

*Comprehensive
Annual
Financial
Report*

*City of Farmington
New Mexico*

July 1, 2007 - June 30, 2008

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

For The Year Ended June 30, 2008

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Printing by City of Farmington Print Shop

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INTRODUCTORY SECTION

**CITY OF FARMINGTON**

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www.fmtn.org

December 1, 2008

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, 2008.

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, 2008, 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, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

OFFICE of the CITY MANAGER

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

Profile of the Government

The City of Farmington is located in the northwest corner of the State of New Mexico in what is commonly called the Four Corners Area (see map on page xi). The City was originally incorporated in 1901 and has a current land area of 32.1 square miles and serves a population of 42,425. The government is empowered to levy a property tax on both real and personal property located within its boundaries. However, the majority of City revenue is generated by a local option and state shared Gross Receipts Tax (GRT) collected by the New Mexico Taxation and Revenue Department on most business services and sales of tangible personal property. A portion of the State's share of this tax (1.225%) plus local municipal option components are then distributed back to the municipality by the Department on a monthly basis.

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 1.125% 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, museums and cultural events.

The annual budget serves as the foundation for the City of Farmington's financial planning and control. All departments of the City of Farmington are required to submit requests for appropriation to the City Manager on or before the last day in March each year. The City Manager evaluates department requests and subsequently develops a proposed budget. The City Manager presents the proposed budget to the Council for review prior to May 10. The City Council is required to hold public hearings on the proposed budget and to adopt a preliminary budget by June 1 and a final budget no later than July 31 of each year. The City of Farmington's fiscal year begins July 1 of each year and ends on June 30. The appropriated budget is prepared according to fund, function (e.g. public safety), and department (e.g. police). Department directors may make transfers of appropriations within a fund and between their divisions. Transfers of appropriations between funds, however, require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual

governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 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 3.6% and Lodgers Tax revenue was up 10.6% from the prior fiscal year. Electric utility operating revenue increased 11.4% 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. GRT projections for the next fiscal year have been projected at a 4.8% growth factor which is a more modest growth 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. 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 1,500 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. This event provided a boost to the local economy in 2008 and will continue to do so in 2009.

The City of Farmington 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 (SJPMC) of Farmington completed a \$70 million expansion and renovation project in FY 2007. The East Tower expansion project of SJPMC 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 medical center expansion and renovation. SJPMC 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 56,289, a decrease of 1.2% 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 remaining balance from the General Fund's existing cash reserves. 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, that will more efficiently treat three million gallons of waste per day, is scheduled for FY 2010. Design work for the project began in the fall of FY 2006. Construction for this expansion project will be budgeted in FY 2010 at an estimated cost of \$11 million. It is anticipated the City will be working with the NMED on an additional low interest loan through the State Clean Water 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 Area (MRA) 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, Federal agency securities, and the State Treasurer's investment pool. The City earned interest revenue of \$962,448 on all governmental investments including capital projects and internal service funds and \$2,800,336 on all proprietary funds for the year ended June 30, 2008. The maturities of the investments range from overnight to 3 years. The City's investment policy seeks 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. The City's investment policy was reviewed, updated and approved by the City Council in January, 2008.

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 2008, while the health fund's cash balance increased to \$53,846 at June 30, 2008. Management will review the fiscal stability of the health insurance fund in FY 2009 and make appropriate modifications to the plan. Beginning January 1, 2008, the retirees participating in the City of Farmington's health plan were transferred to the New Mexico Retiree Health Care Authority. This has reduced the amount of claims and has increased the health fund's net asset balance by \$182,249. 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, 2007. This was the fourteenth 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 2008. 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,



Robert Mayes
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, 2007

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.



Oliver S. Cox

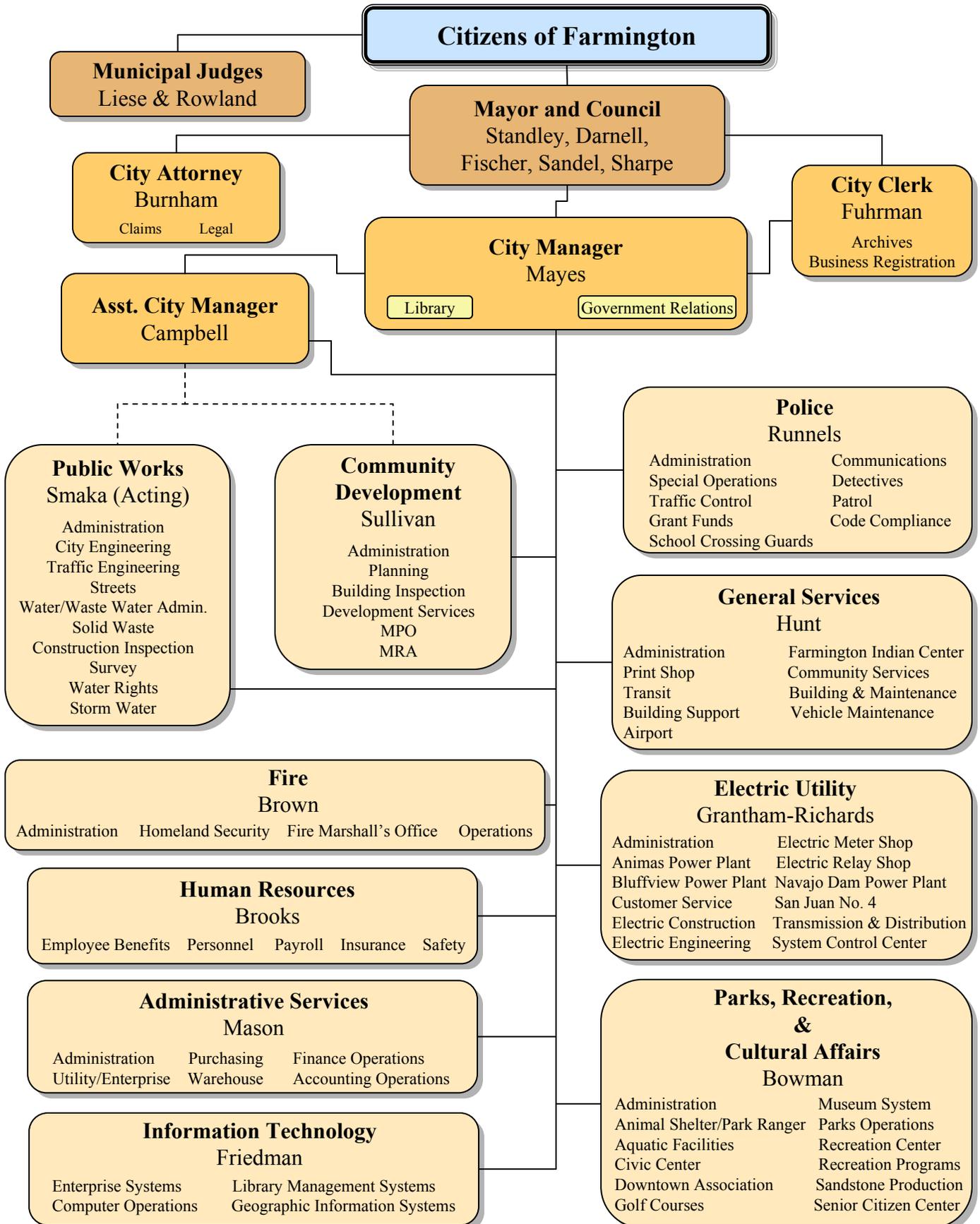
President

Jeffrey R. Emmer

Executive Director

City of Farmington – Organizational Chart

June 2008



CITY OF FARMINGTON

Principal Officials

June 30, 2008

MAYOR

William Standley

CITY COUNCIL

Mary M. Fischer

George Sharpe

Dan Darnell

Jason Sandel

CITY MANAGER

Robert Mayes

ASSISTANT CITY MANAGER

Robert Campbell

ADMINISTRATIVE SERVICES DIRECTOR

H. Andrew Mason

COMMUNITY DEVELOPEMENT

Michael Sullivan

ELECTRIC UTILITY DIRECTOR

Maude Grantham-Richards

FIRE

Troy Brown

GENERAL SERVICES

Rodney Hunt

HUMAN RESOURCES

Donna Brooks

INFORMATION TECHNOLOGY

Richard Friedman

PARKS & RECREATION

Jeffrey Bowman

POLICE

James Runnels

PUBLIC WORKS

Jeffrey Smaka

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, 2008, 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, 2008, 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 with 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, 2008, 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, 2008, 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 11, 2008, 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 11, 2008

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, 2008. 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 2008 by \$425,325,342 (net assets). Of this amount, \$77,309,002 (unrestricted net assets) may be used to meet the City's ongoing obligations.
- As of June 30, 2008, the City of Farmington's governmental funds reported combined ending fund balances of \$27,837,599, an increase of \$37,924, or 0.13% in comparison with the prior year. A total of \$23,069,273 (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 \$8,187,413, or 15.7 % of the total general fund expenditures.
- The City's total net debt decreased by \$6,858,481, or 12% 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 seventeen (17) 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 fifteen (15) 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 53-60).

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

The basic governmental fund financial statements can be found on pages 17-20 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water, wastewater, sanitation, golf, and airport operations and are found on pages 81-86 of this report. Fund data for the internal service fund is provided on page 79 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-49 of this report.

Government-wide Financial Analysis

As noted earlier, over time net assets may serve as a useful indicator of a government's financial position. In the case of the City of Farmington, assets exceeded liabilities by \$425,325,342 at the close of FY 2008.

The largest portion of the City of Farmington's net assets (80%) 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 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
				Restated		Restated
Current and other assets	\$ 33,952,594	\$ 34,225,116	\$ 86,936,461	\$ 76,404,785	\$ 120,889,055	\$ 110,629,901
Capital assets	87,008,963	86,666,015	305,186,410	287,692,663	392,195,373	374,358,678
Total assets	120,961,557	120,891,131	392,122,871	364,097,448	513,084,428	484,988,579
Long-term liabilities outstanding	12,096,738	13,066,834	42,301,854	48,303,026	54,398,592	61,369,860
Other liabilities	4,743,066	5,457,869	28,617,428	26,749,065	33,360,494	32,206,934
Total liabilities	16,839,804	18,524,703	70,919,282	75,052,091	87,759,086	93,576,794
Net assets:						
Invested in capital assets, net of related debt	76,387,603	74,772,100	263,888,952	240,380,428	340,276,555	315,152,528
Restricted	4,599,840	4,491,602	3,139,945	2,914,976	7,739,785	7,406,578
Unrestricted	23,134,310	23,102,726	54,174,692	45,749,953	77,309,002	68,852,679
Total net assets	\$ 104,121,753	\$ 102,366,428	\$ 321,203,589	\$ 289,045,357	\$ 425,325,342	\$ 391,411,785

Another portion of the City of Farmington's net assets (1.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$77,309,002) 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 \$33,913,557 during the current fiscal year. Almost all of this increase represents the degree to which increases in ongoing revenues have exceeded similar increases in ongoing expenses, most attributable to the utility systems.

Governmental activities. Governmental activities increased the City of Farmington's net assets by \$1,755,325. 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 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
Revenues:				Restated		Restated
Program revenues:						
Charges for services	\$ 9,294,233	\$ 9,156,926	\$ 125,132,885	\$ 111,374,243	\$ 134,427,118	\$ 120,531,169
Operating grants and Contributions	3,623,209	2,600,396	1,585,215	1,227,869	5,208,424	3,828,265
Capital grants and Contributions	-	-	2,617,273	495,436	2,617,273	495,436
General revenues:						
Property taxes	1,330,285	1,235,064	-	-	1,330,285	1,235,064
GRT taxes	54,401,730	51,818,982	-	-	54,401,730	51,818,982
Other taxes	3,116,431	2,990,508	-	-	3,116,431	2,990,508
Other	2,348,690	2,264,513	2,800,336	2,357,973	5,149,026	4,622,486
Total revenues	74,114,578	70,066,389	132,135,709	115,455,521	206,250,287	185,521,910
Expenses:						
General Government	24,439,831	24,470,791	-	-	24,439,831	24,470,791
Police	15,834,320	15,029,695	-	-	15,834,320	15,029,695
Fire	8,384,634	7,606,467	-	-	8,384,634	7,606,467
Parks, rec & cultural affairs	14,714,271	13,769,347	-	-	14,714,271	13,769,347
Community development	9,938,557	10,776,798	-	-	9,938,557	10,776,798
Electric	-	-	79,473,997	66,341,885	79,473,997	66,341,885
Water	-	-	6,854,699	7,207,259	6,854,699	7,207,259
Wastewater	-	-	5,227,357	5,274,284	5,227,357	5,274,284
Sanitation	-	-	4,130,295	4,002,806	4,130,295	4,002,806
Golf	-	-	1,312,463	1,164,683	1,312,463	1,164,683
Airport	-	-	1,557,946	1,604,506	1,557,946	1,604,506
Other	468,360	511,126	-	-	468,360	511,126
Total expenses	73,779,973	72,164,224	98,556,757	85,595,423	172,336,730	157,759,647
Increase in net assets before transfers	334,605	(2,097,835)	33,578,952	29,860,098	33,913,557	27,762,263
Transfers	1,420,720	1,346,115	(1,420,720)	(1,346,115)	-	-
Increase in net assets	1,755,325	(751,720)	32,158,232	28,513,983	33,913,557	27,762,263
Net assets - 7/01/07 - restated	102,366,428	103,118,148	289,045,357	260,531,374	391,411,785	363,649,522
Net assets - 6/30/08	\$ 104,121,753	\$ 102,366,428	\$ 321,203,589	\$ 289,045,357	\$ 425,325,342	\$ 391,411,785

Gross receipts tax (GRT) increased by \$2,582,748 or 5%. This was due to increased receipts from the retail trade and manufacturing sectors.

Operating grants and contributions increased \$1,022,813 or 39% during the year. This is due to increases in the CDBG grant, a new traffic grant, and increased transfers from the streets special revenue fund.

Expenses for police and fire increased \$1,582,792 or 7% during the year. This is mainly due to a planned increase in police officers and additional staffing for a new fire station.

Business-type activities. Business-type activities increased the City of Farmington's net assets by \$32,158,232, accounting for 94.8% of the total growth in the government's net assets. Key financial elements of the past fiscal year are as follows:

- Operating expenses are 77.3% of operating revenues, resulting in \$28,408,764 in operating income.
- Total electric revenue increased \$10.9 million or 11.6%. Electric sales were up \$10.4 million, and investment earnings increased 21.5% or \$412,590. Surplus energy sales increased \$1.8 million, commercial electric sales increased \$883,249, and the power cost adjustment increased \$8.1 million. Industrial sales decreased \$1.2 million and wholesale revenues decreased \$287,223.
- Total water revenue increased \$2.7 million or 30.2% due mainly to an increase in water rates, increases in renewal and replacement fees for water infrastructure improvements and a grant received from the State of New Mexico.
- Total wastewater revenue increased by \$712,834 or 12.3% during the year due to increases in wastewater rates and increases in renewal and replacement fees for wastewater infrastructure improvements.
- Total sanitation revenue increased \$183,957 or 4.5% mainly due to higher demand for sanitation services.
- Investment earnings for business-type activities were \$2,800,336, an 18.8% increase over FY 2007 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, 2008, the City of Farmington's governmental funds reported combined ending fund balances of \$27,837,599, an increase of \$37,924 in comparison with the prior year. Approximately 82.9% of this total amount or \$23,069,273 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 (\$328,475), prepaid items (\$168,486), and statutory reserves (\$4,271,365).

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 \$8,187,413, while total fund balance was \$12,627,264. 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 15.7% of total general fund expenditures, while total fund balance represents 24.2% of that same amount. The fund balance of the City of Farmington's general fund decreased \$4,567,615 or 26% during the current fiscal year. The total increase in general fund revenue was \$1,837,324 due mostly to a 5% increase in gross receipts tax. Total general fund expenditures increased \$1,781,112 or 3.5% over the prior year. Key elements of this increase were increased costs for jail fees (\$581,392), expansion and additional staffing for the animal shelter/clinic (\$237,353), additional staffing increases for wages/benefits for police (\$1,097,623) and fire (\$740,555). Offsetting these increases was a decrease in general government expenses (\$561,873) or 3% mainly due to FY 2007 expenses being inflated by a one-time buy-in into the New Mexico Retiree Health Authority (\$1,274,744).

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 decreased by \$1,130,446 or 18.2% in FY 2008 due to a decrease in streets projects. The parks & public works fund also is generally budgeted for full expenditure each fiscal year. However, the fund balance increased by \$730,949 or 17.2% 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 \$42,553,481 in the electric utility system, \$3,975,964 in the water utility system, \$6,913,122 in the wastewater utility system, and \$732,125 in combined net assets for the other propriety funds (sanitation, golf course, and airport). The total growth in net assets was \$24,413,916 in the electric fund, \$4,083,696 in the water fund, \$1,053,406 in the wastewater fund, and \$2,607,214 in the other funds combined. The increase in the other proprietary funds was due primarily to a large airport grant that was received in FY 2008. 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 2008 was a favorable year for revenues as Gross Receipts Tax (GRT) proceeds increased by \$2,002,373 or 5% from the prior year on a GAAP basis. This level reflects a continued flattening of the growth curve from FY 2007, when GRT increased 6.3% over the prior year. While still favorable, this level is below the twenty-five year average growth trend of 9%. In the general fund, which received approximately 84% of revenue from GRT, FY 2008 GRT revenue was \$41,808,719 or 5% over FY 2007 actual revenue of \$39,806,346.

On the expenditure side, the original general fund budget of \$52,259,426 was increased by \$1.4 million to \$53,620,004 during FY 2008. As the positive revenue trend continued in FY 2008, selected expenditures postponed in prior years were approved. This resulted in a 3.5% increase in actual FY 2008 expenditures over the prior year. The difference between the increase in revenue and the increase in expenditures was funded by cash reserves which decreased by \$4,430,067 from the prior year. Most of this decrease resulted from the transfer of \$3.5 million to the 408-General Government Capital Projects Fund for the construction of the Sycamore Park Community Center. 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 2008 budget. These adjustments totaled \$1,360,578 and equaled 2.6% 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 0.7% and an increase of 2.6% respectively. In the governmental funds, the largest percentage increase in expenditures was in the General Government Capital Projects Fund. This was a result of the start of construction of the Sycamore Park Community Center. The Electric Enterprise Fund had a significant increase from original to final budget. This increase was necessary to facilitate a large increase in purchases of fuel and purchased power.

In FY 2008, several General Fund budget issues were addressed. The first issue involved the planning for the hiring of personnel to staff the Sycamore Park Community Center. The second issue was the necessity of hiring additional staff in various departments. The last issue was to create a balanced budget. The last issue was addressed first by adjusting the expenditures to the projected level of revenue. Relative to staffing, \$250,000 was earmarked for additional positions provided that adequate revenue would be received. If revenue levels were not sufficient, then no additional positions would be created. 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. Consequently, expenditures could be controlled by not initiating capital projects unless revenue was received at, or above, projected levels and operating expenditures were under budget. In fact, this strategy worked well as revenues were 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 projected ending cash balance budget of \$6,395,459 was exceeded by \$1,020,499 and the actual ending cash balance totaled \$7,415,958.

Due to growth in the northeast sector of the City, an additional fire station will be needed in the next few years. Another community project, the Sycamore Park Community Center, will be completed in the Fall of FY 2009. For FY 2009, both of these projects have funding allocated in the governmental capital projects fund and general fund. However, additional funds will be required for the completion of Fire Station #7 and the source for operating funds to staff the new station are as yet undetermined. Other capital projects in the planning stages are a regional animal shelter and a bridge over the Animas River which will connect north and south on the eastside of the city.

The budget for FY 2008 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 in FY 2009.

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 was just short of the budget amount by \$207,354 or .4% and actual expenditures were under budget by \$1,433,613 or 2.7%. These results left the cash balance in the general fund at \$7,415,958 which is equal to 13.8% of the FY 2009 beginning budget. This balance provides additional flexibility in the FY 2009 budget and creates a significant "cushion" that allows for potential additional spending without creating negative financial consequences.

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, 2008 was \$392,195,373 (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 \$305,186,410 or 77.8% 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 \$17,493,747 or 6.1%. The governmental activities investment in capital assets accounted for \$87,008,963 or 22.2% of all capital assets owned by the City. The total increase in governmental activities investment in capital assets for the current year was \$342,948 or 0.4%.

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 2008	FY 2007	FY 2008	(restated)	FY 2008	(restated)
				FY 2007		FY 2007
Land	\$ 25,780,126	\$ 25,780,126	\$ 4,884,635	\$ 5,958,417	\$ 30,664,761	\$ 31,738,543
Buildings and system	25,218,641	25,599,746	61,542,321	61,072,050	86,760,962	86,671,796
Improvements	6,695,957	6,831,034	55,567,185	54,873,106	62,263,142	61,704,140
Machinery & equipment	11,230,711	11,036,089	138,448,030	128,373,488	149,678,741	139,409,577
Infrastructure	13,737,841	10,853,642	-	-	13,737,841	10,853,642
Construction in progress	4,345,687	6,565,378	44,744,239	37,415,602	49,089,926	43,980,980
Total	\$ 87,008,963	\$ 86,666,015	\$ 305,186,410	\$ 287,692,663	\$ 392,195,373	\$ 374,358,678

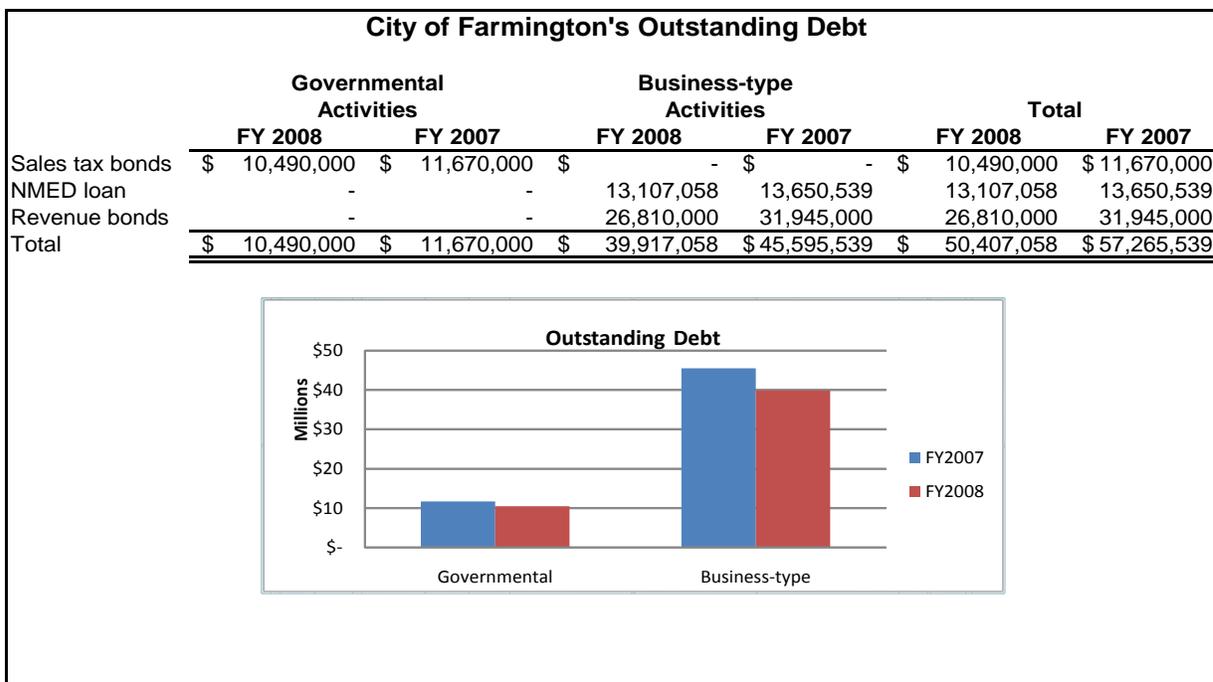
Capital expenditures for the electric utility system will average approximately \$34,471,700 per year over the next five fiscal years. Some large projects included in the FY 2009 capital budget are the Bluffview substation (\$1,750,000), the Hogback substation (\$3,380,000), a waterline for the Bluffview plant (\$2,800,000), and miscellaneous customer projects (\$4,200,000). 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 \$6,097,313 per year, totaling \$30,486,566 for fiscal years 2009 through 2013. During FY 2008, the City of Farmington implemented the 2nd of five planned annual rate increases including 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. Funding came from a \$14,178,191 loan obtained from the New Mexico Environment Department (NMED). An additional expansion of the wastewater treatment plant estimated to begin construction in FY 2010 is estimated to cost \$11 million. During FY 2008, the wastewater fund implemented the 2nd of five planned annual rate increases including a 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 38-39 of this report.

Long-term debt. At the end of the current fiscal year, the City of Farmington had total bonded debt outstanding of \$37,300,000. Of this amount, \$10,490,000 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's debt is secured solely by specified revenue sources. The City of Farmington's total net debt decreased \$6,858,481 or 12% during FY 2008.



Credit ratings. Standard & Poor's Rating Group and Moody's Investors Service have assigned the most recent bond issuance the insured ratings of AAA and Aaa, respectively. The underlying ratings, however, are AA- and A1, respectively. These ratings have not changed significantly in comparison to prior ratings.

Debt limitation. Article IX, Section 13 of the State Constitution limits the powers of the City to incur general obligation debt in an aggregate amount, including existing indebtedness, not to exceed four (4) percent of the value of the taxable property in the City as shown by the last preceding general assessments. The City may, however, contract debt in excess of such limitation for the construction or purchase of a system for supplying water or a sewer system for the City. Based on the 2007 assessed valuation of \$931,176,071, the City's general obligation debt limit is \$37,247,043. The City presently has no general obligation bonds outstanding. For more detailed information on the City's debt, see pages 42-45 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, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 20,700,320	\$ 39,227,081	\$ 59,927,401
Receivables (net, where applicable, of allowances for uncollectibles):	285,585	5,934,943	6,220,528
Accrued unbilled revenues	-	6,115,611	6,115,611
Special assessments	14,475	-	14,475
Intergovernmental receivable	12,384,773	546,563	12,931,336
Regulatory Asset	-	5,900,410	5,900,410
Inventories	263,378	5,175,383	5,438,761
Prepays	168,486	138,998	307,484
Deferred charges	135,577	245,871	381,448
Restricted assets			
Temporarily restricted:			
Cash and equivalents	-	23,651,601	23,651,601
Capital assets (not being depreciated):			
Land and land rights	25,780,126	4,884,635	30,664,761
Capital assets (net of accumulated depreciation):			
Buildings and system	25,218,641	61,542,322	86,760,963
Improvements other than buildings	6,695,957	55,567,184	62,263,141
Machinery and equipment	11,230,711	138,448,030	149,678,741
Infrastructure	13,737,841	-	13,737,841
Construction in progress	4,345,687	44,744,239	49,089,926
Total assets	<u>120,961,557</u>	<u>392,122,871</u>	<u>513,084,428</u>
LIABILITIES			
Accounts payable and other current liabilities	1,317,874	6,120,650	7,438,524
Wages and benefits payable	1,035,253	241,396	1,276,649
Other accrued liabilities	15,546	1,379,041	1,394,587
Accrued claims liabilities	2,293,622	211,000	2,504,622
Retainage deposits payable	63,035	-	63,035
Unearned revenue	-	1,696	1,696
Accrued interest payable	17,736	151,989	169,725
Customer deposits	-	20,511,656	20,511,656
Non-current liabilities:			
Due within one year	1,298,769	6,674,175	7,972,944
Due in more than one year	10,797,969	35,627,679	46,425,648
Total liabilities	<u>16,839,804</u>	<u>70,919,282</u>	<u>87,759,086</u>
NET ASSETS			
Invested in capital assets, net of related debt	76,387,603	263,888,952	340,276,555
Restricted for:			
Debt service	328,475	3,139,945	3,468,420
Statutory reserve	4,271,365	-	4,271,365
Unrestricted	23,134,310	54,174,692	77,309,002
Total net assets	\$ <u>104,121,753</u>	\$ <u>321,203,589</u>	\$ <u>425,325,342</u>

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

CITY OF FARMINGTON, NEW MEXICO
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense)Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 24,439,831	\$ 7,008,648	\$ 1,176,604	\$ -	\$ (16,254,579)	\$ -	\$ (16,254,579)
Police	15,834,320	1,366,974	426,177	-	(14,041,169)	-	(14,041,169)
Fire	8,384,634	-	409,189	-	(7,975,445)	-	(7,975,445)
Parks, recreation, cultural affairs	14,714,271	831,845	286,656	-	(13,595,770)	-	(13,595,770)
Community development	9,938,557	86,766	1,324,583	-	(8,527,208)	-	(8,527,208)
Interest on long-term debt	468,360	-	-	-	(468,360)	-	(468,360)
Total governmental activities	<u>73,779,973</u>	<u>9,294,233</u>	<u>3,623,209</u>	<u>-</u>	<u>(60,862,531)</u>	<u>-</u>	<u>(60,862,531)</u>
Business-type activities:							
Electric	79,473,997	102,193,403	1,056,745	-	-	23,776,151	23,776,151
Water	6,854,699	10,783,517	524,913	-	-	4,453,731	4,453,731
Wastewater	5,227,357	6,240,272	3,557	-	-	1,016,472	1,016,472
Sanitation	4,130,295	4,228,681	-	-	-	98,386	98,386
Golf	1,312,463	1,146,652	-	-	-	(165,811)	(165,811)
Airport	1,557,946	540,360	-	2,617,273	-	1,599,687	1,599,687
Total business-type activities	<u>98,556,757</u>	<u>125,132,885</u>	<u>1,585,215</u>	<u>2,617,273</u>	<u>-</u>	<u>30,778,616</u>	<u>30,778,616</u>
Total government	<u>\$ 172,336,730</u>	<u>\$ 134,427,118</u>	<u>\$ 5,208,424</u>	<u>\$ 2,617,273</u>	<u>(60,862,531)</u>	<u>30,778,616</u>	<u>(30,083,915)</u>
General revenues:							
Property taxes					1,330,285	-	1,330,285
Sales taxes					54,401,730	-	54,401,730
Franchise taxes					992,050	-	992,050
Gasoline taxes					860,117	-	860,117
Cigarette taxes					47,518	-	47,518
Lodger's taxes					1,216,746	-	1,216,746
Miscellaneous					1,386,242	-	1,386,242
Unrestricted investment earnings					962,448	2,800,336	3,762,784
Transfers					1,420,720	(1,420,720)	-
Total general revenues and transfers					<u>62,617,856</u>	<u>1,379,616</u>	<u>63,997,472</u>
Change in net assets					1,755,325	32,158,232	33,913,557
Net assets - beginning (restated)					102,366,428	289,045,357	391,411,785
Net assets - ending					<u>\$ 104,121,753</u>	<u>\$ 321,203,589</u>	<u>\$ 425,325,342</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, 2008**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Pooled cash and investments	\$ 7,415,958	\$ 73,893	\$ 13,156,623	\$ 20,646,474
Receivables (net, where applicable, of allowances for uncollectibles):	31,003	254,582	-	285,585
Special assessments	14,475	-	-	14,475
Due from other funds	-	-	-	-
Inventories, at cost	205,391	-	57,987	263,378
Prepaid items	168,486	-	-	168,486
Intergovernmental	9,737,819	-	2,646,954	12,384,773
Total assets	<u>17,573,132</u>	<u>328,475</u>	<u>15,861,564</u>	<u>33,763,171</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	552,682	-	765,192	1,317,874
Wages and benefits payable	991,132	-	44,121	1,035,253
Other accrued expenditures	15,546	-	-	15,546
Accrued claims payable	1,784,247	-	-	1,784,247
Retainage/deposits payable	63,035	-	-	63,035
Deferred revenue	1,539,226	-	170,391	1,709,617
Total liabilities	<u>4,945,868</u>	<u>-</u>	<u>979,704</u>	<u>5,925,572</u>
Fund Balances:				
Reserved for:				
Debt service	-	328,475	-	328,475
Prepays	168,486	-	-	168,486
Subsequent year's statutory reserve	4,271,365	-	-	4,271,365
Unreserved, reported in:				
Designated for debt service	2,000,000	-	-	2,000,000
General fund	6,187,413	-	-	6,187,413
Special revenue funds	-	-	10,718,223	10,718,223
Capital project funds	-	-	4,163,637	4,163,637
Total fund balances	<u>12,627,264</u>	<u>328,475</u>	<u>14,881,860</u>	<u>27,837,599</u>
Total liabilities and fund balances	\$ <u>17,573,132</u>	\$ <u>328,475</u>	\$ <u>15,861,564</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.	87,008,963
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,709,617
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.	(455,529)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(11,978,897)</u>
Net assets of governmental activities	\$ <u>104,121,753</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, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes:				
Property	\$ 1,330,285	\$ -	\$ -	\$ 1,330,285
Gross receipts	41,808,719	1,527,492	11,065,519	54,401,730
Franchise	992,050	-	-	992,050
Gasoline	-	-	860,117	860,117
Cigarette	-	-	47,518	47,518
Lodger's	-	-	1,216,746	1,216,746
Licenses and permits	731,563	-	62,606	794,169
Intergovernmental	1,089,283	-	2,533,924	3,623,207
Charges for services	1,683,200	-	86,134	1,769,334
Fines	1,150,760	-	190,537	1,341,297
Special assessments	18,591	-	-	18,591
Investment earnings	445,487	30,352	486,609	962,448
Miscellaneous	508,003	-	878,239	1,386,242
Total revenues	<u>49,757,941</u>	<u>1,557,844</u>	<u>17,427,949</u>	<u>68,743,734</u>
EXPENDITURES:				
Current:				
General government	18,153,620	-	-	18,153,620
Police	14,801,848	-	734,818	15,536,666
Fire	7,964,818	-	334,011	8,298,829
Parks, recreation and cultural affairs	8,319,100	-	6,232,869	14,551,969
Community development	2,502,536	-	4,645,073	7,147,609
Debt service:				
Principal	-	1,180,000	-	1,180,000
Interest	-	470,217	-	470,217
Capital outlay:				
General government	-	-	1,251,018	1,251,018
Highways and streets	444,469	-	3,092,133	3,536,602
Public safety	-	-	-	-
Total expenditures	<u>52,186,391</u>	<u>1,650,217</u>	<u>16,289,922</u>	<u>70,126,530</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,428,450)</u>	<u>(92,373)</u>	<u>1,138,027</u>	<u>(1,382,796)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,455,751	110,000	4,602,697	7,168,448
Transfers out	<u>(4,594,916)</u>	-	<u>(1,152,812)</u>	<u>(5,747,728)</u>
Total other financing sources (uses)	<u>(2,139,165)</u>	<u>110,000</u>	<u>3,449,885</u>	<u>1,420,720</u>
Net change in fund balances	(4,567,615)	17,627	4,587,912	37,924
Fund balances-beginning	17,194,879	310,848	10,293,948	27,799,675
Fund balances- ending	<u>\$ 12,627,264</u>	<u>\$ 328,475</u>	<u>\$ 14,881,860</u>	<u>\$ 27,837,599</u>

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

CITY OF FARMINGTON, NEW MEXICO
Reconciliation of the Statement of Revenues
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2008

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)	\$	37,924
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.		342,948
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		242,848
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.		949,356
The net revenue/expense of certain activities of internal service funds is reported with governmental activities.		<u>182,249</u>
Change in net assets of governmental activities (page 16)	\$	<u>1,755,325</u>

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

CITY OF FARMINGTON, NEW MEXICO
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Property taxes	\$ 1,175,995	\$ 1,175,995	\$ 1,330,285	\$ 154,290
Gross receipts tax	41,790,884	41,790,884	41,024,168	(766,716)
Franchise taxes	1,025,000	1,025,000	992,050	(32,950)
Licenses and permits	790,500	790,500	731,563	(58,937)
Intergovernmental	1,121,700	1,481,700	1,074,103	(407,597)
Charges for services	1,881,211	1,791,211	1,683,200	(108,011)
Fines	980,800	980,800	1,150,760	169,960
Special assessments	23,050	23,050	18,591	(4,459)
Investment earnings	540,000	540,000	445,487	(94,513)
Miscellaneous	261,911	366,155	508,004	141,849
Total revenues	<u>49,591,051</u>	<u>49,965,295</u>	<u>48,958,211</u>	<u>(1,007,084)</u>
EXPENDITURES:				
Current:				
General government:				
Council	313,566	316,940	299,936	17,004
Municipal court	1,582,157	1,832,394	1,878,057	(45,663)
Administrative	9,672,406	9,499,303	8,919,037	580,266
Legal	1,157,363	1,157,658	1,061,523	96,135
Administrative services	832,963	835,000	712,187	122,813
General services	4,885,558	5,980,048	5,544,661	435,387
Total general government	<u>18,444,013</u>	<u>19,621,343</u>	<u>18,415,401</u>	<u>1,205,942</u>
Public safety:				
Police	14,037,888	14,014,578	14,906,025	(891,447)
Fire	7,547,221	7,614,991	8,033,323	(418,332)
Total public safety	<u>21,585,109</u>	<u>21,629,569</u>	<u>22,939,348</u>	<u>(1,309,779)</u>
Community development:				
Streets	499,956	501,257	439,983	61,274
Other-unclassified	2,920,462	3,000,159	2,531,333	468,826
Total community development	<u>3,420,418</u>	<u>3,501,416</u>	<u>2,971,316</u>	<u>530,100</u>
Parks, recreation and cultural affairs	8,809,886	8,867,676	8,339,193	528,483
Total expenditures	<u>52,259,426</u>	<u>53,620,004</u>	<u>52,665,258</u>	<u>954,746</u>
Excess of revenues over expenditures	<u>(2,668,375)</u>	<u>(3,654,709)</u>	<u>(3,707,047)</u>	<u>(52,338)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,667,008	2,667,008	2,455,751	(211,257)
Transfers out	(2,246,450)	(4,655,481)	(4,594,916)	60,565
Total other financing sources and uses	<u>420,558</u>	<u>(1,988,473)</u>	<u>(2,139,165)</u>	<u>(150,692)</u>
Net change in fund balances	(2,247,817)	(5,643,182)	(5,846,212)	(203,030)
RECONCILIATION TO GAAP BASIS:				
Changes in accrued receivables			784,550	
Change in intergovernmental			15,180	
Change in accrued payables			<u>478,867</u>	
Fund balances-beginning	17,194,879	17,194,879	17,194,879	-
Fund balances-ending	<u>\$ 14,947,062</u>	<u>\$ 11,551,697</u>	<u>\$ 12,627,264</u>	<u>\$ 1,075,567</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, 2008

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund	
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport		Totals
ASSETS								
Current assets:								
Pooled cash and investments	\$ 29,661,526	\$ 2,327,063	\$ 6,319,516	\$ 618,620	\$ 300,356	\$ -	\$ 39,227,081	\$ 53,846
Accounts receivable (net of allowance for doubtful accounts)	4,174,180	951,046	565,380	220,168	14,948	9,221	5,934,943	-
Accrued unbilled revenues	5,138,661	602,836	202,256	171,858	-	-	6,115,611	-
Intergovernmental receivable	-	524,913	-	-	-	21,650	546,563	-
Regulatory asset	5,900,410	-	-	-	-	-	5,900,410	-
Inventories	4,848,804	315,228	11,351	-	-	-	5,175,383	-
Prepaid items	87,696	13,399	17,992	-	3,685	16,226	138,998	-
Restricted cash, cash equivalents and investments	22,375,519	648,732	627,350	-	-	-	23,651,601	-
Total current assets	<u>72,186,796</u>	<u>5,383,217</u>	<u>7,743,845</u>	<u>1,010,646</u>	<u>318,989</u>	<u>47,097</u>	<u>86,690,590</u>	<u>53,846</u>
Noncurrent assets:								
Deferred charges	<u>196,493</u>	<u>42,401</u>	<u>6,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,871</u>	<u>-</u>
Capital assets:								
Land and land rights	3,546,554	1,617,275	479,388	23,341	100,000	879,968	6,646,526	-
Building and system	55,847,267	14,008,573	22,397,634	80,640	781,367	3,704,694	96,820,175	-
Improvements other than buildings	47,384,591	28,869,951	11,229,223	14,839	2,473,353	17,760,228	107,732,185	-
Machinery and equipment	234,558,971	8,235,752	2,323,173	101,099	1,025,263	1,370,464	247,614,722	-
Construction in progress	38,849,496	2,281,996	732,022	-	-	2,880,725	44,744,239	-
Less accumulated depreciation	<u>(138,583,496)</u>	<u>(27,022,669)</u>	<u>(13,871,125)</u>	<u>(167,288)</u>	<u>(1,952,567)</u>	<u>(16,774,292)</u>	<u>(198,371,437)</u>	<u>-</u>
Total capital assets (net of accumulated depreciation)	<u>241,603,383</u>	<u>27,990,878</u>	<u>23,290,315</u>	<u>52,631</u>	<u>2,427,416</u>	<u>9,821,787</u>	<u>305,186,410</u>	<u>-</u>
Total noncurrent assets	<u>241,799,876</u>	<u>28,033,279</u>	<u>23,297,292</u>	<u>52,631</u>	<u>2,427,416</u>	<u>9,821,787</u>	<u>305,432,281</u>	<u>-</u>
Total assets	<u>\$ 313,986,672</u>	<u>\$ 33,416,496</u>	<u>\$ 31,041,137</u>	<u>\$ 1,063,277</u>	<u>\$ 2,746,405</u>	<u>\$ 9,868,884</u>	<u>\$ 392,122,871</u>	<u>\$ 53,846</u>

CITY OF FARMINGTON, NEW MEXICO
Statement of Net Assets
Proprietary Funds
June 30, 2008

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>	Governmental Activities Internal Service Fund
LIABILITIES								
Current liabilities:								
Current liabilities payable from unrestricted assets:								
Accounts payable	\$ 5,062,445	\$ 609,649	\$ 143,823	\$ 488,698	\$ 43,677	\$ 13,754	\$ 6,362,046	\$ -
Compensated absences	482,614	6,841	6,841	-	10,019	17,806	524,121	-
Due to other funds	-	-	-	-	-	-	-	-
Other accrued expenses	1,237,715	98,046	6,894	-	26,639	9,747	1,379,041	-
Accrued claims payable	139,000	40,000	30,000	-	2,000	-	211,000	509,375
Deferred revenue	-	1,696	-	-	-	-	1,696	-
Capital lease payable - current	-	-	-	-	250,269	-	250,269	-
Accrued interest payable	121,465	26,211	4,313	-	-	-	151,989	-
Revenue bonds payable	4,267,581	920,888	151,531	-	-	-	5,340,000	-
NMED loan	-	-	559,785	-	-	-	559,785	-
Total current liabilities payable from unrestricted assets	<u>11,310,820</u>	<u>1,703,331</u>	<u>903,187</u>	<u>488,698</u>	<u>332,604</u>	<u>41,307</u>	<u>14,779,947</u>	<u>509,375</u>
Current liabilities payable from restricted assets	<u>20,308,878</u>	<u>202,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,511,656</u>	<u>-</u>
Total current liabilities	<u>31,619,698</u>	<u>1,906,109</u>	<u>903,187</u>	<u>488,698</u>	<u>332,604</u>	<u>41,307</u>	<u>35,291,603</u>	<u>509,375</u>
Noncurrent liabilities:								
(net of unamortized discounts)								
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	18,061,404	3,897,412	641,315	-	-	-	22,600,131	-
NMED loan	-	-	12,547,273	-	-	-	12,547,273	-
Compensated absences	411,050	18,479	18,479	-	24,723	7,544	480,275	-
Capital lease payable	-	-	-	-	-	-	-	-
Total noncurrent liabilities	<u>18,472,454</u>	<u>3,915,891</u>	<u>13,207,067</u>	<u>-</u>	<u>24,723</u>	<u>7,544</u>	<u>35,627,679</u>	<u>-</u>
Total liabilities	<u>50,092,152</u>	<u>5,822,000</u>	<u>14,110,254</u>	<u>488,698</u>	<u>357,327</u>	<u>48,851</u>	<u>70,919,282</u>	<u>509,375</u>
NET ASSETS								
Invested in capital assets, net of related debt	219,274,398	23,172,578	9,390,411	52,631	2,177,147	9,821,787	263,888,952	-
Restricted for debt service	2,066,641	445,954	627,350	-	-	-	3,139,945	-
Unrestricted	42,553,481	3,975,964	6,913,122	521,948	211,931	(1,754)	54,174,692	(455,529)
Total net assets	<u>\$ 263,894,520</u>	<u>\$ 27,594,496</u>	<u>\$ 16,930,883</u>	<u>\$ 574,579</u>	<u>\$ 2,389,078</u>	<u>\$ 9,820,033</u>	<u>\$ 321,203,589</u>	<u>\$ (455,529)</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, 2008

	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	\$ 101,574,396	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,574,396	\$ -
Water	-	10,708,854	-	-	-	-	10,708,854	-
Wastewater	-	-	6,190,440	-	-	-	6,190,440	-
Sanitation	-	-	-	4,154,595	-	-	4,154,595	-
Golf course	-	-	-	-	1,134,127	-	1,134,127	-
Airport	-	-	-	-	-	540,360	540,360	-
Health	-	-	-	-	-	-	-	5,370,842
Other revenues	619,007	74,663	49,832	74,086	12,525	-	830,113	-
Total operating revenues	<u>102,193,403</u>	<u>10,783,517</u>	<u>6,240,272</u>	<u>4,228,681</u>	<u>1,146,652</u>	<u>540,360</u>	<u>125,132,885</u>	<u>5,370,842</u>
Operating expenses:								
Salaries and fringe benefits	9,515,925	437,077	264,429	-	624,710	315,172	11,157,313	-
Purchased power, fuel and chemicals	48,946,395	-	-	-	-	-	48,946,395	-
Other operating expenses	9,840,390	4,721,427	3,358,924	4,125,425	498,342	579,776	23,124,284	5,188,593
Depreciation and amortization	10,034,094	1,449,871	1,154,885	4,870	189,411	662,998	13,496,129	-
Total operating expenses	<u>78,336,804</u>	<u>6,608,375</u>	<u>4,778,238</u>	<u>4,130,295</u>	<u>1,312,463</u>	<u>1,557,946</u>	<u>96,724,121</u>	<u>5,188,593</u>
Operating income (loss)	<u>23,856,599</u>	<u>4,175,142</u>	<u>1,462,034</u>	<u>98,386</u>	<u>(165,811)</u>	<u>(1,017,586)</u>	<u>28,408,764</u>	<u>182,249</u>
Nonoperating revenues (expenses):								
Investment earnings	2,333,113	155,159	272,143	26,930	12,991	-	2,800,336	-
Revenue from grants	-	524,913	3,557	-	-	2,617,273	3,145,743	-
Interest expense	(1,137,193)	(246,324)	(449,119)	-	-	-	(1,832,636)	-
Total nonoperating revenues (expenses)	<u>1,195,920</u>	<u>433,748</u>	<u>(173,419)</u>	<u>26,930</u>	<u>12,991</u>	<u>2,617,273</u>	<u>4,113,443</u>	<u>-</u>
Income (loss) before transfers	25,052,519	4,608,890	1,288,615	125,316	(152,820)	1,599,687	32,522,207	182,249
Capital contributions	1,056,745	-	-	-	-	-	1,056,745	-
Transfers in	-	-	-	-	-	1,035,031	1,035,031	-
Transfers out	(1,695,348)	(525,194)	(235,209)	-	-	-	(2,455,751)	-
Change in net assets	24,413,916	4,083,696	1,053,406	125,316	(152,820)	2,634,718	32,158,232	182,249
Total net assets-beginning (restated)	239,480,604	23,510,800	15,877,477	449,263	2,541,898	7,185,315	289,045,357	(637,778)
Total net assets-ending	<u>\$ 263,894,520</u>	<u>\$ 27,594,496</u>	<u>\$ 16,930,883</u>	<u>\$ 574,579</u>	<u>\$ 2,389,078</u>	<u>\$ 9,820,033</u>	<u>\$ 321,203,589</u>	<u>\$ (455,529)</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, 2008

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund	
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Airport		Totals
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers/users	\$ 102,039,200	\$ 10,019,656	\$ 6,179,457	\$ 4,238,555	\$ 1,134,531	\$ 999,502	\$ 124,610,901	\$ 5,493,136
Payments to suppliers	(63,840,961)	(4,964,313)	(3,363,506)	(4,133,883)	(606,019)	(951,135)	(77,859,817)	(5,439,290)
Payments to employees	(7,917,226)	(416,569)	(258,129)	-	(619,980)	(304,876)	(9,516,780)	-
Net cash provided by operating activities	<u>30,281,013</u>	<u>4,638,774</u>	<u>2,557,822</u>	<u>104,672</u>	<u>(91,468)</u>	<u>(256,509)</u>	<u>37,234,304</u>	<u>53,846</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfer to other funds	(1,695,348)	(525,194)	(235,209)	-	-	-	(2,455,751)	-
Transfer from other funds	-	-	-	-	-	1,035,031	1,035,031	-
Operating grants	-	524,913	3,557	-	-	-	528,470	-
Net cash provided (used) by capital and related financing activities	<u>(1,695,348)</u>	<u>(281)</u>	<u>(231,652)</u>	<u>-</u>	<u>-</u>	<u>1,035,031</u>	<u>(892,250)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Capital contributions	1,056,745	-	-	-	-	-	1,056,745	-
Purchases of capital assets	-	-	-	-	-	(3,395,795)	(3,395,795)	-
Capital grants	-	-	-	-	-	2,617,273	2,617,273	-
Acquisition and construction of capital assets	(24,083,404)	(2,861,614)	(649,061)	-	-	-	(27,594,079)	-
Restricted assets	(1,415,412)	(4,129)	(276,237)	-	-	-	(1,695,778)	-
Principal paid on capital debt	(2,892,554)	(925,473)	(420,208)	-	-	-	(4,238,235)	-
Interest paid on capital debt	(1,137,193)	(246,324)	(449,119)	-	-	-	(1,832,636)	-
Net cash provided (used) by capital and related financing activities	<u>(28,471,818)</u>	<u>(4,037,540)</u>	<u>(1,794,625)</u>	<u>-</u>	<u>-</u>	<u>(778,522)</u>	<u>(35,082,505)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest and dividends received	2,333,113	155,159	272,143	26,930	12,991	-	2,800,336	-
Net increase in cash and cash equivalents	2,446,960	756,112	803,688	131,602	(78,477)	-	4,059,885	53,846
Cash and cash equivalents, July 1	49,590,085	2,219,683	6,143,178	487,018	378,833	-	58,818,797	-
Cash and cash equivalents, June 30, 2008	<u>\$ 52,037,045</u>	<u>\$ 2,975,795</u>	<u>\$ 6,946,866</u>	<u>\$ 618,620</u>	<u>\$ 300,356</u>	<u>\$ -</u>	<u>\$ 62,878,682</u>	<u>\$ 53,846</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	
Reconciliation of operating income to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 23,856,599	\$ 4,175,142	\$ 1,462,034	\$ 98,386	\$ (165,811)	\$ (1,017,586)	\$ 28,408,764	\$ 182,249
Adjustments to reconcile operating income to net cash provided (used) by operating activities:								
Depreciation expense	10,034,094	1,449,871	1,154,885	4,870	189,411	662,998	13,496,129	-
(Increase) decrease in accounts receivable	128,212	(689,543)	(34,201)	16,532	(12,121)	459,142	(131,979)	122,294
(Increase) in accrued unbilled revenues	(322,380)	(82,947)	(28,033)	(6,657)	-	-	(440,017)	-
(Increase) in regulatory asset	(4,688,219)	-	-	-	-	-	(4,688,219)	-
(Increase) in inventories	(878,161)	(168,542)	-	-	-	-	(1,046,703)	-
Decrease in prepaid items	19,405	6,482	6,791	-	2,062	2,043	36,783	-
Decrease in deferred revenue	39,965	8,629	1,419	-	-	-	50,013	-
Increase in other accrued expenses	162,236	11,836	6,300	-	4,730	10,296	195,398	-
(Decrease) in due to other funds	-	-	-	-	-	(253,860)	(253,860)	(209,929)
Increase in accrued claims payable	26,850	28,000	5,000	-	-	-	59,850	16,864
Increase in customer deposits	1,436,463	8,672	-	-	-	-	1,445,135	-
Increase (decrease) in accounts payable	465,949	(108,826)	(16,373)	(8,459)	(3,301)	(119,542)	209,448	(57,632)
(Decrease) in capital lease	-	-	-	-	(106,438)	-	(106,438)	-
Total adjustments	6,424,414	463,632	1,095,788	6,286	74,343	761,077	8,825,540	(128,403)
Net cash provided by operating activities	\$ 30,281,013	\$ 4,638,774	\$ 2,557,822	\$ 104,672	\$ (91,468)	\$ (256,509)	\$ 37,234,304	\$ 53,846



Notes to the Financial Statements

CITY OF FARMINGTON, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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 42,425 living within an area of 32 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, 2008.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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, U.S. Securities, repurchase agreements, Certificates of Deposits, and the State Treasurer's Investment Pool.

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

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. Regulatory Asset

The City's electric utility enterprise fund has regulatory activities whose rates are determined based on cost of service (power cost adjustment - PCA). Revenues are recognized based on the PCA when the costs are incurred but will be billed and collected in the future to recover such costs, and a regulatory asset is recorded. The asset (regulatory asset) is recorded on the statement of net assets (\$5,900,410 as of June 30, 2008) and the related revenue is recorded on the statement of activities (\$4,688,219 for the year ended June 30, 2008).

5. 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.

6. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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

7. *Compensated absences*

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

8. *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.

9. *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.

10. *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.

11. 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 1/12th of the general fund budgeted expenditures (\$4,271,365) be reserved for 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 \$11,978,897 difference are as follows:

Bonds payable	\$	10,490,000
Bond premium (to be amortized over the life of the debt)		131,361
Issuance costs (to be amortized over the life of the debt)		(135,577)
Accrued interest payable		17,736
Compensated absences payable		<u>1,475,377</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$	<u>11,978,897</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 \$342,948 are as follows:

Capital outlay	\$	7,787,659
Depreciation		(7,107,261)
Loss on disposals and other		(337,450)
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>342,948</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 \$949,356 are as follows:

Principal repayments	\$ 1,180,000
Amortization of bond premium	21,893
Amortization of issuance costs	(22,597)
Accrued interest	1,857
Compensated absences	<u>(231,797)</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>\$ 949,356</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 \$182,249 difference are as follows:

Internal service charges for services	\$ 5,370,842
Internal service operating expenses	<u>(5,188,593)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 182,249</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted for all funds. All budgets are prepared on a basis other than generally accepted accounting principles (Non-GAAP basis), excluding encumbrances. 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.

Because the Non-GAAP basis of accounting is not generally accepted accounting method for governmental and propriety funds, differences result from budgeting for various items. Reconciliations between the budget basis (Non-GAAP) and GAAP basis are provided in the budgetary schedules.

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, 2008:

General Fund	\$	136,928
Gross Receipts Tax Streets Fund		296,117
Gross Receipts Tax Parks & Public Works Fund		248,619
Library Gifts and Grant Fund		19
Parks Gifts and Grants Fund		128,778
Lodgers Tax Fund		627
Region II Narcotics Fund		8,909
State Fire Fund		41,566
Gross Receipts Tax Bond Proceeds Projects Fund		34,824
Governmental Capital Projects Fund		1,283,872
Electric Utility Fund		1,838,779
Water Utility Fund		277,641
Wastewater Utility Fund		283,705
Golf Course Fund		890
Airport Fund		642,064
Health Fund		192,824
Total Encumbrances	\$	<u><u>5,416,162</u></u>

B. Excess of expenditures over appropriations

For the year ended June 30, 2008, the airport fund shows a negative budget variance in expenses of \$236,905. The revenue budget was increased during the year for the Airport Enterprise Fund to cover cash deficits from project expenditures. However, corresponding increases in budgeted expenses were not sufficient to cover the actual project costs.

C. Deficit Fund Equity

As of June 30, 2008, the health insurance internal service fund had a deficit net asset balance of \$(455,529). This deficit is equal to accrued payables of \$509,375 less cash totaling \$53,846. The net asset balance increased by \$182,249 over FY 2007. During FY 2008, the retirees participating in the City of Farmington's health plan were transferred to the New Mexico Retiree Health Care Authority. This reduced the amount of claims during FY 2008 and will have a positive effect on the health insurance fund's net asset balance in the future. The health insurance fund also repaid an interfund loan of \$209,929 to the general fund during FY2008.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

As of June 30, 2008, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Repurchase Agreements	\$ 3,325,367	0.08
Certificates of Deposit	44,100,000	0.93
State Treasurer's Pool	35,498,591	0.08
Federal agency securities	4,012,350	2.83
Total Fair Value	\$ <u>85,923,958</u>	
Portfolio weighted average maturity		<u>0.64</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, 2008, the City was in compliance with state statute. The City's carrying amount of deposits as of June 30, 2008 was \$41,142,008 and the bank balance was \$48,655,827. Of the bank balance, \$500,000 was covered by federal depository insurance, \$34,277,369 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and \$13,878,458 was uncollateralized, and subject to custodial credit risk.

Custodial credit risk – investments. In the case of investments, this is the risk that in the event of a failure of the counter-party, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City does not have any investments at June 30, 2008 that are exposed to custodial credit risk.

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

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

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

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, 2008. 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, 2008 are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:					
Accounts Receivable	\$ 31,003	\$ -	\$ 254,582	\$ 6,428,665	\$ 6,714,250
Unbilled Revenue	-	-	-	6,115,611	6,115,611
Special Assessments	14,475	-	-	-	14,475
Intergovernmental	9,737,819	2,646,954	-	546,563	12,931,336
	<u>9,783,297</u>	<u>2,646,954</u>	<u>254,582</u>	<u>13,090,839</u>	<u>25,775,672</u>
Gross Receivables					
Less: Allowance for Uncollectibles	-	-	-	(493,722)	(493,722)
Net Total Receivables:	<u>\$ 9,783,297</u>	<u>\$ 2,646,954</u>	<u>\$ 254,582</u>	<u>\$ 12,597,117</u>	<u>\$ 25,281,950</u>

Intergovernmental receivables are made up of the following amounts in the general and special revenue funds: gross receipts taxes \$9,762,089, property taxes \$1,539,226, federal and state grants \$ 485,327, franchise taxes \$181,955, lodger's taxes \$283,409 and other taxes \$132,767.

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	\$ 83,290
Uncollectibles related to water sales	10,109
Uncollectibles related to wastewater charges	5,978
Uncollectibles related to sanitation charges	<u>4,555</u>
Total uncollectibles of the current fiscal year	<u>\$ 103,932</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>
Taxes	<u>\$ 1,709,617</u>

C. Capital assets

Capital asset activity for the year ended June 30, 2008 was as follows:

<u>Governmental activities</u>	Balance July 1, 2007	Transfers	Additions	Deletions	Balance June 30, 2008
Non-Depreciable Assets:					
Land	\$ 25,780,126	\$ -	\$ -	\$ -	\$ 25,780,126
Construction in progress	6,565,378	-	4,578,149	(6,797,840)	4,345,687
Total Non-Depreciable Assets	<u>32,345,504</u>	<u>-</u>	<u>4,578,149</u>	<u>(6,797,840)</u>	<u>30,125,813</u>
Depreciable Assets:					
Buildings	49,439,083	-	1,415,201	(59,302)	50,794,982
Improvements other than buildings	11,247,960	-	737,541	(3,594)	11,981,907
Equipment	26,788,706	(12,000)	2,812,712	(1,631,596)	27,957,822
Infrastructure	56,112,352	-	4,793,897	-	60,906,249
Total Depreciable Assets	<u>143,588,101</u>	<u>(12,000)</u>	<u>9,759,351</u>	<u>(1,694,492)</u>	<u>151,640,960</u>
Total Governmental Assets	<u>175,933,605</u>	<u>(12,000)</u>	<u>14,337,500</u>	<u>(8,492,332)</u>	<u>181,766,773</u>
Accumulated Depreciation:					
Buildings	(23,839,337)	-	(1,780,732)	43,728	(25,576,341)
Improvements other than buildings	(4,416,926)	-	(872,618)	3,594	(5,285,950)
Equipment	(15,752,617)	12,000	(2,544,213)	1,557,719	(16,727,111)
Infrastructure	(45,258,710)	-	(1,909,698)	-	(47,168,408)
Total Accumulated Depreciation	<u>(89,267,590)</u>	<u>12,000</u>	<u>(7,107,261)</u>	<u>1,605,041</u>	<u>(94,757,810)</u>
Net Governmental Assets	<u>\$ 86,666,015</u>	<u>\$ -</u>	<u>\$ 7,230,239</u>	<u>\$ (6,887,291)</u>	<u>\$ 87,008,963</u>
<u>Business-type activities</u>	Balance July 1, 2007	Transfers	Additions	Deletions	Balance June 30, 2008
Non-Depreciable Assets:	Restated				
Land	\$ 4,881,987	\$ -	\$ 2,648	\$ -	\$ 4,884,635
Construction in progress	37,415,602	-	23,311,900	(15,983,263)	44,744,239
Total Non-Depreciable Assets	<u>42,297,589</u>	<u>-</u>	<u>23,314,548</u>	<u>(15,983,263)</u>	<u>49,628,874</u>
Depreciable Assets:					
Land Rights	1,761,891	-	-	-	1,761,891
Buildings	94,645,272	-	2,174,903	-	96,820,175
Improvements other than buildings	104,257,722	-	3,647,822	(173,359)	107,732,185
Equipment	230,291,025	(38,786)	17,844,399	(481,916)	247,614,722
Total Depreciable Assets	<u>430,955,910</u>	<u>(38,786)</u>	<u>23,667,124</u>	<u>(655,275)</u>	<u>453,928,973</u>
Total Business-type Assets	<u>473,253,499</u>	<u>(38,786)</u>	<u>46,981,672</u>	<u>(16,638,538)</u>	<u>503,557,847</u>
Accumulated Depreciation:					
Land Rights	(685,461)	-	(44,862)	-	(730,323)
Buildings	(33,573,222)	-	(2,736,199)	-	(36,309,421)
Improvements other than buildings	(49,384,616)	-	(3,145,997)	365,612	(52,165,001)
Equipment	(101,917,537)	38,786	(7,748,916)	460,975	(109,166,692)
Total Accumulated Depreciation	<u>(185,560,836)</u>	<u>38,786</u>	<u>(13,675,974)</u>	<u>826,587</u>	<u>(198,371,437)</u>
Net Business-type Assets	<u>\$ 287,692,663</u>	<u>\$ -</u>	<u>\$ 33,305,698</u>	<u>\$ (15,811,951)</u>	<u>\$ 305,186,410</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	\$ 3,546,554	\$ 1,617,275	\$ 479,388	\$ 23,341	\$ 100,000	\$ 879,968
Buildings and Structures	55,847,267	14,008,573	22,397,634	80,640	781,367	3,704,694
Improvements other Than buildings	47,384,591	28,869,951	11,229,223	14,839	2,473,353	17,760,228
Equipment	234,558,971	8,235,752	2,323,173	101,099	1,025,263	1,370,464
Total	341,337,383	52,731,551	36,429,418	219,919	4,379,983	23,715,354
Less accumulated Depreciation	(138,583,496)	(27,022,669)	(13,871,125)	(167,288)	(1,952,567)	(16,774,292)
Construction in progress	38,849,496	2,281,996	732,022	-	-	2,880,725
Net Assets	<u>\$ 241,603,383</u>	<u>\$ 27,990,878</u>	<u>\$ 23,290,315</u>	<u>\$ 52,631</u>	<u>\$ 2,427,416</u>	<u>\$ 9,821,787</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	\$ 593,684
Police	637,256
Fire	770,957
Parks, recreation, cultural affairs	2,856,817
Community development	524,260
Highways and streets	1,724,287
Total depreciation expense - governmental activities	<u>\$ 7,107,261</u>
Business-type activities:	
Electric	\$ 10,177,825
Water	1,480,885
Wastewater	1,159,988
Sanitation	4,869
Golf	189,410
Airport	662,997
Total depreciation expense - business-type activities	<u>\$ 13,675,974</u>

Construction commitments

The City has an active construction project as of June 30, 2008. The project is the building of the new Sycamore Park. At year end, the City's commitment with contractors was as follows:

<u>Project</u>	<u>To Date</u>	<u>Commitment</u>
Southside Community Center	\$ 1,436,264	\$ 2,248,823

D. Interfund receivables, payables and transfers

The composition of accrued claims and other accrued liabilities as of June 30, 2008 is as follows:

<u>Accrued Claims Payable</u>	<u>Governmental Funds</u>	<u>Health Fund</u>	<u>Total</u>
Health/WorkComp/Liability Claims	\$ 1,784,247	\$ 509,375	\$ 2,293,622
<u>Other Accrued Liabilities</u>			
Taxes	775	-	775
Intergovernmental	1,034	-	1,034
Court collections	13,167	-	13,167
Compensated absences	570	-	570
	<u>15,546</u>	<u>-</u>	<u>15,546</u>
Total	\$ 1,799,793	\$ 509,375	\$ 2,309,168

The composition of other accrued expenses as of June 30, 2008 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	\$ 291,949	\$ 7,767	\$ 5,963	\$ 20,578	\$ 9,747	\$ 336,004
Gross receipts taxes	453,091	75,537	-	6,061	-	534,689
Water conservation fee	-	14,742	-	-	-	14,742
Mainline extension/impact fee	-	-	931	-	-	931
Compensating taxes	51,829	-	-	-	-	51,829
Ad valorem taxes	210,000	-	-	-	-	210,000
Franchise taxes	170,912	-	-	-	-	170,912
PNM deferred credits	39,123	-	-	-	-	39,123
Billed customer deposits	20,811	-	-	-	-	20,811
Total	\$ 1,237,715	\$ 98,046	\$ 6,894	\$ 26,639	\$ 9,747	\$ 1,379,041

The composition of interfund balances as of June 30, 2008 is as follows:

Transfers		In	Out
Governmental Funds			
General fund – operating transfer to airport fund	\$	-	\$ 1,035,031
General fund – operating transfer to region II fund		-	30,000
General fund – operating transfer (pilt) from electric/water/ww		2,455,751	-
General fund – transfer to general government capital projects		-	3,529,885
GRT street fund – operating transfer to community development projects fund		-	1,042,812
Region II fund – matching funds for grant from general fund		30,000	
State fire grant fund – matching funds for fire station to debt		-	110,000
Community development grant projects fund – operating transfer grt streets fund		1,042,812	-
General government capital projects fund – from general fund		3,529,885	-
Debt service fund – operating transfer from state fire fund		110,000	-
		<u>7,168,448</u>	<u>\$ 5,747,728</u>
Total governmental funds transfers			
	\$	<u>1,420,720</u>	
Business-type funds			
Electric utility fund – operating transfer (pilt) to general fund	\$	-	\$ 1,695,348
Water utility fund – operating transfer (pilt) to general fund		-	525,194
Wastewater utility fund – operating transfer (pilt) to general fund		-	235,209
Airport fund – operating transfer from general fund		1,035,031	-
		<u>1,035,031</u>	<u>2,455,751</u>
Total business-type funds transfers	\$	<u>1,035,031</u>	<u>2,455,751</u>
			\$ <u>1,420,720</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:

Asset	Business Activities
Machinery and equipment	\$ <u>579,397</u>
Less: accumulated depreciation	<u>(405,578)</u>
Total	\$ <u><u>173,819</u></u>

The future minimum lease obligation and the net present value of those minimum lease payments as of June 30, 2008 were as follows:

Year Ending	Golf Course Turf	
	Golf Carts	Equipment
June 30, 2009	\$ 114,980	\$ 146,625
Total minimum lease payments	114,980	146,625
Less: amount representing interest payments	<u>(5,906)</u>	<u>(5,430)</u>
	<u>\$ 109,074</u>	<u>\$ 141,195</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, 2008 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, 2008 are as follows:

	Interest Rates	Interest				Total
		General Govt	Electric	Water	Wastewater	
Governmental Activities						
Sales Tax Bonds 2001	4.00 - 5.00%	\$ 5,740,000	\$ -	\$ -	\$ -	\$ 5,740,000
Sales Tax Bonds 2005	3.25 - 4.00%	4,750,000	-	-	-	4,750,000
Business Activities						
Serial Bonds 2002	3.50 - 5.00%	-	21,425,815	4,623,409	760,776	26,810,000
Total		\$10,490,000	\$21,425,815	\$ 4,623,409	\$ 760,776	\$37,300,000

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
	2009	\$ 1,225,000	\$ 425,643	\$ 4,267,581	\$ 971,718	\$ 920,888	\$ 209,684	\$ 151,531
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	4,870,957	369,621	1,051,088	79,759	172,955	13,124
2013	1,420,000	225,680	3,232,652	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	-	-	-	-	-	-
Total	\$ 10,490,000	\$ 2,095,730	\$ 21,425,815	\$ 2,891,345	\$ 4,623,409	\$ 623,914	\$ 760,776	\$102,665

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, 2008, 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, 2008, the City has received \$12,830,162 in draw down payments and accrued \$1,348,029 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:

Year Ending June 30	Principal	Interest
2009	\$ 559,785	\$ 393,212
2010	576,579	376,418
2011	593,876	359,121
2012	611,693	341,305
2013	630,043	322,954
2014-2018	3,445,335	1,319,650
2019-2023	3,994,089	770,897
2024-2026	2,695,658	163,333
Total	\$ 13,107,058	\$ 4,046,890

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, 2008 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, 2008, the following outstanding bonds are considered defeased (amounts in thousands):

	Series 1983 B	Series 1992
Original issue amount	\$ 37,950	\$ 49,205
Retired prior to fiscal year	(35,970)	(16,195)
Retired during the year ended 2008	(1,980)	(6,130)
Balance of principal remaining	\$ -	\$ 26,880
Interest payments made during year ended June 30, 2008	\$ 195	\$ 1,898

Changes in Long-term Liabilities

During the year ended June 30, 2008, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Bonds payable:					
2001 Sales tax revenue	\$ 6,570,000	\$ -	\$ (830,000)	\$ 5,740,000	\$ 865,000
2005 Sales tax revenue	5,100,000	-	(350,000)	4,750,000	360,000
Premium on bonds	153,254	-	(21,893)	131,361	-
Total bonds payable	<u>11,823,254</u>	<u>-</u>	<u>(1,201,893)</u>	<u>10,621,361</u>	<u>1,225,000</u>
Compensated absences	1,243,580	1,817,586	(1,585,789)	1,475,377	73,769
Total long-term liabilities					
Governmental activities	<u>\$ 13,066,834</u>	<u>\$ 1,817,586</u>	<u>\$ (2,787,682)</u>	<u>\$ 12,096,738</u>	<u>\$ 1,298,769</u>
Business-type activities:					
Bonds payable:					
Series 2002A	\$ 31,945,000	\$ -	\$ (5,135,000)	\$ 26,810,000	5,340,000
Premium on bonds	1,359,989	-	(229,858)	1,130,131	-
Total bonds payable	<u>33,304,989</u>	<u>-</u>	<u>(5,364,858)</u>	<u>27,940,131</u>	<u>5,340,000</u>
NMED loan	13,650,539	-	(543,481)	13,107,058	559,785
Capital leases	356,707	-	(106,438)	250,269	250,269
Compensated absences	990,791	537,724	(524,119)	1,004,396	524,121
Total long-term liabilities					
Business-type activities	<u>\$ 48,303,026</u>	<u>\$ 537,724</u>	<u>\$ (6,538,896)</u>	<u>\$ 42,301,854</u>	<u>\$ 6,674,175</u>

G. Restricted Assets

The following is a summary of restricted assets as of June 30, 2008:

Enterprise Funds

	Electric	Water	Wastewater	Total
Revenue bond current debt service	\$ 468,296	\$ 101,052	\$ 16,628	\$ 585,976
NMED loan debt service reserves	-	-	553,969	553,969
Revenue bond renewal, replacement and contingency account	1,598,345	344,902	56,753	2,000,000
Customer deposits/overpayments	<u>20,308,878</u>	<u>202,778</u>	<u>-</u>	<u>20,511,656</u>
Total restricted assets	<u>\$ 22,375,519</u>	<u>\$ 648,732</u>	<u>\$ 627,350</u>	<u>\$ 23,651,601</u>

V. OTHER INFORMATION

A. Risk Management

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

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

	June 30, 2006		June 30, 2007		June 30, 2008	
	Health	Risk Mgmt	Health	Risk Mgmt	Health	Risk Mgmt
Unpaid claims, beginning of fiscal year	\$ 718,182	\$1,508,352	\$ 502,427	\$1,075,404	\$ 492,511	\$1,486,607
Incurred claims and changes in estimate	2,974,866	398,126	4,206,951	822,406	3,770,657	595,287
Claim payments	(3,190,621)	(831,074)	(4,216,867)	(411,203)	(3,753,793)	(297,647)
Unpaid claims, end of fiscal year	\$ 502,427	\$1,075,404	\$ 492,511	\$1,486,607	\$ 509,375	\$1,784,247

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 2008, no contribution from the City was made 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 2008 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. Employee Retirement Systems and Plans

Pension Plan – Public Employees Retirement Association

Plan Description. Substantially all of the City of Farmington’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute from 9.15% to 16.30%, depending upon the plan (i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City of Farmington is required to contribute from 9.15% to 21.25% (depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City of Farmington are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City of Farmington’s contributions to PERA for the fiscal years ending June 30, 2008, 2007, and 2006 were \$8,556,921, \$7,805,193, and \$7,278,096, respectively, which equal the amount of the required contributions for each fiscal year.

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

Plan Description. The City of Farmington, at the beginning of FY 2008, began contributions to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). The NMRHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The NMRHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the NMRHCA plan on the person's behalf unless that person retires before the employer's NMRHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The NMRHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the NMRHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the NMRHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the NMRHCA based on one of two formulas at agreed-upon intervals. In June of 2007, the City remitted \$1,638,662 in employer surplus contributions. The NMRHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the NMRHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. The City of Farmington's contributions to the NMRHCA for the year ended June 30, 2008 were \$446,992 which equals the required contributions for the year.

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 January, 2008, the City entered into an agreement with CH2M Hill-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 December, 2015. The company is responsible for operating expenditures, as well as repairs and replacements up to \$2,000. The City paid approximately \$4.6 million for contracted services for the year ended June 30, 2008.

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, 2008 was \$1,383,025,000. 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 the City of Farmington or a charge against its general or taxing powers.

I. Prior Period Adjustment

In FY 2007, the City over-reported capital outlay by \$150,889 in the Airport fund. In the work order system, outside services were recorded twice causing an overstatement of construction in progress. This error was discovered in FY 2008 resulting in a prior period adjustment. Information provided below restates the applicable portion of the Notes to the Financial Statements. Since the misstatement affected construction in progress only, there was no effect on accumulated depreciation or depreciation expense.

	June 30, 2007 (As Reported)	Correction	June 30, 2007 (As Restated)
<u>Business-type activities</u>			
Non-Depreciable Assets:			
Construction in progress	\$ 37,566,491	\$ (150,889)	\$ 37,415,602
Nets assets	\$ 289,196,246	\$ (150,889)	\$ 289,045,357
<u>Enterprise Assets-by fund - Airport</u>			
Construction in Progress	\$ 2,206,089	\$ (150,889)	\$ 2,055,200
Nets assets	\$ 7,336,204	\$ (150,889)	\$ 7,185,315



Nonmajor Governmental Funds

NONMAJOR GOVERNMENTAL FUND

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.

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, 2008

	Special Revenue				
	Gross Receipts Tax Streets	Gross Receipts Tax Parks and Public Works	Park Development Fees	Recreation	Library Gifts and Grants
ASSETS:					
Pooled cash and investments	\$ 2,305,026	\$ 4,445,495	\$ 359,364	\$ -	\$ 127,981
Inventory	-	57,987	-	-	-
Intergovernmental receivable	1,683,008	518,146	-	4,199	-
Total assets	3,988,034	5,021,628	359,364	4,199	127,981
LIABILITIES:					
Accounts payable	204,845	4	-	-	-
Deferred revenue	46,707	-	-	-	-
Accrued wages payable	-	31,266	-	-	-
Total liabilities	251,552	31,270	-	-	-
FUND BALANCES:					
Unreserved - designated for subsequent years	3,736,482	4,990,358	359,364	4,199	127,981
Unreserved	-	-	-	-	-
Total fund balances	3,736,482	4,990,358	359,364	4,199	127,981
Total liabilities and fund balances	\$ 3,988,034	\$ 5,021,628	\$ 359,364	\$ 4,199	\$ 127,981

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, 2008

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>
ASSETS:					
Pooled cash and investments	\$ 354,023	\$ 66,800	\$ 564,354	\$ 17,002	\$ 202,441
Inventory	-	-	-	-	-
Intergovernmental receivable	34,185	4,878	283,409	-	119,129
Total assets	<u>388,208</u>	<u>71,678</u>	<u>847,763</u>	<u>17,002</u>	<u>321,570</u>
LIABILITIES:					
Accounts payable	17	446	-	-	76,368
Deferred revenue	-	-	60,837	-	-
Accrued wages payable	2,568	-	2,249	-	6,483
Total liabilities	<u>2,585</u>	<u>446</u>	<u>63,086</u>	<u>-</u>	<u>82,851</u>
FUND BALANCES:					
Unreserved - designated for subsequent years	385,623	71,232	784,677	17,002	238,719
Unreserved	-	-	-	-	-
Total fund balances	<u>385,623</u>	<u>71,232</u>	<u>784,677</u>	<u>17,002</u>	<u>238,719</u>
Total liabilities and fund balances	<u>\$ 388,208</u>	<u>\$ 71,678</u>	<u>\$ 847,763</u>	<u>\$ 17,002</u>	<u>\$ 321,570</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, 2008

	Special Revenue			
	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	Total Special Revenue
ASSETS:				
Pooled cash and investments	\$ 65,427	\$ -	\$ 38,089	\$ 8,546,002
Inventory	-	-	-	57,987
Intergovernmental receivable	-	-	-	2,646,954
Total assets	65,427	-	38,089	11,250,943
LIABILITIES:				
Accounts payable	-	-	38,083	319,763
Deferred revenue	62,847	-	-	170,391
Accrued wages payable	-	-	-	42,566
Total liabilities	62,847	-	38,083	532,720
FUND BALANCES:				
Unreserved - designated for subsequent years	2,580	-	6	10,718,223
Unreserved	-	-	-	-
Total fund balances	2,580	-	6	10,718,223
Total liabilities and fund balances	\$ 65,427	\$ -	\$ 38,089	\$ 11,250,943

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, 2008

	Capital Projects			
	Community Development Grant Projects	Governmental Capital Projects	Total Capital Projects	Total Nonmajor Governmental Funds
ASSETS:				
Pooled cash and investments	\$ 1,826,413	\$ 2,784,208	\$ 4,610,621	\$ 13,156,623
Inventory	-	-	-	57,987
Intergovernmental receivable	-	-	-	2,646,954
Total assets	<u>1,826,413</u>	<u>2,784,208</u>	<u>4,610,621</u>	<u>15,861,564</u>
LIABILITIES:				
Accounts payable	-	445,429	445,429	765,192
Deferred revenue	-	-	-	170,391
Accrued wages payable	1,555	-	1,555	44,121
Total liabilities	<u>1,555</u>	<u>445,429</u>	<u>446,984</u>	<u>979,704</u>
FUND BALANCES:				
Unreserved - designated for special revenue purposes	-	-	-	10,718,223
Unreserved - designated for capital projects	<u>1,824,858</u>	<u>2,338,779</u>	<u>4,163,637</u>	<u>4,163,637</u>
Total fund balances	<u>1,824,858</u>	<u>2,338,779</u>	<u>4,163,637</u>	<u>14,881,860</u>
Total liabilities and fund balances	<u>\$ 1,826,413</u>	<u>\$ 2,784,208</u>	<u>\$ 4,610,621</u>	<u>\$ 15,861,564</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, 2008

Special Revenue

	Gross Receipts Tax Streets	Gross Receipts Tax Parks and Public Works	Park Development Fees	Recreation	Library Gifts and Grants
REVENUES:					
Taxes:					
Gross receipts tax	\$ 5,828,616	\$ 5,236,903	\$ -	\$ -	-
Gasoline taxes	860,117	-	-	-	-
Cigarette taxes	-	-	-	47,518	-
Lodger's taxes	-	-	-	-	-
Licenses and permits	-	-	62,606	-	-
Intergovernmental	-	100,000	-	-	87,321
Charges for services	-	-	-	-	-
Fines	-	-	-	-	-
Investment earnings	110,552	187,024	15,828	-	8,176
Donations	-	-	-	-	20,317
Miscellaneous	1,401	8,256	30	-	686
Total revenues	<u>6,800,686</u>	<u>5,532,183</u>	<u>78,464</u>	<u>47,518</u>	<u>116,500</u>
EXPENDITURES:					
Current:					
Police operations	-	-	-	-	-
Fire operations	-	-	-	-	-
Parks, recreation and cultural affairs	-	3,708,230	72,383	48,471	169,043
Community development	3,552,069	1,093,004	-	-	-
Capital outlay:					
Highways and streets	1,536,962	-	-	-	-
Total expenditures	<u>5,089,031</u>	<u>4,801,234</u>	<u>72,383</u>	<u>48,471</u>	<u>169,043</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,711,655</u>	<u>730,949</u>	<u>6,081</u>	<u>(953)</u>	<u>(52,543)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(1,042,812)	-	-	-	-
Total other financing sources (uses)	<u>(1,042,812)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	668,843	730,949	6,081	(953)	(52,543)
Fund balances-beginning	3,067,639	4,259,409	353,283	5,152	180,524
Fund balances-ending	<u>\$ 3,736,482</u>	<u>\$ 4,990,358</u>	<u>\$ 359,364</u>	<u>\$ 4,199</u>	<u>\$ 127,981</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, 2008

Special Revenue

	Parks/ Recreation Gifts and Grants	Museum Gifts and Grants	Lodgers Tax	State Police Protection Grant	Region II Narcotics Grant
REVENUES:					
Taxes:					
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	\$ -
Gasoline taxes	-	-	-	-	-
Cigarette taxes	-	-	-	-	-
Lodger's taxes	-	-	1,216,746	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	166,171	20,484	-	94,200	318,750
Charges for services	-	86,134	-	-	-
Fines	-	-	-	-	-
Investment earnings	19,862	3,425	21,738	-	-
Donations	379,807	42,622	-	-	-
Miscellaneous	382,391	392	3,040	256	37,825
Total revenues	<u>948,231</u>	<u>153,057</u>	<u>1,241,524</u>	<u>94,456</u>	<u>356,575</u>
EXPENDITURES:					
Current:					
Police operations	-	-	-	77,856	448,741
Fire operations	-	-	-	-	-
Parks, recreation and cultural affairs	964,187	146,265	1,124,290	-	-
Community development	-	-	-	-	-
Capital outlay:					
Highways and streets	-	-	-	-	-
Total expenditures	<u>964,187</u>	<u>146,265</u>	<u>1,124,290</u>	<u>77,856</u>	<u>448,741</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,956)</u>	<u>6,792</u>	<u>117,234</u>	<u>16,600</u>	<u>(92,166)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	30,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Net change in fund balances	(15,956)	6,792	117,234	16,600	(62,166)
Fund balances-beginning	401,579	64,440	667,443	402	300,885
Fund balances-ending	<u>\$ 385,623</u>	<u>\$ 71,232</u>	<u>\$ 784,677</u>	<u>\$ 17,002</u>	<u>\$ 238,719</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, 2008

	<u>Special Revenue</u>			<u>Total Special Revenue</u>
	<u>Law Enforcement Block Grant</u>	<u>State Fire Grant</u>	<u>Penalty Assessment</u>	
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	11,065,519
Gasoline taxes	-	-	-	860,117
Cigarette taxes	-	-	-	47,518
Lodger's taxes	-	-	-	1,216,746
Licenses and permits	-	-	-	62,606
Intergovernmental	13,227	409,188	-	1,209,341
Charges for services	-	-	-	86,134
Fines	-	-	190,537	190,537
Investment earnings	2,581	8,106	-	377,292
Donations	-	-	-	442,746
Miscellaneous	-	399	469	435,145
Total revenues	<u>15,808</u>	<u>417,693</u>	<u>191,006</u>	<u>15,993,701</u>
EXPENDITURES:				
Current:				
Police operations	17,221	-	191,000	734,818
Fire operations	-	334,011	-	334,011
Parks, recreation and cultural affairs	-	-	-	6,232,869
Community development	-	-	-	4,645,073
Capital outlay:				
Highways and streets	-	-	-	1,536,962
Total expenditures	<u>17,221</u>	<u>334,011</u>	<u>191,000</u>	<u>13,483,733</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,413)</u>	<u>83,682</u>	<u>6</u>	<u>2,509,968</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	30,000
Transfers out	-	(110,000)	-	(1,152,812)
Total other financing sources (uses)	<u>-</u>	<u>(110,000)</u>	<u>-</u>	<u>(1,122,812)</u>
Net change in fund balances	(1,413)	(26,318)	6	1,387,156
Fund balances-beginning	3,993	26,318	-	9,331,067
Fund balances-ending	<u>\$ 2,580</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 10,718,223</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, 2008

	<u>Capital Projects</u>			Total Nonmajor Governmental Funds
	Community Development Grant Projects	Governmental Capital Projects	Total Capital Projects	
REVENUES:				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ 11,065,519
Gasoline taxes	-	-	-	860,117
Cigarette taxes	-	-	-	47,518
Lodger's taxes	-	-	-	1,216,746
Licenses and permits	-	-	-	62,606
Intergovernmental	1,324,583	-	1,324,583	2,533,924
Charges for services	-	-	-	86,134
Fines	-	-	-	190,537
Investment earnings	49,737	59,580	109,317	486,609
Donations	-	-	-	442,746
Miscellaneous	16	332	348	435,493
Total revenues	<u>1,374,336</u>	<u>59,912</u>	<u>1,434,248</u>	<u>17,427,949</u>
EXPENDITURES:				
Current:				
Police operations	-	-	-	734,818
Fire operations	-	-	-	334,011
Parks, recreation and cultural affairs	-	-	-	6,232,869
Community development	-	-	-	4,645,073
Capital outlay:				
General government	-	1,251,018	1,251,018	1,251,018
Highways and streets	1,555,171	-	1,555,171	3,092,133
Public safety	-	-	-	-
Total expenditures	<u>1,555,171</u>	<u>1,251,018</u>	<u>2,806,189</u>	<u>16,289,922</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(180,835)</u>	<u>(1,191,106)</u>	<u>(1,371,941)</u>	<u>1,138,027</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,042,812	3,529,885	4,572,697	4,602,697
Transfers out	-	-	-	(1,152,812)
Total other financing sources (uses)	<u>1,042,812</u>	<u>3,529,885</u>	<u>4,572,697</u>	<u>3,449,885</u>
Net change in fund balances	861,977	2,338,779	3,200,756	4,587,912
Fund balances-beginning	962,881	-	962,881	10,293,948
Fund balances-ending	<u>\$ 1,824,858</u>	<u>\$ 2,338,779</u>	<u>\$ 4,163,637</u>	<u>\$ 14,881,860</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 to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Gross receipts taxes	\$ 5,248,241	\$ 5,248,241	\$ 5,202,757	\$ (45,484)
Gasoline taxes	815,000	815,000	787,742	(27,258)
Investment earnings	155,000	155,000	110,552	(44,448)
Miscellaneous	-	-	1,401	1,401
Total revenues	6,218,241	6,218,241	6,102,452	(115,789)
EXPENDITURES:				
Current:				
Community development	5,855,072	5,221,118	3,624,947	1,596,171
Capital Outlay:				
Highways and streets	2,300,000	2,755,866	2,115,222	640,644
Total expenditures	8,155,072	7,976,984	5,740,169	2,236,815
Excess (deficiency) of revenues over (under) expenditures	(1,936,831)	(1,758,743)	362,283	2,121,026
OTHER FINANCING SOURCES (USES):				
Transfers out	(651,250)	(1,042,812)	(1,042,812)	-
Net change in fund balances	(2,588,081)	(2,801,555)	(680,529)	\$ 2,121,026
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			705,515	
Change in accounts payable			651,138	
Change in deferred revenue			(7,281)	
			1,349,372	
GAAP BASIS CHANGE IN FUND BALANCES			668,843	
Fund balances-beginning	3,067,639	3,067,639	3,067,639	
Fund balances-ending	\$ 479,558	\$ 266,084	\$ 3,736,482	

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
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Gross receipts taxes	\$ 5,781,741	\$ 5,781,741	\$ 5,732,533	\$ (49,208)
Intergovernmental	-	-	100,000	100,000
Investment earnings	150,000	150,000	187,024	37,024
Miscellaneous	-	-	8,256	8,256
Total revenues	<u>5,931,741</u>	<u>5,931,741</u>	<u>6,027,813</u>	<u>96,072</u>
EXPENDITURES:				
Current:				
Parks, Recreation and Cultural Affairs	3,248,255	4,166,037	3,856,902	309,135
Community development	4,824,689	3,731,412	1,274,693	2,456,719
Total expenditures	<u>8,072,944</u>	<u>7,897,449</u>	<u>5,131,595</u>	<u>2,765,854</u>
Excess (deficiency) of revenues over (under) expenditures	(2,141,203)	(1,965,708)	896,218	2,861,926
Net change in fund balances	<u>(2,141,203)</u>	<u>(1,965,708)</u>	<u>896,218</u>	<u>\$ 2,861,926</u>
ADJUSTMENTS TO GAAP:				
Change in inventory			(59,169)	
Change in intergovernmental receivable			(436,461)	
Change in accounts payable			354,718	
Change in accrued wages payable			(24,357)	
			<u>(165,269)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			730,949	
Fund balances-beginning	4,259,409	4,259,409	4,259,409	
Fund balances-ending	<u>\$ 2,118,206</u>	<u>\$ 2,293,701</u>	<u>\$ 4,990,358</u>	

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

CITY OF FARMINGTON, NEW MEXICO
Park Development Fees Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 35,000	\$ 35,000	\$ 62,606	\$ 27,606
Investment earnings	18,000	18,000	15,828	(2,172)
Miscellaneous	-	-	30	30
Total revenues	53,000	53,000	78,464	25,464
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	90,000	90,000	72,383	17,617
Excess (deficiency) of revenues over (under) expenditures	(37,000)	(37,000)	6,081	\$ 43,081
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			-	
GAAP BASIS CHANGE IN FUND BALANCES			6,081	
Fund balances-beginning	353,283	353,283	353,283	
Fund balances-ending	\$ 316,283	\$ 316,283	\$ 359,364	

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 to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Cigarette taxes	\$ 51,000	\$ 51,000	\$ 48,471	\$ (2,529)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	51,000	51,000	48,471	2,529
Excess (deficiency) of revenues over (under) expenditures	-	-	-	\$ -
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(953)	
GAAP BASIS CHANGE IN FUND BALANCES			(953)	
Fund balances-beginning	5,152	5,152	5,152	
Fund balances-ending	\$ 5,152	\$ 5,152	\$ 4,199	

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
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 105,000	\$ 105,000	\$ 87,321	\$ (17,679)
Investment earnings	14,000	14,000	8,176	(5,824)
Donations	80,000	80,000	20,317	(59,683)
Miscellaneous	-	-	686	686
Total revenues	199,000	199,000	116,500	(82,500)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	318,500	318,500	169,043	149,457
Excess (deficiency) of revenues over (under) expenditures	(119,500)	(119,500)	(52,543)	\$ 66,957
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			-	
GAAP BASIS CHANGE IN FUND BALANCES			(52,543)	
Fund balances-beginning	180,524	180,524	180,524	
Fund balances-ending	\$ 61,024	\$ 61,024	\$ 127,981	

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 to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 232,000	\$ 1,003,103	\$ 236,296	\$ (766,807)
Investment earnings	21,000	21,000	19,862	(1,138)
Donations	172,200	172,200	379,807	207,607
Miscellaneous	135,050	135,050	382,391	247,341
Total revenues	560,250	1,331,353	1,018,356	(312,997)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	534,201	1,332,930	973,624	359,306
Excess (deficiency) of revenues over (under) expenditures	26,049	(1,577)	44,732	\$ <u><u>46,309</u></u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(70,125)	
Change in accounts payable			9,342	
Change in accrued wages payable			95	
			(60,688)	
GAAP BASIS CHANGE IN FUND BALANCES			(15,956)	
Fund balances-beginning	401,579	401,579	401,579	
Fund balances-ending	\$ 427,628	\$ 400,002	\$ 385,623	

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 to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 19,000	\$ 15,606	\$ (3,394)
Charges for Services	101,600	123,100	86,134	(36,966)
Investment earnings	2,400	2,400	3,425	1,025
Donations	24,000	46,000	42,622	(3,378)
Miscellaneous	-	-	392	392
Total revenues	128,000	190,500	148,179	(42,321)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	89,000	151,608	146,110	5,498
Excess (deficiency) of revenues over (under) expenditures	39,000	38,892	2,069	\$ (36,823)
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			4,878	
Change in accounts payable			(155)	
			4,723	
GAAP BASIS CHANGE IN FUND BALANCES			6,792	
Fund balances-beginning	64,440	64,440	64,440	
Fund balances-ending	\$ 103,440	\$ 103,332	\$ 71,232	

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 to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Lodger's taxes	\$ 1,000,000	\$ 1,097,000	\$ 1,198,809	\$ 101,809
Investment earnings	22,000	22,000	21,738	(262)
Miscellaneous	-	-	3,040	3,040
Total revenues	1,022,000	1,119,000	1,223,587	104,587
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	1,035,754	1,132,877	1,122,250	10,627
Excess (deficiency) of revenues over (under) expenditures	(13,754)	(13,877)	101,337	\$ <u>115,214</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			17,937	
Change in deferred revenue			(5,813)	
Change in accrued wages payable			3,773	
			15,897	
GAAP BASIS CHANGE IN FUND BALANCES			117,234	
Fund balances-beginning	667,443	667,443	667,443	
Fund balances-ending	\$ 653,689	\$ 653,566	\$ 784,677	

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 to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 92,400	\$ 92,400	\$ 94,200	\$ 1,800
Miscellaneous	-	-	256	256
Total revenues	<u>92,400</u>	<u>92,400</u>	<u>94,456</u>	<u>2,056</u>
EXPENDITURES:				
Current:				
Police operations	<u>92,400</u>	<u>92,400</u>	<u>77,856</u>	<u>14,544</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	16,600	<u>\$ 16,600</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			<u>-</u>	
GAAP BASIS CHANGE IN FUND BALANCES			16,600	
Fund balances-beginning	<u>402</u>	<u>402</u>	<u>402</u>	
Fund balances-ending	<u>\$ 402</u>	<u>\$ 402</u>	<u>\$ 17,002</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 to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 396,500	\$ 396,500	\$ 326,058	\$ (70,442)
Miscellaneous	2,500	2,500	37,825	35,325
Total revenues	<u>399,000</u>	<u>399,000</u>	<u>363,883</u>	<u>(35,117)</u>
EXPENDITURES:				
Current:				
Public safety	<u>452,128</u>	<u>452,128</u>	<u>411,451</u>	<u>40,677</u>
Excess (deficiency) of revenues over (under) expenditures	(53,128)	(53,128)	(47,568)	5,560
OTHER FINANCING SOURCES:				
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	(23,128)	(23,128)	<u>(17,568)</u>	<u>\$ 5,560</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(7,308)	
Change in accounts payable			(33,783)	
Change in accrued wages payable			<u>(3,507)</u>	
			<u>(44,598)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(62,166)	
Fund balances-beginning	<u>300,885</u>	<u>300,885</u>	<u>300,885</u>	
Fund balances-ending	<u>\$ 277,757</u>	<u>\$ 277,757</u>	<u>\$ 238,719</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 to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ -	\$ 76,070	\$ 76,074	\$ 4
Investment earnings	-	-	2,581	2,581
Total revenues	<u>-</u>	<u>76,070</u>	<u>78,655</u>	<u>2,585</u>
EXPENDITURES:				
Current:				
Public safety	-	80,063	17,221	62,842
Excess (deficiency) of revenues over (under) expenditures	-	(3,993)	61,434	\$ <u>65,427</u>
ADJUSTMENTS TO GAAP:				
Change in deferred revenue			<u>(62,847)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(1,413)	
Fund balances-beginning	<u>3,993</u>	<u>3,993</u>	<u>3,993</u>	
Fund balances-ending	<u>\$ 3,993</u>	<u>\$ -</u>	<u>\$ 2,580</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 to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 376,319	\$ 409,188	\$ 409,188	\$ -
Investment earnings	9,000	9,000	8,106	(894)
Donations	1,000	1,000	-	(1,000)
Miscellaneous	-	-	399	399
Total revenues	<u>386,319</u>	<u>419,188</u>	<u>417,693</u>	<u>(1,495)</u>
EXPENDITURES:				
Current:				
Fire operations	<u>276,319</u>	<u>335,506</u>	<u>334,011</u>	<u>1,495</u>
Excess (deficiency) of revenues over (under) expenditures	110,000	83,682	83,682	-
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(110,000)</u>	<u>(110,000)</u>	<u>(110,000)</u>	<u>-</u>
Net change in fund balances	-	(26,318)	<u>(26,318)</u>	<u>\$ -</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			<u>-</u>	
GAAP BASIS CHANGE IN FUND BALANCES			(26,318)	
Fund balances-beginning	26,318	26,318	26,318	
Fund balances-ending	<u>\$ 26,318</u>	<u>\$ -</u>	<u>\$ -</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 to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Fines	\$ 160,000	\$ 190,500	\$ 190,537	\$ 37
Miscellaneous	-	-	469	469
Total Revenues	160,000	190,500	191,006	506
EXPENDITURES:				
Current:				
Public safety	160,000	190,500	180,494	10,006
Excess (deficiency) of revenues over (under) expenditures	-	-	10,512	\$ 10,512
ADJUSTMENTS TO GAAP:				
Change in accounts payable			(10,506)	
GAAP BASIS CHANGE IN FUND BALANCES			6	
Fund balances-beginning	-	-	-	
Fund balances-ending	\$ -	\$ -	\$ 6	

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 to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 2,438,750	\$ 2,803,750	\$ 1,412,487	\$ (1,391,263)
Investment earnings	28,000	28,000	49,737	21,737
Miscellaneous	-	-	16	16
Total revenues	<u>2,466,750</u>	<u>2,831,750</u>	<u>1,462,240</u>	<u>(1,369,510)</u>
EXPENDITURES:				
Capital Outlay:				
Highways and Streets	<u>3,171,415</u>	<u>4,238,353</u>	<u>1,563,298</u>	<u>2,675,055</u>
Excess (deficiency) of revenues over (under) expenditures	(704,665)	(1,406,603)	(101,058)	1,305,545
OTHER FINANCING SOURCES:				
Transfers in	<u>651,250</u>	<u>1,042,812</u>	<u>1,042,812</u>	<u>-</u>
Net change in fund balances	(53,415)	(363,791)	<u>941,754</u>	<u>\$ 1,305,545</u>
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(87,904)	
Change in accounts payable			8,563	
Change in accrued wages payable			(436)	
			<u>(79,777)</u>	
GAAP BASIS CHANGE IN FUND BALANCES			861,977	
Fund balances-beginning	<u>962,881</u>	<u>962,881</u>	<u>962,881</u>	
Fund balances-ending	<u>\$ 909,466</u>	<u>\$ 599,090</u>	<u>\$ 1,824,858</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 to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment earnings	\$ -	\$ -	\$ 59,580	\$ 59,580
Miscellaneous	-	-	332	332
Total revenues	<u>-</u>	<u>-</u>	<u>59,912</u>	<u>59,912</u>
EXPENDITURES:				
Capital Outlay:				
General Government	<u>2,116,450</u>	<u>3,590,450</u>	<u>866,154</u>	<u>2,724,296</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,116,450)</u>	<u>(3,590,450)</u>	<u>(806,242)</u>	<u>2,784,208</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>2,116,450</u>	<u>3,590,450</u>	<u>3,529,885</u>	<u>(60,565)</u>
Total other financing sources (uses)	<u>2,116,450</u>	<u>3,590,450</u>	<u>3,529,885</u>	<u>(60,565)</u>
Net change in fund balances	-	-	<u>2,723,643</u>	<u>\$ 2,723,643</u>
ADJUSTMENTS TO GAAP:				
Change in accounts payable			(384,864)	
GAAP BASIS CHANGE IN FUND BALANCES:				
			2,338,779	
Fund balances-beginning	-	-	-	
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,338,779</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 to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Gross receipts taxes	\$ 1,527,500	\$ 1,527,500	\$ 1,527,492	\$ (8)
Investment earnings	23,500	23,500	30,352	6,852
Total revenues	1,551,000	1,551,000	1,557,844	6,844
EXPENDITURES:				
Debt Service:				
Principal	1,180,000	1,180,000	1,180,000	-
Interest	470,217	470,217	470,217	-
Total expenditures	1,650,217	1,650,217	1,650,217	-
Excess (deficiency) of revenues over (under) expenditures	(99,217)	(99,217)	(92,373)	6,844
OTHER FINANCING SOURCES:				
Transfers in	110,000	110,000	110,000	-
Net change in fund balances	10,783	10,783	17,627	\$ 6,844
ADJUSTMENTS TO GAAP:				
Change in receivables			-	
			-	
GAAP BASIS CHANGE IN FUND BALANCES:			17,627	
Fund balances-beginning	310,848	310,848	310,848	
Fund balances-ending	\$ 321,631	\$ 321,631	\$ 328,475	

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
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for services	\$ 5,241,319	\$ 5,241,319	\$ 5,368,501	\$ 127,182
Investment earnings	-	-	2,341	2,341
Total operating revenues	5,241,319	5,241,319	5,370,842	129,523
Operating expenses:				
Costs of services	5,241,319	5,241,319	5,244,286	(2,967)
Operating income (loss)	-	-	126,556	\$ 124,215
RECONCILIATION TO GAAP BASIS:				
Change in accrued payables			55,693	
GAAP BASIS CHANGE IN NET ASSETS			182,249	
Total net assets-beginning	(637,778)	(637,778)	(637,778)	
Total net assets-ending	\$ (637,778)	\$ (637,778)	\$ (455,529)	

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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Operating revenues:				
Charges for sales and services:				
Electric	\$ 105,911,605	\$ 105,911,605	\$ 101,574,396	\$ (4,337,209)
Other revenues	<u>385,000</u>	<u>385,000</u>	<u>619,007</u>	<u>234,007</u>
Total operating revenues	<u>106,296,605</u>	<u>106,296,605</u>	<u>102,193,403</u>	<u>(4,103,202)</u>
Operating expenses:				
Salaries and fringe benefits	10,399,113	10,399,113	9,515,925	883,188
Purchased power, fuel and chemicals	49,289,055	49,289,055	48,946,395	342,660
Other operating expenses	9,920,074	10,026,358	9,840,390	185,968
Capital outlay	<u>34,214,568</u>	<u>36,912,460</u>	<u>23,496,738</u>	<u>13,415,722</u>
Total operating expenses	<u>103,822,810</u>	<u>106,626,986</u>	<u>91,799,448</u>	<u>14,827,538</u>
Operating income	<u>2,473,795</u>	<u>(330,381)</u>	<u>10,393,955</u>	<u>10,724,336</u>
Nonoperating revenues (expenses):				
Investment earnings	1,902,000	1,902,000	2,333,113	431,113
Interest expense	(1,146,368)	(1,146,368)	(1,137,193)	9,175
Principal on debt service	<u>(4,103,751)</u>	<u>(4,103,751)</u>	<u>(4,103,751)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(3,348,119)</u>	<u>(3,348,119)</u>	<u>(2,907,831)</u>	<u>440,288</u>
Income (loss) before operating transfers	(874,324)	(3,678,500)	7,486,124	11,164,624
Capital contributions	105,000	105,000	1,056,745	951,745
Transfers out	<u>(1,892,586)</u>	<u>(1,892,586)</u>	<u>(1,695,348)</u>	<u>197,238</u>
Change in net assets	(2,661,910)	(5,466,086)	<u>6,847,521</u>	<u>\$ 12,313,607</u>
ADJUSTMENTS TO GAAP				
Depreciation			(10,177,825)	
Amortization			143,731	
Capital outlay capitalized			23,496,738	
Principal on debt service			<u>4,103,751</u>	
			<u>17,566,395</u>	
GAAP BASIS CHANGE IN NET ASSETS			24,413,916	
Total net assets-beginning	239,480,604	239,480,604	239,480,604	
Total net assets-ending	<u>\$ 236,818,694</u>	<u>\$ 234,014,518</u>	<u>\$ 263,894,520</u>	

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

CITY OF FARMINGTON, NEW MEXICO
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual
Non-GAAP Budgetary Basis
Water Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Water	\$ 10,255,594	\$ 10,255,594	\$ 10,708,854	\$ 453,260
Other revenues	1,000	1,000	74,663	73,663
Total operating revenues	10,256,594	10,256,594	10,783,517	526,923
Operating expenses:				
Salaries and fringe benefits	570,739	570,739	437,077	133,662
Other operating expenses	5,288,653	5,315,144	4,721,427	593,717
Capital outlay	2,845,000	4,589,114	2,380,844	2,208,270
Total operating expenses	8,704,392	10,474,997	7,539,348	2,935,649
Operating income	1,552,202	(218,403)	3,244,169	3,462,572
Nonoperating revenues (expenses):				
Investment earnings	141,800	141,800	155,159	13,359
Revenue from operating grants	-	1,325,000	524,913	(800,087)
Interest expense	(250,105)	(250,105)	(246,324)	3,781
Principal on debt service	(885,535)	(885,535)	(885,535)	-
Total nonoperating revenues (expenses)	(993,840)	331,160	(451,787)	(782,947)
Income (loss) before operating transfers	558,362	112,757	2,792,382	2,679,625
Capital contributions	4,395	4,395	-	(4,395)
Transfers out	(524,422)	(524,422)	(525,194)	(772)
Change in net assets	38,335	(407,270)	2,267,188	\$ 2,674,458
ADJUSTMENTS TO GAAP				
Depreciation			(1,480,886)	
Amortization			31,015	
Capital outlay capitalized			2,380,844	
Principal on debt service			885,535	
			1,816,508	
GAAP BASIS CHANGE IN NET ASSETS			4,083,696	
Total net assets-beginning	23,510,800	23,510,800	23,510,800	
Total net assets-ending	\$ 23,549,135	\$ 23,103,530	\$ 27,594,496	

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, 2008

	<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:				
Wastewater	\$ 5,470,565	\$ 5,470,565	\$ 4,751,471	\$ (719,094)
Environmental tax	1,445,435	1,445,435	1,438,969	(6,466)
Other revenues	4,000	4,000	49,832	45,832
Total operating revenues	<u>6,920,000</u>	<u>6,920,000</u>	<u>6,240,272</u>	<u>(679,728)</u>
Operating expenses:				
Salaries and fringe benefits	305,955	305,955	264,429	41,526
Other operating expenses	3,640,213	3,660,904	3,358,924	301,980
Capital outlay	<u>3,309,000</u>	<u>3,942,240</u>	<u>652,156</u>	<u>3,290,084</u>
Total operating expenses	<u>7,255,168</u>	<u>7,909,099</u>	<u>4,275,509</u>	<u>3,633,590</u>
Operating income	<u>(335,168)</u>	<u>(989,099)</u>	<u>1,964,763</u>	<u>2,953,862</u>
Nonoperating revenues (expenses):				
Investment earnings	307,800	307,800	272,143	(35,657)
Revenue from operating grants	-	-	3,557	3,557
Interest expense	(465,678)	(465,678)	(449,119)	16,559
Principal on debt service	<u>(673,366)</u>	<u>(673,366)</u>	<u>(689,195)</u>	<u>(15,829)</u>
Total nonoperating revenues (expenses)	<u>(831,244)</u>	<u>(831,244)</u>	<u>(862,614)</u>	<u>(31,370)</u>
Income (loss) before operating transfers	(1,166,412)	(1,820,343)	1,102,149	2,922,492
Capital contributions	-	-	-	-
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(235,209)</u>	<u>14,791</u>
Change in net assets	(1,416,412)	(2,070,343)	<u>866,940</u>	<u>\$ 2,937,283</u>
ADJUSTMENTS TO GAAP				
Depreciation			(1,159,988)	
Amortization			5,103	
Capital outlay capitalized			652,156	
Principal on debt service			<u>689,195</u>	
			<u>186,466</u>	
GAAP BASIS CHANGE IN NET ASSETS			1,053,406	
Total net assets-beginning	15,877,477	15,877,477	15,877,477	
Total net assets-ending	<u>\$ 14,461,065</u>	<u>\$ 13,807,134</u>	<u>\$ 16,930,883</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
Sanitation Fund
For the Year Ended June 30, 2008

	<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	\$ 3,960,580	\$ 4,094,580	\$ 4,154,595	\$ 60,015
Other revenues	<u>34,816</u>	<u>34,816</u>	<u>74,086</u>	<u>39,270</u>
Total operating revenues	<u>3,995,396</u>	<u>4,129,396</u>	<u>4,228,681</u>	<u>99,285</u>
Operating expenses:				
Other operating expenses	3,981,432	4,115,432	4,125,425	(9,993)
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total operating expenses	<u>3,991,432</u>	<u>4,125,432</u>	<u>4,125,425</u>	<u>7</u>
Operating income	3,964	3,964	103,256	99,292
Nonoperating revenues (expenses):				
Investment earnings	<u>22,500</u>	<u>22,500</u>	<u>26,930</u>	<u>4,430</u>
Change in net assets	26,464	26,464	<u>130,186</u>	<u>\$ 103,722</u>
ADJUSTMENTS TO GAAP				
Depreciation			<u>(4,870)</u>	
GAAP BASIS CHANGE IN NET ASSETS			125,316	
Total net assets-beginning	449,263	449,263	449,263	
Total net assets-ending	<u>\$ 475,727</u>	<u>\$ 475,727</u>	<u>\$ 574,579</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for sales and services:				
Golf	\$ 1,191,163	\$ 1,191,163	\$ 1,134,127	\$ (57,036)
Other revenues	-	13,000	12,525	(475)
Total operating revenues	<u>1,191,163</u>	<u>1,204,163</u>	<u>1,146,652</u>	<u>(57,511)</u>
Operating expenses:				
Salaries and fringe benefits	649,765	649,765	624,710	25,055
Other operating expenses	447,915	485,987	498,342	(12,355)
Capital outlay	<u>133,000</u>	<u>108,000</u>	<u>106,438</u>	<u>1,562</u>
Total operating expenses	<u>1,230,680</u>	<u>1,243,752</u>	<u>1,229,490</u>	<u>14,262</u>
Operating income	(39,517)	(39,589)	(82,838)	(43,249)
Nonoperating revenues (expenses):				
Investment earnings	<u>9,000</u>	<u>9,000</u>	<u>12,991</u>	<u>3,991</u>
Change in net assets	(30,517)	(30,589)	<u>(69,847)</u>	<u>\$ (39,258)</u>
ADJUSTMENTS TO GAAP				
Depreciation			(189,411)	
Capital outlay capitalized			<u>106,438</u>	
			<u>(82,973)</u>	
GAAP BASIS CHANGE IN NET ASSETS			(152,820)	
Total net assets-beginning	2,541,898	2,541,898	2,541,898	
Total net assets-ending	<u>\$ 2,511,381</u>	<u>\$ 2,511,309</u>	<u>\$ 2,389,078</u>	

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

CITY OF FARMINGTON, NEW MEXICO
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget to Actual
Non-GAAP Budgetary Basis
Airport Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Airport	\$ 675,249	\$ 582,249	\$ 530,874	\$ (51,375)
Other revenues	1,000	1,000	9,486	8,486
Total operating revenues	676,249	583,249	540,360	(42,889)
Operating expenses:				
Salaries and fringe benefits	317,106	317,106	315,172	1,934
Other operating expenses	512,415	512,415	579,776	(67,361)
Capital outlay	2,487,000	3,300,156	3,471,634	(171,478)
Total operating expenses	3,316,521	4,129,677	4,366,582	(236,905)
Operating income (loss)	(2,640,272)	(3,546,428)	(3,826,222)	(279,794)
Nonoperating revenues (expenses):				
Investment earnings	4,000	4,000	-	(4,000)
Revenue from operating grants	2,549,175	2,724,175	2,617,273	(106,902)
Total nonoperating revenues (expenses)	2,553,175	2,728,175	2,617,273	(110,902)
Income (loss) before operating transfers	(87,097)	(818,253)	(1,208,949)	(390,696)
Operating transfers, in	100,000	1,035,031	1,035,031	-
Change in net assets	12,903	216,778	(173,918)	\$ (390,696)
ADJUSTMENTS TO GAAP				
Depreciation			(662,998)	
Capital outlay capitalized			3,471,634	
			2,808,636	
GAAP BASIS CHANGE IN NET ASSETS			2,634,718	
Total net assets-beginning (restated)	7,185,315	7,185,315	7,185,315	
Total net assets-ending	\$ 7,198,218	\$ 7,402,093	\$ 9,820,033	

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, 2007 and 2008

	<u>2008</u>	<u>2007</u>
Governmental funds capital assets:		
Land	\$ 25,780,126	\$ 25,780,126
Buildings	50,794,982	49,439,083
Improvements other than buildings	11,981,907	11,247,960
Machinery and equipment	27,957,822	26,788,706
Infrastructure	60,906,249	56,112,352
Construction In Progress	4,345,687	6,565,378
Total governmental funds capital assets	<u>\$ 181,766,773</u>	<u>\$ 175,933,605</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 53,372,756	\$ 55,509,874
Special revenue fund	104,798,367	98,113,359
Capital projects funds	22,027,018	21,361,169
Donations	1,568,632	949,203
Total governmental funds capital assets	<u>\$ 181,766,773</u>	<u>\$ 175,933,605</u>

CITY OF FARMINGTON, NEW MEXICO
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
For the Year Ended June 30, 2008

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
GENERAL GOVERNMENT:							
Legislative	\$ 4,000	\$ 6,946	\$ -	\$ 33,693	\$ -	\$ -	\$ 44,639
Judicial	-	3,117	-	155,901	-	-	159,018
Operations center	-	-	-	525,585	-	-	525,585
Fleet maintenance	-	4,469	-	778,658	-	-	783,127
Stores	-	21,264	281,925	349,289	-	-	652,478
Finance administration	-	3,741	-	32,983	-	-	36,724
Personnel administration	-	22,327	-	154,245	-	-	176,572
Purchasing	-	-	-	79,970	-	-	79,970
Law enforcement	-	-	12,966	41,808	-	-	54,774
Administrative services	1,185,313	9,264,990	65,153	981,024	-	56,675	11,553,155
Planning and zoning	-	-	-	76,513	-	-	76,513
Data processing	-	31,020	-	767,859	-	-	798,879
Total general government	<u>1,189,313</u>	<u>9,357,874</u>	<u>360,044</u>	<u>3,977,528</u>	<u>-</u>	<u>56,675</u>	<u>14,941,434</u>
PUBLIC SAFETY:							
Police	399,869	3,706,238	139,928	5,591,283	-	-	9,837,318
Fire	60,098	3,549,062	1,989	7,809,751	-	15,813	11,436,713
Inspection	-	-	-	207,699	-	-	207,699
Traffic	-	6,656	-	525,278	2,287,540	-	2,819,474
Total public safety	<u>459,967</u>	<u>7,261,956</u>	<u>141,917</u>	<u>14,134,011</u>	<u>2,287,540</u>	<u>15,813</u>	<u>24,301,204</u>
PUBLIC WORKS:							
Streets	16,055,538	21,850	872,256	2,294,237	46,841,386	2,000,940	68,086,207
Bridges and storm drains	-	-	-	-	11,286,555	69,699	11,356,254
Administration	1,092,506	142,924	400,873	65,395	490,768	454,577	2,647,043
Survey	-	-	-	112,912	-	-	112,912
Engineering	-	-	-	153,611	-	-	153,611
Total public works	<u>17,148,044</u>	<u>164,774</u>	<u>1,273,129</u>	<u>2,626,155</u>	<u>58,618,709</u>	<u>2,525,216</u>	<u>82,356,027</u>
CULTURE AND RECREATION:							
Parks and recreation	4,386,474	16,841,498	10,039,304	5,287,994	-	1,532,741	38,088,011
Civic center	92,174	3,103,362	6,047	448,165	-	10,943	3,660,691
Senior citizens center	141,497	670,948	-	204,118	-	188,299	1,204,862
Museum	970,989	4,769,187	55,466	167,965	-	16,000	5,979,607
Total culture and recreation	<u>5,591,134</u>	<u>25,384,995</u>	<u>10,100,817</u>	<u>6,108,242</u>	<u>-</u>	<u>1,747,983</u>	<u>48,933,171</u>
LIBRARIES							
	<u>1,391,668</u>	<u>8,625,383</u>	<u>106,000</u>	<u>1,111,886</u>	<u>-</u>	<u>-</u>	<u>11,234,937</u>
Total governmental funds capital assets	<u>\$ 25,780,126</u>	<u>\$ 50,794,982</u>	<u>\$ 11,981,907</u>	<u>\$ 27,957,822</u>	<u>\$ 60,906,249</u>	<u>\$ 4,345,687</u>	<u>\$ 181,766,773</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, 2008

<u>Function and Activity</u>	<u>Capital Assets June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Transfers</u>	<u>Capital Assets June 30, 2008</u>
GENERAL GOVERNMENT:					
Legislative	\$ 51,278	\$ -	\$ -	\$ (6,639)	\$ 44,639
Judicial	1,075,717	-	(9,400)	(907,299)	159,018
Operations center	540,386	52,469	(66,567)	(703)	525,585
Fleet maintenance	424,620	-	(7,271)	409,177	826,526
Stores	664,829	90,766	(13,012)	661	743,244
Finance administration	36,724	-	-	-	36,724
Personnel administration	62,123	134,332	(45,366)	3,155	154,244
Purchasing	79,970	-	-	-	79,970
Law enforcement	24,608	12,966	-	17,200	54,774
Administrative services	10,096,135	190,307	(160,937)	856,772	10,982,277
Planning and zoning	115,724	-	(39,212)	-	76,512
Data processing	971,139	35,777	(186,287)	(1,052)	819,577
Total general government	<u>14,143,253</u>	<u>516,617</u>	<u>(528,052)</u>	<u>371,272</u>	<u>14,503,090</u>
PUBLIC SAFETY:					
Police	9,789,120	616,728	(384,606)	(188,844)	9,832,398
Fire	10,882,193	692,119	(133,443)	(4,156)	11,436,713
Inspection	206,335	21,262	-	(19,897)	207,700
Traffic	2,489,256	349,131	(201,603)	-	2,636,784
Total public safety	<u>23,366,904</u>	<u>1,679,240</u>	<u>(719,652)</u>	<u>(212,897)</u>	<u>24,113,595</u>
PUBLIC WORKS:					
Streets	65,063,776	2,353,369	(307,228)	(31,617)	67,078,300
Bridges and storm drains	11,417,960	73,185	(591)	-	11,490,554
Administration	4,039,658	325,228	-	(15,963)	4,348,923
Survey	112,912	-	-	-	112,912
Engineering	152,451	15,011	(12,953)	-	154,509
Total public works	<u>80,786,757</u>	<u>2,766,793</u>	<u>(320,772)</u>	<u>(47,580)</u>	<u>83,185,198</u>
CULTURE AND RECREATION:					
Parks and recreation	35,677,019	2,504,765	(209,343)	(109,488)	37,862,953
Civic center	3,643,763	16,928	(43)	-	3,660,648
Senior citizens center	981,552	258,508	(8)	(13,307)	1,226,745
Museum	5,989,178	16,000	(25,571)	-	5,979,607
Total culture and recreation	<u>46,291,512</u>	<u>2,796,201</u>	<u>(234,965)</u>	<u>(122,795)</u>	<u>48,729,953</u>
LIBRARIES					
	<u>11,345,179</u>	<u>28,808</u>	<u>(139,050)</u>	<u>-</u>	<u>11,234,937</u>
Total general fixed assets	<u>\$ 175,933,605</u>	<u>\$ 7,787,659</u>	<u>\$ (1,942,491)</u>	<u>\$ (12,000)</u>	<u>\$ 181,766,773</u>
Accumulated depreciation	<u>\$ 89,267,590</u>	<u>\$ 7,107,261</u>	<u>\$ (1,605,041)</u>	<u>\$ (12,000)</u>	<u>\$ 94,757,810</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.

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

City of Farmington
Net Assets by Component
Last Seven 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>	<u>2008</u>
Governmental activities							
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	\$ 76,387,603
Restricted	2,689,505	2,678,373	2,422,104	3,514,726	4,219,427	4,491,602	4,599,840
Unrestricted	28,039,208	20,619,682	20,610,228	25,149,317	24,559,417	22,873,893	23,134,310
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>	<u>\$ 104,121,753</u>
Business-type activities							
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	\$ 263,888,952
Restricted	3,450,823	2,643,773	2,648,557	2,564,255	2,615,937	2,914,976	3,139,945
Unrestricted	33,466,317	41,559,635	18,361,816	16,535,576	30,290,166	45,749,953	54,174,692
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>	<u>\$ 321,203,589</u>
Primary government							
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	\$ 340,276,555
Restricted	6,140,328	5,322,146	5,070,661	6,078,981	6,835,364	7,406,578	7,739,785
Unrestricted	61,505,525	62,179,317	38,972,044	41,684,893	54,849,583	68,623,846	77,309,002
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>	<u>\$ 425,325,342</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 Seven Fiscal Years
(accrual basis of accounting)

Schedule 2
(continued)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental activities:							
General government	\$ 17,921,350	\$ 17,191,605	\$ 23,996,456	\$ 21,153,411	\$ 21,649,221	\$ 24,470,791	\$ 24,439,831
Police	9,137,433	10,251,979	10,341,396	11,351,590	12,356,592	15,029,695	15,834,320
Fire	4,661,223	4,906,661	5,468,824	5,470,572	6,466,886	7,606,467	8,384,634
Parks, recreation, cultural affairs	9,232,612	8,392,730	9,284,623	9,497,875	11,105,380	13,769,347	14,714,271
Community development	7,359,539	7,395,603	5,727,834	7,481,297	8,511,853	10,776,798	9,938,557
Interest on long term debt	378,265	560,368	483,230	421,480	588,521	511,126	468,360
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>	<u>73,779,973</u>
Business-type activities:							
Electric	63,434,816	68,903,423	65,214,544	72,914,727	65,152,992	66,341,885	79,473,997
Water	6,096,326	7,180,833	6,785,002	6,944,219	6,992,577	7,207,259	6,854,699
Wastewater	3,203,574	3,488,296	4,127,386	4,983,626	4,690,385	5,274,284	5,227,357
Sanitation	3,345,147	3,358,430	3,493,487	3,625,722	3,815,728	4,002,806	4,130,295
Golf	1,076,241	1,060,103	1,198,867	1,209,293	1,217,011	1,164,683	1,312,463
Airport	1,422,951	1,563,162	2,008,715	1,871,508	1,812,263	1,453,617	1,557,946
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>	<u>98,556,757</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>	<u>\$ 172,336,730</u>
Program Revenues							
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	\$ 7,008,648
Police	14,457	15,132	74,215	198,017	39,903	1,266,550	1,366,974
Parks, recreation, cultural affairs	546,488	530,669	552,114	545,461	703,731	888,618	831,845
Community development	69,040	68,155	77,390	75,116	101,605	95,485	86,766
Operating grants and contributions	1,526,052	1,276,299	2,674,803	2,238,291	2,929,307	2,600,396	3,623,209
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>	<u>12,917,442</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	102,193,403
Water	7,997,027	7,073,545	7,515,514	7,338,869	7,991,740	8,688,421	10,783,517
Wastewater	3,824,407	4,239,721	4,489,948	4,751,802	5,071,951	5,214,261	6,240,272
Sanitation	3,350,941	3,392,079	3,538,632	3,692,937	3,889,876	4,051,998	4,228,681
Golf	859,042	933,981	1,042,176	1,088,137	1,121,313	1,113,328	1,146,652
Airport	541,523	564,237	596,765	599,306	594,199	601,675	540,360
Operating grants and contributions	4,207,905	1,151,196	916,477	880,654	927,492	1,227,869	1,585,215
Capital grants and contributions	1,211,547	1,025,342	154,309	625,693	794,531	495,436	2,617,273
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>	<u>129,335,373</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>	<u>\$ 142,252,815</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 Seven Fiscal Years
(accrual basis of accounting)

Schedule 2

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Net (Expenses)/Revenues							
Governmental activities	\$ (42,219,317)	\$ (41,916,413)	\$ (46,838,631)	\$ (47,299,401)	\$ (51,524,562)	\$ (60,406,902)	\$ (60,862,531)
Business-type activities	22,248,885	11,956,498	19,584,107	18,580,624	26,512,004	27,653,014	30,778,616
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>	<u>\$ (30,083,915)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Gross receipts taxes	\$ 35,922,137	\$ 35,146,693	\$ 38,351,092	\$ 43,134,352	\$ 49,274,220	\$ 51,818,982	\$ 54,401,730
Property taxes	922,002	930,112	985,836	1,043,064	1,121,723	1,235,064	1,330,285
Franchise taxes	2,551,995	2,601,794	715,022	720,748	1,594,098	1,045,698	992,050
Other taxes	1,716,477	1,724,672	1,884,994	1,873,736	1,942,024	1,944,810	2,124,381
Other revenue	3,010,951	3,769,728	3,584,543	3,507,135	2,996,953	1,199,675	1,386,242
Unrestricted investment earnings	963,133	635,745	429,108	471,993	858,611	1,064,838	962,448
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	1,420,720
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>	<u>62,617,856</u>
Business-type activities:							
Unrestricted investment earnings	1,435,925	1,478,800	1,117,060	790,027	1,454,975	2,357,973	2,800,336
Transfers	(415)	132,000	(1,440,853)	(1,754,818)	(1,925,566)	(1,346,115)	(1,420,720)
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>	<u>1,379,616</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>	<u>\$ 63,997,472</u>
Change in Net Assets							
Governmental activities	\$ 965,574	\$ 855,844	\$ 552,817	\$ 5,206,445	\$ 8,188,633	\$ (751,720)	\$ 1,755,325
Business-type activities	23,684,395	13,567,298	19,260,314	17,615,833	26,041,413	28,664,872	32,158,232
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>	<u>\$ 33,913,557</u>

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

Schedule 3

	<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>	<u>2008</u>
General Fund										
Reserved	\$ 439,874	\$ 283,314	\$ 229,464	\$ 2,282,737	\$ 2,256,852	\$ 2,000,000	\$ 3,393,756	\$ 4,138,050	\$ 4,386,101	\$ 4,439,851
Unreserved	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	8,187,413
Total general fund	<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>	<u>\$ 12,627,264</u>
All Other Governmental Funds										
Reserved										
Debt service funds	\$ 1,167,533	\$ 1,109,110	\$ 1,096,449	\$ 406,768	\$ 421,521	\$ 422,104	\$ 283,833	\$ 287,735	\$ 310,848	\$ 328,475
Unreserved, reported in										
Special revenue funds	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	10,718,223
Capital projects funds	1,073,947	407,657	3,781,016	12,602,816	5,196,626	3,256,176	5,462,764	914,420	962,881	4,163,637
Total all other governmental funds	<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>	<u>\$ 15,210,335</u>

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

Schedule 4

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 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	\$ 58,848,446
Licenses and permits	545,882	541,787	605,528	556,573	605,478	602,971	819,869	951,280	765,694	794,169
Intergovernmental	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	3,623,207
Charges for services	623,128	591,993	599,326	852,738	978,022	1,170,531	1,365,408	1,840,336	1,637,437	1,769,334
Fines	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	1,341,297
Special assessments	160,775	180,097	92,337	77,800	72,337	61,327	46,859	36,370	39,943	18,591
Investment earnings	1,154,620	966,600	1,052,525	960,773	634,552	425,731	469,012	858,611	1,064,838	962,448
Miscellaneous	434,654	746,565	688,425	875,603	1,341,924	1,317,524	1,221,761	876,250	1,199,675	1,386,242
Total revenues	<u>42,529,559</u>	<u>44,970,823</u>	<u>46,052,907</u>	<u>47,463,127</u>	<u>47,309,372</u>	<u>49,792,551</u>	<u>54,351,746</u>	<u>62,557,272</u>	<u>64,574,708</u>	<u>68,743,734</u>
Expenditures										
Current										
General government	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	18,153,620
Police	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	15,536,666
Fire	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	8,298,829
Parks, recreation and cultural affairs	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	14,551,969
Community development	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	7,147,609
Debt service										
Principal	895,000	865,000	955,000	1,360,000	1,815,000	1,900,000	1,965,000	1,060,000	1,130,000	1,180,000
Interest	401,243	393,364	284,653	378,265	560,368	483,230	421,480	588,521	512,905	470,217
Arbitrage rebate	-	-	-	34,387	-	-	-	-	-	-
Bond issuance costs	-	-	-	70,733	-	-	-	-	-	-
Capital outlay	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	4,787,620
Total expenditures	<u>43,646,712</u>	<u>48,322,483</u>	<u>45,388,727</u>	<u>49,214,226</u>	<u>53,896,499</u>	<u>50,657,433</u>	<u>55,701,697</u>	<u>63,761,611</u>	<u>67,254,573</u>	<u>70,126,530</u>
Excess of revenues over (under) expenditures	<u>(1,117,153)</u>	<u>(3,351,660)</u>	<u>664,180</u>	<u>(1,751,099)</u>	<u>(6,587,127)</u>	<u>(864,882)</u>	<u>(1,349,951)</u>	<u>(1,204,339)</u>	<u>(2,679,865)</u>	<u>(1,382,796)</u>
Other Financing Sources (Uses)										
Operating transfers in	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	7,168,448
Operating transfers out	(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)	(5,747,728)
Refunding bonds issued	-	-	-	15,076,862	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	(4,412,245)	-	-	-	-	-	-
Sale tax debt issuance	-	-	-	-	-	-	5,725,000	-	-	-
Total other financing sources and uses	<u>(5,387)</u>	<u>(580,962)</u>	<u>(63,392)</u>	<u>10,404,395</u>	<u>(739,500)</u>	<u>1,440,853</u>	<u>7,479,817</u>	<u>1,175,567</u>	<u>1,346,115</u>	<u>1,420,720</u>
Net change in fund balance	<u>\$ (1,122,540)</u>	<u>\$ (3,932,622)</u>	<u>\$ 600,788</u>	<u>\$ 8,653,296</u>	<u>\$ (7,326,627)</u>	<u>\$ 575,971</u>	<u>\$ 6,129,866</u>	<u>\$ (28,772)</u>	<u>\$ (1,333,750)</u>	<u>\$ 37,924</u>
Debt service as a percentage of noncapital expenditures	3.2%	3.2%	3.4%	4.5%	5.8%	5.4%	5.1%	3.3%	2.7%	2.6%

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

Schedule 5

Fiscal Year	Industrial		Commercial		Residential		Total	
	kWh	Revenue	kWh	Revenue	kWh	Revenue	kWh	Revenue
1999	369,609,573	\$ 15,294,090	312,889,453	\$ 24,113,867	188,514,391	\$ 15,499,911	871,013,417	\$ 54,907,868
2000	415,662,646	17,246,144	321,709,062	24,762,182	194,805,327	15,912,041	932,177,035	\$ 57,920,367
2001	429,757,253	21,722,841	333,379,723	26,214,508	205,024,833	17,059,945	968,161,809	\$ 64,997,294
2002	462,903,142	22,693,047	337,927,815	28,410,790	209,454,419	18,535,512	1,010,285,376	\$ 69,639,349
2003	507,977,321	25,749,348	346,859,949	30,100,769	217,722,653	19,483,312	1,072,559,923	\$ 75,333,429
2004	534,477,360	29,938,234	357,922,721	30,404,252	225,728,002	19,725,920	1,118,128,083	\$ 80,068,406
2005	531,770,480	30,639,879	373,486,566	32,573,368	227,851,212	20,631,883	1,133,108,258	\$ 83,845,130
2006	572,104,774	29,221,308	410,740,633	33,420,772	241,379,191	20,582,004	1,224,224,598	\$ 83,224,084
2007	555,601,114	27,650,228	424,489,296	35,718,918	252,758,254	22,250,296	1,232,848,664	\$ 85,619,442
2008	512,182,632	28,575,487	435,684,969	38,744,030	266,420,452	24,752,754	1,214,288,053	\$ 92,072,271
Change 1999-2008	38.6%	86.8%	39.2%	60.7%	41.3%	59.7%	39.4%	67.7%

Type of Customer

Industrial

- \$7.00/kW for demand charge
- \$0.040/kWh first 500 per kW of billing demand is the energy charge
- \$0.0310/kWh for all energy in excess of 500 per kW of billing demand

Commercial

- 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
 - \$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

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

Schedule 7

Customer	2008			1999		
	Revenue	Rank	Percentage of Revenue	Revenue	Rank	Percentage of Revenue
Enterprise Field Services/EPFS	\$ 19,649,168	1	21.34%	\$ -	-	-
Transwestern Pipeline/Paragon/Enron	5,568,614	2	6.05%	-	-	-
Val Verde Gas Gathering, LP	2,694,491	3	2.93%	-	-	-
Western Refining Southwest, Inc.	2,262,084	4	2.46%	1,809,529	3	3.30%
Praxair, Inc.	1,670,977	5	1.81%	-	-	-
San Juan Regional Medical Center	1,398,068	6	1.52%	742,226	5	1.35%
San Juan College	985,412	7	1.07%	525,023	6	0.96%
Wal-Mart/Sam's Club	701,468	8	0.76%	426,823	8	0.78%
Animas Valley Mall	498,468	9	0.54%	431,547	7	0.79%
XTO Energy, Inc.	440,780	10	0.48%	-	-	-
El Paso Field Services	-	-	-	8,147,793	1	14.84%
Burlington Resources Oil & Gas	-	-	-	4,557,202	2	8.30%
Enron Capital & Trade	-	-	-	1,218,841	4	2.22%
Smith's Food & Drug	-	-	-	227,108	9	0.41%
Western Gas Resources	-	-	-	190,996	10	0.35%
Total	\$ 35,869,530		38.96%	\$ 18,277,088		33.29%

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

Schedule 8

Fiscal Year	Gross Receipts Tax	Property Tax	Franchise Tax	Other Taxes	Total Taxes
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
2008	54,401,730	1,330,285	992,050	2,124,381	58,848,446
Change 1999-2008	90.9%	67.0%	-69.8%	109.9%	75.2%

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)

<u>Ending 6/30</u>	<u>1999</u>	<u>2000</u>	(c) <u>2001</u>	<u>2002</u>	<u>2003</u>	(d) <u>2004</u>	(e) <u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Agriculture	\$ 1,724	\$ 2,199	\$ 12	\$ 208	\$ 2,002	\$ 2,461	\$ 2,726	\$ 2,769	\$ 3,325	\$ 3,284
Mining	71,688	100,802	117,792	125,093	108,454	122,936	133,973	192,806	222,893	185,838
Construction	77,766	96,788	74,984	97,131	98,292	90,069	118,025	142,174	124,428	121,996
Manufacturing	33,136	31,951	32,266	40,120	27,001	33,015	50,656	78,377	69,509	86,755
Trans/Comm/Utility	41,789	42,428	59,034	48,676	24,178	15,481	20,096	33,026	26,547	32,545
Wholesale Trade	83,114	84,959	101,477	103,921	76,836	85,158	113,951	160,468	197,225	164,098
Retail Trade	609,087	630,252	620,126	667,453	668,134	653,535	673,785	634,152	717,121	753,122
Information and Cultural	-	-	-	-	-	25,225	44,094	43,293	51,774	51,018
Finance/Ins/Real Estate	21,750	22,326	23,176	22,102	21,467	20,539	21,001	26,338	30,878	34,686
Services	265,693	298,995	302,388	365,188	365,245	464,410	507,610	506,892	537,818	580,933
Government	216	-	-	-	-	2,240	1,920	-	-	-
Unclassified	-	-	-	84	75,713	35,955	40,682	39,669	1,486	14,923
Undisclosed (a)	-	-	24,620	24,705	33,493	30,835	28,708	26,503	26,258	28,647
Total (b)	\$ 1,205,963	\$ 1,310,700	\$ 1,355,875	\$ 1,494,681	\$ 1,500,815	\$ 1,581,859	\$ 1,757,227	\$ 1,886,467	\$ 2,009,262	2,057,845
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
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%
2008	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 2008 (c)				Fiscal Year 1999			
	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	7	0.25%	\$ 3,284	0.16%	1	0.05%	\$ 1,724	0.14%
Mining	59	2.07%	185,838	9.03%	51	2.32%	71,688	5.94%
Construction	265	9.31%	121,996	5.93%	203	9.24%	77,766	6.45%
Manufacturing	108	3.79%	86,755	4.22%	66	3.01%	33,136	2.75%
Trans/Comm/Utility	42	1.48%	32,545	1.58%	97	4.42%	41,789	3.47%
Wholesale Trade	189	6.64%	164,098	7.97%	140	6.38%	83,114	6.89%
Retail Trade	639	22.45%	753,122	36.60%	618	28.14%	609,087	50.51%
Information and Cultural	93	3.27%	51,018	2.48%	-	0.00%	-	0.00%
Finance/Ins/Real Estate	121	4.25%	34,686	1.69%	66	3.01%	21,750	1.80%
Services	1,294	45.47%	580,933	28.23%	944	42.99%	265,693	22.03%
Government	-	0.00%	-	0.00%	-	0.00%	216	0.02%
Unclassified	24	0.84%	14,923	0.73%	-	0.00%	-	0.00%
Undisclosed (a)	5	0.18%	28,647	1.39%	10	0.46%	-	0.00%
Total (b)	2,846	100.00%	\$ 2,057,845	100.00%	2,196	100.00%	\$ 1,205,963	100.00%

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
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%
2008	556,752,058	354,591,302	88,159,370	68,326,659	931,176,071	1.457	1.879	2,796,324,538	33.3%

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	
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
2008	1.457	-	1.457	1.250	6.567	9.725	3.283	0.600	22.882

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	
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
2008	1.879	-	1.879	1.250	8.500	9.902	4.500	0.600	26.631

Source: San Juan County Assessor's Office

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

Schedule 14

<u>Taxpayer</u>	2008			1999		
	<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>
Transwestern Pipeline Co.	\$ 32,948,246	1	3.5%	-	-	-
Compressor Systems, Inc.	24,096,379	2	2.6%	-	-	-
Qwest Corporation	24,089,788	3	2.6%	5,256,497	2	1.2%
Price Development (Animas Mall)	22,540,257	4	2.4%	7,656,407	1	1.7%
Burlington Resources Oil and Gas LP.	17,965,692	5	1.9%	1,731,205	10	0.4%
Alltel Communications	17,856,824	6	1.9%	-	-	-
Enterprise Field Service, LLC	16,363,543	7	1.8%	-	-	-
PNM Gas Services	14,845,614	8	1.6%	1,739,223	8	0.4%
XTO Energy, Inc	12,292,269	9	1.3%	-	-	-
EES Leasing LLC	11,811,850	10	1.3%	-	-	-
Wal-Mart/Sam's Club	-	-	-	3,690,826	3	0.8%
Citizens Bank	-	-	-	2,551,200	4	0.6%
Farmington Medical Investors	-	-	-	2,398,081	5	0.5%
First National Bank	-	-	-	2,336,705	6	0.5%
SW Farmington Incorporated (The Inn)	-	-	-	2,189,670	7	0.5%
El Paso Field Service	-	-	-	1,481,762	9	0.3%
Total	\$ 194,810,462		20.9%	\$ 31,031,576		6.9%

Source: San Juan County Assessor.

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

Schedule 15

Calendar Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2007	1,320,436	1,257,590	95%	36,247	1,293,837	98%

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

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				
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	4.5%	1,322	
2008	-	N/A	N/A	10,490,000	26,810,000	13,107,058	250,269	50,657,327	3.9%	1,194	

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, 2008**

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	\$ -	30.320%	\$ -
Farmington Public Schools	30,645,000	100.000%	30,645,000
San Juan College	22,950,420	30.322%	<u>6,959,026</u>
Subtotal Overlapping Debt			37,604,026
City direct debt			<u>10,490,000</u>
Total direct and overlapping debt			<u><u>\$ 48,094,026</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>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>	<u>2008</u>
Assessed Valuations										
Assessed Value (1)	\$ 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	\$ 862,849,412
Add back - exempt property	33,380,149	57,201,892	54,407,855	53,434,815	56,984,789	59,092,903	61,710,344	61,449,809	67,559,512	68,326,659
Total Assessed Value	<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>	<u>931,176,071</u>
Legal Debt Margin										
Debt limitation - 4 % of total assessed value	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	37,247,043
Debt applicable to limitation:										
Total bonded debt	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	37,300,000
Less: Revenue bonds	<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>	<u>(37,300,000)</u>
Total net debt applicable to limitation	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<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>	<u>\$ 37,247,043</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
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%
2008	121,977,607	77,084,567	44,893,040	5,135,000	1,421,305	6.85%	27,625,198	1,180,000	470,217	16.74%

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

Schedule 20

Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Percentage High School Graduate	Percentage Bachelor's Degree	Unemployment Rate
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%
2006	43,600	1,276,390,000	29,275	33.6	10,257	83.6%	19.7%	4.3%
(a) 2007	42,425	1,300,368,675	30,651	33.6	10,253	83.6%	19.7%	3.4%

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 Workforce Solutions.

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

City of Farmington
Principal Employers
Current Year and Seven Years Ago

Schedule 21

<u>Employer</u>	2008			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
San Juan Regional Medical Center	1,465	1	2.5%	1,200	1	2.4%
Farmington Public Schools	1,213	2	2.1%	1,186	2	2.3%
Central Consolidated Schools	1,157	3	2.0%	1,149	3	2.3%
BHP Billiton	1,057	4	1.8%	889	4	1.7%
City of Farmington	742	5	1.3%	800	5	1.6%
San Juan County	721	6	1.2%	-	-	0.0%
Arizona Public Service	700	7	1.2%	565	7	1.1%
Aztec Oil & Well	700	8	1.2%	-	-	-
Conoco Philips	620	9	1.1%	-	-	-
Key Energy Service	620	10	1.1%	-	-	-
San Juan College	-	-	-	650	6	1.3%
Bloomfield Municipal Schools	-	-	-	500	8	1.0%
Public Service Company of New Mexico	-	-	-	428	9	0.8%
Aztec Municipal Schools	-	-	-	415	10	0.8%
Total	<u>8,995</u>		<u>15.3%</u>	<u>7,782</u>		<u>15.3%</u>

Source: San Juan Economic Development Service and the Farmington Chamber of Commerce

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>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>	<u>2008</u>
General Government										
Administration	34.5	36.5	36.5	37.5	37.5	37.5	38.5	39.5	40.5	72.5
Administrative Services	28.0	28.0	29.0	30.0	31.0	31.0	31.0	31.0	32.0	31.0
General Services	30.0	30.0	32.0	32.0	38.0	37.0	36.0	36.0	46.0	46.0
Police	135.2	140.5	143.5	147.5	148.5	148.5	148.5	159.5	172.5	174.5
Fire	71.0	73.0	73.0	73.0	73.0	73.0	73.0	82.0	96.0	96.0
Parks, Recreation and Cultural Affairs	94.5	96.5	103.5	107.0	112.0	114.0	114.0	118.0	124.0	104.0
Community Development	66.0	65.0	65.0	67.0	68.0	68.0	70.0	73.0	74.0	75.0
Electric	130.0	130.0	130.0	133.0	135.0	135.0	144.0	146.0	166.0	177.0
Human Resources	10.0	10.0	11.0	10.0	10.0	10.0	10.0	11.0	11.0	12.0
Water/Wastewater	2.0	3.0	3.0	4.0	7.0	7.0	8.0	8.0	8.0	8.0
Golf	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.0	7.0	7.0
Airport	5.5	5.5	5.5	5.5	5.5	5.5	5.5	6.5	6.5	6.5
Total Employees	<u>614.7</u>	<u>626.0</u>	<u>640.0</u>	<u>654.5</u>	<u>673.5</u>	<u>674.5</u>	<u>686.5</u>	<u>717.5</u>	<u>783.5</u>	<u>809.5</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>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>	<u>2008</u>
General Government										
Total number of business registration/licenses	2,589	2,618	2,515	2,549	2,576	2,730	2,680	2,739	2,839	3,926
Police										
Police reports	6,605	7,462	8,213	8,429	7,177	6,512	6,636	6,254	6,500	6,770
Arrests	4,505	4,913	5,211	5,472	5,118	4,523	4,400	3,814	3,787	4,113
Traffic citations	18,291	27,219	23,898	23,475	26,147	22,274	17,473	16,263	18,982	24,449
Fire										
Fire alarm responses	782	938	1,033	886	804	772	700	888	760	927
Total responses	3,961	3,670	4,167	4,195	4,160	4,746	4,885	5,457	5,825	6,386
Parks and Recreation										
Parks and recreation participants	352,410	340,732	338,043	320,048	310,076	304,701	299,248	309,546	305,279	349,042
Library										
Library Visits	337,569	322,209	307,982	289,280	247,983	327,505	410,690	427,831	436,629	503,148
Circulation	292,266	280,404	271,748	279,452	280,022	392,221	490,717	517,654	468,998	489,126
Number of Volumes	165,235	194,222	207,270	165,195	174,689	162,653	174,381	187,431	186,966	183,922
Museum										
Patrons	38,277	60,350	53,544	47,281	57,782	52,314	64,572	75,427	71,332	65,784
Community Development										
Summary plats	N/A	36	54	49	43	38	89	77	71	66
Building permits issued	1,861	1,797	1,315	1,382	1,339	1,443	1,554	1,494	1,539	1,334
Permit valuation (in \$)	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	82,560,865
Asphalt placed (sq.ft.)	96,973	81,722	125,456	106,852	96,798	123,514	83,727	132,216	88,582	103,006
Concrete placed (cu.yd.)	1,029	821	762	1,071	1,032	756	698	441	727	2,199
Electric										
Meter connections	6,200	7,318	7,262	8,608	9,201	9,478	9,265	9,387	8,769	8,484
Meter reads	600,084	611,911	576,928	567,942	558,859	554,291	561,898	541,090	559,121	510,751
Water/Wastewater										
Water treated (millions of gallons)	4,062	4,011	4,100	4,534	4,452	4,057	3,366	3,842	4,029	4,346
Effluent treated (millions of gallons)	1,824	1,790	1,779	1,772	1,832	1,781	1,858	1,881	2,057	1,906
New water meter installations	216	221	191	177	176	205	304	373	342	262
Golf										
Golf course participants	78,408	70,626	62,274	58,466	54,388	58,399	60,999	71,689	60,455	65,791
Airport										
Total enplanements	63,774	63,403	62,459	39,085	27,160	30,132	35,503	32,575	30,177	26,472

Source: Provided by various City Departments

Note: Fluctuation in museum patronage is due to special exhibits.

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

Schedule 24

	Fiscal Year									
	<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>	<u>2008</u>
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	3	4	3	3	3	3	3	3	3	4
Patrol vehicles	141	151	158	166	170	172	155	170	186	196
Fire stations	5	5	5	5	5	5	5	6	6	6
Parks and Recreation										
Developed acres	529	584	584	584	586	588	588	589	592	594
Undeveloped acres	1,740	1,275	1,275	1,275	1,273	1,282	1,289	1,288	1,285	1,283
Number of parks/facilities	59	70	71	76	77	79	80	80	80	80
Baseball/softball diamonds	24	24	24	24	24	24	25	25	24	24
Soccer/football fields	11	11	11	11	11	11	13	13	14	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	234	235	238	240	245	253	N/A
Highway (miles)	N/A	N/A	N/A	17	17	17	17	17	17	17
Streetlights	N/A	N/A	N/A	3,843	3,871	3,915	3,933	3,971	4,124	4,135
Traffic Signals	N/A	N/A	N/A	73	74	75	76	77	78	79
Water										
Water mains (miles)	N/A	N/A	N/A	310	318	325	330	336	336	340
Fire hydrants	N/A	N/A	N/A	1,866	2,010	2,154	2,296	2,360	2,400	2,670
Storage capacity (thousands of gallons)	N/A	N/A	N/A	24,300	24,300	24,300	24,300	24,300	24,300	24,300
Wastewater										
Sanitary sewers (miles)	N/A	N/A	N/A	191	195	199	203	207	275	277
Treatment capacity (thousands of gallons)	N/A	N/A	N/A	5,800	5,800	6,670	6,670	6,670	6,670	6,670
Transit - minibuses/vans	N/A	N/A	8	8	8	8	8	8	11	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, 2008

<u>PROGRAM NAME</u>	<u>CFDA Number</u>	<u>Grantor / Pass-through ID Number</u>	<u>Expenditures</u>
DIRECT PROGRAMS			
Airport Improvement Program 2006 Project	20.106	U.S. Department of Transportation	\$ 148,371
Airport Improvement Program 2007 Project	20.106	U.S. Department of Transportation	2,510,467
Community Development Block Grant (CDBG)	14.228	U.S. Department of Housing and Urban Development	669,451
Federal Transit - Metropolitan Transit Operations and Capital - Red Apple Transit	20.505	U.S. Department of Transportation	507,409
Federal Transit - Metropolitan Transit Operations MPO	20.505	U.S. Department of Transportation	111,873
Edward Byrne Memorial Justice Assistance Grant Program 2007	16.738	U.S. Department of Justice	102,263
HIDTA Grant	16.000	Office of the President I5PSNP572	9,986
HIDTA Grant	16.000	Office of the President I6PSNP572	45,843
HIDTA Grant	16.000	Office of the President I7PSNP572	176,878
PASS THROUGH PROGRAMS			
From the State of New Mexico			
Department of Public Safety			
Region II Narcotics Grant (U.N.E.T.)	16.579	U.S. Department of Justice 04-DCSI-PPA 02-REGION II-FY07	122,604
Region II Narcotics Grant (U.N.E.T.)	16.579	U.S. Department of Justice 04-JAG-REGION II-FY08	176,597
Total Federal Assistance			\$ 4,581,742

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, 2008

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 2008 cash and non-cash expenditures to ensure coverage of at least 25 percent (low risk auditee) of federally granted funds. Actual coverage is 58% of total cash and non-cash federal award program expenditures.

	<u>Fiscal Year 2008</u> <u>Expenditure</u>
Major Federal Award Program Description	
20.106 – Airport Improvement Program – All Projects	\$2,658,838

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, 2008. 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, 2008, and have issued our report thereon dated November 11, 2008. 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 2007-3, 2008-1 and 2008-2.

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 11, 2008

**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, 2008. 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, 2008.

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 initial "D".

Farmington, New Mexico
November 11, 2008

**CITY OF FARMINGTON
SCHEDULE OF FINDINGS AND
QUESTIONED COSTS
Year Ended June 30, 2008**

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 2008</u> <u>Expenditure</u>
Major Federal Award Program Description	
20.106 – Airport Improvement Program – 2007 Project	\$2,510,467

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, 2008**

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

Prior Year Findings		Status
2007-1	Budgetary Basis of Accounting	Cleared
2007-2	Inventory Adjustments	Cleared
2007-3	Purchase Card Violation	Not cleared and repeated

Current Year Findings

2007-3 Purchase Card Violation

Condition

During our test of disbursements we noted an invoice from Turner Electric Corporation in the amount of \$6,314.88 was split into smaller amounts (\$4,000.00 and \$2,314.88) 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

An electric employee requested to have a temporary increase on their card for this specific transaction but the liaison for this employee's card did not request a sufficient increase to cover the purchase. The liaison will strive to ensure that P-card increase requests are followed up on more carefully. The City Manager has reinforced the P-card policy to all employees.

2008-1 Actual Expenses Exceeded Final Budget

Condition

The City's actual expenses exceeded final budget in the Airport Enterprise Fund.

Criteria

The City is not in compliance with State Statue 6-6-6 NMSA 1978 regarding expenses not exceeding budgeted authority. The State requires that actual expenses do not exceed final budgeted expenses.

Cause

The City did not sufficiently increase budgeted expenses at year end to cover actual expenses for the year ended June 30, 2008.

Effect

The City is not in compliance with the State Statue regarding expenses not exceeding budgeted authority.

Recommendation

The City should adopt a final budget so that actual expenses will not exceed budgeted expenditures.

Management Response

The revenue budget was increased during the year for the Airport Enterprise Fund to cover cash deficits from project expenditures. However, corresponding increases in budgeted expenses were not sufficient to cover the actual project costs. Staff will work to ensure that future budget adjustments will be sufficient to cover expenditures.

2008-2 Professional Service Contracts

Condition

The City contracted with Moss Adams LLP in April 2007 to provide professional services without the prior written approval of the State Auditor, as prohibited by Section 2.2.2.8.H(3) NMAC 2008.

Criteria

The State Auditor Office Rule 2.2.2.8.H(3) NMAC 2008 requires prior written approval of the State Auditor for professional services contracts.

Cause

City personnel involved were not aware that information systems fall under the guidelines of the State Auditor Rule governing financial audits.

Effect

The City is not in compliance with State Auditor Office Rule 2.2.2.8.H(3) NMAC 2008.

Recommendation

The City should ensure that all employees involved in contracting with audit firms are aware of the State Auditor Rule requirements.

Management Response

The City has conveyed the State Audit Rule requirements on contracting audit assignments to all pertinent employees and will include this requirement in the training of all new employees involved in contracting services for the City.

**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, 2008. 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, 2008.

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, 2008, and have issued our report thereon dated November 11, 2008. 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 11, 2008

PFC Revenue and Disbursement Schedule

Four Corners Regional Airport

FY-08

7/1/07 - 6/30/08

	FY-07 Program Total	Quarter 1 Jul-Sept	Quarter 2 Oct-Dec	Quarter 3 Jan-Mar	Quarter 4 Apr-Jun	FY-08 Total	FY-08 Program Total
Revenue							
Collections	\$ 310,127	\$ 21,087	\$ 19,772	\$ 17,580	\$ 14,109	\$ 72,548	\$ 382,675
Interest	-	-	-	-	-	-	-
Total Revenue	310,127	21,087	19,772	17,580	14,109	72,548	382,675
Disbursements							
Application 01							
Proj. 1-A Runway Improvements	148,596	-	-	-	-	-	148,596
Proj. 1-B Taxiway Improvements	142,672	-	-	-	-	-	142,672
Proj. 1-C Apron Improvements	18,859	21,087	19,772	17,580	14,109	72,548	91,407
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	-	-	-	-	-	-	-
Total App 01	310,127	21,087	19,772	17,580	14,109	72,548	382,675
Total Disbursements	310,127	21,087	19,772	17,580	14,109	72,548	382,675
Net PFC Revenue (rev-disb.)							
PFC Account Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The schedule is on a cash basis.

CITY OF FARMINGTON
PASSENGER FACILITY CHARGE PROGRAM AUDIT SUMMARY
Year Ended June 30, 2008

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, 2008

An exit conference was held on November 12, 2008. In attendance were:

For the City of Farmington:

William Standley	Mayor
Rob Mayes	City Manager
Andy Mason	Administrative Services Director
Eric Schlotthauer	Controller
Steve Ellison	Budget Officer
Sheree Wilson	Enterprise Accountant

For David Berry, CPA, PC (auditors):

David Berry	CPA
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OTHER INFORMATION

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

June 30, 2008

	<u>Bank of America</u>	<u>Citizens Bank of Farmington</u>	<u>Wells Fargo</u>	<u>Vectra Bank</u>
City of Farmington Deposits				
Demand Deposit Accounts	\$ -	\$ 598,906	\$ 631,553	\$ -
Overnight Deposits	-	-	3,325,367	-
Certificate of Deposit	2,000,000	19,100,000	21,000,000	2,000,000
Sub-Total	<u>2,000,000</u>	<u>19,698,906</u>	<u>24,956,921</u>	<u>2,000,000</u>
Less FDIC insurance	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>	<u>100,000</u>
Uninsured amount	1,900,000	19,598,906	24,756,921	1,900,000
Pledge Collateral Required				
102 percent - overnight	-	-	3,391,874	-
50 percent - deposits	<u>950,000</u>	<u>9,799,453</u>	<u>10,715,777</u>	<u>950,000</u>
Total Pledged Collateral Required	<u>950,000</u>	<u>9,799,453</u>	<u>14,107,651</u>	<u>950,000</u>
Pledged collateral	<u>985,729</u>	<u>12,547,113</u>	<u>19,394,393</u>	<u>1,350,134</u>
Excess of pledged collateral	<u>\$ 35,729</u>	<u>\$ 2,747,660</u>	<u>\$ 5,286,741</u>	<u>\$ 400,134</u>

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

Location of collateral	<u>Dallas, TX</u>	<u>Dallas, TX</u>	<u>Los Angeles</u>	<u>San Francisco</u>
Federal Home Loan Bank				
cusip # 3133XKQ65 05/15/12	\$	\$ 1,018,750	\$ 60,477	\$
cusip # 31359MSL8 07/17/13		5,045,300		
cusip # 3136F6YL7 12/25/12		2,791,883		
cusip # 31371LPU7 04/01/14		1,690,916		
cusip # 31393APP6 12/25/32		749,814		
cusip # 31394HYD7 05/15/16		1,250,450		
FHLMC				
cusip # 3128JNVM4 01/01/37				1,350,134
FNMS				
cusip # 31385XAZO 05/01/33	985,729			
FNCL				
cusip # 31385HXE7 11/01/31			9,827	
cusip # 31407HS80 02/01/36			127,660	
cusip # 31407HZN9 05/01/36			12,262,528	
cusip # 31408HBY0 03/01/36			259,762	
cusip # 31409DUS0 04/01/36			1,843,975	
cusip # 31409WAJ0 04/01/36			919,735	
cusip # 31414RGN9 04/01/38			3,325,367	
G2SF				
cusip # 36202DUV1 10/20/32			36,111	
GNSF				
cusip # 36225BEK0 05/15/29			468,467	
cusip # 36225BEV6 06/15/29			26,988	
cusip # 36225BKX5 09/15/29			31,217	
cusip # 36225BM39 04/15/31			22,279	
	<u>\$ 985,729</u>	<u>\$ 12,547,113</u>	<u>\$ 19,394,393</u>	<u>\$ 1,350,134</u>

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

June 30, 2008

Participants (including City of Farmington)	Responsible Party	Description	Dates of Agreement	Total Amount/ City Share	FY08 Amount	Audit Responsibility
Aztec, Bloomfield & San Juan County	San Juan County Communications Authority	Communications	3/31/92 until termination	\$125,000/ up to \$55,000/yr	\$ -	San Juan County Communications Authority
Aztec, Bloomfield & San Juan County	Crime Stoppers	Law enforcement	07/01/05 through 06/30/10	\$23,000/\$11,180	\$ 11,180	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 Criminal 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	\$63,174/\$56,682	\$ 56,682	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 until terminated	\$ 88,857 / \$ 53,314	\$ 53,314	City
San Juan County	San Juan County	Detention Center	12/16/04 to 6/30/08	\$11,461,562/\$1,387,696	\$1,387,696	San Juan County
San Juan County	San Juan County	DWI Treatment Ctr	04/15/98 until terminated	\$2,477,472 / \$440,000	\$ 440,000	San Juan County
NM Energy, Minerals and Natural Resources Department (NMEMNRD)	NMEMNRD	Wildfire Firefighting	12/12/05 until terminated	\$105,566 / \$105,566	\$ 105,566	NMEMNRD
NMEMNRD	City of Farmington	Wilderness Trails	01/09/06 to 11/30/09	\$39,154 / \$ 12,533	\$ -	NMEMNRD