.934	4.500	0.600	26.750
2007	1.824	-	1.824	1.221	8.500	9.853	4.500	0.600	26.498

Source: San Juan County Assessor's Office

City of Farmington  
Principle Property Tax Payers  
Current Year and Nine Years Ago

Schedule 14

<u>Taxpayer</u>	2007			1998		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Price Development - Animas Mall	\$ 30,902,144	1	3.5%	\$ 7,507,225	1	1.8%
Qwest Corporation	21,965,059	2	2.5%	4,616,882	2	1.1%
Burlington Resources	19,334,806	3	2.2%	-	-	-
Alltel Communications	17,653,800	4	2.0%	-	-	-
Wal-Mart/Sam's Club	12,012,845	5	-	4,084,424	4	1.0%
PNM Gas Services	11,606,987	6	1.3%	1,719,428	10	0.4%
Dugan Production Corporation	10,557,427	7	1.2%	-	-	-
Plaza Farmington II LLC	9,214,262	8	1.1%	-	-	-
PI Farmington Inc.	8,660,366	9	1.0%	-	-	-
Target Corporation	8,141,818	10	0.9%	-	-	-
Mesa Airlines	-	-	-	4,426,573	3	1.0%
Production Operators, Inc.	-	-	-	3,417,939	5	0.8%
Citizens Bank	-	-	-	2,604,834	6	0.6%
First National Bank	-	-	-	2,422,428	7	0.6%
SW Farmington Incorporated (The Inn)	-	-	-	2,189,670	8	0.5%
El Paso Field Service	-	-	-	1,967,856	9	0.5%
<b>Total</b>	<b>\$ 150,049,514</b>		<b>15.8%</b>	<b>\$ 34,957,259</b>		<b>8.2%</b>

Source: San Juan County Treasurer.

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

**Schedule 15**

<b>Calendar Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected Within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
1997	\$ 734,277	\$ 717,162	98%	\$ 35,681	\$ 752,843	103%
1998	764,652	753,653	99%	36,620	790,273	103%
1999	789,988	782,611	99%	36,463	819,074	104%
2000	844,443	826,288	98%	31,365	857,653	102%
2001	899,429	865,899	96%	41,751	907,650	101%
2002	927,021	874,028	94%	38,212	912,240	98%
2003	971,270	926,305	95%	41,402	967,707	100%
2004	1,026,992	982,868	96%	37,284	1,020,152	99%
2005	1,103,523	1,055,826	96%	38,894	1,094,720	99%
2006	1,197,589	1,158,836	97%	43,328	1,202,164	100%

**Source:** San Juan County Treasurer

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

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

Schedule 16

Fiscal Year	General Bonded Debt		Per Capita	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Percentage of Actual Taxable Value of Property		Sales Tax Revenue Bonds	Utility Revenue Bonds	NMED Loan	Capital Leases				
1998	-	N/A	N/A	7,675,000	142,990,000	-	132,589	150,797,589	21.3%	3,723	
1999	-	N/A	N/A	6,460,000	96,935,000	-	309,478	103,704,478	14.2%	2,561	
2000	-	N/A	N/A	5,545,000	80,215,000	-	203,209	85,963,209	11.5%	2,123	
2001	-	N/A	N/A	4,590,000	61,420,000	-	793,067	66,803,067	8.7%	1,629	
2002	-	N/A	N/A	13,815,000	57,040,000	3,466,634	454,081	74,775,715	9.8%	1,869	
2003	-	N/A	N/A	12,000,000	52,210,000	9,488,786	373,369	74,072,155	9.6%	1,829	
2004	-	N/A	N/A	10,100,000	47,090,000	12,830,162	192,042	70,212,204	8.2%	1,696	
2005	-	N/A	N/A	13,860,000	41,620,000	12,830,162	646,958	68,957,120	7.4%	1,630	
2006	-	N/A	N/A	12,800,000	36,850,000	12,830,162	456,114	62,936,276	6.3%	1,457	
2007	-	N/A	N/A	11,670,000	31,945,000	13,650,539	356,707	57,622,246	3.7%	1,322	

**Note:** Details regarding the city's outstanding debt can be found in the notes to the financial statements. See Schedule 20 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

**City of Farmington  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2007**

**Schedule 17**

---

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
San Juan County	\$ -	30.32%	\$ -
Farmington Public Schools	34,690,000	100.00%	34,690,000
San Juan College	24,858,649	30.32%	<u>7,537,640</u>
Subtotal Overlapping Debt			42,227,640
City direct debt			<u>11,670,000</u>
Total direct and overlapping debt			<u><u>\$ 53,897,640</u></u>

**Source:** Debt amounts are provided by each governmental unit

City of Farmington  
 Legal Debt Margin Information  
 Last Ten Fiscal Years

Schedule 18

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Assessed Valuations</b>										
Assessed Value (1)	\$ 395,677,987	\$ 417,815,012	\$ 483,055,435	\$ 505,170,863	\$ 523,010,566	\$ 577,578,600	\$ 602,018,135	\$ 650,930,835	\$ 699,255,163	\$ 808,339,099
Add back - exempt property	<u>32,901,231</u>	<u>33,380,149</u>	<u>57,201,892</u>	<u>54,407,855</u>	<u>53,434,815</u>	<u>56,984,789</u>	<u>59,092,903</u>	<u>61,710,344</u>	<u>61,449,809</u>	<u>67,559,512</u>
Total Assessed Value	<u>428,579,218</u>	<u>451,195,161</u>	<u>540,257,327</u>	<u>559,578,718</u>	<u>576,445,381</u>	<u>634,563,389</u>	<u>661,111,038</u>	<u>712,641,179</u>	<u>760,704,972</u>	<u>875,898,611</u>
<b>Legal Debt Margin</b>										
Debt limitation - 4 % of total assessed value	17,143,169	18,047,806	21,610,293	22,387,149	23,057,815	25,382,536	27,134,479	28,505,647	30,428,199	35,035,944
Debt applicable to limitation:										
Total bonded debt	150,665,000	103,395,000	85,760,000	66,010,000	70,855,000	64,210,000	57,190,000	55,480,000	49,650,000	43,615,000
Less: Revenue bonds	<u>(150,665,000)</u>	<u>(103,395,000)</u>	<u>(85,760,000)</u>	<u>(66,010,000)</u>	<u>(70,855,000)</u>	<u>(64,210,000)</u>	<u>(57,190,000)</u>	<u>(55,480,000)</u>	<u>(49,650,000)</u>	<u>(43,615,000)</u>
Total net debt applicable to limitation	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<u>\$ 17,143,169</u>	<u>\$ 18,047,806</u>	<u>\$ 21,610,293</u>	<u>\$ 22,387,149</u>	<u>\$ 23,057,815</u>	<u>\$ 25,382,536</u>	<u>\$ 27,134,479</u>	<u>\$ 28,505,647</u>	<u>\$ 30,428,199</u>	<u>\$ 35,035,944</u>

(1) Excludes centrally assessed property.

City of Farmington  
Pledged-Revenue Coverage  
Last Ten Fiscal Years

Schedule 19

Fiscal Year	Utility Revenue Bonds						Sales Tax Revenue bonds			
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Sales Tax Revenue	Principal	Interest	Coverage
1998	\$ 63,978,884	\$32,428,756	\$31,550,128	\$ 6,465,000	\$ 9,387,108	1.99%	\$ 16,488,878	\$ 310,000	\$ 294,248	27.29%
1999	70,945,775	39,720,550	31,225,225	5,252,551	7,518,423	2.45%	14,471,250	325,000	279,368	23.94%
2000	72,162,111	41,672,313	30,489,798	5,120,000	5,761,169	2.80%	15,761,881	340,000	263,118	26.13%
2001	95,338,525	52,772,478	42,566,047	5,385,000	3,625,288	4.72%	16,685,883	355,000	245,778	27.77%
2002	92,079,901	58,676,235	33,403,666	4,380,000	4,005,058	3.98%	18,241,261	965,000	368,188	13.68%
2003	91,914,248	61,217,128	30,697,120	4,350,000	2,726,755	4.34%	17,847,491	1,815,000	560,368	7.51%
2004	97,272,752	64,101,912	33,170,840	5,120,000	2,291,203	4.48%	19,474,684	1,900,000	483,230	8.17%
2005	104,017,779	73,226,886	30,790,893	5,470,000	2,048,221	4.10%	21,903,624	1,965,000	421,480	9.18%
2006	104,286,825	64,874,653	39,412,172	4,770,000	1,790,605	6.01%	25,021,449	1,060,000	588,522	15.18%
2007	107,924,587	65,220,228	42,704,359	4,905,000	1,647,505	6.52%	26,313,679	1,130,000	512,904	16.02%

**City of Farmington  
Demographic and Economic Status  
Last Ten Calendar Years**

**Schedule 20**

<b>Calendar Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Percentage High School Graduate</b>	<b>Percentage Bachelor's Degree</b>	<b>Unemployment Rate</b>
1997	40,500	\$ 708,750,000	\$ 17,500	30.2	10,556	79.9%	18.4%	10.2%
1998	40,500	729,000,000	18,000	30.2	10,421	79.9%	18.4%	8.3%
1999	40,500	749,250,000	18,500	30.2	10,375	79.9%	18.4%	7.5%
2000	41,000	768,750,000	18,750	33.6	10,209	83.6%	19.7%	5.8%
2001	40,000	760,000,000	19,000	33.6	10,215	83.6%	19.7%	5.4%
2002	40,500	769,500,000	19,000	33.6	10,126	83.6%	19.7%	6.1%
2003	41,400	852,343,200	20,588	33.6	10,055	83.6%	19.7%	6.8%
2004	42,300	926,327,700	21,899	33.6	10,137	83.6%	19.7%	6.1%
2005	43,100	1,202,015,900	27,889	33.6	10,253	83.6%	19.7%	5.5%
(a) 2006	43,600	1,548,541,200	35,517	33.6	10,257	83.6%	19.7%	4.3%

**Sources:** Statistical information prior to 2003 was obtained from City of Farmington Community Development mid-year staff estimate. Demographic information acquired from Bureau of Business and Economic Research, University of New Mexico, and the 1990 and 2000 Censuses. School enrollment provided by Farmington Municipal Schools as of the 40 day census. Unemployment information obtained from the New Mexico Department of Labor.

(a) Per Capita Personal Income estimated for current year based on prior year percent change.

City of Farmington  
 Principle Employers  
 Current Year and Seven Years Ago

Schedule 21

<u>Employer</u>	2007			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Farmington Public Schools	1,475	1	2.6%	1,090	2	2.2%
San Juan Regional Medical Center	1,465	2	2.6%	776	4	1.6%
Central Consolidated Schools	1,092	3	2.0%	1,128	1	2.3%
BHP Billiton	1,000	4	1.8%	854	3	1.7%
City of Farmington	794	5	1.4%	596	5	1.2%
San Juan County	645	6	1.2%	448	9	0.9%
Arizona Public Service	593	7	1.1%	565	7	1.1%
San Juan College	540	8	1.0%	415	10	0.8%
Conoco Philips	520	9	0.9%	-	-	0.0%
Bloomfield Schools	486	10	0.9%	492	8	1.0%
Public Service Company of New Mexico	-	-	0.0%	567	6	1.1%
<b>Total</b>	<b>8,610</b>		<b>10.1%</b>	<b>6,931</b>		<b>13.9%</b>

**Source:** San Juan Economic Development Service and the New Mexico Department of Labor

**Note:** Statistical data is representative of entire county as City data is not available. Earliest accessible information is 2000.

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

**Budgeted Full-time-Equivalent Employees as of June 30**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Government</b>										
Administration	33.0	34.5	36.5	36.5	37.5	37.5	37.5	38.5	39.5	40.5
Administrative Services	29.0	28.0	28.0	29.0	30.0	31.0	31.0	31.0	31.0	32.0
General Services	31.0	30.0	30.0	32.0	32.0	38.0	37.0	36.0	36.0	46.0
<b>Police</b>	146.2	135.2	140.5	143.5	147.5	148.5	148.5	148.5	159.5	172.5
<b>Fire</b>	71.0	71.0	73.0	73.0	73.0	73.0	73.0	73.0	82.0	96.0
<b>Parks, Recreation and Cultural Affairs</b>	94.5	94.5	96.5	103.5	107.0	112.0	114.0	114.0	118.0	124.0
<b>Community Development</b>	64.6	66.0	65.0	65.0	67.0	68.0	68.0	70.0	73.0	74.0
<b>Electric</b>	135.0	130.0	130.0	130.0	133.0	135.0	135.0	144.0	146.0	166.0
<b>Human Resources</b>	10.0	10.0	10.0	11.0	10.0	10.0	10.0	10.0	11.0	11.0
<b>Water/Wastewater</b>	2.0	2.0	3.0	3.0	4.0	7.0	7.0	8.0	8.0	8.0
<b>Golf</b>	9.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.0	7.0
<b>Airport</b>	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	6.5	6.5
<b>Total Employees</b>	<u><u>630.8</u></u>	<u><u>614.7</u></u>	<u><u>626.0</u></u>	<u><u>640.0</u></u>	<u><u>654.5</u></u>	<u><u>673.5</u></u>	<u><u>674.5</u></u>	<u><u>686.5</u></u>	<u><u>717.5</u></u>	<u><u>783.5</u></u>

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

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

City of Farmington  
 Operating Indicators by Function/Program  
 Last Ten Fiscal Years

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Government</b>										
Total number of business registration/licenses	2,730	2,589	2,618	2,515	2,549	2,576	2,730	2,680	2,739	2,839
<b>Police</b>										
Police reports	7,153	6,605	7,462	8,213	8,429	7,177	6,512	6,636	6,254	6,500
Arrests	5,123	4,505	4,913	5,211	5,472	5,118	4,523	4,400	3,814	3,787
Traffic citations	13,554	18,291	27,219	23,898	23,475	26,147	22,274	17,473	16,263	18,982
<b>Fire</b>										
Fire alarm responses	1,013	782	938	1,033	886	804	772	700	888	760
Total responses	4,366	3,961	3,670	4,167	4,195	4,160	4,746	4,885	5,457	5,825
<b>Parks and Recreation</b>										
Parks and recreation participants	350,770	352,410	340,732	338,043	320,048	310,076	304,701	299,248	309,546	305,279
<b>Library</b>										
Patrons	343,207	337,569	322,209	307,982	289,280	247,983	327,505	410,690	427,831	436,629
Circulation	300,992	292,266	280,404	271,748	279,452	280,022	392,221	490,717	517,654	468,998
Number of volumes	176,316	165,235	194,222	207,270	165,195	174,689	162,653	174,381	187,431	186,966
<b>Museum</b>										
Patrons	11,749	38,277	60,350	53,544	47,281	57,782	52,314	64,572	75,427	71,332
<b>Community Development</b>										
Summary plats	N/A	N/A	36	54	49	43	38	89	77	71
Building permits issued	1,821	1,861	1,797	1,315	1,382	1,339	1,443	1,554	1,494	1,539
Permit valuation (in \$)	53,025,910	48,352,181	40,301,508	47,969,286	41,087,054	47,827,308	54,288,877	76,647,366	99,406,673	68,119,054
Asphalt placed (sq.ft.)	108,412	96,973	81,722	125,456	106,852	96,798	123,514	83,727	132,216	88,582
Concrete placed (cu.yd.)	1,029	1,029	821	762	1,071	1,032	756	698	441	727
<b>Electric</b>										
Meter connections	N/A	6,200	7,318	7,262	8,608	9,201	9,478	9,265	9,387	8,769
Meter reads	N/A	600,084	611,911	576,928	567,942	558,859	554,291	561,898	541,090	559,121
<b>Water/Wastewater</b>										
Water treated (millions of gallons)	N/A	4,062	4,011	4,100	4,534	4,452	4,057	3,366	3,842	4,029
Effluent treated (millions of gallons)	N/A	1,824	1,790	1,779	1,772	1,832	1,781	1,858	1,881	2,057
New water meter installations	N/A	216	221	191	177	176	205	304	373	342
<b>Golf</b>										
Golf course participants	81,564	78,408	70,626	62,274	58,466	54,388	58,399	60,999	71,689	60,455
<b>Airport</b>										
Total enplanements	75,495	63,774	63,403	62,459	39,085	27,160	30,132	35,503	32,575	30,177

Source: Provided by various City department

Notes: A portion of 1998 was estimated based on the same quarters for FY99 and FY00.  
 Fluctuation in museum patronage is due to special exhibits.

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

**Schedule 24**

	<b>Fiscal Year</b>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	N/A	3	4	3	3	3	3	3	3	3
Patrol vehicles	134	141	151	158	166	170	172	155	170	186
Fire stations	5	5	5	5	5	5	5	5	6	6
Parks and Recreation										
Developed acres	519	529	584	584	584	586	588	588	589	592
Undeveloped acres	1,078	1,740	1,275	1,275	1,275	1,273	1,282	1,289	1,288	1,285
Number of parks/facilities	59	59	70	71	76	77	79	80	80	80
Baseball/softball diamonds	24	24	24	24	24	24	24	25	25	24
Soccer/football fields	11	11	11	11	11	11	11	13	13	14
Number of golf courses	2	2	2	2	2	2	2	2	2	2
Community Development										
Streets (miles)	N/A	N/A	N/A	N/A	234	235	238	240	245	253
Highway (miles)	N/A	N/A	N/A	N/A	17	17	17	17	17	17
Streetlights	N/A	N/A	N/A	N/A	3,843	3,871	3,915	3,933	3,971	4,124
Traffic signals	N/A	N/A	N/A	N/A	73	74	75	76	77	78
Water										
Water mains (miles)	N/A	N/A	N/A	N/A	310	318	325	330	336	336
Fire hydrants	N/A	N/A	N/A	N/A	1,866	2,010	2,154	2,296	2,360	2,400
Storage capacity (thousands of gallons)	N/A	N/A	N/A	N/A	24,300	24,300	24,300	24,300	24,300	24,300
Wastewater										
Sanitary sewers (miles)	N/A	N/A	N/A	N/A	191	195	199	203	207	275
Treatment capacity (thousands of gallons)	N/A	N/A	N/A	N/A	5,800	5,800	6,670	6,670	6,670	6,670
Transit - minibuses/vans	N/A	N/A	N/A	8	8	8	8	8	8	11

**Source:** Provided by various City department

**Note:** The city implemented GASB Statement 34 infrastructure information in fiscal year 2002.

# Single Audit Section

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

**Year Ended June 30, 2007**

<u>PROGRAM NAME</u>	<u>CFDA Number</u>	<u>Grantor / Pass-through ID Number</u>	<u>Expenditures</u>
<b>DIRECT PROGRAMS</b>			
Airport Improvement Program 2006 Project	20.106	U.S. Department of Transportation	\$ 137,990
Community Development Block Grant (CDBG)	14.228	U.S. Department of Housing and Urban Development	536,252
Federal Transit - Metropolitan Transit Operations and Capital - Red Apple Transit	20.505	U.S. Department of Transportation	334,792
Federal Transit - Metropolitan Transit Operations MPO	20.505	U.S. Department of Transportation	117,472
HIDTA Grant	16.000	Office of the President I5PSNP572	5,493
HIDTA Grant	16.000	Office of the President I6PSNP572	157,583
<b>PASS THROUGH PROGRAMS</b>			
<b>From the State of New Mexico Department of Public Safety</b>			
Region II Narcotics Grant (U.N.E.T.)	16.579	U.S. Department of Justice 04-DCSI-PPA 02-REGION II-FY06	103,511
Region II Narcotics Grant (U.N.E.T.)	16.579	U.S. Department of Justice 04-DCSI-PPA 02-REGION II-FY07	192,317
Water Quality Improvement Program - New Mexico Environment Department (NMED)	66.460	Office of Water, Environmental Protection Agency	26,235
<b>Total Federal Assistance</b>			<b>\$ 1,611,645</b>

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

**CITY OF FARMINGTON**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2007**

**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 2007 cash and non-cash expenditures to ensure coverage of at least 25 percent (low risk auditee) of federally granted funds. Actual coverage is 33% of total cash and non-cash federal award program expenditures.

	<u>Fiscal Year 2007</u> <u>Expenditure</u>
Major Federal Award Program Description	
14.228 – Community Development Block Grant	\$ 536,252

**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, 2007. 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.

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

City of Farmington  
Farmington, New Mexico  
Honorable Mayor and City Council and  
Hector H. Balderas  
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, and the combining and individual funds and all the budgetary comparisons presented as supplemental information of the City of Farmington, New Mexico (City) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 7, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted instances of noncompliance that are required to be reported under Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 2007-1, 2007-2 and 2007-3.

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

A handwritten signature in cursive script that reads "David Berry, CPA, PC".

Farmington, New Mexico  
November 7, 2007

**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  
Hector H. Balderas  
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, 2007. 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, 2007.

**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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in black ink that reads "David Berry, CPA, PC". The signature is written in a cursive style with a large, sweeping initial "D".

Farmington, New Mexico  
November 7, 2007

**CITY OF FARMINGTON  
SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS  
Year Ended June 30, 2007**

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 significant deficiencies relating to the audit of the financial statements 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 significant deficiencies 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 2007</u> <u>Expenditure</u>
Major Federal Award Program Description	
14.228 – Community Development Block Grant	\$ 536,252

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, 2007**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

<b>Prior Year Findings</b>		<b>Status</b>
2006-1	Travel Reimbursement	Cleared
2006-2	Personal Use of Purchase Cards	Cleared
2006-3	Actual Expenses Exceeded Final Budget	Cleared

**Current Year Findings**

**2007-1 Budgetary Basis of Accounting**

Condition

During the preparation of the financial statements the finance division noted that a \$100,000 expenditure was posted to the wrong fund. The finance division discovered the error when comparing actual and budgeted expenditures. The error should have been discovered when the purchase order was approved but the purchasing system uses a cash basis (Non-GAAP) of accounting and the finance division uses GAAP (generally accepted accounting principles) basis of accounting for reporting purposes.

Criteria

The City should use the same basis of accounting for reporting purposes and the purchase order system.

Cause

The purchase order system reported a budget amount available to spend but the year end adjustments to GAAP basis reduced the amount available to spend.

Effect

The purchasing system uses the cash basis of accounting and the financial reporting process uses the GAAP basis of accounting. The difference in basis of accounting can result in errors.

Recommendation

The City should use the same basis of accounting for reporting purposes and the purchase order system. The City should establish policies and procedures to document the basis of accounting used for purchasing and reporting purposes.

Management Response

The finance division will reconcile the budgetary basis of accounting to the GAAP basis of accounting on all of the governmental funds individual statements on all future annual financial reports.

## **2007-2 Inventory Adjustments**

### **Condition**

The difference between the detailed inventory listing and the general ledger balance is recorded on the general ledger. There should not be any differences between the detailed listing and the general ledger if the two computer modules are integrated.

### **Criteria**

The differences between the detailed listing and the general ledger amount should be reconciled and explained on a timely basis.

### **Cause**

The detailed inventory listing and the general ledger are integrated but differences still occur.

### **Effect**

The inventory reconciliation adjustment is posted to the current year expense.

### **Recommendation**

The differences between the detailed listing and the general ledger amount should be reviewed and explained on a timely basis and changes made to policies and procedures to avoid differences in the future.

### **Management Response**

Management will appoint a task force to investigate the cause of the reconciliation of the general ledger to the inventory system in an effort to minimize any future year end adjustments to the general ledger.

### **2007-3 Purchase Card Violation**

#### **Condition**

During our test of disbursements we noted an invoice the amount of \$8,144.50 was split into smaller amounts (\$4,900.00 and \$3,244.50) so that the Purchase Card could be used without going over the Purchase Card limit.

#### **Criteria**

The Purchase Card can be used for purchases of less than \$5,000.

#### **Cause**

The Purchase Card was used for a purchase that exceeded the \$5,000 amount.

#### **Effect**

The City's procurement process was avoided by splitting the invoice into smaller amounts so that the Purchase Card could be used for the purchase.

#### **Recommendation**

The City should establish policies and procedures to determine that the employees are not avoiding the intent of the City's procurement process.

#### **Management Response**

This was an emergency purchase for a temporary shelter for the City's homeless population and was approved by the City Manager.

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



**Report on Compliance Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance in Accordance with the Passenger Facility Charge Audit Guide for Public Agencies and on the Schedule of Passenger Facility Charges Revenues and Disbursements**

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

**Compliance**

We have audited the compliance of the City of Farmington, New Mexico (City) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2007. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program 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 the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. Those standards and the Guide 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 the passenger facility charge 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 passenger facility program for the year ended June 30, 2007.

**Internal Controls over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to its passenger facility charge program. 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 its passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with the Guide.

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 and regulations caused by error or fraud that would be material in relation to the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Passenger Facility Charges

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the combining and individual funds presented as supplemental information of the City of Farmington, New Mexico (City) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 7, 2007. Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. The accompanying schedule of passenger facility charges and disbursements as required by the Federal Aviation Administration's *Passenger Facility Charge Audit Guide for Public Agencies*, is presented for purposes of additional analysis and is not a required part of the financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, City management, the Office of the State Auditor, the New Mexico Legislature, 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  
November 7, 2007

## PFC Revenue and Disbursement Schedule

### Four Corners Regional Airport FY-07

7/1/06 - 6/30/07

	FY-06 Program Total <sup>1</sup>	Quarter 1 Jul-Sept	Quarter 2 Oct-Dec	Quarter 3 Jan-Mar	Quarter 4 Apr-Jun	FY-07 Total	FY-07 Program Total
<b>Revenue</b>							
Collections	\$ 236,713	\$ 17,293	\$ 20,383	\$ 19,402	\$ 16,336	\$ 73,414	\$ 310,127
Interest	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>236,713</b>	<b>17,293</b>	<b>20,383</b>	<b>19,402</b>	<b>16,336</b>	<b>73,414</b>	<b>310,127</b>
<b>Disbursements</b>							
<b>Application 01</b>							
Proj. 1-A Runway Improvements	148,596	-	-	-	-	-	148,596
Proj. 1-B Taxiway Improvements	88,117	17,290	20,386	16,879	-	54,555	142,672
Proj. 1-C Apron Improvements	-	-	-	2,523	16,336	18,859	18,859
Proj. 1-D Drainage Improvements	-	-	-	-	-	-	-
Proj. 1-E Signage Improvements	-	-	-	-	-	-	-
Proj. 1-F Airfield Electrical Improvements	-	-	-	-	-	-	-
Proj. 1-G Security Improvements	-	-	-	-	-	-	-
Proj. 1-H Terminal Improvements	-	-	-	-	-	-	-
Proj. 1-I Non-revenue Parking Improvements	-	-	-	-	-	-	-
Proj. 1-J Acquire Safety Equipment	-	-	-	-	-	-	-
Proj. 1-K Conduct Planning	-	-	-	-	-	-	-
Proj. 1-L Improve Service Roads	-	-	-	-	-	-	-
Proj. 1-M Administrative Costs	-	-	-	-	-	-	-
<b>Total App 01</b>	<b>236,713</b>	<b>17,290</b>	<b>20,386</b>	<b>19,402</b>	<b>16,336</b>	<b>73,414</b>	<b>310,127</b>
<b>Total Disbursements</b>	<b>236,713</b>	<b>17,290</b>	<b>20,386</b>	<b>19,402</b>	<b>16,336</b>	<b>73,414</b>	<b>310,127</b>
Net PFC Revenue (rev-disb.)							
PFC Account Balance	\$ -	\$ 3	\$ (3)	\$ -	\$ -	\$ -	\$ -

<sup>1</sup> Starting FY07, schedule will be on a cash basis, changing from accrual.

**CITY OF FARMINGTON**  
**PASSENGER FACILITY CHARGE PROGRAM AUDIT SUMMARY**  
**Year Ended June 30, 2007**

1. Type of report issued on PFC financial statements - Unqualified.
2. Type of report on PFC compliance – Unqualified.
3. Quarterly Revenue and Disbursements reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts – Yes.
4. PFC Revenue and Interest is accurately reported on FAA Form 5100-127 – Yes.
5. The Public Agency maintains a separate financial accounting record for each application – Yes.
6. Funds disbursed were for PFC eligible items as identified in the FAA Decision to pay only for allowable costs of the projects – Yes.
7. Monthly carrier receipts were reconciled with quarterly carrier reports – Yes.
8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds – Yes.
9. Serving carriers were notified of PFC program actions/changes approved by the FAA – N/A.
10. Quarterly Reports were transmitted (or available via website) to remitting carriers – Yes.
11. The Public Agency is in compliance with Assurances 5, 6, 7 and 8 – Yes.
12. Project design and implementation is carried out in accordance with Assurance 9 – Yes.
13. Program administration is carried out in accordance with Assurance 10 – Yes.
14. For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence – N/A.

CITY OF FARMINGTON  
EXIT CONFERENCE  
Year Ended June 30, 2007

An exit conference was held on November 7, 2007. In attendance were:

For the City of Farmington:

George Sharpe  
Michael Miller  
Andy Mason  
Eric Schlotthauer  
Steve Ellison  
Sarah Talley

Mayor Pro-tem  
City Manager  
Administrative Services Director  
Controller  
Budget Officer  
General Accountant

For David Berry, CPA, PC (auditors):

David Berry                      CPA



# OTHER INFORMATION

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

June 30, 2007

	<u>Bank of America</u>	<u>Citizens Bank of Farmington</u>	<u>Wells Fargo</u>
<b><u>City of Farmington Deposits</u></b>			
Demand Deposit Accounts	\$ -	\$ 304,902	\$ 3,765,961
Overnight Deposits	-	-	3,017,647
Certificate of Deposit	4,000,000	25,100,000	30,000,000
Sub-Total	4,000,000	25,404,902	36,783,608
Less FDIC insurance	100,000	100,000	200,000
Uninsured amount	3,900,000	25,304,902	36,583,608
<b><u>Pledge Collateral Required</u></b>			
102 percent - overnight	-	-	3,078,000
50 percent - deposits	1,950,000	12,652,451	16,782,981
<b>Total Pledged Collateral Required</b>	1,950,000	12,652,451	19,860,980
Pledged collateral	2,306,977	13,360,513	21,125,049
Excess of pledged collateral	<u>\$ 356,977</u>	<u>\$ 708,062</u>	<u>\$ 1,264,069</u>

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

Location of of collateral	<u>Dallas, TX</u>	<u>Dallas, TX</u>	<u>Los Angeles</u>
Federal Home Loan Bank			
cusip # 31359MSL8 07/17/13	\$	\$ 4,732,800	\$
cusip # 3136F6YL7 12/25/12		3,093,030	
cusip # 31371LPU7 04/01/14		2,118,067	
cusip # 31393APP6 12/25/32		869,645	
cusip # 31394HYD7 05/15/16		1,562,911	
cusip # 3133XAZX8 09/16/11		984,060	
FNMS			
cusip # 31385XAZO 05/01/33	2,306,977		
FHARM			
cusip # 31348T2F8 10/01/20			65,526
FNCL			
cusip # 31385HXE7 11/01/31			11,193
cusip # 31407HS80 02/01/36			136,025
cusip # 31407HZN9 05/01/36			13,566,534
cusip # 31408HBY0 03/01/36			290,263
cusip # 31409DUS0 04/01/36			2,119,456
cusip # 31409WAJ0 04/01/36			1,072,522
cusip # 00910954 02/01/37			3,176,468
G2SF			
cusip # 36202DUV1 10/20/32			42,176
GNSF			
cusip # 36225BEK0 05/15/29			551,730
cusip # 36225BEV6 06/15/29			31,026
cusip # 36225BKX5 09/15/29			36,775
cusip # 36225BM39 04/15/31			25,355
	<u>\$ 2,306,977</u>	<u>\$ 13,360,513</u>	<u>\$ 21,125,049</u>

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

**June 30, 2007**

Participants (including City of Farmington)	Responsible Party	Description	Dates of Agreement	Total Amount/ City Share	FY07 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	\$ 30,398	San Juan County Communications Authority
Aztec, Bloomfield & San Juan County	Crime Stoppers	Law enforcement	07/01/05 through 06/30/2	\$23,000/\$10,410	\$ 10,494	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%	-	Water Commission
Aztec, Bloomfield, SJ County, NM Dept. of Public Safety San Juan College	San Juan County Criminial Justice Training Authority	Police Training	8/07/96 until termination	\$75,000/\$35,150	\$ 35,150	SJ College
Aztec, Bloomfield & San Juan County	City of Farmington	Recycling Center	11/1/97 until termination	\$71,031/\$65,888	\$ 65,888	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	\$ 24,467 / \$ 16,554	\$ 16,554	City
San Juan County	San Juan County	Detention Center	12/16/04 to 6/30/06	\$10,346,459/\$1,004,493	\$1,004,493	San Juan County
San Juan County	San Juan County	DWI Treatment Ctr	04/15/98 to 12/31/06	\$2,193,365/\$440,000	\$ 440,000	San Juan County
NM Energy, Minerals and Natural Resources Department (NMEMNRD)	NMEMNRD	Wildfire Firefighting	12/12/05 to 12/11/10	\$35,072 / \$35,072	\$ 35,072	NMEMNRD
NMEMNRD	City of Farmington	Wilderness Trails	01/09/06 to 11/30/09	\$41,000 / \$ 41,000	\$ 41,000	NMEMNRD