Comprehensive Annual Financial Report

City of Farmington, New Mexico
For Fiscal Year Ended June 30, 2012

New Mexico Centennial
1912-2012

Cover: Farmington Main Street, 1900 (top); Farmington City Hall, 1909 (bottom)

CITY OF FARMINGTON
NEW MEXICO
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Year Ended June 30, 2012

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Parade through downtown Farmington - 1912

INTRODUCTORY SECTION

UTAH | COLO.
ARIZ. | N.M.

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Farmington, NM 87401-2663
(505) 599-1100
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www.fmtn.org

November 20, 2012

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, 2012.

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.

Moss Adams, LLP, has audited the City of Farmington's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Farmington, for the fiscal year ended June 30, 2012, 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, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis

OFFICE of the CITY MANAGER

(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 xii). The City was originally incorporated in 1901 and has a current land area of 33 square miles and serves a population of 45,250. The government is empowered to levy a property tax on both real and personal property located within its boundaries. However, the majority of City revenue is generated by a local option and state shared Gross Receipts Tax (GRT) collected by the New Mexico Taxation and Revenue Department on most business services and sales of tangible personal property. A portion of the State's share of this tax (1.225%) plus local municipal option components are then distributed back to the municipality by the Department on a monthly basis.

As of June 30, 2012, the total in-city GRT rate was 7.125% 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's responsibilities include adopting ordinances, adopting the budget, appointing committees, and appointing the City Manager, City Clerk, City Treasurer, and the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City, and appointing directors of the various departments. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with two Council members elected every two years. The Mayor is elected to serve a four-year term. The four Council members are elected by district and the Mayor is elected at large.

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

The annual budget serves as the foundation for the City of Farmington's financial planning and control. All departments of the City of Farmington are required to submit requests for appropriation to the City Manager on or before the last day in February each year. The City Manager evaluates department requests and subsequently develops a proposed budget. The City Manager presents the proposed budget to the Council for review prior to May 10. The City Council is required to hold public hearings on the proposed budget and to adopt a preliminary budget by June 1 and a final budget no later than July 31 of each year. The City of Farmington's fiscal year begins July 1 of each year and ends on June 30. The appropriated budget is prepared according to fund, function (e.g. public safety), and department (e.g. police). Department directors may make transfers of appropriations within a fund and between their divisions. Transfers of appropriations between funds, however, require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and gross receipts tax streets fund, this comparison is presented on pages 22 and 23 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 retail trade market population base of more than 350,000. Historically, the local economy has fluctuated in cycles that correspond to the price of oil and particularly natural gas. From 2003 to 2008, the economy remained strong as the price of natural gas remained on the high end of the historical spectrum. However, in the fall of 2008, with the national economy in recession, declining natural gas prices led to a weakening in the local economy. Natural gas prices have remained low through FY2012 and the local natural gas industry has continued to decline. Natural gas production in northwest New Mexico dropped from 939 billion cubic feet in 2008 to 814 billion cubic feet in 2011 or a 13% decline. One local drilling company that employed 850 workers in October, 2008, has reduced its workforce to 350 locally and also moved some of its workers to other more profitable oil and gas regions outside of New Mexico. Nevertheless, other sectors of the local economy have improved slightly with gross receipts tax (GRT) in FY2011 increasing by 3.9% from FY2010 and GRT in FY2012 increased by 7.8% over FY2011. GRT statistical reports received for FY2012 from the State of New Mexico show the industry sectors for "other services" plus manufacturing rose 17% and 28% respectively over FY2011.

Relative to the FY2012 budget process and because GRT in FY2011 increased 3.9% over the prior year, a significant portion of fleet vehicles and technology equipment were reinstated following their purchase postponement in FY2011. The FY2012 budget returned many items to a normal replacement schedule based on age and usage requirements. In FY2011 thirty-five positions were left unfilled as a result of attrition and reorganization. This continued lower staffing level and the associated reduced personnel costs contributed towards the City Council's approval of a 1.5% cost of living increase for employees in FY2012. For FY2012, the general fund total original expenditure budget of $51.8 million balanced with budgeted revenues excluding a budgeted transfer of $3.0 million to the general capital projects fund as per the cash reserve policy. However, the actual transfer made in FY2012 totaled $3.6 million once the end of year actual cash balance was calculated as per the reserve policy for the general fund. Relative to the Electric Utility Dividend Policy adopted in FY2011, an $8.1 million interfund transfer into the general fund was made in FY2012 and greatly assisted in covering the budgeting of expenditures that were deferred from FY2011. Given the comparably low rates of the Farmington Electric Utility System and the desire to adequately maintain and/or expand the electric infrastructure, the adopted Electric Dividend Policy provides that 40% of the electric utility's net income before transfers be transferred to the general fund. In FY2011 and prior to a formal policy adoption, the City Council authorized a dividend of $5.8 million. Although the dividend increased to $8.1 million in FY2012, decreasing power sales and rising expenses has generated a lower dividend for FY2013. Relative to the FY2013 budget, the utility dividend has been budgeted at $5.8 million and FY2013 expenditures have also been adjusted downward to compensate for the decrease. However, some of the FY2013 expenditure decrease has been offset by the FY2012 rise of 7.8% in GRT and FY2013 GRT of $50.9 million has been budgeted at approximately the same level as actual GRT in FY2012.

During FY2004, the U.S. Office of Management and Budget designated Farmington as the central city of the Farmington-San Juan County Metropolitan Statistical Area (MSA). 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. As a result of the MSA designation, Farmington continues to participate in a national urban cost of living survey. As a participant in this survey, Farmington is compared with 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 98% of the national average.

There are 366 Metropolitan Statistical Areas in the U.S. that are annually ranked according to economic strength by POLICOM Corporation, an independent economic research firm specializing in analyzing local and state economies. An MSA's economic strength is measured according to earnings, jobs, and wages for all workers, personal income per capita, per capita earnings by residence, etc. For 2012 Farmington was ranked 212 for its relative economic strength when compared to all 366 MSAs.

The Farmington MSA has an employed labor force of approximately 51,624, an increase of .3% compared to 2011. The local unemployment rate was 7.3% at June 2012 compared to 8.3% for the same period in FY2011. Major employers include the regional medical center, four public school districts, a community college, a coal mining operation, two electrical power generation plants, two Wal-Mart superstores, Sam's Club, and various oil and gas companies. Meanwhile, the weakening local economy has impacted residential growth and the latest statistics show a population decrease of 1.4% from 2010 to 2011.

During FY2012, the 1,302 building permits issued were marginally less than FY2011 with a .6% decrease while the $47.3 million valuation of these building permits totaled a $3.1 million increase or 7.1% over the prior year. However, total construction-related gross receipts taxes (GRT) of $2.4 million barely dropped by .1% in FY2012 as compared to FY2011. Retail GRT, the largest industry sector in terms of GRT, grew slightly by $329,000 in FY2012 or 2.0%. Gross receipts tax revenue comprises 73% of the City's general fund total revenue sources.

Residents and visitors in the City of Farmington enjoy 88 parks and river properties covering 1,634 acres and strategically located across the community. Farmington boasts numerous recreational facilities including 23 ball parks, 11 soccer fields, 25 tennis courts, 1 football field, 9.3 miles of river trails, 3 swimming pools that include a state-of-the-art aquatics center, 2 interactive water areas, and a recreation center featuring several indoor playing courts. The City's Piñon Hills Golf Course was recently honored by Golfweek Magazine as the fourth best Municipal Course in the country. As our locality and facilities continue to gain recognition, Farmington will host more national and regional events in baseball, softball, soccer, swimming, golf, mountain biking, and off-road rock climbing, as well as numerous conventions. Annually, during the month of August, the City of Farmington plays host to the Connie Mack World Series at Ricketts Park stadium which seats 6,300 fans. This national tournament for amateur baseball's best 16 to 18 year-olds draws together 10 teams from across the country. The teams hail from specified regions throughout the contiguous United States as well as Puerto Rico and Canada. The tournament, which began in Farmington in 1965, is the 3rd largest spectator-attended event in the state of New Mexico and provides a significant economic boost to the entire region.

Long-term financial planning. In FY2011, the City Council formally adopted a cash reserve policy for the City's general fund whereby funds exceeding a threshold equal to 2½ months of the annual expenditure budget would be transferred to a capital projects fund. In FY2012 and as per the new policy, a surplus amount of $3.65 million was transferred from the general fund to a separate capital projects fund. Subsequently, the City Council approved specific projects and appropriated $3.2 million from the transferred monies to fund several projects. The projects include replacing a fire engine truck, roof replacement for several city buildings, downtown improvements, paving a

municipal parking lot, street paving, fire facilities construction, police facilities improvements, and constructing fiber optic connectivity to various city facilities. If adequate funds exist at the beginning of each fiscal year, surplus funds will continue to be transferred from the general fund to the capital projects fund and utilized for important projects that might otherwise go unfunded. At the conclusion of FY2012 the general fund's cash balance was at a sufficient level that approximately $4.0 million will be available for transfer in FY2013 to the capital projects fund.

With respect to debt issuance, in the first half of FY2012 the City Council began deliberations to issue revenue bonds to accomplish several needed capital improvement projects. After several discussion sessions the Council decided to issue sufficient GRT (sales tax) bonds to generate $9.1 million in net proceeds for the construction of five identified projects. On the advice of the City's financial advisor, in April 2012 the City issued $11.3 million in sales tax revenue bonds with $2.2 million of the bond proceeds plus sinking funds on hand of $855K applied to the refunding of the City's 2001 outstanding sales tax revenue bonds. Concurrently, net bond proceeds of $9.1 million were deposited to a new capital projects fund to be used to construct the following projects:

New Animal Shelter	400,000
Civic Center Remodel	1,125,000
Museum Expansion	2,500,000
Replace Fire Station #1	3,200,000
New Storm Water Detention Pond	1,000,000
Contingencies	900,000

With regard to the City's utility debt, financing for water utility system improvements was in process at the close of FY2012. The City's water utility system includes 16,200 water meters of which 13,800 must be read manually every month. Meter readers must physically open each meter can and record the reading on a handheld device. This is done for approximately 13,800 meters each month while the remaining 2,400 water meters are equipped with automatic meter reading (AMR). With AMR, meter readers walk or drive by the meter and use a handheld device to collect information from the meter via radio frequency. An AMR system provides more frequent, efficient and accurate meter readings. The goal is to replace the 13,800 manually read meters with AMR meters at an estimated cost of $5.9 million. Financing for this project has been obtained by means of a $5.9 million loan through the New Mexico Finance Authority (NMFA) Drinking Water State Revolving Loan Fund at a 2% interest rate for 20 years with a 25% forgiveness of the principal. The 25% forgiveness on the loan principal calculates to a net loan repayment of $5.8 million including interest and fees over the 20 year period. Due to increased revenue from increased accuracy in meter readings and reduced labor to read the meters, the loan could be repaid in approximately 10 years.

In 2004, the City completed its wastewater treatment plant expansion Phases I and II which were financed with a 3%, $14.2 million loan from the New Mexico Environment Department (NMED). Phases I and II were constructed to comply with the EPA's discharge permit requirements and to begin the phasing in of new biological wastewater treatment processes. Phases I and II increased the treatment plant's capacity by 15% to meet a projected 6.67 mgd flow rate. In addition, reliability and flexibility were improved through the rehabilitation of the primary clarifiers and sludge drying beds as well as the capacity expansion of the disinfection process. On the horizon, and with an estimated cost of $5.5 million, Phase III of continued improvements to treatment processes include constructing a second sludge basin, an additional final clarifier, and a new state of the art

ultraviolet (UV) disinfection system. Phase III will add redundancy and future capacity to the wastewater treatment plant plus reduce chemical costs and the discharge of chemicals into the San Juan River. At the end of FY2012 the City received initial approval of a $5.5 million NMED low interest, 20-year loan through the State's Clean Water Revolving Fund Program.

The Farmington Electric Utility System's municipal structure keeps customer electric rates very reasonable and Farmington customers enjoy the lowest rates in the region. A typical Farmington customer's electric billing will be 28% less than a customer of a nearby electric cooperative who uses the same amount of kilowatt hours. 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 recent years. In FY2004, 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. The electric utility's outside consultants are currently performing a study and analysis of potential options to construct additional generation facilities for the City's near future.

With respect to the City's self-insured health insurance program and without subsidies made from the City's operating funds, the health insurance fund would have ended FY2012 with a negative $1.5 million cash balance. But thanks to the subsidies, the health insurance fund concluded FY2012 with a zero cash balance rather than a negative one. Consequently, the health insurance fund underwent changes in the latter part of FY2012 which included contracting with a new third party administrator, Blue Cross/Blue Shield of New Mexico, effective as of July 1, 2012. The change was made to obtain better pricing from local and regional health care providers with the anticipation to substantially build the cash reserves of the health insurance fund over the next two to three years. With a 10% increase in health insurance premiums effective July 1, 2012 plus the improved pricing agreements with health care providers, management believes the health insurance fund will build and maintain an adequate cash reserve to cover those extraordinary years when health claims are excessive and higher than average.

Other long-term financial planning is incorporated into the City of Farmington's Comprehensive Plan which was initially approved by the City Council in October, 2002. The City's Comprehensive Plan is the guide to the future of Farmington and was developed by the citizenry through high level community participation and input. The plan was originally developed in a multi-stage process and its foundation is set on core community values and quality of life goals identified into the future. As such, the document serves as the guide for policy decisions relating to the physical, social, and economic growth of the community as well as future financial capital investments. In addition to providing goals and objectives, the plan assesses the opportunities and challenges facing the City and sets priorities for an implementation program that outlines specific actions and practical results. As comprehensive plans require updating every 10 years, an update is anticipated over the next two years. In addition, the Comprehensive Plan served as a springboard for the designation of the Metropolitan Redevelopment Area (MRA) which covers the City's downtown area plus guided the development of the MRA Plan which was adopted in 2009. The MRA Plan sets forth the City's priorities, goals, and implementation plans which are specific to the MRA.

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, 2011. This was the 18th consecutive year that the City of Farmington received this prestigious award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City

published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Farmington also received its 15th consecutive Distinguished Budget Presentation Award from GFOA for its annual budget document for FY2012. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

In addition, the City of Farmington's Fiscal Year 2011 Citizen's Financial Report was judged as a recipient of GFOA's Outstanding Achievement in Popular Annual Financial Reporting award. This award represents special recognition for a top-quality annual report specifically designed to be readily accessible and easily understandable to the City's general public and other interested parties without a background in public finance.

In closing, the preparation of this annual financial report would not have been possible without the efficient and dedicated services of the entire staff of the City's Finance division. We would like to express our appreciation to all members of the division who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Farmington's finances.

Respectfully submitted,

Robert Mayes
City Manager

H. Andrew Mason
Administrative Services Director

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, 2011

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

President

Executive Director

City of Farmington – Organizational Chart

June 2012

Citizens of Farmington

Municipal Judges
Liese & Rowland

Mayor and Council
Roberts, Darnell,
Fischer, McCulloch, Sandel

City Attorney
Burnham
Claims Legal

City Clerk
Fuhrman
Archives Business Registration

Administration
City Manager
Mayes
Library
Government Relations/ Special Projects

Community Services
Assistant City Manager
Campbell
Airport/Transit
Customer Care

Electric Utility
Sims (Interim)
Administration
Animas Power Plant
Bluffview Power Plant
Compliance
Electric Engineering
Electric Construction
System Control Center
Electric Meter Shop
Electric Relay Shop
Metering Services
Navajo Dam Power Plant
San Juan No. 4
Substation Maintenance
Transmission & Distribution

Community Development
Holton
Administration
Planning
Building Inspection
Development Services
Metro. Planning Org.
Metro. Redev. Area

Police
Westall
Administration
Special Operations
Traffic Control
School Crossing Guards
Detectives
Patrol
Code Compliance

Fire
Page
Administration
Homeland Security
Fire Marshalls
Operations

Human Resources
Williams
Employee Benefits
Insurance
Personnel
Workplace Safety
Payroll

General Services
Campbell *(Acting)*
Administration
Building & Maintenance
Building Support
Community Services
Vehicle Maintenance

Administrative Services
Mason
Administration
Purchasing
Accounting Operations
Utility/Enterprise
Finance
Warehouse

Public Works
Smaka
Administration
City Engineering
Traffic Engineering
Streets
Survey
Solid Waste
Water/Waste Water Admin.
Water Rights
Storm Water
Construction Inspection

Information Technology
Friedman
Enterprise Systems
Help Desk
Computer Operations
GIS

Parks, Recreation & Cultural Affairs
Bowman
Administration
Animal Shelter/Park Ranger
Aquatic Facilities
Civic Center
Farmington Indian Center
Golf Courses
Senior Citizen Center
Museum System
Parks Operations
Recreation Center
Recreation Programs
Sandstone Production
Sycamore Center

CITY OF FARMINGTON

Principal Officials

June 30, 2012

MAYOR
Tommy Roberts

CITY COUNCIL
Dan Darnell
Mary Fischer
Gayla McCulloch
Jason Sandel

CITY MANAGER
Robert Mayes

ASSISTANT CITY MANAGER
Robert Campbell

ADMINISTRATIVE SERVICES DIRECTOR
H. Andrew Mason

COMMUNITY DEVELOPMENT DIRECTOR
Mary Holton

ELECTRIC UTILITY DIRECTOR
Mike Sims (Interim)

FIRE CHIEF
Terry Page

GENERAL SERVICES DIRECTOR
Robert Campbell (Interim)

HUMAN RESOURCES DIRECTOR
Lyle Williams

INFORMATION TECHNOLOGY DIRECTOR
Richard Friedman

PARKS & RECREATION DIRECTOR
Jeffrey Bowman

POLICE CHIEF
Kyle Westall

PUBLIC WORKS DIRECTOR
Jeffrey Smaka

CONTROLLER
Eric Schlotthauer

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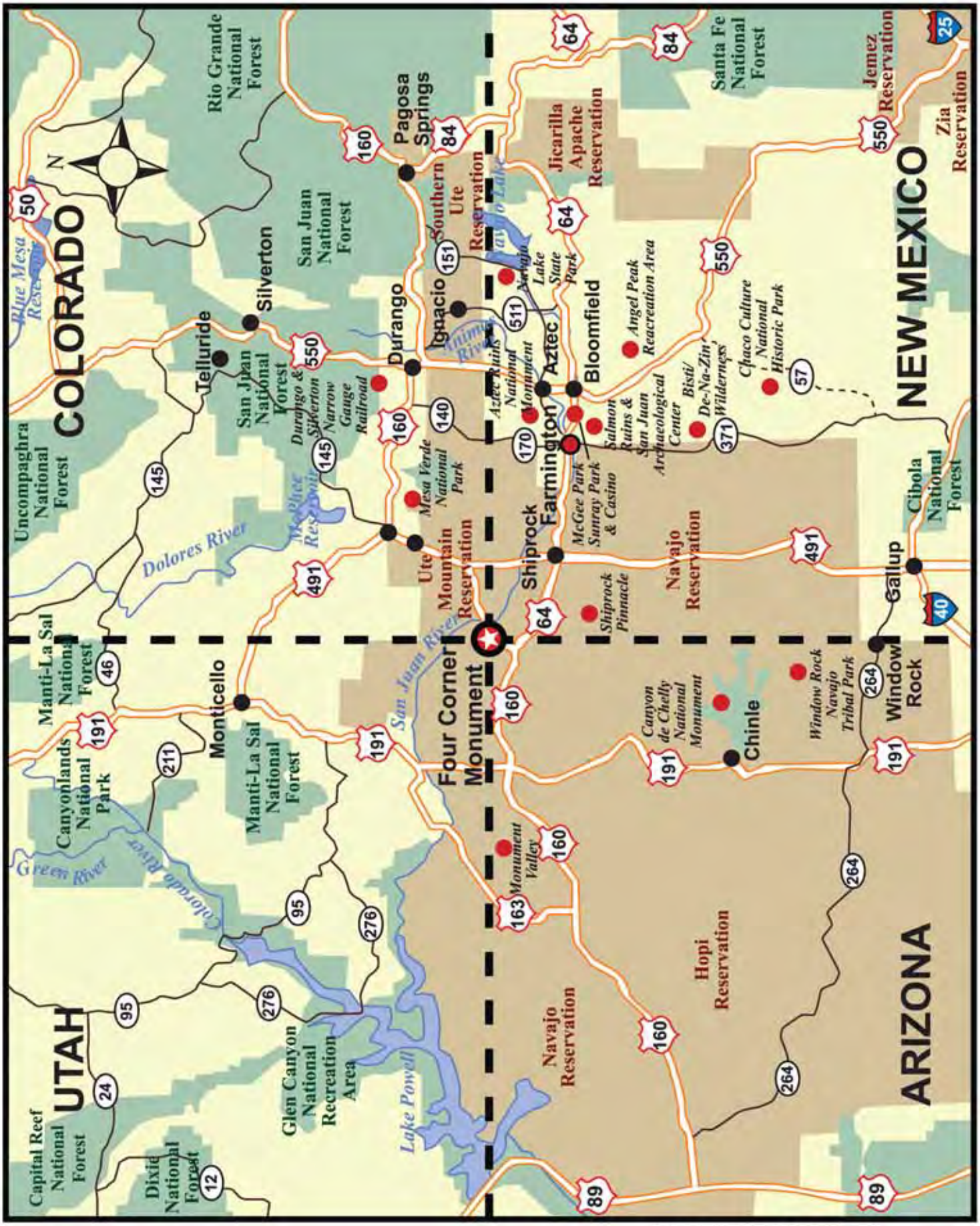

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FINANCIAL SECTION

MOSS-ADAMS LLP

REPORT OF INDEPENDENT AUDITORS

City of 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 and the budgetary comparison for the general fund and major special revenue fund of the City of Farmington, New Mexico (the "City"), as of and for the year ended June 30, 2012, 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 and internal service fund presented as supplementary information in the accompanying combining and individual fund financial statements and schedules and the respective budgetary comparisons for the nonmajor governmental funds, the enterprise funds and the internal service fund for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, 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 of Farmington, New Mexico, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof 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 the above present fairly, in all material respects, the financial position of each nonmajor governmental funds and internal service fund of the City, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, for the year ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to the above present fairly, in all material respects the respective budgetary comparisons for the year then ended in conformity with the cash basis of accounting and more fully described in Note III A, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2012 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Praxity

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements and on the combining and individual fund financial statements, and the budgetary comparisons of the City. The accompanying schedule of expenditures of federal awards as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133),* and the schedule of PFC revenues and expenditures as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration are presented for purposes of additional analysis and are not a required part of the financial statements. The additional schedules listed as other information in the table of contents and the schedule of capital assets used in the operation of governmental funds are presented for purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, the schedule of PFC revenues and expenditures, the additional schedules listed as other information in the table of contents, and the schedule of capital assets used in the operation of governmental funds are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic and combining and individual fund financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express on opinion or provide any assurance on it.

Moss Adams LLP

Albuquerque, New Mexico
November 20, 2012

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, 2012. 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 FY2012 by $535,758,340 (net assets). Of this amount, $119,204,924 (unrestricted net assets) may be used to meet the City's ongoing obligations.

- As of June 30, 2012, the City of Farmington's governmental funds reported combined ending fund balances of $47,633,365, an increase of $10,773,627, or 29.2% in comparison with the prior year. A total of $18,216,147 (unassigned fund balance) is available for spending at the City's discretion.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $18,216,147, or 33.1 % of the total general fund expenditures.

- The City's total net debt increased by $983,733, or 3.4% 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, public works, highways, streets and airport operations. The business-type activities of the City of Farmington include electric, water, wastewater, sanitation and golf operations. The government-wide financial statements can be found on pages 17-18 of this report.

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

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

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

The City of Farmington maintains nineteen (19) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and gross receipts tax streets fund, both of which are considered to be major funds. Data from the other seventeen (17) governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of *combining statements* (pages 59-66).

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 19-23 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 and golf 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 and golf operations and are found on pages 87-91 of this report. Fund data for the internal service fund is provided on page 86 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 29-55 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 $535,758,340 at the close of FY2012.

The largest portion of the City of Farmington's net assets ($400,702,339 or 74.8%) 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	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Current and other assets	$ 56,740,985	$ 43,613,410	$ 108,717,431	$ 101,491,107	$ 165,458,416	$ 145,104,517
Capital assets	98,441,750	98,320,657	331,910,164	331,602,090	430,351,914	429,922,747
Total assets	155,182,735	141,934,067	440,627,595	433,093,197	595,810,330	575,027,264
Long-term liabilities outstanding	22,550,251	12,968,881	17,161,831	24,107,073	39,712,082	37,075,954
Other liabilities	3,556,060	3,187,112	16,783,848	14,086,736	20,339,908	17,273,848
Total liabilities	26,106,311	16,155,993	33,945,679	38,193,809	60,051,990	54,349,802
Net assets:						
Invested in capital assets, net of related debt	83,813,002	91,574,976	316,889,337	309,610,312	400,702,339	401,185,288
Restricted	10,998,211	2,630,553	4,852,866	5,243,850	15,851,077	7,874,403
Unrestricted	34,265,211	31,572,545	84,939,713	80,045,226	119,204,924	111,617,771
Total net assets	$ 129,076,424	$ 125,778,074	$ 406,681,916	$ 394,899,388	$ 535,758,340	$ 520,677,462

Another portion of the City of Farmington's net assets ($15,851,077 or 3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* ($119,204,924 or 22.2%) 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 $15,080,878 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 $3,298,350. Key elements of the change in net assets are as follows:

City of Farmington's Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Revenues:						
Program revenues:						
Charges for services	$ 13,912,099	$ 10,942,333	$ 122,710,460	$ 116,624,604	$ 136,622,559	$ 127,566,937
Operating grants and Contributions	3,546,860	6,243,941	2,706,388	6,282,404	6,253,248	12,526,345
Capital grants and Contributions	1,298,623	3,442,981	-	-	1,298,623	3,442,981
General revenues:						
Property taxes	1,687,900	1,806,123	-	-	1,687,900	1,806,123
GRT taxes	50,432,706	47,605,170	-	-	50,432,706	47,605,170
Other taxes	4,308,189	2,443,271	1,333,554	1,258,718	5,641,743	3,701,989
Other	1,859,299	1,906,016	633,005	1,071,740	2,492,304	2,977,756
Total revenues	77,045,676	74,389,835	127,383,407	125,237,466	204,429,083	199,627,301
Expenses:						
General Government	32,642,985	29,114,460	-	-	32,642,985	29,114,460
Police	15,645,349	15,021,697	-	-	15,645,349	15,021,697
Fire	9,595,679	8,665,126	-	-	9,595,679	8,665,126
Parks, rec & cultural affairs	14,251,614	13,714,785	-	-	14,251,614	13,714,785
Community development	11,044,820	10,800,128	-	-	11,044,820	10,800,128
Electric	-	-	84,423,504	77,933,334	84,423,504	77,933,334
Water	-	-	9,368,428	8,662,030	9,368,428	8,662,030
Wastewater	-	-	5,829,583	5,674,564	5,829,583	5,674,564
Sanitation	-	-	5,100,718	5,318,445	5,100,718	5,318,445
Golf	-	-	1,157,049	1,468,586	1,157,049	1,468,586
Other	288,476	328,280	-	-	288,476	328,280
Total expenses	83,468,923	77,644,476	105,879,282	99,056,959	189,348,205	176,701,435
Increase in net assets before transfers	(6,423,247)	(3,254,641)	21,504,125	26,180,507	15,080,878	22,925,866
Transfers	9,721,597	10,017,180	(9,721,597)	(10,017,180)	-	-
Increase in net assets	3,298,350	6,762,539	11,782,528	16,163,327	15,080,878	22,925,866
Net assets - 7/01/11	125,778,074	119,015,535	394,899,388	378,736,061	520,677,462	497,751,596
Net assets - 6/30/12	$ 129,076,424	$ 125,778,074	$ 406,681,916	$ 394,899,388	$ 535,758,340	$ 520,677,462

Total accrued gross receipts tax (GRT) increased by $2,827,536 or 5.9%. This was due to an overall increase in receipts from the manufacturing, retail trade, health care, and food service sectors.

Operating grants decreased $2,697,081 mainly due to a decrease in Federal Emergency Management Agency (FEMA) funding ($1,890,301), and decreases in other federal grant funding including the American Recovery and Reinvestment Act (ARRA) ($100,615), Metropolitan Planning Organization (MPO) ($146,739) and various police ($427,730) grants. State funding decreased ($41,500) for the year.

Capital grants and contributions decreased $2,144,358 during the year. This was due mainly to a decrease in federal funding including the ARRA ($689,529), Community Development Block Grant (CDBG) ($498,427), various state capital grants ($143,440), and a one-time capital grant for Family Crisis Center ($780,391) received in FY2011.

Charges for services increased $2,969,766 or 27.1% due mainly to an increase in stop loss payments ($660,318), increases in premiums due to premium rate increases ($339,717), and a one-time premium payment ($1,541,026) from the City to shore up the cash balance in the health fund.

Total transfers decreased $295,583 due mainly to a large decrease in dividends from the electric utility ($1,020,891) due to some of the power plant units being down for maintenance which decreased electric sales in FY2011 (the year that the current dividend is based upon), and a decrease in airport ($48,125) and debt service ($30,000) transfers. Some transfers increased due to the forgiveness of a FY2011 loan to the health fund ($396,962), and the net transfer of moving the Civitan Golf Course into the general fund ($574,137).

Total expenses increased $5,824,447 or 7.5% during the year mainly due to: increases in vehicles purchases in the fire ($913,448) and public works ($580,119) departments, an increase in incurred but not reported (IBNR) estimates due to rising liability costs ($401,030), increases in health claims ($1,263,302), and increases in street resurfacing and improvements ($2,532,438).

Business-type activities. Business-type activities increased the City of Farmington's net assets by $11,782,528, accounting for 78.1% of the total growth in the government's net assets. Key financial elements of the past fiscal year are as follows:

- Operating expenses are 85.6% of operating revenues, resulting in $17,610,141 in operating income.

- Total electric revenue increased $1.8 million or 1.9%. Commercial and industrial sales were up $926,580, combined. Whereas the sales for residential customers declined $243,369 from last year. The power cost adjustment (PCA) increased a net total of $3 million. Billed revenues for the PCA increased $312,642 and per FASB 71, revenues were increased an additional $2.7 million for the regulatory liability. As a result, Electric sales to customers were up $3.7 million. The increase in sales was offset with a decrease in electric contributions, which declined $2 million during the year.

- Total water revenue decreased $187,129 or 1.3%. Water sales to customers increased $1.1 million due to an increase in consumption of about 3.7% over last year. There was also a decrease of $1.2 million in water contributions, which was a one-time construction contribution from BLM (Bureau of Land Management) for a new water line project last year.

- Total wastewater revenue slightly increased by $110,908 or 1.4%. Wastewater sales to customers were up $311,746 but were offset with a $262,185 decrease

in wastewater construction contributions; this was also a one-time construction contribution from BLM for a new sewer line project last year.

- Total sanitation revenue increased $319,002 or 6.2% mainly due to higher demand for sanitation services.

- Investment earnings for business-type activities were $633,005, a 40.9% decrease over last year due to continued decreases in interest rates.

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, 2012, the City of Farmington's governmental funds reported combined ending fund balances of $47,633,365, an increase of $10,773,627 in comparison with the prior year. Approximately 38% of this total amount or $18,216,147 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it is *nonspendable* ($504,602), *restricted* ($10,998,211), *committed* ($12,815,182), or *assigned* ($5,099,223).

The general fund is the chief operating fund of the City of Farmington. At the end of the current fiscal year, unassigned fund balance of the general fund was $18,216,147, while total fund balance was $18,720,749. 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. Unassigned fund balance represents 33% of total general fund expenditures, while total fund balance represents 34% of that same amount. The fund balance of the City of Farmington's general fund decreased $329,080 or 1.7% during the current fiscal year.

The total increase in general fund revenue was $3,795,319 or 8.2%. This is due in part by a $2,228,884 increase in GRT due to an increase in the manufacturing, retail sales, health care, and food service sectors. Franchise fees are up $1,711,371 due mostly to the reclassification of the electric fund PILT revenue being classified to a franchise tax in FY2012. Intergovernmental revenue is down $666,214 or 32.1% due to a reduction in: federal funding for police ($130,476), fire ($163,777), MPO ($146,739), FEMA ($57,040) and ARRA grant funding ($100,615). State grant funding for traffic and planning decreased by $45,751 during FY2012. Charges for services increased $329,499, or 13.8% mainly due to increases in: pool sales ($104,996), Red Apple Transit reimbursements ($32,950), Farmington Indian Center food sales ($24,294), and the addition of the Civitan Golf Course ($104,996). Miscellaneous revenue increased

$83,827 or 16% due to an increase in auction sales ($26,520), sales on real property and right of way ($40,262), and tax refunds ($21,516).

Total general fund expenditures increased $5,968,516 or 12.1% over the prior year. Key elements of this change were increases in: correction fees ($232,532) due to an increase in per diem rates for prisoners, vehicle purchases ($512,212), work comp claims ($268,006), IBNR estimates ($330,000) due to rising liability costs, fuel ($108,387), Red Apple Transit costs ($168,790) due to bus improvements and the purchase of an additional bus, a one-time health premium paid by the City ($1,210,911), unemployment costs ($163,133), additional funding to Total Behavioral Health Authority ($145,957), wages ($592,283) mostly due to the step increases which were not given in FY2011, police operational cost ($335,321), overall general liability ($89,777), GRT administrative fees ($155,571) which were higher due to more GRT collected, a decrease in allocated costs in streets ($450,000) and finance ($215,402) which increased costs in those divisions, and the cost of adding the Civitan Golf Course to the general fund ($175,013).

Total outgoing transfers in the general fund increased by $3,326,396 due mainly to an increase in transfers to the general government capital projects fund ($3,281,535) for capital projects including: a fire engine replacement ($455,000), MOC parking lot ($201,150), paving projects ($500,000), vehicle purchases ($350,000), roof repair/replacements ($750,000), FCC mandated radios ($218,000), downtown improvements ($500,000), and airport taxiway maintenance ($220,000).

Other key governmental-type funds include the GRT streets fund and GRT parks fund. Both of these funds are funded primarily with gross receipt tax revenue earmarked specifically for streets, public works, and parks activities. Revenues in the GRT streets fund decreased $1,624,274 mostly due to a decrease in FEMA grant funding ($1,890,301), and an increase in GRT ($448,989). The GRT parks fund had an increase of $312,316 due to an increase in GRT ($149,663), the sale of property ($185,295), and a decrease in FEMA grant funding ($27,590).

Total operating revenues in the governmental funds (not including the general fund) decreased $2,990,803, or 14.2%, the main reason being the decrease in FEMA grant funding ($1,890,301). Other reasons for the decrease were a reduction in grant funding in the CDBG ($498,427) and ARRA ($689,529) federal grants.

Expenditures in the governmental funds (not including the general fund) increased $4,587,299 or 25.7% during FY2012. Key elements of this increase are: GRT streets fund project expenditures were larger in FY2012 due to several large projects, such as micro resurfacing of streets ($1,240,052), cutler repaving ($1,102,114), Apache street signal reconstruction ($142,986), and various other miscellaneous street improvement projects ($660,000). The GRT parks fund had increases in improvements totaling $661,908 due to various projects including the Berg park trails, tennis court, and Saddleback dog park. The state fire fund also showed an increase in expenditures ($852,386) due to the purchase of two fire pumpers. Two funds that showed a decrease in spending were the region II narcotics fund ($198,430), and the law enforcement block grant fund ($41,117) due to a decrease in federal grant funding.

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 $69,503,416 in the electric utility system, $6,853,036 in the water utility system, $7,097,695 in the wastewater utility system, and $1,485,566 in combined net assets for the other propriety funds (sanitation and golf courses). The total growth in net assets was $5,945,748 in the electric fund, $4,293,048 in the water fund, $1,800,149 in the wastewater fund, and a decline of $256,417 in the other funds combined. 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

The national economy continues to exhibit historically low levels of activity which has a significant impact on our local economy. After the dramatic FY2010 decline of 17.5% in the GRT, FY2012 experienced a welcomed increase of 7.8% (cash basis). Following a slight increase of 4% in FY2011, the upward trend indicates that the largest decline in twenty-five years might be over. However, even with this modest increase, the total level of GRT was basically at FY2006 levels which represent a yearly loss of over $4 million from the average over the past five years. Although increasing, this level is also below the twenty-five year average growth trend of 9%. High levels of natural gas production in the country as a whole have led to decreasing price levels that directly affect the level of activity here in the San Juan Basin. In April 2012, natural gas prices dropped below $2.00 per mcf, a rate not seen since 1999. With the considerable drop in natural gas prices, predicting future revenues becomes very difficult. For this reason the GRT budget for FY2013 will be set at essentially the same level as the actual results for FY2012. With a higher degree of uncertainty as to actual revenue levels, the budget for FY2013 will be even more closely monitored than in prior years.

On the expenditure side, the original general fund budget of $54,794,598 was increased to $56,690,294 plus a $3.6 million transfer budget increase during FY2012. The $3.6 million was the largest adjustment and was made to accommodate a change in accounting procedure for the cash reserve transfer to the general governmental capital projects fund. The $3.6 million was included as negative revenue in the original budget but was reclassified to an expense transfer during the year. Council adopted the Cash Reserve Policy designating any general fund cash balance greater than 20.8% of the current expenditure budget as available for transfer to the general governmental capital projects fund and to be spent on Council-designated projects. The general fund health insurance premium expense was also increased by $1.2 million to cover a health insurance fund deficit. Another significant budget adjustment in the amount of $167K was the transfer of Civitan Golf Course from the golf enterprise fund to the general fund. Other adjustments reflected in the budget variance depict an increase made to revenue throughout the year. With the increase in confidence of the GRT performance, many budget items that had been postponed in the prior year were allowed to be reinstated. For example, personal computers and fleet vehicles were replaced only on an emergency basis in FY2011 while in FY2012 the City returned to a normal replacement schedule based upon age and usage requirements. During FY2012, the city-wide pay

freeze from FY2011 was lifted allowing employees to receive a 1.5% cost of living increase which increased the FY2012 budget by $518K.

With the catch up in FY2012, expenditures increased over FY2011 by 13%. Even with the increase in expenditure, levels led to a favorable ending cash balance of $16,342,148 (cash basis), which was $1.3 million greater than the prior year. This large cash balance will allow for monies to be transferred to a capital projects fund for capital projects.

During the year, seven separate budget revisions were made to the original FY2012 expenditure budget. These adjustments totaled $27,409,085 and equaled 11.7% of the original total budget. The number of revisions is indicative of the ongoing budget process during the year of controlling expenditures to adjust to available revenue.

The largest percentage increase in budgeted expenditures during the year was in the capital and enterprise funds as a result of capital projects that were started the previous year but not completed until FY2012. There were also several increases for grant awards that were made during the year and the health fund required multiple large adjustments as both revenues and expenditures were higher than anticipated. Finally, GRT bonds were issued in FY2012 and 2001 Series bonds were refunded. Revenue and expenditure budgets were adjusted accordingly to reflect the bond transactions.

For FY2011, capital projects took a backseat to maintaining current operations. The FY2012 budget, however, included a significant amount of capital investments. Of the $3.6 million transferred to the general government capital project fund, Council designated all but $310K intended to catch up capital investments not made in the previous two years. Projects include replacing the roofs of five (5) City buildings, the purchase of a new fire engine, updating fiber, and remodeling/constructing Fire Station #3. Also in FY2012, as mentioned above, Sales Tax Revenue Improvement and Refunding Bonds, Series 2012, were issued to refund the Series 2001 bonds and finance several projects. The high-dollar, long-term projects that have been waiting for funding include the Regional Animal Shelter, remodel of the Civic Center Exhibit Hall, Farmington Museum expansion, replacement of Fire Station #1, and the installation of the Lakewood Detention Pond.

Effective July 1, 2011, Council opted to transfer the par 3 Civitan Golf Course operations from the golf fund to the general fund. The FY2011 loan for $78K from the GRT parks fund to the golf course fund was forgiven although another loan in the amount of $112.5K was established at the end of FY2012. In addition to moving Civitan Golf Course out of the golf fund, Council raised golf fees in an effort to increase the profitability of Pinon Hills Golf Course which remained in the golf fund.

Finally, there were several large budget adjustments related to the health insurance fund which is an internal service fund. FY2011 ended the fiscal year with a deficit. Prior to year end, an interfund loan from the general governmental capital project fund was approved by Council. In FY2012, Council decided to forgive the $397K loan. Unfortunately, even with a premium increase in FY2012, the health insurance fund suffered several large claims resulting in a $1.5 million deficit at the end of FY2012.

Rather than a loan, Council chose to enact a one-time increase in premiums to each of the participating funds to cover a cash deficit.

The most favorable budget highlight for the year was the revenue/expenditure budget to actual comparison for the general fund at the end of the year. Actual expenses ended up at 96% of budget and actual revenues at 107% of budget. With revenue exceeding budget and expenses less than budget, FY2012 ended up with a $5.8 million budget versus actual surplus. It is this conservative spending and revenues exceeding expectations that will allow the City of Farmington to transfer an additional $4.1 million per the Cash Reserve Policy to the general governmental capital projects fund for future capital needs.

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, 2012 was $430,351,914 (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 $331,910,164 or 77.1% of the total City of Farmington capital assets. The total increase in the business-type investment in capital assets for the current fiscal year was $308,074 or 0.09%. The governmental activities investment in capital assets accounted for $98,441,750 or 22.9% of all capital assets owned by the City. The total increase in governmental activities investment in capital assets for the current year was $121,093 or 0.12%.

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	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Land	$ 27,315,201	$ 26,893,367	$ 3,884,334	$ 3,984,334	$ 31,199,535	$ 30,877,701
Land rights	-	-	910,884	954,359	910,884	954,359
Buildings	28,063,978	28,651,008	62,043,760	65,302,459	90,107,738	93,953,467
Improvements	10,597,006	12,130,819	75,033,762	69,980,207	85,630,768	82,111,026
Equipment	9,994,631	9,186,573	158,024,475	153,174,815	168,019,106	162,361,388
Infrastructure	17,447,560	19,106,098	-	-	17,447,560	19,106,098
Construction in progress	5,023,374	2,352,792	32,012,949	38,205,916	37,036,323	40,558,708
Total	$ 98,441,750	$ 98,320,657	$ 331,910,164	$ 331,602,090	$ 430,351,914	$ 429,922,747

Capital expenditures for the electric utility system will average approximately $13,286,440 per year over the next five fiscal years. Some large projects included in the FY2013 capital budget are the transformer shop addition ($4,000,000); customer work order system ($2,384,000) and SCADA replacement ($1,600,000). 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 $5,845,680 per year, totaling $29,228,340 for fiscal years 2013 through 2017.

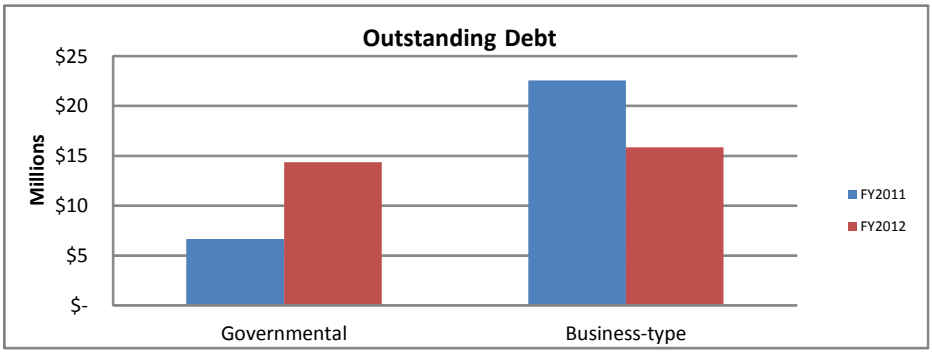
Pursuant to the Wastewater System Master Plan, in FY2004 the City placed in service a new wastewater treatment plant. Funding came from a $14,178,191 loan obtained from the New Mexico Environment Department (NMED). Capital expenditures for FY2013 are budgeted at $5,740,000 for treatment and $2,380,080 for the collection system.

Additional information on the City of Farmington's capital assets can be found in Note C on pages 42-43 of this report.

Long-term debt. At the end of the current fiscal year, the City of Farmington had total bonded debt outstanding of $17,940,000. Of this amount, $13,895,000 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 increased $983,733 or 3.4% during FY2012.

City of Farmington's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Sales tax bonds	$ 13,895,000	$ 6,680,000	$ -	$ -	$ 13,895,000	$ 6,680,000
NMFA fire pumper loan	475,426	-	-	-	475,426	-
NMED loan	-	-	10,765,125	11,376,818	10,765,125	11,376,818
NMFA loan	-	-	1,054,844	1,054,844	1,054,844	1,054,844
Revenue bonds	-	-	4,045,000	10,140,000	4,045,000	10,140,000
Total	$ 14,370,426	$ 6,680,000	$ 15,864,969	$ 22,571,662	$ 30,235,395	$ 29,251,662



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 2011 assessed valuation of $1,008,129,967, the City's general obligation debt limit is $40,325,199. The City presently has no general obligation bonds outstanding. For more detailed information on the City's debt, see pages 46-49 in the Notes to the Financial Statements.

Requests for Information

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

Ferry across San Juan River - 1901

Basic Financial Statements

CITY OF FARMINGTON, NEW MEXICO
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 43,818,582	$ 82,729,284	$ 126,547,866
Receivables (net, where applicable, of allowances for uncollectibles):	1,093,317	5,364,926	6,458,243
Accrued unbilled revenues	-	6,247,402	6,247,402
Intergovernmental receivable	11,014,983	-	11,014,983
Internal balances	112,492	(112,492)	-
Inventories	218,842	5,197,361	5,416,203
Prepaids	270,251	113,155	383,406
Deferred charges	197,009	45,840	242,849
Restricted reserve investment account	15,509	-	15,509
Restricted assets			
Temporarily restricted:			
Cash and equivalents	-	9,131,955	9,131,955
Capital assets (not being depreciated):			
Land	27,315,201	3,884,334	31,199,535
Construction in progress	5,023,374	32,012,949	37,036,323
Capital assets (net of accumulated depreciation):			
Land rights	-	910,884	910,884
Buildings	28,063,978	62,043,760	90,107,738
Improvements other than buildings	10,597,006	75,033,762	85,630,768
Equipment	9,994,631	158,024,475	168,019,106
Infrastructure	17,447,560	-	17,447,560
Total assets	155,182,735	440,627,595	595,810,330
LIABILITIES			
Accounts payable and other current liabilities	1,604,675	6,526,051	8,130,726
Wages and benefits payable	1,828,689	549,297	2,377,986
Other accrued liabilities	14,106	1,170,418	1,184,524
Accrued claims liabilities	-	182,875	182,875
Retainage deposits payable	66,605	-	66,605
Unearned revenue	-	4,056,398	4,056,398
Accrued interest payable	41,985	19,720	61,705
Customer deposits	-	4,279,089	4,279,089
Non-current liabilities:			
Due within one year	3,678,387	5,508,176	9,186,563
Due in more than one year	18,871,864	11,653,655	30,525,519
Total liabilities	26,106,311	33,945,679	60,051,990
NET ASSETS			
Invested in capital assets, net of related debt	83,813,002	316,889,337	400,702,339
Restricted for:			
Police	28,413	-	28,413
Fire	230,311	-	230,311
Lodgers promotion	412,513	-	412,513
Capital projects	10,137,670	-	10,137,670
Debt service	189,304	4,852,866	5,042,170
Unrestricted	34,265,211	84,939,713	119,204,924
Total net assets	$ 129,076,424	$ 406,681,916	$ 535,758,340

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, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	$ 32,642,985	$ 11,555,443	$ 1,675,092	$ 1,065,555	$ (18,346,895)	$ -	$ (18,346,895)
Police	15,645,349	1,200,529	818,823	-	(13,625,997)	-	(13,625,997)
Fire	9,595,679	-	806,825	-	(8,788,854)	-	(8,788,854)
Parks, recreation, cultural affairs	14,251,614	1,094,483	33,905	-	(13,123,226)	-	(13,123,226)
Public works	11,044,820	61,644	212,215	233,068	(10,537,893)	-	(10,537,893)
Interest on long-term debt	288,476	-	-	-	(288,476)	-	(288,476)
Total governmental activities	83,468,923	13,912,099	3,546,860	1,298,623	(64,711,341)	-	(64,711,341)
Business-type activities:							
Electric	84,423,504	95,742,961	2,336,432	-	-	13,655,889	13,655,889
Water	9,368,428	14,025,394	282,035	-	-	4,939,001	4,939,001
Wastewater	5,829,583	6,475,468	87,921	-	-	733,806	733,806
Sanitation	5,100,718	5,423,632	-	-	-	322,914	322,914
Golf	1,157,049	1,043,005	-	-	-	(114,044)	(114,044)
Total business-type activities	105,879,282	122,710,460	2,706,388	-	-	19,537,566	19,537,566
Total government	$ 189,348,205	$ 136,622,559	$ 6,253,248	$ 1,298,623	(64,711,341)	19,537,566	(45,173,775)
General revenues:							
Property taxes					1,687,900	-	1,687,900
Sales taxes					50,432,706	-	50,432,706
Franchise taxes					2,325,998	-	2,325,998
Gasoline taxes					739,279	-	739,279
Lodgers' taxes					1,242,912	-	1,242,912
Environmental taxes					-	1,333,554	1,333,554
Miscellaneous					1,601,517	-	1,601,517
Unrestricted investment earnings					257,782	633,005	890,787
Transfers					9,721,597	(9,721,597)	-
Total general revenues and transfers					68,009,691	(7,755,038)	60,254,653
Change in net assets					3,298,350	11,782,528	15,080,878
Net assets - beginning					125,778,074	394,899,388	520,677,462
Net assets - ending					$ 129,076,424	$ 406,681,916	$ 535,758,340

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

CITY OF FARMINGTON, NEW MEXICO
Balance Sheet
Governmental Funds
June 30, 2012

	General	Gross Receipts Tax Streets	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Pooled cash and investments	$ 16,207,968	$ 9,719,132	$ 17,891,482	$ 43,818,582
Receivables (net, where applicable, of allowances for uncollectibles):	194,661	211,163	5,316	411,140
Due from other funds	163,967	-	112,492	276,459
Inventories, at cost	218,842	-	-	218,842
Prepaid items	270,251	-	-	270,251
Restricted reserve investment account	15,509	-	-	15,509
Intergovernmental	8,703,986	1,406,601	904,396	11,014,983
Total assets	$ 25,775,184	$ 11,336,896	$ 18,913,686	$ 56,025,766
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	$ 652,240	$ 731,631	$ 220,804	$ 1,604,675
Wages and benefits payable	1,715,297	940	112,452	1,828,689
Other accrued expenditures	14,106	-	-	14,106
Accrued claims payable	2,720,969	-	-	2,720,969
Retainage/deposits payable	66,605	-	-	66,605
Deferred revenue	1,885,218	36,964	71,208	1,993,390
Due to other funds	-	-	163,967	163,967
Total liabilities	7,054,435	769,535	568,431	8,392,401
Fund Balances:				
Nonspendable:				
Inventories and prepaids	489,093	-	-	489,093
Restricted reserve investment	15,509	-	-	15,509
Restricted to:				
Police	-	-	28,413	28,413
Fire	-	-	230,311	230,311
Lodgers promotion	-	-	412,513	412,513
Capital projects	-	-	10,137,670	10,137,670
Debt service	-	-	189,304	189,304
Committed to:				
Police	-	-	74,253	74,253
Parks, recreation, cultural affairs	-	-	2,173,568	2,173,568
Public works	-	10,567,361	-	10,567,361
Assigned to:				
Parks, recreation, cultural affairs	-	-	1,223,459	1,223,459
Library	-	-	281,106	281,106
Capital projects	-	-	3,594,658	3,594,658
Unassigned	18,216,147	-	-	18,216,147
Total fund balances	18,720,749	10,567,361	18,345,255	47,633,365
Total liabilities and fund balances	$ 25,775,184	$ 11,336,896	$ 18,913,686	

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.	98,441,750
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,993,390
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.	(528,306)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(18,463,775)
Net assets of governmental activities	$ 129,076,424

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, 2012

	General	Gross Receipts Tax Streets	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property	$ 1,743,435	$ -	$ -	$ 1,743,435
Gross receipts	39,764,050	8,001,492	2,667,164	50,432,706
Franchise	2,325,998	-	-	2,325,998
Gasoline	-	739,279	-	739,279
Lodgers'	-	-	1,242,912	1,242,912
Licenses and permits	647,637	-	24,039	671,676
Intergovernmental	1,408,774	212,215	3,699,920	5,320,909
Charges for services	2,717,905	-	131,780	2,849,685
Fines	1,017,977	-	165,559	1,183,536
Special assessments	22	-	-	22
Investment earnings	105,003	67,439	85,340	257,782
Miscellaneous	606,221	908	994,388	1,601,517
Total revenues	50,337,022	9,021,333	9,011,102	68,369,457
EXPENDITURES:				
Current:				
General government	21,703,794	-	-	21,703,794
Police	14,633,844	-	1,075,532	15,709,376
Fire	8,523,526	-	1,545,303	10,068,829
Parks, recreation and cultural affairs	8,709,137	-	4,154,081	12,863,218
Public works	1,533,292	5,039,274	-	6,572,566
Debt service:				
Principal	-	-	3,440,000	3,440,000
Interest	-	-	258,145	258,145
Capital outlay:				
General government	-	-	874,898	874,898
Airport	-	-	1,182,440	1,182,440
Highways and streets	-	4,197,622	672,830	4,870,452
Total expenditures	55,103,593	9,236,896	13,203,229	77,543,718
Excess (deficiency) of revenues over (under) expenditures	(4,766,571)	(215,563)	(4,192,127)	(9,174,261)
OTHER FINANCING SOURCES (USES):				
Transfers in	9,157,724	-	7,595,400	16,753,124
Transfers out	(4,720,233)	(533,500)	(2,748,893)	(8,002,626)
Net GRT bonds issued	-	-	11,197,390	11,197,390
Total other financing sources (uses)	4,437,491	(533,500)	16,043,897	19,947,888
Net change in fund balances	(329,080)	(749,063)	11,851,770	10,773,627
Fund balances-beginning	19,049,829	11,316,424	6,493,485	36,859,738
Fund balances- ending	$ 18,720,749	$ 10,567,361	$ 18,345,255	$ 47,633,365

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, 2012

Amounts reported for governmental activities in the statement of activities (page 18) are different because:

Net change in fund balances-total governmental funds (page 20)	$	10,773,627
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.		121,093
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(55,535)
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.		(8,413,655)
The net revenue/expense of certain activities of internal service funds is reported with governmental activities.		872,820
Change in net assets of governmental activities (page 18)	$	3,298,350

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, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES:				
Taxes:				
Property taxes	$ 1,613,734	$ 1,613,734	$ 1,738,648	$ 124,914
Gross receipts tax	36,726,580	36,726,580	39,863,759	3,137,179
Franchise taxes	2,268,276	2,268,276	2,328,469	60,193
Licenses and permits	595,250	595,250	647,637	52,387
Intergovernmental	1,554,704	2,039,119	1,722,553	(316,566)
Charges for services	2,419,553	2,533,753	2,817,069	283,316
Fines	1,119,700	1,119,700	1,017,977	(101,723)
Special assessments	-	-	22	22
Investment earnings	160,000	160,000	105,003	(54,997)
Miscellaneous	320,040	329,657	610,449	280,792
Total revenues	46,777,837	47,386,069	50,851,586	3,465,517
EXPENDITURES:				
Current:				
General government:				
Council	290,590	298,050	301,157	(3,107)
Municipal court	2,233,971	2,256,624	2,312,714	(56,090)
Administrative	10,230,392	10,174,038	9,491,681	682,357
Legal	1,043,610	1,058,673	979,477	79,196
Administrative services	775,112	831,192	884,905	(53,713)
General services	5,645,447	5,908,251	5,744,659	163,592
Community Development	1,332,426	1,452,017	1,296,825	155,192
Total general government	21,551,548	21,978,845	21,011,418	967,427
Public safety:				
Police	14,645,056	15,352,265	14,618,070	734,195
Fire	8,357,657	8,651,050	8,524,920	126,130
Total public safety	23,002,713	24,003,315	23,142,990	860,325
Public works	1,783,005	1,877,547	1,556,953	320,594
Parks, recreation and cultural affairs	8,457,332	8,830,587	8,687,184	143,403
Total expenditures	54,794,598	56,690,294	54,398,545	2,291,749
Excess (deficiency) of revenues over (under) expenditures	(8,016,761)	(9,304,225)	(3,546,959)	5,757,266
OTHER FINANCING SOURCES (USES):				
Transfers in	9,131,786	9,131,786	9,157,724	25,938
Transfers out	(4,126,600)	(4,720,233)	(4,720,233)	-
Total other financing sources and uses	5,005,186	4,411,553	4,437,491	25,938
Net change in fund balances	(3,011,575)	(4,892,672)	890,532	$ 5,783,204
RECONCILIATION TO GAAP BASIS:				
Change in receivables			(408,700)	
Change in inventories			(2,776)	
Change in intergovernmental			(105,864)	
Change in accrued payables			(702,272)	
			(1,219,612)	
GAAP BASIS CHANGE IN FUND BALANCES:			(329,080)	
Fund balances-beginning	19,049,829	19,049,829	19,049,829	
Fund balances-ending	$ 16,038,254	$ 14,157,157	$ 18,720,749	

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, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Gross receipts taxes	$ 7,398,969	$ 7,398,969	$ 8,019,692	$ 620,723
Intergovernmental	-	-	4,705	4,705
Gasoline taxes	765,000	765,000	757,127	(7,873)
Investment earnings	100,000	100,000	67,439	(32,561)
Miscellaneous	500	500	908	408
Total revenues	8,264,469	8,264,469	8,849,871	585,402
EXPENDITURES:				
Current:				
Public Works	5,149,721	5,736,089	4,702,842	1,033,247
Capital Outlay:				
Highways and streets	5,025,000	7,598,331	3,755,146	3,843,185
Total expenditures	10,174,721	13,334,420	8,457,988	4,876,432
Excess (deficiency) of revenues over (under) expenditures	(1,910,252)	(5,069,951)	391,883	5,461,834
OTHER FINANCING SOURCES (USES):				
Transfers out	(533,500)	(533,500)	(533,500)	-
Net change in fund balances	(2,443,752)	(5,603,451)	(141,617)	$ 5,461,834
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			171,462	
Change in accounts payable			(778,908)	
			(607,446)	
GAAP BASIS CHANGE IN FUND BALANCES			(749,063)	
Fund balances-beginning	11,316,424	11,316,424	11,316,424	
Fund balances-ending	$ 8,872,672	$ 5,712,973	$ 10,567,361	

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, 2012

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Course	Totals	
ASSETS							
Current assets:							
Pooled cash and investments	$ 67,900,683	$ 6,592,202	$ 6,399,312	$ 1,835,837	$ 1,250	$ 82,729,284	$ -
Accounts receivable (net of allowance for doubtful accounts)	3,359,411	1,111,642	609,800	261,091	22,982	5,364,926	682,177
Accrued unbilled revenues	4,941,687	807,886	277,142	220,687	-	6,247,402	-
Inventories	5,187,808	8,059	1,494	-	-	5,197,361	-
Prepaid items	86,715	11,349	13,391	-	1,700	113,155	-
Restricted cash, cash equivalents and investments	6,645,020	758,307	1,728,628	-	-	9,131,955	-
Total current assets	88,121,324	9,289,445	9,029,767	2,317,615	25,932	108,784,083	682,177
Noncurrent assets:							
Deferred charges	36,634	7,905	1,301	-	-	45,840	-
Capital assets:							
Land and land rights	3,546,554	1,654,325	479,388	23,341	-	5,703,608	-
Building and system	69,654,809	14,008,573	23,989,482	80,640	854,940	108,588,444	-
Improvements other than buildings	64,014,743	42,942,920	15,001,354	14,839	2,516,188	124,490,044	-
Machinery and equipment	282,010,520	9,987,572	4,397,383	101,099	805,192	297,301,766	-
Construction in progress	18,792,993	11,734,433	1,485,523	-	-	32,012,949	-
Less accumulated depreciation	(181,505,846)	(33,267,732)	(18,981,520)	(186,360)	(2,245,189)	(236,186,647)	-
Total capital assets (net of accumulated depreciation)	256,513,773	47,060,091	26,371,610	33,559	1,931,131	331,910,164	-
Total noncurrent assets	256,550,407	47,067,996	26,372,911	33,559	1,931,131	331,956,004	-
Total assets	$ 344,671,731	$ 56,357,441	$ 35,402,678	$ 2,351,174	$ 1,957,063	$ 440,740,087	$ 682,177

CITY OF FARMINGTON, NEW MEXICO
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities Enterprise Funds						
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Course	Totals	Governmental Activities Internal Service Fund
LIABILITIES							
Current liabilities:							
Current liabilites payable from unrestricted assets:							
Accounts payable	$ 5,295,120	$ 435,071	$ 128,087	$ 605,207	$ 62,566	$ 6,526,051	$ -
Compensated absences	550,501	4,653	4,653	-	14,718	574,525	-
Due to other funds	-	-	-	-	112,492	112,492	-
Other accrued expenses	1,551,724	129,365	6,647	104	31,875	1,719,715	-
Accrued claims payable	78,000	49,000	55,125	-	750	182,875	1,210,483
Deferred revenue	4,056,398	-	-	-	-	4,056,398	-
Accrued interest payable	15,759	3,401	560	-	-	19,720	-
Revenue bonds payable	3,401,041	733,899	120,762	-	-	4,255,702	-
NMED loan	-	-	630,043	-	-	630,043	-
NMFA loan	-	47,906	-	-	-	47,906	-
Total current liabilities payable from unrestricted assets	14,948,543	1,403,295	945,877	605,311	222,401	18,125,427	1,210,483
Current liabilities payable from restricted assets	3,926,262	352,827	-	-	-	4,279,089	-
Total current liabilities	18,874,805	1,756,122	945,877	605,311	222,401	22,404,516	1,210,483
Noncurrent liabilities:							
(net of unamortized discounts)							
NMED loan	-	-	10,135,082	-	-	10,135,082	-
NMFA loan	-	1,006,938	-	-	-	1,006,938	-
Compensated absences	462,020	9,673	9,673	-	30,269	511,635	-
Total noncurrent liabilities	462,020	1,016,611	10,144,755	-	30,269	11,653,655	-
Total liabilities	19,336,825	2,772,733	11,090,632	605,311	252,670	34,058,171	1,210,483
NET ASSETS							
Invested in capital assets, net of related debt	253,112,732	46,326,192	15,485,723	33,559	1,931,131	316,889,337	-
Restricted for debt service	2,718,758	405,480	1,728,628	-	-	4,852,866	-
Unrestricted	69,503,416	6,853,036	7,097,695	1,712,304	(226,738)	84,939,713	(528,306)
Total net assets	$ 325,334,906	$ 53,584,708	$ 24,312,046	$ 1,745,863	$ 1,704,393	$ 406,681,916	$ (528,306)

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, 2012

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Course	Totals	
Operating revenues:							
Charges for sales and services:							
Electric	$ 94,665,873	$ -	$ -	$ -	$ -	$ 94,665,873	$ -
Water	-	14,005,617	-	-	-	14,005,617	-
Wastewater	-	-	6,475,424	-	-	6,475,424	-
Sanitation	-	-	-	5,347,724	-	5,347,724	-
Golf course	-	-	-	-	1,041,478	1,041,478	-
Health	-	-	-	-	-	-	9,207,180
Other revenues	1,077,088	19,777	44	75,908	1,527	1,174,344	-
Total operating revenues	95,742,961	14,025,394	6,475,468	5,423,632	1,043,005	122,710,460	9,207,180
Operating expenses:							
Salaries and fringe benefits	10,871,390	703,150	297,124	2,804	602,200	12,476,668	-
Purchased power, fuel and chemicals	41,351,526	-	-	-	-	41,351,526	-
Other operating expenses	18,495,709	6,746,295	3,801,113	5,093,175	489,420	34,625,712	8,731,322
Depreciation and amortization	13,365,695	1,839,920	1,377,998	4,739	58,061	16,646,413	-
Total operating expenses	84,084,320	9,289,365	5,476,235	5,100,718	1,149,681	105,100,319	8,731,322
Operating income (loss)	11,658,641	4,736,029	999,233	322,914	(106,676)	17,610,141	475,858
Nonoperating revenues (expenses):							
Intergovernmental-environmental tax	-	-	1,333,554	-	-	1,333,554	-
Investment earnings	513,120	52,218	55,438	12,166	63	633,005	-
Revenue from grants	11,896	282,035	-	-	-	293,931	-
Interest expense	(339,184)	(79,063)	(353,348)	-	(7,368)	(778,963)	-
Reassignment of capital assets	-	-	-	-	(574,137)	(574,137)	-
Total nonoperating revenues (expenses)	185,832	255,190	1,035,644	12,166	(581,442)	907,390	-
Income (loss) before transfers	11,844,473	4,991,219	2,034,877	335,080	(688,118)	18,517,531	475,858
Capital contributions	2,324,536	-	87,921	-	-	2,412,457	-
Transfers in	-	-	-	-	100,103	100,103	396,962
Transfers out	(8,223,261)	(698,171)	(322,649)	-	(3,482)	(9,247,563)	-
Change in net assets	5,945,748	4,293,048	1,800,149	335,080	(591,497)	11,782,528	872,820
Total net assets-beginning	319,389,158	49,291,660	22,511,897	1,410,783	2,295,890	394,899,388	(1,401,126)
Total net assets-ending	$ 325,334,906	$ 53,584,708	$ 24,312,046	$ 1,745,863	$ 1,704,393	$ 406,681,916	$ (528,306)

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, 2012

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Course	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers/users	$ 98,885,383	$ 14,150,337	$ 6,434,802	$ 5,404,431	$ 1,030,941	$ 125,905,894	$ 8,743,857
Payments to suppliers	(58,980,402)	(6,694,250)	(3,752,538)	(5,037,240)	(497,612)	(74,962,042)	(9,140,819)
Payments to employees	(10,799,563)	(693,979)	(294,850)	(2,786)	(601,085)	(12,392,263)	-
Net cash provided (used) by operating activities	29,105,418	6,762,108	2,387,414	364,405	(67,756)	38,551,589	(396,962)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfer to other funds	(8,223,261)	(698,171)	(322,649)	-	(3,482)	(9,247,563)	-
Transfer from other funds	-	-	-	-	100,103	100,103	396,962
Advances from other funds	-	-	-	-	34,649	34,649	-
Operating grants	11,896	282,035	-	-	-	293,931	-
Intergovernmental-envrionmental tax	-	-	1,333,554	-	-	1,333,554	-
Net cash provided (used) by capital and related financing activities	(8,211,365)	(416,136)	1,010,905	-	131,270	(7,485,326)	396,962
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital contributions	2,324,536	-	87,921	-	-	2,412,457	-
Acquisition and construction of capital assets	(13,269,297)	(3,412,454)	(824,614)	-	(22,259)	(17,528,624)	-
Principal paid on capital debt	(5,054,653)	(1,090,727)	(791,171)	-	-	(6,936,551)	-
Interest paid on capital debt	(339,184)	(79,063)	(353,348)	-	(7,368)	(778,963)	-
Capital lease payment	-	-	-	-	(34,400)	(34,400)	-
Net cash used by capital and related financing activities	(16,338,598)	(4,582,244)	(1,881,212)	-	(64,027)	(22,866,081)	-
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends received	513,120	52,218	55,438	12,166	63	633,005	-
Net increase (decrease) in cash and cash equivalents	5,068,575	1,815,946	1,572,545	376,571	(450)	8,833,187	-
Cash and cash equivalents - beginning	69,477,128	5,534,563	6,555,395	1,459,266	1,700	83,028,052	-
Cash and cash equivalents - ending	$ 74,545,703	$ 7,350,509	$ 8,127,940	$ 1,835,837	$ 1,250	$ 91,861,239	$ -

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, 2012

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Course	Totals	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	$ 11,658,641	$ 4,736,029	$ 999,233	$ 322,914	$ (106,676)	$ 17,610,141	$ 475,858
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation and amoritzation	13,365,695	1,839,920	1,377,998	4,739	58,061	16,646,413	-
(Increase) decrease in accounts receivable	1,418,478	210,691	(403)	17,014	(12,064)	1,633,716	(463,323)
(Increase) decrease in accrued unbilled revenues	8,760	(141,787)	(40,263)	(36,215)	-	(209,505)	-
(Increase) decrease in inventories	95,636	5,359	(125)	-	-	100,870	-
(Increase) decrease in prepaid items	(4,206)	(387)	254	-	1,464	(2,875)	-
(Increase) decrease in deferred charges	1,496,683	7,184	1,419	-	-	1,505,286	-
Increase (decrease) in other accrued expenses	41,383	2,602	1,193	18	1,115	46,311	-
Increase (decrease) in due to other funds	-	-		-	-	-	(615,816)
Increase (decrease) in accrued claims payable	47,000	-	5,125	-	-	52,125	206,319
Increase (decrease) in customer deposits	258,466	57,479	-	-	-	315,945	-
Increase (decrease) in accounts payable	718,882	45,018	42,983	55,935	(9,656)	853,162	-
Total adjustments	17,446,777	2,026,079	1,388,181	41,491	38,920	20,941,448	(872,820)
Net cash provided (used) by operating activities	$ 29,105,418	$ 6,762,108	$ 2,387,414	$ 364,405	$ (67,756)	$ 38,551,589	$ (396,962)
Noncash Activities:							
Reassignment of capital assets	$ -	$ -	$ -	$ -	$ 574,137		$ -

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

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Farmington, (City), New Mexico, which was incorporated in 1901, has a population of 45,250 living within an area of 33 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, 2012.

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

The government reports the following major proprietary funds:

> The *electric fund* accounts for the activities of the City's electric utility.
>
> The *water fund* accounts for the activities of the City's water utility.
>
> The *wastewater fund* accounts for the activities of the City's wastewater utility.
>
> The *sanitation fund* accounts for the activities of the City's sanitation utility.
>
> The *golf fund* accounts for the activities of the City's two golf courses.

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. <u>Assets, liabilities and net assets or equity</u>

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows for the proprietary funds, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

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

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

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 Liability*

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 liability is recorded. The liability (unearned revenue) is recorded on the statement of net assets ($4,056,398 as of June 30, 2012) and the related reduction in revenue is recorded on the statement of activities ($1,456,718 for the year ended June 30, 2012).

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:

	Threshold	Estimated Useful Life
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 Balance

Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are

considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

Nonspendable — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Assigned — amounts that are constrained by the City's intent to use them for a specific purpose, but are neither restricted or committed. The City has not established a policy regarding the assignment of funds, so this category of fund balance represents the residual amounts not otherwise reported as unspendable, restricted, or committed in governmental funds outside of the general fund.

Unassigned — all other spendable amounts.

As of June 30, 2012, fund balances are composed of the following:

	General Fund	Gross Receipts Tax Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventories/prepaids	$ 489,093	$ -	$ -	$ 489,093
Restricted reserve investment	15,509	-	-	15,509
Restricted:				
Police	-	-	28,413	28,413
Fire	-	-	230,311	230,311
Lodgers' promotion	-	-	412,513	412,513
Capital projects	-	-	10,137,670	10,137,670
Debt service	-	-	189,304	189,304
Committed:				
Police	-	-	74,253	74,253
Parks, rec, cultural affairs	-	-	2,173,568	2,173,568
Public Works	-	10,567,361	-	10,567,361
Assigned:				
Parks, rec, cultural affairs	-	-	1,223,459	1,223,459
Library	-	-	281,106	281,106
Capital projects	-	-	3,594,658	3,594,658
Unassigned	18,216,147	-	-	18,216,147
Total fund balances	$ 18,720,749	$ 10,567,361	$ 18,345,255	$ 47,633,365

10. Net Assets

In the government-wide financial statements and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments). The City's restricted net assets in the government-wide financial statements are $15,851,077 as of June 30, 2012.

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.

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 $18,463,775 difference are as follows:

Bonds payable	$	13,895,000
Bond premium (to be amortized over the life of the debt)		733,748
Issuance costs (to be amortized over the life of the debt)		(197,009)
Accrued interest payable		41,985
NMFA loan payable		475,426
Compensated absences payable		3,514,625
Net adjustment to reduce *fund balance-total governmental funds* to arrive at *net assets-governmental activities*	$	18,463,775

B. <u>Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities</u>

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 $121,093 are as follows:

Capital outlay	$	8,736,549
Depreciation		(9,005,763)
Loss on disposals and other		(183,830)
Transfer of golf course assets due to reassignment to General Fund		574,137
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$	121,093

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 $8,413,655 are as follows:

Principal repayments	$	3,440,000
Debt issued		(11,130,426)
Amortization of bond premium		(668,067)
Amortization of issuance costs		129,221
Accrued interest		(30,331)
Compensated absences		(154,052)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(8,413,655)

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 $872,820 difference are as follows:

Internal service charges for services	$	9,604,142
Internal service operating expenses		(8,731,322)
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$	872,820

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 City 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, 2012:

General Fund	343,967
Gross Receipts Tax Streets Fund	997,044
Gross Receipts Tax Parks Fund	20,221
Parks/Rec Gifts and Grants Fund	172,846
State Police Protection Fund	28,609
State Fire Fund	311,524
Community Development Capital Projects Fund	837,046
Gross Receipts Tax 2012 Bond Capital Projects Fund	74,991
General Government Capital Projects Fund	1,047,389
Airport Grant Capital Projects Fund	232,852
Electric Utility Fund	7,610,128
Water Utility Fund	391,481
Wastewater Utility Fund	326,181
Sanitation Fund	5,561
Total Encumbrances	$ 12,399,840

B. Excess of expenditures over appropriations

Expenditures for all funds were within budgeted appropriations for FY2012.

C. Deficit Fund Equity

As of June 30, 2012, the health insurance internal service fund had a deficit net asset balance of ($528,306). This deficit is equal to accrued payables of $1,210,483 less receivables totaling $682,177. The net asset balance increased by $872,820 over FY2011. Beginning July 1, 2012, a rate increase for health premiums will be implemented in an effort to decrease this deficit net asset balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Cash and investments	
Governmental activities	$ 43,818,582
Business activities	82,729,284
Restricted cash and investments	
Business activities	9,131,955
Reserve investment account	15,509
Total cash and investments	$135,695,330

As of June 30, 2012, the City had the following investments:

Investment Type		Fair Value	Weighted Average Maturity (Years)
Money markets	$	4,101,187	0.08
Certificates of deposit		96,103,727	1.35
State treasurer's pool		11,875,219	0.16
State treasurer's pool - reserved		15,509	N/A
Federal agency securities		21,035,568	4.59
Total Fair Value	$	133,131,210	
Portfolio weighted average maturity			1.93

Interest rate risk. Interest rate risk is the risk that interest rate variations may adversely affect the fair value of an investment. An acceptable method for reporting interest rate risk is weighted average maturity (WAM). The State Treasurer's Office uses this method for reporting purposes for the Local Government Investment Pool. The weighted average maturity at June 30, 2012 was 52 days for the Local Government Investment Pool.

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than five years.

Concentration of Credit Risk. The City had investments at June 30, 2012, with more than 5% of the total in securities of the federal agency securities. These investments represented 15.8%, respectively, of total investments.

Credit risk. As per the City's policy and as directed by State Statute 6-10-36, E. and F., excess funds may be invested in securities backed by the full faith and credit of the United States Government, such as treasury notes, bills and bonds; in securities of Agencies that are guaranteed by the United States Government; bonds or negotiable securities of the State of New Mexico or of any county, municipality or school district in the State of New Mexico which has a taxable valuation of real property for the last preceding year of at least one million dollars ($1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding. The City's investments in federal agency securities were rated AAA by Standard and Poor's and AA+ by Moody's Investment Service.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy and state statute require that the bank deposits be 50% collateralized and repurchase agreements be 102% collateralized. As of June 30, 2012, the City was in compliance with state statute. The City's carrying amount of deposits as of June 30, 2012 was $102,277,987 and the bank balance was $104,349,381. Of the bank balance, $4,894,467 was covered by federal depository insurance, $57,252,415 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and $42,202,499 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, 2012 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%
Primary Capital / Assets	Above 6%	5% - 6%	Less than 5%
Net Operating Income / Total Average Assets	Above .60%	.051% - .60%	Less than .51%
Non-Performing Loans / Primary Capital	Under 35%	35% - 49.9%	Above 49.9%

Savings and Loan Institutions
Percentage Level of Collateralization Required

Ratios	50%	75%	100%
Net Worth / Average Assets	Above 3%	2% - 3%	Less than 2%
4 Qtrs Avg Net Income Before Tax / 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, 2012. 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.

A portion of the City's investment in the State Treasurer's pool ($15,509) is shown as restricted on the City's financial statements. The LGIP was invested in the Reserve Primary Fund at September 15, 2008. On September 16, 2008, the Reserve Primary Fund's net assets fell below $1.00 and holdings in the fund were frozen. Since that date, 98.7% of the City's investment in the Reserve Primary Fund has been returned. In June, 2012, the State Treasurer's Office made the decision to officially "write down" a portion of the remaining investment held in the Reserve Primary Fund. The City's share of this write down was $ 77,077. We still anticipate receiving the balance ($15,509) of these funds which are currently being held for pending litigation but we cannot accurately estimate the full amount to be returned.

B. Receivables

Receivables as of June 30, 2012 are as follows:

	General	Special Revenue	Enterprise	Total
Receivables:				
Accounts Receivable	$ 194,661	$ 216,479	$ 5,981,739	$ 6,392,879
Unbilled Revenue	-	-	6,247,402	6,247,402
Intergovernmental	8,703,986	2,310,997	-	11,014,983
Gross Receivables	8,898,647	2,527,476	12,229,141	23,655,264
Less: Allowance for Uncollectibles	-	-	(616,813)	(616,813)
Net Total Receivables:	$ 8,898,647	$ 2,527,476	$ 11,612,328	$ 23,038,451

Intergovernmental receivables are made up of the following amounts in the general and special revenue funds: gross receipts taxes $8,248,112, property taxes $1,885,030, federal and state grants $466,727, franchise taxes $123,388, lodgers' taxes $195,073 and other taxes $96,653. In the internal service health fund there is $682,177 in accounts receivable, $619,813 of which is for a stop loss payment due.

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	$ 49,223
Uncollectibles related to water sales	12,110
Uncollectibles related to wastewater charges	7,823
Uncollectibles related to sanitation charges	5,571
Total uncollectibles of the current fiscal year	$ 74,727

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:

	Unavailable
Taxes	$ 1,993,390

C. Capital assets

Capital asset activity for the year ended June 30, 2012 was as follows:

Governmental activities	Balance July 1, 2011	Transfers	Additions	Deletions	Balance June 30, 2012
Non-Depreciable Assets:					
Land	$ 26,893,367	$ 100,000	$ 413,193	$ (91,359)	$ 27,315,201
Construction in progress	2,352,792	-	5,714,158	(3,043,576)	5,023,374
Total Non-Depreciable Assets	29,246,159	100,000	6,127,351	(3,134,935)	32,338,575
Depreciable Assets:					
Buildings	63,209,127	190,297	893,394	(43,208)	64,249,610
Improvements other than buildings	23,762,736	418,427	58,133	-	24,239,296
Equipment	30,220,849	49,316	3,351,112	(854,991)	32,766,286
Infrastructure	61,401,106	-	1,350,135	(398,397)	62,352,844
Total Depreciable Assets	178,593,818	658,040	5,652,774	(1,296,596)	183,608,036
Total Governmental Assets	207,839,977	758,040	11,780,125	(4,431,531)	215,946,611
Accumulated Depreciation:					
Buildings	(34,558,119)	(9,059)	(1,646,451)	27,997	(36,185,632)
Improvements other than buildings	(11,631,917)	(125,528)	(1,884,845)	-	(13,642,290)
Equipment	(21,034,276)	(49,316)	(2,515,071)	827,008	(22,771,655)
Infrastructure	(42,295,008)	-	(2,959,396)	349,120	(44,905,284)
Total Accumulated Depreciation	(109,519,320)	(183,903)	(9,005,763)	1,204,125	(117,504,861)
Net Governmental Assets	$ 98,320,657	$ 574,137	$ 2,774,362	$ (3,227,406)	$ 98,441,750

Business-type activities	Balance July 1, 2011	Transfers	Additions	Deletions	Balance June 30, 2012
Non-Depreciable Assets:					
Land	$ 3,984,334	$ (100,000)	$ -	$ -	$ 3,884,334
Construction in progress	38,205,916	-	17,772,376	(23,965,343)	32,012,949
Total Non-Depreciable Assets	42,190,250	(100,000)	17,772,376	(23,965,343)	35,897,283
Depreciable Assets:					
Land Rights	1,819,274	-	-	-	1,819,274
Buildings	108,653,599	(190,297)	125,142	-	108,588,444
* Improvements other than buildings	116,354,596	(418,427)	8,642,510	(88,635)	124,490,044
Equipment	283,782,049	(49,316)	14,973,870	(1,404,837)	297,301,766
Total Depreciable Assets	510,609,518	(658,040)	23,741,522	(1,493,472)	532,199,528
Total Business-type Assets	552,799,768	(758,040)	41,513,898	(25,458,815)	568,096,811
Accumulated Depreciation:					
Land Rights	(864,915)	-	(43,475)	-	(908,390)
Buildings	(43,351,140)	9,059	(3,202,603)	-	(46,544,684)
* Improvements other than buildings	(46,374,389)	125,528	(3,455,975)	248,554	(49,456,282)
Equipment	(130,607,234)	49,316	(10,124,210)	1,404,837	(139,277,291)
Total Accumulated Depreciation	(221,197,678)	183,903	(16,826,263)	1,653,391	(236,186,647)
Net Business-type Assets	$ 331,602,090	$ (574,137)	$ 24,687,635	$ (23,805,424)	$ 331,910,164

* According to FERC (Federal Energy Regulatory Commission), a retired Electric asset is fully depreciated, plant-in-service and accumulated deprecation are the same amount. But retirements also include cost of removal, which will increase the total of deletions for accumulated depreciation.

At the beginning of FY2012, the Civitan Golf Course was moved into the General Fund. This golf course has experienced increasing expenses during the past few years and the revenues have not

been sufficient to cover the expenses. Since the revenue collected cannot support the operations of this golf course, management determined that this activity no longer met the criteria of being an enterprise fund. This resulted in a net transfer into the governmental activities capital assets of $574,137.

Enterprise Assets – by fund

	Electric	Water	Wastewater	Sanitation	Golf
Land and land Rights	$ 3,546,554	$ 1,654,325	$ 479,388	$ 23,341	$ -
Buildings and Structures	69,654,809	14,008,573	23,989,482	80,640	854,940
Improvements other Than buildings	64,014,743	42,942,920	15,001,354	14,839	2,516,188
Equipment	282,010,520	9,987,572	4,397,383	101,099	805,192
Total	419,226,626	68,593,390	43,867,607	219,919	4,176,320
Less accumulated Depreciation	(181,505,846)	(33,267,732)	(18,981,520)	(186,360)	(2,245,189)
Construction in progress	18,792,993	11,734,433	1,485,523	-	-
Net Assets	$ 256,513,773	$ 47,060,091	$ 26,371,610	$ 33,559	$ 1,931,131

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	$ 1,056,474
Airport	1,118,634
Police	587,878
Fire	758,327
Parks, recreation, cultural affairs	2,001,507
Public works/Community development	397,257
Highways and streets	3,085,686
Total depreciation expense - governmental activities	$ 9,005,763
Business-type activities:	
Electric	$ 13,509,426
Water	1,870,935
Wastewater	1,383,102
Sanitation	4,739
Golf	58,061
Total depreciation expense - business-type activities	$ 16,826,263

D. Interfund receivables, payables and transfers

The composition of other accrued liabilities as of June 30, 2012 is as follows:

Other Accrued Liabilities	Governmental Funds
Taxes	$ 503
Intergovernmental	1,571
Court collections	12,032
Total	$ 14,106

The composition of other accrued expenses as of June 30, 2012 is as follows:

Other Accrued Expenses	Electric	Water	Wastewater	Sanitation	Golf	Total
Wages & benefits	$ 504,769	$ 9,793	$ 6,647	$ 104	$ 27,984	$ 549,297
Gross receipts taxes	420,803	100,847	-	-	3,891	525,541
Water conservation fee	-	18,725	-	-	-	18,725
Compensating taxes	296	-	-	-	-	296
Ad valorem taxes	325,000	-	-	-	-	325,000
Franchise taxes	222,761	-	-	-	-	222,761
PNM deferred credits	20,851	-	-	-	-	20,851
Billed customer deposits	57,244	-	-	-	-	57,244
Total	$ 1,551,724	$ 129,365	$ 6,647	$ 104	$ 31,875	$ 1,719,715

The composition of interfund balances as of June 30, 2012 is as follows:

	Due from other funds	Due to other funds
Major Fund:		
General fund	$ 163,967	$ -
Nonmajor governmental funds:		
Gross receipts tax parks fund	112,492	-
Region II narcotics grant fund	-	90,940
COPS program grant fund	-	73,027
Major proprietary funds:		
Golf fund	-	112,492
	$ 276,459	$ 276,459

Federal and state grants (e.g., Region II and COPS grants) are normally reimbursement oriented; therefore, the payable represents the unreimbursed expenditures at year end. A portion of the payable for the Internal Service fund also represents accounts receivable at year end. All other interfund transactions represent cash transfers for operating purposes.

Interfund transfers for the year ended June 30, 2012 are as follows:

Fund Financial Statements – Transfers

Governmental Funds		**In**		**Out**
General fund – operating transfer to airport construction grant projects fund	$	-	$	72,500
General fund – operating transfer to debt service fund		-		972,500
General fund – operating transfer to region II fund		-		30,000
General fund – operating transfer to governmental capital projects fund		-		3,645,233
General fund – operating transfer from electric/water/ww		9,157,724		-
GRT streets fund – operating transfer to debt service fund		-		533,500
GRT parks fund – operating transfer to golf fund		-		77,843
Region II fund – matching funds for grant from general fund		30,000		-
State fire grant fund – matching funds for fire station to debt service fund		-		110,000
GRT 2012 bond projects fund - 2001 bond defeasance transfer to debt service fund		-		2,231,667
Governmental capital projects fund – operating transfer from general fund		3,645,233		-
Governmental capital projects fund – capital project transfer to golf fund		-		22,260
Governmental capital projects fund – operating transfer to health insurance internal service fund		-		307,123
Airport construction grant projects fund – operating transfer from general fund		72,500		-
Debt service fund – operating transfer from GRT streets fund		533,500		-
Debt service fund – operating transfer from general fund		972,500		-
Debt service fund – operating transfer from state fire grant fund		110,000		-
Debt service fund - 2001 bond defeasance transfer from GRT 2012 bond projects fund		2,231,667		-
Total governmental funds transfers		16,753,124	$	8,002,626
Net governmental funds transfers	$	**8,750,498**		
Business-type funds				
Electric utility fund – operating transfer to general fund	$	-	$	8,140,386
Electric utility fund – operating transfer to health insurance internal service fund		-		82,875
Water utility fund – operating transfer to general fund		-		694,689
Water utility fund – operating transfer to health insurance internal service fund		-		3,482
Wastewater utility fund – operating transfer to general fund		-		322,649
Golf fund – operating transfer from GRT parks fund		77,843		-
Golf fund - capital project transfer from governmental capital projects fund		22,260		-
Golf fund – operating transfer to health insurance internal service fund		-		3,482
Health insurance internal service fund - operating transfer from governmental capital projects fund		307,123		-
Health insurance internal service fund - operating transfer from electric fund		82,875		-
Health insurance internal service fund - operating transfer from water fund		3,482		-
Health insurance internal service fund - operating transfer from golf fund		3,482		-
Total business-type funds transfers	$	497,065		9,247,563
Net business-type transfers			$	**8,750,498**

Government-wide Financial Statements – Transfers

	In	Out
Golf fund - transfer due to reassignment of Civitan Golf Course to governmental capital assets	$ 574,137	$ 574,137
Net governmental and business-type transfers	9,147,460	9,147,460
	$ **9,721,597**	$ **9,721,597**

E. Leases

Operating Leases

The City leases equipment (police motorcycles and an AS/400 mainframe computer) under noncancelable operating leases. The future minimum lease payments for these leases are as follows:

Year Ending	Amount
2013	$ 87,485
2014	5,914
Total	$ 93,399

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, 2012 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 FY2002, 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 for the purpose of completing construction of a new library and several major street projects.

In FY2005, the City issued $5,725,000 of Series 2005 Sales Tax Revenue Bonds to provide funds to construct, furnish, equip and improve fire-fighting facilities and acquire and rehabilitate fire-fighting equipment.

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.

In April, 2012, the City issued $10,655,000 of Series 2012 Sales Tax Refunding and Improvement Revenue Bonds through the New Mexico Finance Authority (NMFA). A portion of the proceeds ($2,231,667) was used to refund the 2001 Sales Tax Revenue Improvement and Refunding Bonds. The balance of the proceeds will be used to build a new animal shelter, renovate the Civic Center, expand the Gateway Museum, remodel Fire Station 1, and various drainage improvement projects.

Revenue bonds outstanding as of June 30, 2012 are as follows:

	Interest Rates	General Govt	Electric	Water	Wastewater	Total
Governmental Activities						
Sales Tax Bonds 2005	4.00%	$ 3,240,000	$ -	$ -	$ -	$ 3,240,000
Sales Tax Bonds 2012	1.50 - 5.50%	10,655,000	-	-	-	10,655,000
Business Activities						
Serial Bonds 2002	3.90%	-	3,232,652	697,565	114,783	4,045,000
Total		$ 13,895,000	$ 3,232,652	$ 697,565	$ 114,783	$ 17,940,000

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
2013	$ 1,055,000	$ 526,289	$ 3,232,652	$126,073	$ 697,565	$ 27,205	$114,783	$ 4,477
2014	1,145,000	432,088	-	-	-	-	-	-
2015	1,180,000	400,688	-	-	-	-	-	-
2016	1,235,000	342,463	-	-	-	-	-	-
2017	1,265,000	308,562	-	-	-	-	-	-
2018	1,305,000	277,587	-	-	-	-	-	-
2019	1,355,000	225,387	-	-	-	-	-	-
2020	1,080,000	185,800	-	-	-	-	-	-
2021	1,000,000	158,800	-	-	-	-	-	-
2022	1,055,000	108,800	-	-	-	-	-	-
2023	1,095,000	66,600	-	-	-	-	-	-
2024	1,125,000	33,750	-	-	-	-	-	-
Total	$ 13,895,000	$ 3,066,814	$ 3,232,652	$126,073	$ 697,565	$ 27,205	$114,783	$ 4,477

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, 2012, the City was in compliance with all significant limitations and restrictions.

***New Mexico Environment Department Loan*.** In FY2007, the City entered into a loan agreement with the New Mexico Environment Department (NMED) for a $14.2 million, 3% loan for expansion of the wastewater treatment plant. The NMED loan repayment schedule is as follows:

Year Ending June 30	Principal	Interest
2013	$ 630,043	$ 322,954
2014	648,945	304,052
2015	668,413	284,584
2016	688,465	264,532
2017	709,119	243,878
2018-2022	3,877,755	887,230
2023-2026	3,542,385	269,605
Total	$ 10,765,125	$ 2,576,835

***New Mexico Finance Authority Loan*.** In January 2010, the City entered into a loan and subsidy agreement with the New Mexico Finance Authority (NMFA) for $2,109,688, for improving approximately 13,900 feet of existing waterline in the City's Water Utility System. Of this amount 50% of the amount is forgiven and the amount repayable is $1,054,844 at a 1% interest rate (includes 0.25% for administrative fees). The loan was closed out in February 2012. As of June 30, 2012, the only payment due was for interest and the first principal payment is due May 2013. The NMFA loan repayment schedule is as follows:

Year Ending June 30	Principal	Interest	Administrative Fee
2013	$ 47,906	$ 7,911	$ 2,637
2014	48,385	7,552	2,517
2015	48,869	7,189	2,396
2016	49,358	6,823	2,274
2017	49,851	6,452	2,151
2018-2022	256,834	26,578	8,860
2023-2027	269,936	16,753	5,584
2028-2032	283,705	6,426	2,142
Total	$ 1,054,844	$ 85,685	$ 28,561

NMFA Fire Pumper Loan. In June 2011, the City also entered into a loan agreement with NMFA for $475,426 at a 2.775% blended interest rate for the purchase of two new fire pumpers. The NMFA loan repayment schedule is as follows:

Year Ending June 30	Principal	Interest
2013	$ 43,878	$ 21,427
2014	44,238	10,967
2015	44,760	10,445
2016	45,467	9,738
2017	46,322	8,883
2018-2022	250,761	25,265
Total	$ 475,426	$ 86,725

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, 2012 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, 2012, the following outstanding bonds are considered defeased (amounts in thousands):

		Series 1992
Original issue amount	$	49,205
Retired prior to fiscal year		(42,675)
Retired during the year ended 2012		(6,530)
Balance of principal remaining	$	-
Interest payments made during year ended June 30, 2012	$	375

Changes in Long-term Liabilities

During the year ended June 30, 2012, 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 bonds	$ 3,040,000	$ -	$ (3,040,000)	$ -	$ -
2005 Sales tax revenue bonds	3,640,000	-	(400,000)	3,240,000	410,000
2012 Sales tax revenue bonds	-	10,655,000	-	10,655,000	645,000
Premium on bonds - 2001 bonds	65,681	-	(65,681)	-	-
Premium on bonds - 2012 bonds	-	741,472	(7,724)	733,748	30,495
Total bonds payable	6,745,681	11,396,472	(3,513,405)	14,628,748	1,085,495
NMFA Fire Pumper Loan	-	475,426	-	475,426	43,878
Claims and judgments	2,862,627	9,219,450	(8,150,625)	3,931,452	2,373,283
Compensated absences	3,360,573	1,977,588	(1,823,536)	3,514,625	175,731
Total long-term liabilities Governmental activities	$12,968,881	$23,068,936	$(13,487,566)	$ 22,550,251	$ 3,678,387
Business-type activities:					
Bonds payable:					
Series 2002A	$10,140,000	$ -	$ (6,095,000)	$ 4,045,000	$ 4,045,000
Premium on bonds	440,560	-	(229,858)	210,702	210,702
Total bonds payable	10,580,560	-	(6,324,858)	4,255,702	4,255,702
NMED loan	11,376,818	-	(611,693)	10,765,125	630,043
NMFA loan	1,054,844	-	-	1,054,844	47,906
Capital leases	34,400	-	(34,400)	-	-
Compensated absences	1,060,451	600,235	(574,526)	1,086,160	574,525
Total long-term liabilities Business-type activities	$24,107,073	$ 600,235	$ (7,545,477)	$ 17,161,831	$ 5,508,176

The liability for compensated absences will be liquidated by the general fund, electric fund, and golf course fund. The liability for claims and judgments has been historically liquidated by the general and electric funds.

G. Restricted Assets

The following is a summary of restricted assets as of June 30, 2012:

Enterprise Funds

	Electric	Water	Wastewater	Total
Revenue bond current debt service	$ 280,732	$ 60,578	$ 9,968	$ 351,278
NMED loan debt service reserves	-	-	1,661,907	1,661,907
Revenue bond renewal, replacement and contingency account	1,598,345	344,902	56,753	2,000,000
Debt service reserves	839,681	-	-	839,681
Customer deposits/overpayments	3,926,262	352,827	-	4,279,089
Total restricted assets	$ 6,645,020	$ 758,307	$ 1,728,628	$ 9,131,955

V. OTHER INFORMATION

A. Risk Management

The government is exposed to various risks of loss related to torts, theft, property damage, errors and omissions, and natural disasters for which the government has designed a self insurance program in conjunction with commercial insurance coverage. The amount of settlement has not exceeded insurance coverage for the past three fiscal years. The self insured retention for excess liability coverage is $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 two years are as follows:

	June 30, 2011		June 30, 2012	
	Health	Risk Mgmt	Health	Risk Mgmt
Unpaid claims, beginning of fiscal year	$ 1,056,693	$ 1,396,987	$ 1,004,164	$ 1,858,463
Incurred claims and changes in estimate	5,580,942	1,919,939	7,103,094	2,116,356
Claim payments	(5,633,471)	(1,458,463)	(6,896,775)	(1,253,850)
Unpaid claims, end of fiscal year	$ 1,004,164	$ 1,858,463	$ 1,210,483	$ 2,720,969
Due within one year			$ 1,210,483	$ 1,162,800

City management's estimates of current portion are based on historical data.

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial. The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

San Juan Coal Company Reclamation

The City acquired an 8.475% undivided interest in Unit #4 of the San Juan Generating Station (SJGS) in 1981 to provide a long term supply of coal-fired base load electricity for its electric utility customers. Other owners in the project include Public Service Company of New Mexico (PNM), Tucson Electric Power Company (TEP), Southern California Public Power Authority, Tri-State Generation and Transmission Association, M-S-R Public Power Agency, the City of Anaheim, the Incorporated County of Los Alamos and Utah Associated Municipal Power Systems. Rights and obligations of plant owners or "Participants" in respect to ownership and operation of the San Juan Project, including reclamation costs, are governed by the Amended and Restated San Juan Project Participation Agreement dated March 23, 2006 (PPA).

Coal for the operation of the project is supplied by San Juan Coal Company (SJCC) and is mined from the San Juan mine located adjacent to the project. PNM and TEP (Utilities) are parties to an Underground Coal Sales Agreement dated August 31, 2001, (UG-CSA) with SJCC. According to the PPA, all participants acknowledge and recognize the terms of the UG-CSA which was entered into by PNM and TEP on behalf of all the Participants. The Utilities are required by the UG-CSA to compensate SJCC for all reclamation and related liabilities, obligations and costs associated with the disturbance on the SJCC site related to the coal supplied to the San Juan Station. Reclamation costs are considered fixed fuel expenses and allocated to Participants according to their common participant share per the PPA. The City's share is 2.559%.

All Participants have agreed to establish individual trust agreements in accordance with the Mine Reclamation and Trust Funds Agreement Among the San Juan Project Participants dated May 16, 2012 to assure SJCC they will meet their obligation to fully compensate SJCC for all reclamation costs at the surface and underground mine sites. The trust funds will continue until SJCC achieves Reclamation Bond Release, estimated to occur by 2050. Funding of the trust accounts will be according to funding curves provided in the agreement based on estimates for coal reclamation expenses which will be adjusted from time-to-time.

The City entered into a trust agreement with the Bank of Albuquerque, as Trustee for the benefit of SJCC, on May 22, 2012. Funds will be disbursed from the trust only for the City's share of reclamation costs, and for costs and fees associated with the maintenance of the trust account. The City retains no beneficial interest in the funds held in trust, except the right to a return of any funds that may remain in the trust after satisfaction of the Utilities reclamation obligation with SJCC.

Should another SJGS Participant default under the funding agreement prior to the termination of the PPA on July 1, 2022, the City is required by the funding agreement to establish a separate segregated portion of the trust account, a "make-up" trust fund, to provide funding for the City's share of the shortfall created by the defaulting Participant. Funds in the make-up trust fund will only be used for reclamation costs, and trust maintenance costs and fees. Should the defaulting Participant correct their default, funds in the make-up trust will be returned to the City.

Participants other than the Utilities could elect to become "Opt-out" Participants within 75 days of the full execution of the Mine Reclamation and Trust Agreement Among the San Juan Project Participants. This choice meant by having a higher funding curve for their respective trust, these

Participants would not be obligated to make up funding for another Participant's trust fund occurring after the termination of the PPA. The City elected to become an "Opt-out" Participant.

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 FY2012, the City made $5,587 in contributions to the Authority. Complete financial statements for the Consolidated Communications Authority can be obtained from San Juan County, New Mexico.

Joint Powers Agreement for the San Juan Water Commission. The City is a participant with the cities of Aztec and Bloomfield, the County of San Juan, and the San Juan Rural Waters Users Association in a joint powers agreement to create a countywide entity responsible for water planning and use. Much of the impetus to form the Commission came from the Animas La Plata water project and the subsequent need to develop methods to equitably share the related costs and benefits. In addition to this specific project the Commission is also authorized to acquire additional water rights and provide for the equitable distribution of such water. The Commission is financed by a San Juan County mill levy on real and personal property of approximately 3 mills. During FY2012, the City did not make any financial contribution to the Commission. Complete financial statements may be obtained by contacting the San Juan Water Commission.

Natural Gas Purchase Agreement. In November 2009, the City entered into a 30 year natural gas purchase agreement with the New Mexico Municipal Energy Acquisition Authority (NMMEAA) for approximately 85% of its historical requirements. Under this agreement the City will purchase gas at an index price less a discount. The discount is derived from a prepaid gas arrangement between NMMEAA and the Royal Bank of Canada (RBC). The variable discount is derived from the difference between taxable and non-taxable interest rate indices. The City's only obligation is to purchase gas from NMMEAA. The City has no obligation to purchase gas that is not needed, no exposure to any bond risk associated with the transaction between NMMEAA and RBC, and no exposure to paying greater than index for gas. The City anticipates annual savings of approximately $912,500 per year under this agreement.

D. Employee Retirement Systems and Plans

Pension Plan – Public Employees Retirement Association

Plan Description. Substantially all of the City'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., municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City 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 are

established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2012, 2011, and 2010 were $8,960,484, $8,778,923, and $8,953,674, 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, at the beginning of FY2008, 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 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. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee is required to contribute .917% of their salary. For employees who are not members of an enhanced retirement plan the contribution rates will be:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY2013	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal

fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]), during the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 2.292% of each participating employee's annual salary, and each participating employee was required to contribute 1.146% of their salary. The contribution rate for FY2013 is as follows:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY2013	2.500%	1.250%

Also, employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the NMRHCA based on one of two formulas at agreed-upon intervals.

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's contributions to the NMRHCA for the years ended June 30, 2012, 2011 and 2010 were $739,825, $725,751 and $512,041, respectively, which equals the required contributions for each 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.

In 1992, a study was conducted by an engineering firm to estimate the cost of decommissioning the plant. This study was updated in 2003 and agreed to the previous estimate. The City is analyzing the effect of this study on its financial statements.

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. 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 $6.4 million for contracted services for the year ended June 30, 2012.

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, 2012 was $995,000,000. This debt will never constitute an indebtedness of the City within the meaning of any constitutional or statutory provision of the state of New Mexico and will never constitute or give rise to a pecuniary liability of the City or a charge against its general or taxing powers.

San Juan Park Subdivision in Farmington - 1950

Nonmajor
Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Gross Receipts Tax Parks 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 parks.

Park Development Fees Fund - City Council Resolutions 887, dedication of recreation space, and 910, land subdivision regulations - recreation space, established this fund to account for fees collected from developers for the purchase of land and development of parks.

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

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

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

Lodgers' Tax Fund - State statute 3-38-15 N.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 Grant Fund - City management established this fund to account for state grants restricted for the purchase of police equipment and other approved police needs.

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

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

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

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

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

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 funded primarily by federal and state grants.

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

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

Airport Construction Grant Projects Fund – This fund is used to account for airport capital projects funded primarily by federal and state grants.

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, 2012

	Special Revenue			
	Gross Receipts Tax Parks	Park Development Fees	Library Gifts and Grants	Parks/ Recreation Gifts and Grants
ASSETS:				
Pooled cash and investments	$ 1,312,724	$ 380,763	$ 296,566	$ 1,049,735
Accounts receivable	-	-	-	5,316
Intergovernmental receivable	436,649	-	-	10,256
Due from other funds	112,492	-	-	-
Total assets	$ 1,861,865	$ 380,763	$ 296,566	$ 1,065,307
LIABILITIES:				
Accounts payable	$ 17,753	$ -	$ 15,460	$ 5,181
Deferred revenue	-	-	-	-
Accrued wages payable	51,307	-	-	16,902
Due to other funds	-	-	-	-
Total liabilities	69,060	-	15,460	22,083
FUND BALANCES:				
Restricted to:				
Police	-	-	-	-
Fire	-	-	-	-
Lodgers promotion	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Police	-	-	-	-
Parks, recreation, cultural affairs	1,792,805	380,763	-	-
Assigned to:				
Parks, recreation, cultural affairs	-	-	-	1,043,224
Library	-	-	281,106	-
Capital projects	-	-	-	-
Total fund balances	1,792,805	380,763	281,106	1,043,224
Total liabilities and fund balances	$ 1,861,865	$ 380,763	$ 296,566	$ 1,065,307

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, 2012

	Special Revenue				
	Museum Gifts and Grants	Lodgers' Tax	State Police Protection Grant	Region II Narcotics Grant	COPS Program Grant
ASSETS:					
Pooled cash and investments	$ 180,497	$ 310,419	$ 28,413	$ 104,601	$ -
Accounts receivable	-	-	-	-	-
Intergovernmental receivable	-	195,073	-	108,387	88,529
Due from other funds	-	-	-	-	-
Total assets	$ 180,497	$ 505,492	$ 28,413	$ 212,988	$ 88,529
LIABILITIES:					
Accounts payable	$ 262	$ 15,722	$ -	$ 36,153	$ -
Deferred revenue	-	62,146	-	-	1,192
Accrued wages payable	-	15,111	-	11,642	14,310
Due to other funds	-	-	-	90,940	73,027
Total liabilities	262	92,979	-	138,735	88,529
FUND BALANCES:					
Restricted to:					
Police	-	-	28,413	-	-
Fire	-	-	-	-	-
Lodgers promotion	-	412,513	-	-	-
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Committed to:					
Police	-	-	-	74,253	-
Parks, recreation, cultural affairs	-	-	-	-	-
Assigned to:					
Parks, recreation, cultural affairs	180,235	-	-	-	-
Library	-	-	-	-	-
Capital projects	-	-	-	-	-
Total fund balances	180,235	412,513	28,413	74,253	-
Total liabilities and fund balances	$ 180,497	$ 505,492	$ 28,413	$ 212,988	$ 88,529

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, 2012

	Special Revenue			
	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	Total Special Revenue
ASSETS:				
Pooled cash and investments	$ 7,870	$ 230,311	$ 14,407	$ 3,916,306
Accounts receivable	-	-	-	5,316
Intergovernmental receivable	-	-	-	838,894
Due from other funds	-	-	-	112,492
Total assets	$ 7,870	$ 230,311	$ 14,407	$ 4,873,008
LIABILITIES:				
Accounts payable	$ -	$ -	$ 14,407	$ 104,938
Deferred revenue	7,870	-	-	71,208
Accrued wages payable	-	-	-	109,272
Due to other funds	-	-	-	163,967
Total liabilities	7,870	-	14,407	449,385
FUND BALANCES:				
Restricted to:				
Police	-	-	-	28,413
Fire	-	230,311	-	230,311
Lodgers promotion	-	-	-	412,513
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Police	-	-	-	74,253
Parks, recreation, cultural affairs	-	-	-	2,173,568
Assigned to:				
Parks, recreation, cultural affairs	-	-	-	1,223,459
Library	-	-	-	281,106
Capital projects	-	-	-	-
Total fund balances	-	230,311	-	4,423,623
Total liabilities and fund balances	$ 7,870	$ 230,311	$ 14,407	$ 4,873,008

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, 2012

	Capital Projects						
	Community Development Grant Projects	Gross Receipts Tax 2012 Bond Projects	Governmental Capital Projects	Airport Construction Grant Projects	Total Capital Projects	Debt Service	Total Nonmajor Governmental Funds
ASSETS:							
Pooled cash and investments	$ 1,165,111	$ 8,983,372	$ 3,594,658	$ 42,731	$ 13,785,872	$ 189,304	$ 17,891,482
Accounts receivable	-	-	-	-	-	-	5,316
Intergovernmental receivable	65,502	-	-	-	65,502	-	904,396
Due from other funds	-	-	-	-	-	-	112,492
Total assets	$ 1,230,613	$ 8,983,372	$ 3,594,658	$ 42,731	$ 13,851,374	$ 189,304	$ 18,913,686
LIABILITIES:							
Accounts payable	$ 65,502	$ 50,364	$ -	$ -	$ 115,866	$ -	$ 220,804
Deferred revenue	-	-	-	-	-	-	71,208
Accrued wages payable	3,180	-	-	-	3,180	-	112,452
Due to other funds	-	-	-	-	-	-	163,967
Total liabilities	68,682	50,364	-	-	119,046	-	568,431
FUND BALANCES:							
Restricted to:							
Police	-	-	-	-	-	-	28,413
Fire	-	-	-	-	-	-	230,311
Lodgers promotion	-	-	-	-	-	-	412,513
Capital projects	1,161,931	8,933,008	-	42,731	10,137,670	-	10,137,670
Debt service	-	-	-	-	-	189,304	189,304
Committed to:							
Police	-	-	-	-	-	-	74,253
Parks, recreation, cultural affairs	-	-	-	-	-	-	2,173,568
Assigned to:							
Parks, recreation, cultural affairs	-	-	-	-	-	-	1,223,459
Library	-	-	-	-	-	-	281,106
Capital projects	-	-	3,594,658	-	3,594,658	-	3,594,658
Total fund balances	1,161,931	8,933,008	3,594,658	42,731	13,732,328	189,304	18,345,255
Total liabilities and fund balances	$ 1,230,613	$ 8,983,372	$ 3,594,658	$ 42,731	$ 13,851,374	$ 189,304	$ 18,913,686

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

CITY OF FARMINGTON, NEW MEXICO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue			
	Gross Receipts Tax Parks	**Park Development Fees**	**Library Gifts and Grants**	**Parks/ Recreation Gifts and Grants**
REVENUES:				
Taxes:				
Gross receipts tax	$ 2,667,164	$ -	$ -	$ -
Lodgers' taxes	-	-	-	-
Licenses and permits	-	24,039	-	-
Intergovernmental	-	-	266,318	33,905
Charges for services	-	-	-	-
Fines	-	-	-	-
Investment earnings	5,809	2,478	1,725	7,547
Donations	-	-	49,005	335,603
Miscellaneous	201,100	-	230	322,766
Total revenues	2,874,073	26,517	317,278	699,821
EXPENDITURES:				
Current:				
Police operations	-	-	-	-
Fire operations	-	-	-	-
Parks, recreation and cultural affairs	2,094,112	-	134,060	603,057
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Parks, recreation and cultural affairs	563,835	5,131	-	-
Airport	-	-	-	-
Highways and streets	-	-	-	-
Total expenditures	2,657,947	5,131	134,060	603,057
Excess (deficiency) of revenues over (under) expenditures	216,126	21,386	183,218	96,764
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(77,843)	-	-	-
Net GRT bonds issued	-	-	-	-
Total other financing sources (uses)	(77,843)	-	-	-
Net change in fund balances	138,283	21,386	183,218	96,764
Fund balances-beginning	1,654,522	359,377	97,888	946,460
Fund balances-ending	$ 1,792,805	$ 380,763	$ 281,106	$ 1,043,224

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

CITY OF FARMINGTON, NEW MEXICO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue				
	Museum Gifts and Grants	**Lodgers' Tax**	**State Police Protection Grant**	**Region II Narcotics Grant**	**COPS Program Grant**
REVENUES:					
Taxes:					
Gross receipts tax	$ -	$ -	$ -	$ -	$ -
Lodgers' taxes	-	1,242,912	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	106,800	325,786	327,255
Charges for services	88,975	42,805	-	-	-
Fines	-	-	-	-	-
Investment earnings	1,323	1,990	-	-	-
Donations	14,995	-	-	-	-
Miscellaneous	799	839	539	56,598	-
Total revenues	106,092	1,288,546	107,339	382,384	327,255
EXPENDITURES:					
Current:					
Police operations	-	-	78,926	443,993	327,255
Fire operations	-	-	-	-	-
Parks, recreation and cultural affairs	108,940	1,213,912	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
General government	-	-	-	-	-
Parks, recreation and cultural affairs	-	-	-	-	-
Airport	-	-	-	-	-
Highways and streets	-	-	-	-	-
Total expenditures	108,940	1,213,912	78,926	443,993	327,255
Excess (deficiency) of revenues over (under) expenditures	(2,848)	74,634	28,413	(61,609)	-
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	30,000	-
Transfers out	-	-	-	-	-
Net GRT bonds issued	-	-	-	-	-
Total other financing sources (uses)	-	-	-	30,000	-
Net change in fund balances	(2,848)	74,634	28,413	(31,609)	-
Fund balances-beginning	183,083	337,879	-	105,862	-
Fund balances-ending	$ 180,235	$ 412,513	$ 28,413	$ 74,253	$ -

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

CITY OF FARMINGTON, NEW MEXICO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue			
	Law Enforcement Block Grant	**State Fire Grant**	**Penalty Assessment**	**Total Special Revenue**
REVENUES:				
Taxes:				
Gross receipts tax	$ -	$ -	$ -	$ 2,667,164
Lodgers' taxes	-	-	-	1,242,912
Licenses and permits	-	-	-	24,039
Intergovernmental	58,982	1,282,251	-	2,401,297
Charges for services	-	-	-	131,780
Fines	-	-	165,559	165,559
Investment earnings	-	6,142	-	27,014
Donations	-	-	-	399,603
Miscellaneous	323	2,275	128	585,597
Total revenues	59,305	1,290,668	165,687	7,644,965
EXPENDITURES:				
Current:				
Police operations	59,653	-	165,705	1,075,532
Fire operations	-	1,545,303	-	1,545,303
Parks, recreation and cultural affairs	-	-	-	4,154,081
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Parks, recreation and cultural affairs	-	-	-	568,966
Airport	-	-	-	-
Highways and streets	-	-	-	-
Total expenditures	59,653	1,545,303	165,705	7,343,882
Excess (deficiency) of revenues over (under) expenditures	(348)	(254,635)	(18)	301,083
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	30,000
Transfers out	-	(110,000)	-	(187,843)
Net GRT bonds issued	-	-	-	-
Total other financing sources (uses)	-	(110,000)	-	(157,843)
Net change in fund balances	(348)	(364,635)	(18)	143,240
Fund balances-beginning	348	594,946	18	4,280,383
Fund balances-ending	$ -	$ 230,311	$ -	$ 4,423,623

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

CITY OF FARMINGTON, NEW MEXICO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Capital Projects						
	Community Development Grant Projects	**Gross Receipts Tax 2012 Bond Projects**	**Governmental Capital Projects**	**Airport Construction Grant Projects**	**Total Capital Projects**	**Debt Service**	**Total Nonmajor Governmental Funds**
REVENUES:							
Taxes:							
Gross receipts tax	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,667,164
Lodgers' taxes	-	-	-	-	-	-	1,242,912
Licenses and permits	-	-	-	-	-	-	24,039
Intergovernmental	233,068	-	-	1,065,555	1,298,623	-	3,699,920
Charges for services	-	-	-	-	-	-	131,780
Fines	-	-	-	-	-	-	165,559
Investment earnings	8,033	17,649	28,173	-	53,855	4,471	85,340
Donations	-	-	-	-	-	-	399,603
Miscellaneous	57	-	-	9,131	9,188	-	594,785
Total revenues	241,158	17,649	28,173	1,074,686	1,361,666	4,471	9,011,102
EXPENDITURES:							
Current:							
Police operations	-	-	-	-	-	-	1,075,532
Fire operations	-	-	-	-	-	-	1,545,303
Parks, recreation and cultural affairs	-	-	-	-	-	-	4,154,081
Debt Service:							
Principal	-	-	-	-	-	3,440,000	3,440,000
Interest	-	-	-	-	-	258,145	258,145
Capital outlay:							
General government	-	-	255,568	-	255,568	-	255,568
Parks, recreation and cultural affairs	-	50,364	-	-	50,364	-	619,330
Airport	-	-	-	1,182,440	1,182,440	-	1,182,440
Highways and streets	672,830	-	-	-	672,830	-	672,830
Total expenditures	672,830	50,364	255,568	1,182,440	2,161,202	3,698,145	13,203,229
Excess (deficiency) of revenues over (under) expenditures	(431,672)	(32,715)	(227,395)	(107,754)	(799,536)	(3,693,674)	(4,192,127)
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	3,645,233	72,500	3,717,733	3,847,667	7,595,400
Transfers out	-	(2,231,667)	(329,383)	-	(2,561,050)	-	(2,748,893)
Net GRT bonds issued	-	11,197,390	-	-	11,197,390	-	11,197,390
Total other financing sources (uses)	-	8,965,723	3,315,850	72,500	12,354,073	3,847,667	16,043,897
Net change in fund balances	(431,672)	8,933,008	3,088,455	(35,254)	11,554,537	153,993	11,851,770
Fund balances-beginning	1,593,603	-	506,203	77,985	2,177,791	35,311	6,493,485
Fund balances-ending	$ 1,161,931	$ 8,933,008	$ 3,594,658	$ 42,731	$ 13,732,328	$ 189,304	$ 18,345,255

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

CITY OF FARMINGTON, NEW MEXICO
Gross Receipts Tax Parks
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Gross receipts taxes	$ 2,466,323	$ 2,466,323	$ 2,673,231	$ 206,908
Investment earnings	10,000	10,000	5,809	(4,191)
Miscellaneous	4,500	189,795	201,100	11,305
Total revenues	2,480,823	2,666,118	2,880,140	214,022
EXPENDITURES:				
Current:				
Parks, Recreation and Cultural Affairs	2,153,138	2,167,654	2,086,038	81,616
Capital Outlay:				
Park Construction	423,000	608,295	553,966	54,329
Total expenditures	2,576,138	2,775,949	2,640,004	135,945
Excess (deficiency) of revenues over (under) expenditures	(95,315)	(109,831)	240,136	$ 349,967
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(77,844)	(77,843)	1
Net change in fund balances	(95,315)	(187,675)	162,293	$ 349,968
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(6,067)	
Change in accounts payable			(17,943)	
			(24,010)	
GAAP BASIS CHANGE IN FUND BALANCES			138,283	
Fund balances-beginning	1,654,522	1,654,522	1,654,522	
Fund balances-ending	$ 1,559,207	$ 1,466,847	$ 1,792,805	

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, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and permits	$ 40,000	$ 40,000	$ 24,039	$ (15,961)
Investment earnings	8,000	8,000	2,478	(5,522)
Total revenues	48,000	48,000	26,517	(21,483)
EXPENDITURES:				
Capital Outlay:				
Park Construction	48,000	48,000	5,131	42,869
Total expenditures	48,000	48,000	5,131	42,869
Excess (deficiency) of revenues over (under) expenditures	-	-	21,386	$ 21,386
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			-	
GAAP BASIS CHANGE IN FUND BALANCES			21,386	
Fund balances-beginning	359,377	359,377	359,377	
Fund balances-ending	$ 359,377	$ 359,377	$ 380,763	

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 to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 20,000	$ 20,000	$ 266,318	$ 246,318
Investment earnings	2,500	2,500	1,725	(775)
Donations	15,000	15,000	49,005	34,005
Miscellaneous	250	250	230	(20)
Total revenues	37,750	37,750	317,278	279,528
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	138,000	128,000	113,606	14,394
Excess (deficiency) of revenues over (under) expenditures	(100,250)	(90,250)	203,672	$ 293,922
ADJUSTMENTS TO GAAP:				
Change in accounts payable			(20,454)	
GAAP BASIS CHANGE IN FUND BALANCES			183,218	
Fund balances-beginning	97,888	97,888	97,888	
Fund balances-ending	$ (2,362)	$ 7,638	$ 281,106	

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

CITY OF FARMINGTON, NEW MEXICO
Parks/Recreation 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, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 29,000	$ 29,000	$ 31,088	$ 2,088
Investment earnings	9,000	9,000	7,547	(1,453)
Donations	291,200	367,450	335,603	(31,847)
Miscellaneous	108,750	319,597	317,697	(1,900)
Total revenues	437,950	725,047	691,935	(33,112)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	437,950	725,047	597,915	127,132
Excess (deficiency) of revenues over (under) expenditures	-	-	94,020	$ 94,020
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			7,886	
Change in accounts payable			(5,142)	
			2,744	
GAAP BASIS CHANGE IN FUND BALANCES			96,764	
Fund balances-beginning	946,460	946,460	946,460	
Fund balances-ending	$ 946,460	$ 946,460	$ 1,043,224	

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, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 6,000	$ 6,000	$ 2,929	$ (3,071)
Charges for services	118,750	118,750	88,975	(29,775)
Investment earnings	-	-	1,323	1,323
Donations	31,000	31,000	14,995	(16,005)
Miscellaneous	5,000	5,000	799	(4,201)
Total revenues	160,750	160,750	109,021	(51,729)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	160,750	160,750	108,940	51,810
Excess (deficiency) of revenues over (under) expenditures	-	-	81	$ 81
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(2,929)	
GAAP BASIS CHANGE IN FUND BALANCES			(2,848)	
Fund balances-beginning	183,083	183,083	183,083	
Fund balances-ending	$ 183,083	$ 183,083	$ 180,235	

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, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Lodgers' taxes	$ 1,183,900	$ 1,235,675	$ 1,235,675	$ -
Charges for services	-	42,673	42,805	132
Investment earnings	8,000	8,000	1,990	(6,010)
Miscellaneous	8,100	8,100	839	(7,261)
Total revenues	1,200,000	1,294,448	1,281,309	(13,139)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	1,200,000	1,294,448	1,251,640	42,808
Excess (deficiency) of revenues over (under) expenditures	-	-	29,669	$ 29,669
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			7,237	
Change in accounts payable			37,728	
			44,965	
GAAP BASIS CHANGE IN FUND BALANCES			74,634	
Fund balances-beginning	337,879	337,879	337,879	
Fund balances-ending	$ 337,879	$ 337,879	$ 412,513	

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, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 106,800	$ 106,800	$ 106,800	$ -
Miscellaneous	-	-	539	539
Total revenues	106,800	106,800	107,339	539
EXPENDITURES:				
Current:				
Police operations	106,800	106,800	78,926	27,874
Excess (deficiency) of revenues over (under) expenditures	-	-	28,413	$ 28,413
ADJUSTMENTS TO GAAP:				
Change in accounts payable			-	
GAAP BASIS CHANGE IN FUND BALANCES			28,413	
Fund balances-beginning	-	-	-	
Fund balances-ending	$ -	$ -	$ 28,413	

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, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 433,759	$ 433,759	$ 366,241	$ (67,518)
Miscellaneous	24,567	24,567	44,424	19,857
Total revenues	458,326	458,326	410,665	(47,661)
EXPENDITURES:				
Current:				
Public safety	486,219	486,219	443,993	42,226
Excess (deficiency) of revenues over (under) expenditures	(27,893)	(27,893)	(33,328)	(5,435)
OTHER FINANCING SOURCES (USES):				
Transfers in	30,000	30,000	30,000	-
Net change in fund balances	2,107	2,107	(3,328)	$ (5,435)
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(28,281)	
GAAP BASIS CHANGE IN FUND BALANCES			(31,609)	
Fund balances-beginning	105,862	105,862	105,862	
Fund balances-ending	$ 107,969	$ 107,969	$ 74,253	

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

CITY OF FARMINGTON, NEW MEXICO
COPS Program Grant Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 318,990	$ 331,215	$ 331,216	$ 1
EXPENDITURES:				
Current:				
Public safety	318,990	331,215	327,255	3,960
Excess (deficiency) of revenues over (under) expenditures	-	-	3,961	$ 3,961
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(6,085)	
Change in deferred revenue			2,124	
			(3,961)	
GAAP BASIS CHANGE IN FUND BALANCES			-	
Fund balances-beginning	-	-	-	
Fund balances-ending	$ -	$ -	$ -	

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, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 66,500	$ 66,500	$ 53,902	$ (12,598)
Investment earnings	500	500	222	(278)
Miscellaneous	-	-	101	101
Total revenues	67,000	67,000	54,225	(12,775)
EXPENDITURES:				
Current:				
Public safety	67,000	67,000	59,653	7,347
Excess (deficiency) of revenues over (under) expenditures	-	-	(5,428)	$ (5,428)
ADJUSTMENTS TO GAAP:				
Change in deferred revenue			5,080	
GAAP BASIS CHANGE IN FUND BALANCES			(348)	
Fund balances-beginning	348	348	348	
Fund balances-ending	$ 348	$ 348	$ -	

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, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 472,238	$ 1,652,783	$ 1,205,895	$ (446,888)
Investment earnings	5,000	5,000	6,142	1,142
Miscellaneous	462	462	2,275	1,813
Total revenues	477,700	1,658,245	1,214,312	(443,933)
EXPENDITURES:				
Current:				
Fire operations	367,700	2,050,839	1,545,303	505,536
Excess (deficiency) of revenues over (under) expenditures	110,000	(392,594)	(330,991)	61,603
OTHER FINANCING SOURCES (USES):				
Transfers in	-	23,000	-	(23,000)
Transfers out	(110,000)	(110,000)	(110,000)	-
Total other financing sources (uses)	(110,000)	(87,000)	(110,000)	(23,000)
Net change in fund balances	-	(479,594)	(440,991)	$ 38,603
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(23,644)	
Change in deferred revenue			100,000	
GAAP BASIS CHANGE IN FUND BALANCES			(364,635)	
Fund balances-beginning	594,946	594,946	594,946	
Fund balances-ending	$ 594,946	$ 115,352	$ 230,311	

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, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines	$ 200,000	$ 200,000	$ 165,559	$ (34,441)
Miscellaneous	-	-	128	128
Total Revenues	200,000	200,000	165,687	(34,313)
EXPENDITURES:				
Current:				
Public safety	200,000	200,000	166,556	33,444
Excess (deficiency) of revenues over (under) expenditures	-	-	(869)	$ (869)
ADJUSTMENTS TO GAAP:				
Change in accounts payable			851	
GAAP BASIS CHANGE IN FUND BALANCES			(18)	
Fund balances-beginning	18	18	18	
Fund balances-ending	$ 18	$ 18	$ -	

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, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 2,262,839	$ 2,502,839	$ 486,334	$ (2,016,505)
Investment earnings	-	-	8,033	8,033
Miscellaneous	900,000	900,000	57	(899,943)
Total revenues	3,162,839	3,402,839	494,424	(2,908,415)
EXPENDITURES:				
Capital Outlay:				
Highways and Streets	3,162,839	3,428,497	924,931	2,503,566
Excess (deficiency) of revenues over (under) expenditures	-	(25,658)	(430,507)	$ (404,849)
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(253,266)	
Change in accounts payable			252,101	
			(1,165)	
GAAP BASIS CHANGE IN FUND BALANCES			(431,672)	
Fund balances-beginning	1,593,603	1,593,603	1,593,603	
Fund balances-ending	$ 1,593,603	$ 1,567,945	$ 1,161,931	

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

CITY OF FARMINGTON, NEW MEXICO
Gross Receipts Tax 2012 Bond Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment earnings	$ -	$ -	$ 17,649	$ 17,649
EXPENDITURES:				
Capital Outlay:				
General Government	-	9,000,000	-	9,000,000
Total expenditures	-	9,000,000	-	
Excess (deficiency) of revenues over (under) expenditures	-	(9,000,000)	17,649	9,017,649
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(2,231,670)	(2,231,667)	3
Net GRT bonds issued	-	11,231,670	11,197,390	(34,280)
Total other financing sources and uses	-	9,000,000	8,965,723	(34,277)
Net change in fund balances	-	-	8,983,372	$ 8,983,372
ADJUSTMENTS TO GAAP:				
Change in accounts payable			(50,364)	
GAAP BASIS CHANGE IN FUND BALANCES			8,933,008	
Fund balances-beginning	-	-	-	
Fund balances-ending	$ -	$ -	$ 8,933,008	

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, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment earnings	$ -	$ -	$ 28,173	$ 28,173
EXPENDITURES:				
Capital Outlay:				
General Government	3,335,600	3,312,996	255,568	3,057,428
Excess (deficiency) of revenues over (under) expenditures	(3,335,600)	(3,312,996)	(227,395)	3,085,601
OTHER FINANCING SOURCES (USES):				
Transfers in	3,051,600	3,645,233	3,645,233	-
Transfers out	-	(329,728)	(329,383)	345
Total other financing sources and uses	3,051,600	3,315,505	3,315,850	345
Net change in fund balances	(284,000)	2,509	3,088,455	$ 3,085,946
ADJUSTMENTS TO GAAP:				
Change in accounts payable			-	
GAAP BASIS CHANGE IN FUND BALANCES			3,088,455	
Fund balances-beginning	506,203	506,203	506,203	
Fund balances-ending	$ 222,203	$ 508,712	$ 3,594,658	

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

CITY OF FARMINGTON, NEW MEXICO
Airport Construction 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, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 2,162,500	$ 2,162,500	$ 1,281,039	$ (881,461)
Miscellaneous	-	-	9,131	9,131
Total revenues	2,162,500	2,162,500	1,290,170	(872,330)
EXPENDITURES:				
Capital Outlay:				
Airport	2,235,000	2,235,000	1,323,436	911,564
Excess (deficiency) of revenues over (under) expenditures	(72,500)	(72,500)	(33,266)	39,234
OTHER FINANCING SOURCES (USES):				
Transfers in	72,500	72,500	72,500	-
Net change in fund balances	-	-	39,234	$ 39,234
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(215,484)	
Change in accounts payable			140,996	
			(74,488)	
GAAP BASIS CHANGE IN FUND BALANCES			(35,254)	
Fund balances-beginning	77,985	77,985	77,985	
Fund balances-ending	$ 77,985	$ 77,985	$ 42,731	

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, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES:				
Investment earnings	$ 8,500	$ 8,500	$ 4,471	$ (4,029)
EXPENDITURES:				
Debt Service:				
Principal	1,370,000	3,440,000	3,440,000	-
Interest	281,000	442,670	258,145	184,525
Total expenditures	1,651,000	3,882,670	3,698,145	184,525
Excess (deficiency) of revenues over (under) expenditures	(1,642,500)	(3,874,170)	(3,693,674)	180,496
OTHER FINANCING SOURCES (USES):				
Transfers in	1,616,000	3,847,670	3,847,667	(3)
Net change in fund balances	(26,500)	(26,500)	153,993	$ 180,493
ADJUSTMENTS TO GAAP:				
Change in receivables			-	
GAAP BASIS CHANGE IN FUND BALANCES:			153,993	
Fund balances-beginning	35,311	35,311	35,311	
Fund balances-ending	$ 8,811	$ 8,811	$ 189,304	

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

Connie Mack World Series Token - 1965

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, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Operating revenues:				
Charges for services	$ 6,181,000	$ 9,322,028	$ 8,731,917	$ (590,111)
Operating expenses:				
Costs of services	6,181,000	8,568,159	8,567,064	1,095
Operating income (loss)	-	753,869	164,853	(589,016)
Nonoperating revenues (expenses):				
Investment earnings	-	-	16	16
Income (loss) before transfers	-	753,869	164,869	(589,000)
Transfers in	-	396,965	396,962	(3)
Change in net assets	-	1,150,834	561,831	$ (589,003)
RECONCILIATION TO GAAP BASIS:				
Change in accounts receivable			475,247	
Change in accounts payable			(11,940)	
Change in accrued claims payable			(152,318)	
			310,989	
GAAP BASIS CHANGE IN NET ASSETS			872,820	
Total net assets-beginning	(1,401,126)	(1,401,126)	(1,401,126)	
Total net assets-ending	$ (1,401,126)	$ (250,292)	$ (528,306)	

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 Utility Enterprise Fund
For the Year Ended June 30, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Operating revenues:				
Charges for sales and services:				
Electric	$ 98,080,364	$ 98,080,364	$ 94,674,682	$ (3,405,682)
Other revenues	594,900	594,900	1,117,367	522,467
Total operating revenues	98,675,264	98,675,264	95,792,049	(2,883,215)
Operating expenses:				
Salaries and fringe benefits	11,939,405	12,241,636	10,871,390	1,370,246
Purchased power, fuel and chemicals	44,772,187	44,772,187	40,607,489	4,164,698
Other operating expenses	18,284,543	18,284,543	17,887,107	397,436
Capital outlay	24,678,755	24,678,755	13,096,611	11,582,144
Total operating expenses	99,674,890	99,977,121	82,462,597	17,514,524
Operating income	(999,626)	(1,301,857)	13,329,452	14,631,309
Nonoperating revenues (expenses):				
Investment earnings	1,008,000	1,008,000	569,730	(438,270)
Revenue from grants	-	-	27,840	27,840
Interest expense	(376,121)	(376,121)	(339,184)	36,937
Principal on debt service	(4,870,956)	(4,870,956)	(4,870,956)	-
Total nonoperating revenues (expenses)	(4,239,077)	(4,239,077)	(4,612,570)	(373,493)
Income (loss) before operating transfers	(5,238,703)	(5,540,934)	8,716,882	14,257,816
Capital contributions	2,000,000	2,000,000	2,324,536	324,536
Transfers out	(8,140,386)	(8,223,261)	(8,223,261)	-
Change in net assets	(11,379,089)	(11,764,195)	2,818,157	$ 14,582,352
ADJUSTMENTS TO GAAP				
Depreciation			(13,509,426)	
Amortization			143,731	
Capital outlay capitalized			13,096,611	
Principal on debt service			4,870,956	
Change in accounts receivable			(121,642)	
Change in accounts payable			(1,352,639)	
			3,127,591	
GAAP BASIS CHANGE IN NET ASSETS			5,945,748	
Total net assets-beginning	319,389,158	319,389,158	319,389,158	
Total net assets-ending	$ 308,010,069	$ 307,624,963	$ 325,334,906	

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 Utility Enterprise Fund
For the Year Ended June 30, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Operating revenues:				
Charges for sales and services:				
Water	$ 13,507,260	$ 13,507,260	$ 13,863,810	$ 356,550
Other revenues	-	-	19,777	19,777
Total operating revenues	13,507,260	13,507,260	13,883,587	376,327
Operating expenses:				
Salaries and fringe benefits	692,469	700,138	703,150	(3,012)
Other operating expenses	6,995,936	7,180,010	6,717,168	462,842
Capital outlay	6,092,914	7,160,761	3,358,826	3,801,935
Total operating expenses	13,781,319	15,040,909	10,779,144	4,261,765
Operating income	(274,059)	(1,533,649)	3,104,443	4,638,092
Nonoperating revenues (expenses):				
Investment earnings	115,000	115,000	56,527	(58,473)
NMFA loan proceeds	242,483	242,483	-	(242,483)
Revenue from operating grants	250,000	750,000	284,789	(465,211)
Interest expense	(84,759)	(92,673)	(79,063)	13,610
Principal on debt service	(1,051,088)	(1,101,088)	(1,051,088)	50,000
Total nonoperating revenues (expenses)	(528,364)	(86,278)	(788,835)	(702,557)
Income (loss) before operating transfers	(802,423)	(1,619,927)	2,315,608	3,935,535
Transfers out	(648,900)	(669,183)	(694,231)	(25,048)
Change in net assets	(1,451,323)	(2,289,110)	1,621,377	$ 3,910,487
ADJUSTMENTS TO GAAP				
Depreciation			(1,870,935)	
Amortization			31,015	
Capital outlay capitalized			3,358,826	
Principal on debt service			1,051,088	
Change in accounts receivable			134,744	
Change in accounts payable			(33,067)	
			2,671,671	
GAAP BASIS CHANGE IN NET ASSETS			4,293,048	
Total net assets-beginning	49,291,660	49,291,660	49,291,660	
Total net assets-ending	$ 47,840,337	$ 47,002,550	$ 53,584,708	

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 Utility Enterprise Fund
For the Year Ended June 30, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Operating revenues:				
Charges for sales and services:				
Wastewater	$ 6,272,361	$ 6,272,361	$ 6,435,148	$ 162,787
Other revenues	2,000	2,000	44	(1,956)
Total operating revenues	6,274,361	6,274,361	6,435,192	160,831
Operating expenses:				
Salaries and fringe benefits	352,304	357,198	297,124	60,074
Other operating expenses	4,051,338	4,171,338	3,818,004	353,334
Capital outlay	4,903,706	5,150,625	650,175	4,500,450
Total operating expenses	9,307,348	9,679,161	4,765,303	4,913,858
Operating income	(3,032,987)	(3,404,800)	1,669,889	5,074,689
Nonoperating revenues (expenses):				
Intergovernmental-environmental tax	1,233,162	1,233,162	1,336,593	103,431
Investment earnings	204,000	204,000	59,494	(144,506)
Interest expense	(354,429)	(354,429)	(353,348)	1,081
Principal on debt service	(784,648)	(784,648)	(784,648)	-
Total nonoperating revenues (expenses)	298,085	298,085	258,091	(39,994)
Income (loss) before operating transfers	(2,734,902)	(3,106,715)	1,927,980	5,034,695
Capital contributions	-	-	87,921	87,921
Transfers out	(325,000)	(325,000)	(320,833)	4,167
Change in net assets	(3,059,902)	(3,431,715)	1,695,068	$ 5,126,783
ADJUSTMENTS TO GAAP				
Depreciation			(1,383,102)	
Amortization			5,104	
Capital outlay capitalized			650,175	
Principal on debt service			784,648	
Change in accounts receivable			33,181	
Change in accounts payable			15,075	
			105,081	
GAAP BASIS CHANGE IN NET ASSETS			1,800,149	
Total net assets-beginning	22,511,897	22,511,897	22,511,897	
Total net assets-ending	$ 19,451,995	$ 19,080,182	$ 24,312,046	

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 Enterprise Fund
For the Year Ended June 30, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Operating revenues:				
Charges for sales and services:				
Sanitation	$ 5,189,091	$ 5,266,051	$ 5,311,494	$ 45,443
Other revenues	90,000	90,000	99,898	9,898
Total operating revenues	5,279,091	5,356,051	5,411,392	55,341
Operating expenses:				
Salaries and fringe benefits	2,645	2,726	2,804	(78)
Other operating expenses	5,002,448	5,079,408	5,041,801	37,607
Total operating expenses	5,005,093	5,082,134	5,044,605	37,529
Operating income	273,998	273,917	366,787	92,870
Nonoperating revenues (expenses):				
Investment earnings	30,900	30,900	13,303	(17,597)
Change in net assets	304,898	304,817	380,090	$ 75,273
ADJUSTMENTS TO GAAP				
Depreciation			(4,739)	
Change in accounts receivable			11,103	
Change in accounts payable			(51,374)	
			(45,010)	
GAAP BASIS CHANGE IN NET ASSETS			335,080	
Total net assets-beginning	1,410,783	1,410,783	1,410,783	
Total net assets-ending	$ 1,715,681	$ 1,715,600	$ 1,745,863	

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 Course Enterprise Fund
For the Year Ended June 30, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Operating revenues:				
Charges for sales and services:				
Golf	$ 1,306,700	$ 1,192,500	$ 1,041,478	$ (151,022)
Other revenues	134	134	977	843
Total operating revenues	1,306,834	1,192,634	1,042,455	(150,179)
Operating expenses:				
Salaries and fringe benefits	701,418	602,465	602,200	265
Other operating expenses	613,416	544,616	495,809	48,807
Capital outlay	-	22,604	22,259	345
Total operating expenses	1,314,834	1,169,685	1,120,268	49,417
Operating income	(8,000)	22,949	(77,813)	(100,762)
Nonoperating revenues (expenses):				
Investment earnings	8,000	8,000	66	(7,934)
Interest expense	-	-	(7,368)	(7,368)
Total nonoperating revenues (expenses)	8,000	8,000	(7,302)	(15,302)
Income (loss) before operating transfers	-	30,949	(85,115)	(116,064)
Transfer in	-	100,448	100,103	(345)
Transfer out	-	(3,483)	(3,482)	1
Change in net assets	-	127,914	11,506	$ (116,408)
ADJUSTMENTS TO GAAP				
Depreciation			(58,061)	
Capital outlay capitalized			22,259	
Reassignment of capital assets			(574,137)	
Change in accounts receivable			547	
Change in accounts payable			6,389	
			(603,003)	
GAAP BASIS CHANGE IN NET ASSETS			(591,497)	
Total net assets-beginning	2,295,890	2,295,890	2,295,890	
Total net assets-ending	$ 2,295,890	$ 2,423,804	$ 1,704,393	

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

Farmington Electric Light & Power - 1919

Capital Assets-
Governmental Funds

CITY OF FARMINGTON, NEW MEXICO
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
June 30, 2012 and 2011

	2012	2011
Governmental funds capital assets		
Land	$ 27,315,201	$ 26,893,367
Buildings	64,249,610	63,209,127
Improvements other than buildings	24,239,296	23,762,736
Machinery and equipment	32,766,286	30,220,849
Infrastructure	62,352,844	61,401,106
Construction In Progress	5,023,374	2,352,792
Total governmental funds capital assets	$ 215,946,611	$ 207,839,977
Investments in governmental funds capital assets by source		
General fund	$ 66,443,625	$ 62,368,590
Special revenue fund	108,495,781	105,721,189
Capital projects funds	38,038,636	37,508,494
Donations	2,968,569	2,241,704
Total governmental funds capital assets	$ 215,946,611	$ 207,839,977

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, 2012

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction In Progress	Total
GENERAL GOVERNMENT							
Legislative	$ 4,000	$ -	$ -	$ 33,693	$ -	$ -	$ 37,693
Judicial	-	-	-	140,032	-	56,656	196,688
Operations center	-	(15,211)	-	496,769	-	-	481,558
Fleet maintenance	-	10,505	-	387,871	-	15,296	413,672
Stores	-	38,467	270,135	260,234	-	-	568,836
Finance administration	-	-	-	6,520	-	-	6,520
Personnel administration	-	-	-	206,200	-	62,194	268,394
Purchasing	-	-	-	64,805	-	-	64,805
Law enforcement	-	-	-	-	-	-	-
Administrative services	1,588,818	12,526,103	37,057	1,565,068	-	771,649	16,488,695
Planning and zoning	-	-	-	52,403	-	-	52,403
Data processing	-	50,347	-	1,136,518	-	61,715	1,248,580
Total general government	1,592,818	12,610,211	307,192	4,350,113	-	967,510	19,827,844
PUBLIC SAFETY							
Police	532,769	3,632,229	77,532	6,466,893	-	11,881	10,721,304
Fire	60,098	3,401,561	33,151	8,406,727	-	181,972	12,083,509
Inspection	-	-	-	229,749	-	-	229,749
Traffic	-	-	-	468,887	2,984,751	169,804	3,623,442
Total public safety	592,867	7,033,790	110,683	15,572,256	2,984,751	363,657	26,658,004
PUBLIC WORKS/COMMUNITY DEVELOPMENT							
Streets	16,156,420	33,970	2,704,184	2,374,972	38,529,382	2,525,509	62,324,437
Bridges & Storm Drains	92,885	-	451,953	540,421	20,347,943	434,297	21,867,499
Administration	1,001,147	142,924	63,362	36,891	490,768	(108,798)	1,626,294
Survey	-	-	-	140,975	-	-	140,975
Engineering	-	-	-	125,585	-	-	125,585
Total public works/community development	17,250,452	176,894	3,219,499	3,218,844	59,368,093	2,851,008	86,084,790
CULTURE AND RECREATION							
Parks and recreation	4,074,255	19,577,172	10,886,971	5,786,405	-	539,910	40,864,713
Civic center	92,174	3,184,154	-	346,296	-	-	3,622,624
Senior citizens center	250,627	1,276,019	37,161	210,040	-	-	1,773,847
Museum	1,057,979	4,829,906	134,173	184,849	-	-	6,206,907
Animal shelter	132,393	399,911	-	386,440	-	50,364	969,108
Total culture and recreation	5,607,428	29,267,162	11,058,305	6,914,030	-	590,274	53,437,199
LIBRARIES	1,391,668	8,686,494	106,000	932,976	-	-	11,117,138
AIRPORT	879,968	6,475,059	9,437,617	1,778,067	-	250,925	18,821,636
Total governmental funds capital assets	$ 27,315,201	$ 64,249,610	$ 24,239,296	$ 32,766,286	$ 62,352,844	$ 5,023,374	$ 215,946,611

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, 2012

Function and Activity	Capital Assets June 30, 2011	Additions	Deductions	Net Transfers	Capital Assets June 30, 2012
GENERAL GOVERNMENT					
Legislative	$ 37,693	$ -	$ -	$ -	$ 37,693
Judicial	140,032	56,656	-	-	196,688
Operations center	436,271	58,684	(72,081)	58,684	481,558
Fleet maintenance	586,504	63,371	(215,987)	(20,216)	413,672
Stores	568,836	-	-	-	568,836
Finance administration	6,520	-	-	-	6,520
Personnel administration	206,200	62,194	-	-	268,394
Purchasing	64,805	-	-	-	64,805
Law enforcement	22,210	-	(22,210)	-	-
Administrative services	15,866,116	932,542	(248,704)	(61,259)	16,488,695
Planning and zoning	52,403	-	-	-	52,403
Data processing	1,059,738	243,616	(54,774)	-	1,248,580
Total general government	19,047,328	1,417,063	(613,756)	(22,791)	19,827,844
PUBLIC SAFETY					
Police	10,231,395	651,905	(161,996)	-	10,721,304
Fire	10,852,032	1,282,680	(51,203)	-	12,083,509
Inspection	188,791	20,479	-	20,479	229,749
Traffic	3,738,621	330,881	(298,439)	(147,621)	3,623,442
Total public safety	25,010,839	2,285,945	(511,638)	(127,142)	26,658,004
PUBLIC WORKS/COMMUNITY DEVELOPMENT					
Streets	60,901,074	2,842,154	(1,545,933)	127,142	62,324,437
Bridges and storm drains	19,733,896	2,323,738	(190,135)	-	21,867,499
Administration	1,717,654	271	(91,631)	-	1,626,294
Survey	140,975	-	-	-	140,975
Engineering	125,585	-	-	-	125,585
Total public works/community development	82,619,184	5,166,163	(1,827,699)	127,142	86,084,790
CULTURE AND RECREATION					
Parks and recreation	39,293,576	927,750	(105,677)	749,064	40,864,713
Civic center	3,629,924	-	(7,300)	-	3,622,624
Senior citizens center	1,773,847	-	-	-	1,773,847
Museum	6,178,522	29,842	(10,433)	8,976	6,206,907
Animal Shelter	1,274,960	134,748	(463,391)	22,791	969,108
Total culture and recreation	52,150,829	1,092,340	(586,801)	780,831	53,437,199
LIBRARIES	11,301,434	-	(184,296)	-	11,117,138
AIRPORT	17,710,363	1,818,614	(707,341)	-	18,821,636
Total governmental funds capital assets	$ 207,839,977	$ 11,780,125	$ (4,431,531)	$ 758,040	$ 215,946,611
Accumulated depreciation	$ 109,519,320	$ 9,005,763	$ (1,204,125)	$ 183,903	$ 117,504,861

Farmington Fire Truck - 1924

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.

	Page
Financial Trends	**98**
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	**103**
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.	
Debt Capacity	**114**
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.	
Demographic and Economic Information	**118**
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	**120**
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 Ten Fiscal Years
(accrual basis of accounting)

Schedule 1

	Fiscal Year									
	2003	**2004**	**2005**	**2006**	**2007** Restated	**2008** Restated	**2009** Restated	**2010**	**2011**	**2012**
Governmental activities										
Invested in capital assets, net of related debt	$ 63,961,010	$ 64,779,550	$ 66,265,472	$ 74,339,304	$ 75,000,933	$ 74,066,951	$ 82,050,200	$ 94,776,714	$ 91,574,976	$ 83,813,002
Restricted	2,678,373	2,422,104	3,514,726	4,219,427	4,491,602	4,599,840	4,085,917	4,195,660	2,630,553	10,998,211
Unrestricted	20,619,682	20,610,228	25,149,317	24,559,417	22,873,893	21,548,521	20,137,410	20,043,161	31,572,545	34,265,211
Total governmental activities net assets	$ 87,259,065	$ 87,811,882	$ 94,929,515	$ 103,118,148	$ 102,366,428	$ 100,215,312	$ 106,273,527	$ 119,015,535	$ 125,778,074	$ 129,076,424
Business-type activities										
Invested in capital assets, net of related debt	$ 151,976,725	$ 194,430,074	$ 215,390,130	$ 227,625,271	$ 240,380,428	$ 263,888,952	$ 290,777,764	$ 299,184,651	$ 309,610,312	$ 316,889,337
Restricted	2,643,773	2,648,557	2,564,255	2,615,937	2,914,976	3,139,945	3,438,741	3,657,082	5,243,850	4,852,866
Unrestricted	41,559,635	18,361,816	16,535,576	30,290,166	45,749,953	54,174,692	59,170,526	75,894,328	80,045,226	84,939,713
Total business-type activities net assets	$ 196,180,133	$ 215,440,447	$ 234,489,961	$ 260,531,374	$ 289,045,357	$ 321,203,589	$ 353,387,031	$ 378,736,061	$ 394,899,388	$ 406,681,916
Primary government										
Invested in capital assets, net of related debt	$ 215,937,735	$ 259,209,624	$ 281,655,602	$ 301,964,575	$ 315,532,250	$ 340,276,555	$ 372,827,964	$ 393,961,365	$ 401,185,288	$ 400,702,339
Restricted	5,322,146	5,070,661	6,078,981	6,835,364	7,406,578	7,739,785	7,524,658	7,852,742	7,874,403	15,851,077
Unrestricted	62,179,317	38,972,044	41,684,893	54,849,583	68,623,846	77,309,002	79,307,936	95,937,489	111,617,771	119,204,924
Total primary government net assets	$ 283,439,198	$ 303,252,329	$ 329,419,476	$ 363,649,522	$ 391,411,785	$ 421,418,901	$ 459,660,558	$ 497,751,596	$ 520,677,462	$ 535,758,340

Source: City of Farmington CAFRs

Note: The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2002.
In 2007, a prior period adjustment was made to adjust capital outlay in the Airport fund.
In 2008, a prior period adjustment was made to adjust general fund accumulated depreciation and accrued compensated absences.
In 2009, a prior period adjustment was made to adjust governmental and business-type net assets.
In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity.
In 2012, the city added Civitan golf course to governmental activities which had previously been accounted for as a business-type activity.

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

Schedule 2

(continued)

	Fiscal Year									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Expenses										
Governmental activities:										
General government	$ 17,191,605	$ 23,996,456	$ 21,153,411	$ 21,649,221	$ 24,470,791	$ 24,773,909	$ 30,738,756	$ 25,732,424	$ 29,114,460	$ 32,642,985
Police	10,251,979	10,341,396	11,351,590	12,356,592	15,029,695	16,405,749	14,551,370	14,918,275	15,021,697	15,645,349
Fire	4,906,661	5,468,824	5,470,572	6,466,886	7,606,467	8,702,072	9,461,309	8,808,809	8,665,126	9,595,679
Parks, recreation, cultural affairs	8,392,730	9,284,623	9,497,875	11,105,380	13,769,347	15,479,059	8,959,793	13,349,714	13,714,785	14,251,614
Public works/community development	7,395,603	5,727,834	7,481,297	8,511,853	10,776,798	11,857,265	2,144,831	8,425,359	10,800,128	11,044,820
Interest on long term debt	560,368	483,230	421,480	588,521	511,126	468,360	423,713	377,304	328,280	288,476
Total governmental activities expenses	48,698,946	55,302,363	55,376,225	60,678,453	72,164,224	77,686,414	66,279,772	71,611,885	77,644,476	83,468,923
Business-type activities:										
Electric	68,903,423	65,214,544	72,914,727	65,152,992	66,341,885	79,473,997	75,669,922	75,094,411	77,933,334	84,423,504
Water	7,180,833	6,785,002	6,944,219	6,992,577	7,207,259	6,854,699	7,670,708	8,540,615	8,662,030	9,368,428
Wastewater	3,488,296	4,127,386	4,983,626	4,690,385	5,274,284	5,227,357	5,066,171	5,263,247	5,674,564	5,829,583
Sanitation	3,358,430	3,493,487	3,625,722	3,815,728	4,002,806	4,130,295	4,404,269	4,393,018	5,318,445	5,100,718
Golf	1,060,103	1,198,867	1,209,293	1,217,011	1,164,683	1,312,463	1,331,765	1,285,065	1,468,586	1,157,049
Airport	1,563,162	2,008,715	1,871,508	1,812,263	1,604,506	1,557,946	1,639,916	-	-	-
Total business-type activities expenses	85,554,247	82,828,001	91,549,095	83,680,956	85,595,423	98,556,757	95,782,751	94,576,356	99,056,959	105,879,282
Total primary government expenses	$ 134,253,193	$ 138,130,364	$ 146,925,320	$ 144,359,409	$ 157,759,647	$ 176,243,171	$ 162,062,523	$ 166,188,241	$ 176,701,435	$ 189,348,205
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 4,892,278	$ 5,085,210	$ 5,019,939	$ 5,379,345	$ 6,906,273	$ 7,008,648	$ 6,420,991	$ 8,003,589	$ 8,866,978	$ 11,555,443
Police	15,132	74,215	198,017	39,903	1,266,550	1,366,974	1,483,251	1,518,646	1,185,576	1,200,529
Parks, recreation, cultural affairs	530,669	552,114	545,461	703,731	888,618	831,845	884,964	844,503	838,839	1,094,483
Public works/community development	68,155	77,390	75,116	101,605	95,485	86,766	67,296	58,237	50,940	61,644
Operating grants and contributions	1,276,299	2,674,803	2,238,291	2,929,307	2,600,396	3,623,209	4,242,763	4,090,058	6,243,941	3,546,860
Capital grants and contributions	-	-	-	-	-	-	-	4,228,018	3,442,981	1,298,623
Total governmental activities program revenues	6,782,533	8,463,732	8,076,824	9,153,891	11,757,322	12,917,442	13,099,265	18,743,051	20,629,255	18,757,582
Business-type activities:										
Charges for services:										
Electric	79,130,644	84,158,287	91,152,321	89,801,858	91,704,560	102,193,403	97,122,636	94,173,433	91,451,673	95,742,961
Water	7,073,545	7,515,514	7,338,869	7,991,740	8,688,421	10,783,517	11,052,694	12,324,629	12,897,358	14,025,394
Wastewater	4,239,721	4,489,948	4,751,802	5,071,951	5,214,261	6,240,272	6,910,478	7,445,521	6,163,722	6,475,468
Sanitation	3,392,079	3,538,632	3,692,937	3,889,876	4,051,998	4,228,681	4,774,637	5,007,853	5,092,625	5,423,632
Golf	933,981	1,042,176	1,088,137	1,121,313	1,113,328	1,146,652	1,167,456	1,106,499	1,019,226	1,043,005
Airport	564,237	596,765	599,306	594,199	601,675	540,360	464,337	-	-	-
Operating grants and contributions	1,151,196	916,477	880,654	927,492	1,227,869	1,585,215	5,826,268	12,949,631	6,282,404	2,706,388
Capital grants and contributions	1,025,342	154,309	625,693	794,531	495,436	2,617,273	1,050,875	-	-	-
Total business-type activities program revenues	97,510,745	102,412,108	110,129,719	110,192,960	113,097,548	129,335,373	128,369,381	133,007,566	122,907,008	125,416,848
Total primary government program revenues	$ 104,293,278	$ 110,875,840	$ 118,206,543	$ 119,346,851	$ 124,854,870	$ 142,252,815	$ 141,468,646	$ 151,750,617	$ 143,536,263	$ 144,174,430

Source: City of Farmington CAFRs

Note: The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2002.
In 2009, Community Development was seperated from Public works. For reporting purposes, Community development expenses and revenues are reported together in 2009 and prior years. Beginning in 2010, only Public works expenses and revenues are reported and Community Development data is combined with General government.
In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity.
In 2012, the city added Civitan Golf Course operations to governmental activities which had previously been accounted for as a business-type activity.

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

Schedule 2

	Fiscal Year									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Net (Expenses)/Revenues										
Governmental activities	$ (41,916,413)	$ (46,838,631)	$ (47,299,401)	$ (51,524,562)	$ (60,406,902)	$ (64,768,972)	$ (53,180,507)	$ (52,868,834)	$ (57,015,221)	$ (64,711,341)
Business-type activities	11,956,498	19,584,107	18,580,624	26,512,004	27,502,125	30,778,616	32,586,630	38,431,210	23,850,049	19,537,566
Total primary governmental activities expenses	$ (29,959,915)	$ (27,254,524)	$ (28,718,777)	$ (25,012,558)	$ (32,904,777)	$ (33,990,356)	$ (20,593,877)	$ (14,437,624)	$ (33,165,172)	$ (45,173,775)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Gross receipts taxes	$ 35,146,693	$ 38,351,092	$ 43,134,352	$ 49,274,220	$ 51,818,982	$ 54,401,730	$ 52,406,771	$ 44,760,879	$ 47,605,170	$ 50,432,706
Property taxes	930,112	985,836	1,043,064	1,121,723	1,235,064	1,330,285	1,550,503	1,556,401	1,806,123	1,687,900
Franchise taxes	2,601,794	715,022	720,748	1,594,098	1,045,698	992,050	865,346	649,388	614,627	2,325,998
Other taxes	1,724,672	1,884,994	1,873,736	1,942,024	1,944,810	2,124,381	1,992,189	2,048,944	1,828,644	1,982,191
Other revenue	3,769,728	3,584,543	3,507,135	2,996,953	1,199,675	1,386,242	1,789,230	1,782,477	1,541,494	1,601,517
Unrestricted investment earnings	635,745	429,108	471,993	858,611	1,064,838	962,448	701,039	405,946	364,522	257,782
Loss on disposition	(1,904,487)	-	-	-	-	-	(1,381,262)	-	-	-
Transfers	(132,000)	1,440,853	1,754,818	1,925,566	1,346,115	1,420,720	1,923,630	14,406,807	10,017,180	9,721,597
Total governmental activities	42,772,257	47,391,448	52,505,846	59,713,195	59,655,182	62,617,856	59,847,446	65,610,842	63,777,760	68,009,691
Business-type activities:										
Environmental taxes	-	-	-	-	-	-	-	-	1,258,718	1,333,554
Unrestricted investment earnings	1,478,800	1,117,060	790,027	1,454,975	2,357,973	2,800,336	2,128,575	1,324,627	1,071,740	633,005
Loss on disposition	-	-	-	-	-	-	(1,013,059)	-	-	-
Transfers	132,000	(1,440,853)	(1,754,818)	(1,925,566)	(1,346,115)	(1,420,720)	(1,923,630)	(14,406,807)	(10,017,180)	(9,721,597)
Total business-type activities	1,610,800	(323,793)	(964,791)	(470,591)	1,011,858	1,379,616	(808,114)	(13,082,180)	(7,686,722)	(7,755,038)
Total primary government	$ 44,383,057	$ 47,067,655	$ 51,541,055	$ 59,242,604	$ 60,667,040	$ 63,997,472	$ 59,039,332	$ 52,528,662	$ 56,091,038	$ 60,254,653
Change in Net Assets										
Governmental activities	$ 855,844	$ 552,817	$ 5,206,445	$ 8,188,633	$ (751,720)	$ (2,151,116)	$ 6,666,939	$ 12,742,008	$ 6,762,539	$ 3,298,350
Business-type activities	13,567,298	19,260,314	17,615,833	26,041,413	28,513,983	32,158,232	31,778,516	25,349,030	16,163,327	11,782,528
Total primary government	$ 14,423,142	$ 19,813,131	$ 22,822,278	$ 34,230,046	$ 27,762,263	$ 30,007,116	$ 38,445,455	$ 38,091,038	$ 22,925,866	$ 15,080,878

Source: City of Farmington CAFRs

Note: The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2002.
In 2009, Community Development was seperated from Public works. For reporting purposes, Community development expenses and revenues are reported together in 2009 and prior years. Beginning in 2010, only Public works expenses and revenues are reported and Community Development data is combined with General government.
In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity.
In 2011, the city has moved Environmental taxes from program revenues to business-type activities.

City of Farmington
Fund Balances, Governmental Funds
Last Ten Fiscal Years **Schedule 3**
(modified accrual basis of accounting)

General Fund

Fiscal Year	Reserved	Unreserved	Nonspendable	Unassigned	Total
2003	$ 2,256,852	$ 11,452,345	$ -	$ -	$ 13,709,197
2004	2,000,000	12,126,852	-	-	14,126,852
2005	3,393,756	13,069,276	-	-	16,463,032
2006	4,138,050	14,594,072	-	-	18,732,122
2007	4,386,101	12,808,778	-	-	17,194,879
2008	4,439,851	8,187,413	-	-	12,627,264
2009	4,160,353	7,311,344	-	-	11,471,697
2010	4,307,676	8,623,808	-	-	12,931,484
2011	-	-	600,102	18,449,727	19,049,829
2012	-	-	504,602	18,216,147	18,720,749

All Other Governmental Funds

Fiscal Year	Reserved	Unreserved	Restricted	Committed	Assigned	Total
2003	$ 421,521	$ 8,325,643	$ -	$ -	$ -	$ 8,747,164
2004	422,104	8,483,376	-	-	-	8,905,480
2005	283,833	12,415,332	-	-	-	12,699,165
2006	287,735	10,113,568	-	-	-	10,401,303
2007	310,848	10,293,948	-	-	-	10,604,796
2008	328,475	14,881,860	-	-	-	15,210,335
2009	81,902	14,721,397	-	-	-	14,803,299
2010	84,648	13,249,388	-	-	-	13,334,036
2011	-	-	2,642,207	13,434,068	1,733,634	17,809,909
2012	-	-	10,998,211	12,815,182	5,099,223	28,912,616

Source: City of Farmington CAFRs

Note: In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity.
In 2011, the city implemented GASB Statement 54, which changed the classfications of fund balances in the governmental funds. Prior year amounts have not been restated for the implementation of Statement 54.
In 2012, the city added Civitan Golf Course operations to governmental activities which had previously been accounted for as a business-type activity.

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

Schedule 4

	Fiscal Year									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Revenues										
Taxes	$ 40,403,271	$ 41,936,943	$ 46,771,900	$ 53,932,065	$ 56,044,554	$ 58,848,446	$ 56,705,030	$ 48,954,845	$ 51,685,802	$ 56,484,330
Licenses and permits	605,478	602,971	819,869	951,280	765,694	794,169	618,877	693,743	606,378	671,676
Intergovernmental	1,869,860	2,674,803	2,238,291	2,929,307	2,600,396	3,623,207	4,242,763	8,318,076	9,686,922	5,320,909
Charges for services	978,022	1,170,531	1,365,408	1,840,336	1,637,437	1,769,334	1,749,034	2,557,192	2,506,687	2,849,685
Fines	1,403,928	1,602,721	1,418,646	1,133,053	1,222,171	1,341,297	1,431,718	1,491,288	1,171,028	1,183,536
Special assessments	72,337	61,327	46,859	36,370	39,943	18,591	6,667	600	1,970	22
Investment earnings	634,552	425,731	469,012	858,611	1,064,838	962,448	701,039	402,421	364,660	257,782
Miscellaneous	1,341,924	1,317,524	1,221,761	876,250	1,199,675	1,386,242	1,789,230	1,782,477	1,541,494	1,601,517
Total revenues	47,309,372	49,792,551	54,351,746	62,557,272	64,574,708	68,743,734	67,244,358	64,200,642	67,564,941	68,369,457
Expenditures										
Current										
General government	12,757,384	13,801,711	15,247,239	18,478,746	18,715,493	18,153,620	18,766,806	16,970,629	17,895,393	20,407,349
Police	10,359,890	10,690,905	10,647,826	12,606,701	14,678,179	15,536,666	14,636,567	14,588,008	14,892,808	15,709,376
Fire	4,719,878	5,416,395	5,097,630	5,872,350	7,265,724	8,298,829	8,654,998	8,281,693	8,279,658	10,068,829
Parks, recreation and cultural affairs	15,061,168	10,285,641	10,482,092	11,128,612	12,765,857	14,551,969	13,828,963	11,795,902	12,200,221	12,863,218
Community development	7,116,935	6,357,491	7,186,770	7,182,068	7,262,150	7,147,609	1,336,120	1,100,251	1,218,263	1,296,445
Public works	-	-	-	-	-	-	1,049,097	5,510,298	6,276,055	6,572,566
Debt service										
Principal	1,815,000	1,900,000	1,965,000	1,060,000	1,130,000	1,180,000	1,225,000	1,270,000	1,315,000	3,440,000
Interest	560,368	483,230	421,480	588,521	512,905	470,217	425,643	379,342	330,393	258,145
Capital outlay	1,505,876	1,722,060	4,653,660	6,844,613	4,924,265	4,787,620	10,807,397	9,425,646	4,580,112	6,927,790
Total expenditures	53,896,499	50,657,433	55,701,697	63,761,611	67,254,573	70,126,530	70,730,591	69,321,769	66,987,903	77,543,718
Excess of revenues over (under) expenditures	(6,587,127)	(864,882)	(1,349,951)	(1,204,339)	(2,679,865)	(1,382,796)	(3,486,233)	(5,121,127)	577,038	(9,174,261)
Other Financing Sources (Uses)										
Operating transfers in	104,810	2,539,337	2,856,182	3,000,104	3,288,811	7,168,448	7,935,092	7,798,162	12,142,893	16,753,124
Operating transfers out	(844,310)	(1,098,484)	(1,101,365)	(1,824,537)	(1,942,696)	(5,747,728)	(6,011,462)	(2,686,511)	(2,125,713)	(8,002,626)
Sale tax debt issuance	-	-	5,725,000	-	-	-	-	-	-	11,197,390
Total other financing sources and uses	(739,500)	1,440,853	7,479,817	1,175,567	1,346,115	1,420,720	1,923,630	5,111,651	10,017,180	19,947,888
Net change in fund balance	$ (7,326,627)	$ 575,971	$ 6,129,866	$ (28,772)	$ (1,333,750)	$ 37,924	$ (1,562,603)	$ (9,476)	$ 10,594,218	$ 10,773,627
Debt service as a percentage of noncapital expenditures	5.8%	5.4%	5.1%	3.3%	2.7%	2.6%	3.0%	2.8%	2.6%	5.4%

Source: City of Farmington CAFRs
Note: In 2009, the city separated public works from community development.
In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity.
In 2012, the city added Civitan Golf Course operations to governmental activities which had previously been accounted for as a business-type activity.

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

Schedule 5

Fiscal Year	* Industrial		* Commercial		* Residential		Total	
	kWh	Revenue	kWh	Revenue	kWh	Revenue	kWh	Revenue
2003	490,068,660	$ 24,593,325	351,385,467	$ 30,891,854	213,197,135	$ 18,692,226	1,054,651,262	$ 74,177,405
2004	504,889,336	28,194,450	362,458,230	31,193,172	221,192,493	18,937,000	1,088,540,059	78,324,622
2005	498,093,821	28,445,687	378,001,503	33,376,202	223,336,276	19,829,050	1,099,431,600	81,650,939
2006	537,362,745	26,418,370	415,275,503	34,213,205	236,844,321	19,789,570	1,189,482,569	80,421,145
2007	551,421,402	27,422,114	429,127,945	36,550,017	248,119,606	21,419,197	1,228,668,953	85,391,328
2008	512,182,632	28,575,487	439,341,791	39,610,098	262,763,630	23,886,685	1,214,288,053	92,072,270
2009	490,347,580	30,035,752	441,145,350	42,395,101	264,384,359	25,663,036	1,195,877,289	98,093,889
2010	417,626,366	25,322,092	433,338,579	40,087,647	272,352,709	25,726,777	1,123,317,654	91,136,516
2011	431,217,761	26,310,371	428,923,446	39,524,535	271,478,836	25,481,033	1,131,620,043	91,315,939
2012	449,719,960	27,120,532	435,918,516	40,833,661	274,403,890	25,778,554	1,160,042,366	93,732,747
Change 2003-2012	-8.2%	10.3%	24.1%	32.2%	28.7%	37.9%	10.0%	26.4%

Source: Farmington Electric Utility System

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

City of Farmington **Schedule 6**
Electric Rates by Customer Type
As of June 30, 2012

Type of Customer

Industrial (Bulk Power)
$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

Source: Farmington Electric Utility System

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

Schedule 7

	2012			2003		
Customer	**Revenue**	**Rank**	**Percentage of Revenue**	**Revenue**	**Rank**	**Percentage of Revenue**
Enterprise Field Services / EPFS	$20,614,851	1	21.99%	$19,070,400	1	25.71%
Transwestern Pipeline / Enron	4,524,308	2	4.83%	1,748,596	4	2.36%
Val Verde Gas Gathering, LP	2,994,207	3	3.19%	-	-	-
Praxair, Inc.	1,697,422	4	1.81%	-	-	-
San Juan Regional Medical Center	1,676,415	5	1.79%	936,332	6	1.26%
ConocoPhillips / Burlington Resources Oil & Gas	1,243,282	6	1.33%	1,414,254	5	1.91%
Wal-Mart/Sam's Club	1,056,915	7	1.13%	669,616	9	0.90%
Western Refining Southwest, Inc.	999,972	8	1.07%	2,146,514	3	2.89%
San Juan College	914,150	9	0.98%	832,345	7	1.12%
Farmington Municipal Schools	903,263	10	0.96%	787,585	8	1.06%
Duke Energy Field Services	-	-	-	5,472,360	2	7.38%
Animas Valley Mall	-	-	-	470,826	10	0.63%
Total	$36,624,785		39.07%	$33,548,828		45.23%

Source: Farmington Electric Utility System

City of Farmington **Schedule 8**
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years

Fiscal Year	Gross Receipts Tax	Property Tax	Franchise Tax	Other Taxes	Total Taxes
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
2009	52,406,771	1,440,724	865,346	1,992,189	56,705,030
2010	44,760,879	1,495,634	649,388	2,048,944	48,954,845
2011	47,605,170	1,637,361	614,627	1,828,644	51,685,802
2012	50,432,706	1,743,435	2,325,998	1,982,191	56,484,330
Change 2003-2012	43.5%	87.4%	-10.6%	14.9%	39.8%

Source: City of Farmington CAFRs

Note: Prior to 2004, Payment in Lieu of Taxes (PILT) was reported in the Franchise Tax category. From 2004 to 2011, PILT was reported as an interfund transfer. Beginning in 2012, Electric PILT is included in Franchise Tax, while Water and Wastewater PILT are still reported as an interfund transfer.

City of Farmington **Schedule 9**

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

Ending June 30	2003	(c) 2004	(d) 2005	2006	2007	2008	2009	2010	2011	2012
Agriculture	$ 2,002	$ 2,461	$ 2,726	$ 2,769	$ 3,325	$ 3,284	$ (2,519)	$ 609	$ 612	$ 566
Mining	108,454	122,936	133,973	192,806	222,893	185,838	163,216	113,859	121,889	118,975
Construction	98,292	90,069	118,025	142,174	124,428	121,996	157,749	117,169	109,321	102,464
Manufacturing	27,001	33,015	50,656	78,377	69,509	86,755	79,094	57,270	73,713	119,218
Trans/Comm/Utility	24,178	15,481	20,096	33,026	26,547	32,545	30,259	24,207	22,033	18,627
Wholesale Trade	76,836	85,158	113,951	160,468	197,225	164,098	163,014	99,166	97,962	104,251
Retail Trade	668,134	653,535	673,785	634,152	717,121	753,122	772,111	675,796	676,094	683,041
Information and Cultural	-	25,225	44,094	43,293	51,774	51,018	53,838	55,436	57,180	65,236
Finance/Ins/Real Estate	21,467	20,539	21,001	26,338	30,878	34,686	33,594	39,232	46,227	32,194
Services	365,245	464,410	507,610	506,892	537,818	580,933	601,162	502,840	579,917	597,330
Government	-	2,240	1,920	-	-	-	-	-	-	-
Unclassified	75,713	35,955	40,682	39,669	1,486	14,923	8,359	8,883	6,880	14,612
Undisclosed (a)	33,493	30,835	28,708	26,503	26,258	28,647	31,054	28,235	29,402	28,629
Total (b)	$ 1,500,815	$ 1,581,859	$ 1,757,227	$ 1,886,467	$ 2,009,262	$ 2,057,845	$ 2,090,931	$ 1,722,702	$ 1,821,230	$ 1,885,143
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

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

(b) Although the figures in the table have been derived from "NM_FR003-500 Local Gov't Distribution Summary" issued monthly by the State, the State suppresses revenue information in certain categories, if release of the information would compromise the confidentiality of an individual taxpayer. Accordingly, the "Taxable Gross Receipts Tax" totals in this table will differ from those in other tables.

(c) Beginning with the 1st Quarter of FY2004, 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 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 heath 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 **Schedule 10**
Direct and Overlapping Gross Receipts Tax Rates
Last Ten Fiscal Years

Fiscal Year	State GRT	City Share of State GRT	City Direct Rate	San Juan County	Total City GRT
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%
2009	3.7750%	1.2250%	1.1875%	0.8125%	7.0000%
2010	3.7750%	1.2250%	1.1875%	0.8125%	7.0000%
2011	3.9000%	1.2250%	1.1875%	0.8125%	7.1250%
2012	3.9000%	1.2250%	1.1875%	0.8125%	7.1250%

Source: State of New Mexico Taxation and Revenue

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

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

Schedule 11

Ending June 30	Fiscal Year 2012 (c)				Fiscal Year 2003			
	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	3	0.11%	$ 566	0.03%	5	0.18%	$ 2,002	0.13%
Mining	60	2.15%	118,975	6.31%	68	2.49%	108,454	7.23%
Construction	255	9.14%	102,464	5.44%	243	8.91%	98,292	6.55%
Manufacturing	119	4.26%	119,218	6.32%	78	2.86%	27,001	1.80%
Trans/Comm/Utility	36	1.29%	18,627	0.99%	54	1.98%	24,178	1.61%
Wholesale Trade	183	6.56%	104,251	5.53%	173	6.34%	76,836	5.12%
Retail Trade	632	22.64%	683,041	36.23%	672	24.63%	668,134	44.52%
Information and Cultural	85	3.05%	65,236	3.46%	-	0.00%	-	0.00%
Finance/Ins/Real Estate	123	4.41%	32,194	1.71%	94	3.45%	21,467	1.43%
Services	1,265	45.32%	597,330	31.69%	1,052	38.56%	365,245	24.34%
Unclassified	27	0.97%	14,612	0.78%	282	10.34%	75,713	5.04%
Undisclosed (a)	3	0.11%	28,629	1.52%	7	0.26%	33,493	2.23%
Total (b)	2,791	100.00%	$ 1,885,143	100.00%	2,728	100.00%	$ 1,500,815	100.00%

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

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

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

(b) Although the figures in the table have been derived from "NM_FR003-500 Local Gov't Distribution Summary" issued monthly by the state, the state suppresses revenue information in certain categories if the release of information would compromise the confidentiality of an individual taxpayer. Accordingly, the "Taxable Gross Receipts Tax" totals in this table will differ from those in other tables.

(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
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%
2009	593,088,155	431,154,946	86,031,112	88,515,732	1,021,758,481	1.438	1.908	3,068,343,787	33.3%
2010	597,619,324	368,371,078	82,532,302	92,000,870	956,521,834	1.457	1.950	2,872,437,940	33.3%
2011	638,666,041	483,155,959	75,061,549	213,971,715	982,911,834	1.419	2.128	2,951,687,189	33.3%
2012	662,894,115	503,391,149	66,717,175	224,872,472	1,008,129,967	1.431	2.225	3,027,417,318	33.3%

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)

Schedule 13

City of Farmington Residential Direct Rates				Overlapping Rates					
Fiscal Year	General Fund	Debt Service Fund	Total Direct Rate	State	County	School District #5	San Juan College	Secondary Vocational	Total Direct and Overlapping Rates
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
2009	1.438	-	1.438	1.150	6.312	9.644	3.156	0.600	22.300
2010	1.457	-	1.457	1.530	6.425	9.673	3.212	0.600	22.897
2011	1.419	-	1.419	1.362	6.267	9.620	3.133	0.600	22.401
2012	1.431	-	1.431	1.360	6.326	9.751	3.162	0.420	22.450

City of Farmington Nonresidential Direct Rates				Overlapping Rates					
Fiscal Year	General Fund	Debt Service Fund	Total Direct Rate	State	County	School District #5	San Juan College	Secondary Vocational	Total Direct and Overlapping Rates
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
2009	1.908	-	1.908	1.150	8.500	9.915	4.500	0.600	26.573
2010	1.950	-	1.950	1.530	8.500	9.921	4.500	0.600	27.001
2011	2.128	-	2.128	1.362	8.500	9.923	4.500	0.600	27.013
2012	2.225	-	2.225	1.360	8.500	9.924	4.500	0.420	26.929

Source: San Juan County Assessor's Office

City of Farmington **Schedule 14**

Principal Property Tax Payers
Current Year and Nine Years Ago

	2012			2003		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value**
Animas Valley Land and Water	$ 17,422,215	1	1.7%	$ -	-	-
Animas Valley Mall, LLC	9,962,605	2	1.0%	35,220,222	1	5.6%
San Juan Regional Medical Center	4,186,125	3	0.4%	-	-	-
Plaza Farmington II LLC	3,822,249	4	0.4%	8,081,570	7	1.3%
Burlington Resources Oil and Gas LP.	3,539,468	5	0.4%	17,417,579	5	2.7%
Wal-Mart/Sam's Club	3,470,547	6	0.3%	11,425,089	4	1.8%
San Juan Development Corporation	3,277,233	7	0.3%	-	-	-
Dugan Production Corp	2,861,314	8	0.3%	-	-	-
Lowe's Home Centers, Inc.	2,714,829	9	0.3%	-	-	-
Sierra Vista Hotels LLC	2,689,305	10	0.3%	-	-	-
Qwest Corp.	-	-	-	20,253,196	2	3.2%
Alltel	-	-	-	11,777,894	3	1.9%
SW Farmington Incorporated (The Inn)	-	-	-	8,810,983	6	1.4%
Fleet Capital Corp.	-	-	-	7,047,646	8	1.1%
Henry Production	-	-	-	6,738,572	9	1.1%
Hwy 550 LLC	-	-	-	6,337,255	10	1.0%
Total	$ 53,945,890		5.4%	$ 133,110,006		21.0%

Source: San Juan County Assessor

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

Schedule 15

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	$ 924,261	$ 874,028	95%	$ 50,230	$ 924,258	100%
2003	960,169	926,305	96%	33,861	960,166	100%
2004	1,019,868	982,868	96%	36,966	1,019,834	100%
2005	1,095,869	1,055,826	96%	39,962	1,095,788	100%
2006	1,196,735	1,158,836	97%	37,598	1,196,434	100%
2007	1,307,275	1,257,590	96%	49,319	1,306,909	100%
2008	1,411,271	1,363,140	97%	46,273	1,409,413	100%
2009	1,482,596	1,415,035	95%	60,576	1,475,611	100%
2010	1,626,344	1,568,062	96%	37,370	1,605,432	99%
2011	1,701,071	1,641,482	96%	-	1,641,482	96%

Source: San Juan County Treasurer

Note: Taxes are levied and collected by the County Treasurer and distributed to all taxing jurisdictions. The tax rate is requested by the City Council and set by the New Mexico Department of Finance and Administration. The State allows the rate to be set at 5% in excess of the requirements to allow for delinquencies.
In 2012, this schedule was updated to show information for each "period for which levied" as defined in Statement 33.

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

Schedule 16

	General Bonded Debt			Governmental Activities		Business-type Activities						
Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita	Sales Tax Revenue Bonds	NMFA Fire Pumper Loan	Utility Revenue Bonds	NMED Loan	NMFA Loan	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
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
2009	-	N/A	N/A	9,265,000	-	21,470,000	12,547,273	-	136,302	43,418,575	3.0%	1,018
2010	-	N/A	N/A	7,995,000	-	15,945,000	11,970,694	-	86,845	35,997,539	2.5%	829
2011	-	N/A	N/A	6,680,000	-	10,140,000	11,376,818	1,054,844	34,400	29,286,062	1.9%	638
2012	-	N/A	N/A	13,895,000	475,426	4,045,000	10,765,125	1,054,844	-	30,235,395	2.0%	668

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

City of Farmington **Schedule 17**
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
San Juan County	$ -	30.320%	$ -
Farmington Public Schools	53,578,102	100.000%	53,578,102
San Juan College	16,858,679	30.322%	5,111,889
Subtotal Overlapping Debt			58,689,991
City direct debt			13,895,000
Total direct and overlapping debt			$ 72,584,991

Source: Debt amounts are provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Farmington. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

City of Farmington
Legal Debt Margin Information
Last Ten Fiscal Years

Schedule 18

	Fiscal Year									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Assessed Valuations										
Assessed Value (1)	$ 577,578,600	$ 602,018,135	$ 650,930,835	$ 699,255,163	$ 808,339,099	$ 862,849,412	$ 933,242,749	$ 864,520,964	$ 768,940,119	$ 783,257,495
Add back - exempt property	56,984,789	59,092,903	61,710,344	61,449,809	67,559,512	68,326,659	88,515,732	92,000,870	213,971,715	224,872,472
Total Assessed Value	634,563,389	661,111,038	712,641,179	760,704,972	875,898,611	931,176,071	1,021,758,481	956,521,834	982,911,834	1,008,129,967
Legal Debt Margin										
Debt limitation - 4 % of total assessed value	25,382,536	27,134,479	28,505,647	30,428,199	35,035,944	37,247,043	40,870,339	38,260,873	39,316,473	40,325,199
Debt applicable to limitation:										
Total bonded debt	64,210,000	57,190,000	55,480,000	49,650,000	43,615,000	37,300,000	30,735,000	23,940,000	16,820,000	17,940,000
Less: Revenue bonds	(64,210,000)	(57,190,000)	(55,480,000)	(49,650,000)	(43,615,000)	(37,300,000)	(30,735,000)	(23,940,000)	(16,820,000)	(17,940,000)
Total net debt applicable to limitation	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	$ 25,382,536	$ 27,134,479	$ 28,505,647	$ 30,428,199	$ 35,035,944	$ 37,247,043	$ 40,870,339	$ 38,260,873	$ 39,316,473	$ 40,325,199

Source: Details regarding the city's revenue bonds can be found in the notes to the financial statements. See Schedule 12 for assessed valuation amounts.

Note: (1) Excludes centrally assessed property.

City of Farmington
Pledged-Revenue Coverage
Last Ten Fiscal Years

Schedule 19

	Utility Revenue Bonds						Sales Tax Revenue bonds			
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Sales Tax Revenue	Principal	Interest	Coverage
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
2009	117,183,511	73,688,514	43,494,997	5,340,000	1,215,905	6.63	26,612,158	1,225,000	425,643	16.12
2010	115,238,191	73,490,029	41,748,162	5,525,000	1,029,005	6.37	22,729,574	1,270,000	379,342	13.78
2011	111,560,052	75,470,531	36,089,521	5,805,000	752,755	5.50	24,173,905	1,315,000	330,393	14.69
2012	116,864,599	82,266,307	34,598,292	6,095,000	462,504	5.28	25,609,728	400,000	258,145	38.91

Source: City of Farmington CAFRs and Budgets

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
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%
2007	42,425	1,300,368,675	30,651	33.6	10,253	83.6%	19.7%	3.4%
2008	42,637	1,425,354,910	33,430	33.6	10,467	83.6%	19.7%	4.0%
2009	43,412	1,441,799,344	33,212	33.6	10,517	85.4%	20.3%	7.6%
2010	45,877	1,552,340,049	33,837	33.6	10,646	84.5%	19.7%	9.6%
2011	45,250	1,544,518,250	34,133	32.7	10,727	85.5%	19.9%	7.8%

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

City of Farmington **Schedule 21**

Principal Employers
Current Year and Ten Years Ago

	2012			2003		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
San Juan Regional Medical Center	1,520	1	2.7%	776	4	1.5%
Central Consolidated Schools	1,223	2	2.2%	1,128	1	2.2%
Farmington Public Schools	1,193	3	2.1%	1,090	2	2.1%
BHP Billiton/New Mexico Coal	1,039	4	1.8%	854	3	1.7%
City of Farmington	773	5	1.4%	596	5	1.2%
Conoco Phillips	720	6	1.3%	-	-	-
San Juan County	700	7	1.2%	448	9	0.9%
San Juan College	563	8	1.0%	-	-	-
Arizona Public Service	504	9	0.9%	565	7	1.1%
Bloomfield Municipal Schools	432	10	0.8%	492	8	1.0%
Public Service Co of NM	-	-	-	567	6	1.1%
Aztec Schools	-	-	-	415	10	0.8%
Total	8,667		15.3%	6,931		13.4%

Source: San Juan Economic Development Service and the Farmington Chamber of Commerce; City of Farmington Program Budget - Staffing Analysis Section

Note: Statistical data is representative of entire county as City data is not available.
In 2009, this schedule was changed to a ten year variance to be in accordance with GASB Statement 44.

City of Farmington **Schedule 22**

Full-time-Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years

	Budgeted Full-Time-Equivalent Employees as of June 30									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
General Government										
Administration	37.5	37.5	38.5	39.5	40.5	72.5	79.5	77.5	70.5	71.5
Administrative Services	31.0	31.0	31.0	31.0	32.0	31.0	29.0	29.0	29.0	29.0
General Services [b]	43.5	42.5	41.5	42.5	52.5	52.5	58.0	58.0	53.0	51.0
Police	148.5	148.5	148.5	159.5	172.5	174.5	165.5	165.0	165.0	163.0
Fire	73.0	73.0	73.0	82.0	96.0	96.0	95.0	95.0	91.0	92.0
Parks, Recreation and Cultural Affairs	112.0	114.0	114.0	118.0	124.0	104.0	106.0	106.0	96.0	97.0
Community Development	21.0	22.0	24.0	27.0	26.0	26.0	22.0	20.0	19.0	19.0
Public Works [a]	47.0	46.0	46.0	46.0	48.0	49.0	50.0	50.0	46.0	46.0
Electric	135.0	135.0	144.0	146.0	166.0	177.0	178.0	172.0	175.0	178.0
Human Resources	10.0	10.0	10.0	11.0	11.0	12.0	12.0	12.0	11.0	11.0
Water/Wastewater	7.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Golf	8.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Total Employees	**673.5**	**674.5**	**686.5**	**717.5**	**783.5**	**809.5**	**810.0**	**799.5**	**770.5**	**772.5**

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

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

[a] In 2009, Public Works was separated from Community Development. For comparative purposes, the number of full time equivalents for each department was allocated retroactively.
[b] In 2010, Airport was combined with General Services. For comparative purposes, the number of full time equivalents for each department was allocated retroactively.

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

Schedule 23

	2003 Restated	2004 Restated	2005 Restated	2006 Restated	2007 Restated	2008 Restated	2009 Restated	2010 Restated	2011 Restated	2012
General Government										
Total number of business registration/licenses	2,576	2,730	2,680	2,739	2,839	3,926	4,212	3,848	3,660	3,659
Police										
Police reports	7,177	6,512	6,636	6,254	6,500	6,770	7,723	7,894	6,731	8,218
Arrests	5,118	4,523	4,400	3,814	3,787	4,113	6,882	6,274	5,418	6,328
Traffic citations	26,147	22,274	17,473	16,263	18,982	24,449	24,586	27,372	13,058	21,638
Fire [f]										
Structure fires	40	44	40	54	47	53	40	65	65	50
Vehicle fires	39	52	24	41	34	25	36	31	29	26
Brush/grass fires	51	64	76	119	48	58	45	48	47	72
Rubbish/dumpster fires	29	27	18	37	27	27	36	46	38	46
Other fires	39	45	28	59	43	53	46	34	32	33
Rescue/emergency medical calls	2,510	3,052	3,089	3,309	3,724	3,946	3,935	4,419	5,466	5,058
False alarms	198	200	151	239	230	318	310	307	379	349
Mutual aid given	77	95	87	96	100	90	45	12	20	16
Hazardous materials response	86	98	101	113	120	129	103	114	92	115
General hazard response	81	54	89	110	91	84	81	84	89	101
Other responses	1,010	1,013	1,181	1,280	1,358	1,603	1,666	925	729	1,785
Parks and Recreation										
Parks and recreation participants [d]	310,076	304,701	299,248	309,546	305,279	349,042	438,179	494,845	606,384	592,154
Library										
Library Visits	247,983	327,505	410,690	427,831	436,629	503,148	517,452	530,119	468,455	455,516
Circulation	280,022	392,221	490,717	517,654	468,998	489,126	513,588	530,918	506,247	482,886
Number of computer users [e]	55,656	67,532	69,403	117,516	120,483	125,210	131,295	126,215	102,443	94,424
Museum										
Patrons [a]	57,782	52,314	64,572	75,427	71,332	65,784	97,003	81,366	108,156	106,506
Community Development										
Summary plats	43	38	89	77	71	66	63	54	54	61
Building permits issued	1,339	1,443	1,554	1,494	1,539	1,334	1,225	1,194	1,310	1,302
Permit valuation (in $)	47,827,308	54,288,877	76,647,366	99,406,673	68,119,054	82,560,865	66,119,298	49,316,168	44,138,834	47,275,559
Asphalt placed (sq.ft.)	96,798	123,514	83,727	132,216	88,582	103,006	129,349	139,464	119,745	96,370
Concrete placed (cu.yd.) [b]	1,032	756	698	441	727	574	174	438	338	439
Electric										
Meter connections	9,201	9,478	9,265	9,387	8,769	8,484	7,956	8,329	7,650	8,413
Meter reads	558,859	554,291	561,898	541,090	559,121	510,751	505,471	512,488	517,339	518,238
Water/Wastewater										
Water treated (millions of gallons)	4,452	4,057	3,366	3,842	4,029	4,346	4,512	4,630	4,409	4,627
Effluent treated (millions of gallons)	1,832	1,781	1,858	1,881	2,057	1,906	1,894	1,845	1,864	1,856
New water meter installations	176	205	304	373	342	262	158	156	116	131
Golf										
Golf course participants [c]	54,388	58,399	60,999	71,689	60,455	65,791	53,612	49,009	50,687	55,931
Airport										
Total enplanements	27,160	30,132	35,503	32,575	30,177	26,472	13,617	14,628	16,655	19,335
Transit										
Total Ridership	33,364	42,650	43,999	57,043	87,298	109,992	120,298	138,246	143,073	146,140

Source: Provided by various City Departments

Note: [a] Fluctuation in museum patronage is due to special exhibits.
[b] The 2008 concrete placed (cu. yd.) reported has been restated in 2009 to the correct figure.
[c] In 2009, Civitan Golf Course was closed for remodel improvements which resulted in fewer golf course participants when compared to previous years.
[d] In 2009, a full 12 months of participants in the newly opened Sycamore Park Community Center were included which resulted in the increase in participants when compared to previous years.
[e] In 2011, Number of computer users was added. This item replaced Number of items in collection, which was not considered to be as meaningful of a measure. Data from fiscal years 2002 and 2003 was not available.
[f] In 2012, 2003-2011 fire department statistics have been restated to show more accurate and detailed fire department responses.

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

Schedule 24

	Fiscal Year									
	2003	**2004**	**2005**	**2006**	**2007** Restated	**2008** Restated	**2009** Restated	**2010** Restated	**2011** Restated	**2012**
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	3	3	3	3	3	4	4	4	4	4
Patrol vehicles	170	172	155	170	186	196	206	125	125	123
Fire stations	5	5	5	6	6	6	6	6	6	
Parks and Recreation										
Developed acres [a]	586	588	588	589	592	594	1,364	1,364	1,364	1,364
Undeveloped acres [b]	1,273	1,282	1,289	1,288	1,285	1,283	309	309	309	270
Number of parks/facilities [c]	77	79	80	80	80	80	87	88	88	88
Baseball/softball diamonds	24	24	25	25	24	24	23	23	23	23
Soccer/football fields	11	11	13	13	14	14	11	11	11	11
Number of golf courses	2	2	2	2	2	2	2	2	2	2
Community Development										
Streets (miles)	235	238	240	245	253	N/A	268	270	274	274
Highway (miles)	17	17	17	17	17	17	17	17	17	17
Streetlights [d]	3,871	3,915	3,933	3,971	4,124	4,135	4,238	4,226	4,251	4,298
Traffic Signals	74	75	76	77	78	79	80	80	81	83
Water										
Water mains (miles)	318	325	330	336	336	340	340	340	340	340
Fire hydrants	2,010	2,154	2,296	2,360	2,400	2,470	2,500	2,511	2,556	2,560
Storage capacity (thousands of gallons)	24,300	24,300	24,300	24,300	24,300	24,300	24,860	24,860	26,860	26,860
Wastewater										
Sanitary sewers (miles) [e]	195	199	203	207	233	233	233	233	233	233
Treatment capacity (thousands of gallons)	5,800	6,670	6,670	6,670	6,670	6,670	6,670	6,670	6,670	6,670
Transit - minibuses/vans	8	8	8	8	11	11	11	16	12	12

Source: Provided by various City Departments

Note: The city implemented GASB Statement 34 infrastructure information in fiscal year 2002.
[a-b] In 2009, the number developed acres was redefined from previous years to include parks that are partially developed but still maintained by the Parks and Recreation Department. Conversely, this adjustment reduced the amount of undeveloped acres. In 2012, undeveloped acres decreased by 39.1 acres due to a land trade with the Farmington School District and the new BLM field office.

[c] In 2009, the number of parks/facilities was redefined to include all facilities maintained by the Parks and Recreation Department City-wide rather than just Parks and Recreation facilities.

[d] In 2009, an audit of the number of streetlights was conducted and the figure was adjusted to actual.

[e] 2007-2011 have been restated due a correction of an error in the miles of existing sanitary sewer

Single Audit Section

CITY OF FARMINGTON, NEW MEXICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Grantor / Pass-through ID Number	CFDA Number	PROGRAM NAME	Expenditures
DIRECT PROGRAMS			
U.S. Department of Housing and Urban	**14.218- Community Development Block Grants/Entitlement Grants**		
		CDBG B-01-MC-35-0005	100,759
		CDBG B-11-MC-35-0005	364,926
U.S. Department of Justice	**16.710-ARRA-Public Safety Partnership and Community Policing Grants**		
		COPS Grant - 2009RKWX0641	325,131
		COPS Technology Grant - 2010CKWX0423	2,124
	16.738-Edward Byrne Memorial Justice Assistance Grant Program		
		2009-DJ-BX-1498	2,172
		2010-DJ-BX-0173	3,461
		2011-DJ-BX-2957	54,021
	Federal Bureau of Investigations		
		FBI Cybercrime Task Force	6,538
		Gang Task Force	21,248
U.S. Department of Transportation	**20.106-Airport Improvement Program**		
		AIP Project No. 3-35-0016-031-2010	220,050
		AIP Project No. 3-35-0016-032-2010	56,318
		AIP Project No. 3-35-0016-034-2011	574,465
	20.505-Metropolitan Transportation Planning		
		Federal Transit - Metropolitan Transit Operations and Capital - Red Apple Transit	
		NM-90-X098-00	267,530
		NM-90-X104-00	233,319
		NM-90-X091-00	7,919
	20.500-ARRA-Federal Transit Capital Investment Grant		
		NM-96-X002-00	28,476
Department of Energy	**81.128-ARRA-Energy Efficiency and Conservation Block Grant Program**		
		EECBG Award- DE-RW0000215	11,896
Department of Health and Human Services	**93.243-Substance abuse and Mental Health Services-Projects of Regional and National Significance**		
		1H79TI023160-01	42,066
Executive Office of the President	**95.001- High Intensity Drug Trafficking Area Grant**		
		G10SN0010A	5,239
		G11SN0010A	196,044
Department of Homeland Security	**97.036-Disaster Grants-Public Assistance**		
		FEMA-1936-DR-NM	476,691
	97.044- Assistance to Firefighters Grant		
		FEMA- Assistance to Firefighters Grant EMW-2010-FO-08445	170,223

CITY OF FARMINGTON, NEW MEXICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Grantor / Pass-through ID Number	CFDA Number	PROGRAM NAME	Expenditures
PASS THROUGH PROGRAMS			
From the State of New Mexico Department of Public Safety			
U.S. Department of Justice	**16.710-Public Safety Partnership and Community Policing Grants**		
		Region II Narcotics Task Force 09-COPS METH REGION II SFY11	18,777
	16.738-Edward Byrne Memorial Justice Assistance Grant Program		
		Region II Narcotics Task Force DPSJAG10REGII	6,788
		Region II Narcotics Task Force DPSJAG11REGII	86,670
From the US Marshal Service			
U.S. Department of Justice	**16.738-Edward Byrne Memorial Justice Assistance Grant Program**		
		U.S. Marshal Service	26,848
From the New Mexico Environmental Department			
Department of Interior	**15.510-Colorado Ute Indian Water Rights Settlement Act**		
Bureau of Reclamation		Water/Water System Improvements 08-FC-40-2659- Farmington Reach	3,719
From the New Mexico Department of Transportation			
Federal Transit Authority	**20.505-Metropolitan Transportation Planning**		
		Federal Transit - Metropolitan Transit Operations MPO	167,832
Department of Transportation	**20.608-Miniumum Penalties for Repeat Offenders for Driving While Intoxicated**		
National Highway Traffic Safety (NHTSA)		Operation DWI-11-AL-410-035	21,680
National Highway Traffic Safety (NHTSA)		Operation DWI-12-AL-410-035	53,374
		Impaired Driving Demonstration Program-DWI Officers 11-AL-FTE164-035	168,125
Department of Transportation	**20.205-Highway Planning and Construction**		
Federal Highway Administration (FHWA)		Control# 5100090-Highway Safety Improvement Program	265,314
		Control# F100010-East Pinon Hills Blvd Extension over Animas River (bridge)	128,323
		Control#W500010-Safe Routes to School	6,662
		Total Federal Assistance	$ **4,124,728**

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, 2012

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Farmington and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Farmington High School - 1927

MOSS ADAMS LLP

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City of 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 and the budgetary comparison for the general fund and major special revenue fund of the City of Farmington, New Mexico (the "City"), as of and for the year ended June 30, 2012, 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 and internal service fund presented as supplementary information in the accompanying combining and individual fund financial statements and schedules and the respective budgetary comparisons for the nonmajor governmental funds, the enterprise funds and the internal service fund for the year ended June 30, 2012, as listed in the table of contents. 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

Management of the City is responsible for establishing and maintaining effective 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 opinion 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Praxity

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

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting as item 2011-02. A significant *deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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

Moss Adams LLP

Albuquerque, New Mexico
November 20, 2012

MOSS ADAMS LLP

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of Farmington's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. 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 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 of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-06 and 2012-01.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-06 and 2012-01. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

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

Moss Adams LLP

Albuquerque, New Mexico
November 20, 2012

CITY OF FARMINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes __X_ no
- Significant deficiency(ies) identified? __X__ yes _____ none reported

Noncompliance material to financial statements noted? _____ yes __X_no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes __X_no
- Significant deficiency(ies) identified? __X___ yes _____ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? __X_ yes _____ no

Identification of major programs:

14.218 Department of Housing and Urban Development - Community Development Block Grants/Entitlement Grants
16.710 Department of Justice - Public Safety Partnership and Community Policing Grants - ARRA
20.106 Department of Transportation - Airport Improvement Program
20.505 Department of Transportation - Metropolitan Transportation Planning
97.036 Department of Homeland Security – Disaster Grants - Public Assistance (Presidentially Declared Disasters)
20.205 Department of Transportation - Highway Planning and Construction (Federal-Aid Highway Program)

Dollar threshold used to distinguish between type A programs: $300,000

Auditee qualified as low-risk auditee? __X__ yes _____ no

Section II - Financial Statement Findings

2011-02 UPDATE AND TEST INFORMATION TECHNOLOGY DISASTER RECOVERY PLAN (SIGNIFICANT DEFICIENCY)

Condition

The City does not have a formal Information Technology (IT) Disaster Recovery Plan. Also, only limited testing covering the AS400 has been performed to date.

Criteria

In accordance with ISACA's Control Objectives for Information and related Technology (COBIT) 4.1 framework (DS4), to ensure continuous service, a Disaster Recovery Plan needs to be developed and tested to reduce impact of a major disruption on key business functions and processes. The plans should be based on risk understanding of potential business impacts and address requirements for resilience, alternative processing and recovery capability of all critical IT services. They should also cover usage guidelines, roles and responsibilities, procedures, communication processes, and the testing approach.

Cause

The City is still in the process working on updating its IT Disaster Recovery Plan.

Effect

The lack of a formal IT Disaster Recovery Plan and absence of comprehensive successful testing may pose questions as to the City's ability to respond and recover its critical data and applications in the event of an unforeseen disaster.

Recommendation

We recommend that the IT Disaster Recovery Plan be comprehensive in scope covering organizational structure for continuity management, covering the roles, tasks and responsibilities of internal and service providers, their management and their customers, and the planning processes that creates the rules and structures to document, test and execute the disaster recovery and IT contingency plans. The Plan should also address items such as the identification of critical resources, noting key dependencies, the monitoring and reporting of the availability of critical resources, alternative processing, and the principles of backup and recovery. It would be prudent for the City to test the IT Disaster Recovery Plan again to ensure the viability of the plan and the timeliness of its execution.

FINDING 2011-02 UPDATE AND TEST INFORMATION TECHNOLOGY DISASTER RECOVERY PLAN (SIGNIFICANT DEFICIENCY) (CONTINUED)

Management Response

We have not been able to prepare an "official" Disaster Recovery Document at this time, but we have documented procedures and steps related to various recovery/start-up procedures, and shared those documents among IT Staff in Google Docs (now Google Drive). This enables IT staff access to the documents anywhere there is internet service (including smart phones), and has greatly improved accessibility to the information needed for disaster recovery. This shared folder on Google Drive is our official repository for disaster recovery documents and procedures.

To eliminate the problems we experience with our MIMIX High Availability (HA) environment, the IT Department upgraded the AS400's to the latest version the operating system in late November. We then had Vision Solutions (the provider of the MIMIX HA solution) conduct an in depth audit of our replication environment. They found several issues that were subsequently rectified. Now the MIMIX HA environment is fully implemented, and fail-overs are tested administratively on a regular basis. We also moved the email services and general file shares off of the AS400, which reduced the complexity of our AS400 environment, and simplified disaster recovery a great deal.

The City has not done a full production fail-over test. As noted in last year's response, a full production fail-over would involve participation by all departments, with the fail-over being done on a weekend. Vision Solutions recommends that any major fail-over testing of this nature be done over a period of at least one month. A full fail-over test would have a significant financial impact on the City due to the need for personnel in all departments to work over a weekend to ensure everything is fully functional by the start of business on Monday morning (the same procedures would need to be done when moving production back to the original production server).

Section III - Federal Award Findings and Questioned Costs

2011-06 – SPECIAL TEST AND PROVISIONS – PROJECT ACCOUNTING (SIGNIFICANT DEFICIENCY AND COMPLIANCE)

Funding Agency: U.S. Department of Homeland Security
Title: Disaster Grants – Public Assistance (Presidentially Declared Disasters)
CDFA Number: 97.036
Award Year**:** July 1, 2011 – June 30, 2012

Condition

The projects associated with a work order were accumulated and compiled by project number. However, a portion of the expenses incurred during the year were accounted in various general ledger accounts that did not have a work order and were therefore not associated with a specific FEMA project.

Criteria

For large projects, the City must provide an accounting to the State of eligible costs. In submitting the accounting, the City is required to certify that reported costs were incurred in performance of eligible work, that the approved work was completed, that the project is in compliance with the provision of the FEMA Sub-grantee Agreement, and that payments for that project were made in accordance with 44 CFR section 13.21 payment provisions.

Questioned Costs:

Unknown

Cause

Insufficient communication between the grant manager and the grant accountant may have led to this finding.

Effect

The City is not in compliance with the federal requirements on Project Accounting, specifically as it relates to work order documentation.

Recommendation

We recommend the City develop a system or separate general ledger accounts to track and accumulate total project costs. These costs should be disaggregated by project and agreed to the grant coordinator's records to continually update the status of the FEMA related projects.

2011-06 – SPECIAL TEST AND PROVISIONS – PROJECT ACCOUNTING (SIGNIFICANT DEFICIENCY AND COMPLIANCE) (CONTINUED)

This schedule should be regularly maintained and reconciled with the general ledger to ensure they agree. Further, this will allow the City to determine their match requirement on the completed projects as well as the Federal share to assist with reimbursement requests. We also recommend the grant accountant and grant manager develop a uniformed system for tracking the federal portion of FEMA expenses in the general ledger.

Management Response

Procedures are now in place to assign specific project and/or work order numbers to all grant expenditures to ensure clarity and ease of determining match amounts and other grant requirements.

2012-01 – TIMELY SUBMISSION OF REIMBURSEMENT REQUESTS (SIGNIFICANT DEFICIENCY AND COMPLIANCE)

Funding Agency: U.S. Department of Transportation
Title: Highway Planning and Construction (Federal-Aid Highway Program)
CDFA Number: 20.205
Award Year**:** July 1, 2011 – June 30, 2012

Condition

While testing compliance requirements as it relates to cash management for the East Pinon Hills Boulevard Extension (EPHBE; control #F100010) and Highway Safety Program (HSP; control #5100090) grants, we noted that expenditure reimbursements were not submitted in accordance with the grant agreements. For EPHBE, the City submitted one reimbursement request during the award period in February 2012. This report covered expenditures incurred during the months of September and December 2011. The City made no expenditure reimbursement requests for HSP during the award period despite reimbursable expenses being incurred during five months within the award period. The City was in process of filing a reimbursement request for all expenditure incurred during the award period for HSP while the audit work was being performed subsequent to the end of the current award period.

Criteria

In accordance with East Pinon Hills Boulevard Extension (EPHBE; control #F100010) and Highway Safety Program (HSP; control #5100090) grant agreements, reimbursement requests are required to be submitted on a monthly basis.

Questioned Costs:

None.

Cause

Lack of monitoring controls in place to ensure the monthly grant reimbursement requests were being filed on a timely basis.

Effect

The City is not in compliance with the monthly submission requirements for reimbursement of expenditures under the above grant agreements.

2012-01 – TIMELY SUBMISSION OF REIMBURSEMENT REQUESTS (SIGNIFICANT DEFICIENCY AND COMPLIANCE) (CONTINUED)

Recommendation

We recommend the City update their controls to ensure that reimbursement reports are submitted within the time frame provided in the grant agreements. We also recommend that grant administrators be given the proper training to be able to understand and track the reporting requirements for the grants they manage.

Management Response

One accountant in the Finance division is now totally dedicated to accounting for all City grants and will follow through on all grant reporting requirements. Procedures are now in place to ensure that all grant reports are filed in a timely manner.

CITY OF FARMINGTON
SCHEDULE OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

2011-01	Restrict Payroll Access	Resolved
2011-02	Update and Test Disaster Recovery Plan	Revised/Repeated
2011-03	Error and Payroll Processing	Resolved
2011-04	Procurement, Suspension and Debarment	Resolved
2011-05	Timely Submission of Required Report	Resolved
2011-06	Special Tests and Provisions – Project Accounting	Revised/Repeated
2011-07	Allowable Costs/Cost Principles	Resolved

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

Aerial View of Farmington Airport - 1963

MOSS-ADAMS LLP

Report of Independent Auditors

City of Farmington, New Mexico
Honorable Mayor and City Council

We have audited the accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) of the City of Farmington's Four Corners Regional Airport (Airport), for the year ended June 30, 2012 and each quarter during the period from July 1, 2011 through June 30, 2012. The accompanying Schedule is the responsibility of the City's management. Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the transactions within the passenger facility charge related accounts of the Airport for the year ended June 30, 2012, and each quarter during the period from July 1, 2011 through June 30, 2012, as defined in regulations issued by the U.S. Department of Transportation.

In accordance with *Government Auditing Standards*, we have also issued our report November 20, 2012, on our consideration of the Airport's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit

Praxity

performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Mayor, Members of the City Council and Airport Management, as well as the Federal Aviation Administration and U.S. Department of Transportation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

Albuquerque, New Mexico
November 20, 2012

PFC Revenues and Expenditures Schedule

Four Corners Regional Airport

FY12

7/1/11 - 6/30/12

	FY11 Program Total	Quarter 1 Jul-Sept	Quarter 2 Oct-Dec	Quarter 3 Jan-Mar	Quarter 4 Apr-Jun	FY12 Total	FY12 Program Total
Revenue							
Collections	$ 491,339	$ 11,998	$ 13,123	$ 11,344	$ 13,108	$ 49,573	$ 540,912
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	103,596	-	-	-	-	-	103,596
Proj. 1-D Drainage Improvements	64,073	-	-	-	-	-	64,073
Proj. 1-E Signage Improvements	12,078	-	-	-	-	-	12,078
Proj. 1-F Airfield Electrical Improvements	7,025	-	-	-	-	-	7,025
Proj. 1-G Security Improvements	13,299	11,998	7,989	-	-	19,987	33,286
Proj. 1-H Terminal Improvements	-	-	5,134	11,344	13,108	29,586	29,586
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	**491,339**	**11,998**	**13,123**	**11,344**	**13,108**	**49,573**	**540,912**
Total Disbursements	**491,339**	**11,998**	**13,123**	**11,344**	**13,108**	**49,573**	**540,912**
Net PFC Revenue (rev-disb.)							
PFC Account Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -

The schedule is on a cash basis.

CITY OF FARMINGTON
FOUR CORNERS REGIONAL AIRPORT
NOTES TO SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES
June 30, 2012

NOTE 1. GENERAL

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the imposition of local Passenger Facility Charges (PFC) and use of resulting PFC revenues for Federal Aviation Administration (FAA) approved projects meeting at least one of the following criteria: (1) preserve or enhance safety, security, or capacity of the national air transportation system; (2) reduce noise or mitigate noise impacts resulting from an airport; or (3) furnish opportunities for enhanced competition between or among carriers. In March 2003, the FAA approved a $3.00 PFC collection at the City of Farmington's Four Corners Regional Airport (Airport).

NOTE 2. SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES

The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (Schedule) presents the revenues received from passenger facility charges, interest earned thereon, and the expenditures incurred on approved projects. Revenues received and expended on approved projects in the accompanying Schedule agree to the passenger facility charge quarterly status reports submitted by the Airport to the FAA, net of minor adjustments.

PFC charges collected represent cash collected through the end of the quarter as reported to the FAA in accordance with 14 CFR Part 158. The interest earned represents the actual interest collected and accrued on the unexpended PFCs during the periods reported.

PFC expenditures are for debt service paid on approved projects and represent only a portion of the debt service as the related debt service requirements exceed the PFC charges collected.

MOSS-ADAMS LLP

Report of Independent Auditors on Compliance Requirements Applicable to the Passenger Facility Charge Program And on Internal Control Over Compliance

City of Farmington, New Mexico
Honorable Mayor and City Council

Compliance

We have audited the compliance of the City of Farmington's Four Corners Regional Airport (Airport), with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2012. Compliance with the requirement of laws and regulations applicable to its passenger facility charge program is the responsibility of Airport's management. Our responsibility is to express an opinion on the Airport's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Airport's compliance with those requirements.

In our opinion, the Airport complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2012.

Praxity

City of Farmington, New Mexico
Honorable Mayor and City Council

Internal Control Over Compliance

The management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the Airport's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over 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 relatively low level the risk that noncompliance with applicable requirements of laws and regulations 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.

This report is intended solely for the information and use of the Mayor, Members of the City Council and Airport Management, as well as the Federal Aviation Administration and U.S. Department of Transportation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

Albuquerque, New Mexico
November 20, 2012

CITY OF FARMINGTON
FOUR CORNERS REGIONAL AIRPORT
PFC PROGRAM AUDIT SUMMARY
YEAR ENDED JUNE 30, 2012

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

Aerial View of Farmington - 1960

CITY OF FARMINGTON
EXIT CONFERENCE
Year Ended June 30, 2012

An exit conference was held on November 7, 2012. In attendance were:

For the City of Farmington:

Tommy Roberts	Mayor
Robert Mayes	City Manager
Andy Mason	Administrative Services Director
Eric Schlotthauer	Controller
Sheree Wilson	Enterprise Accountant
Sarah Talley	Staff Accountant II
Krista Martin	Staff Accountant II
Earlene Roquemore	Staff Accountant I

For Moss Adams, LLP (auditors):

Larry Carmony	Partner
Brandon Valentini	Partner
Jaime Rumbaoa	Senior Manager

A flock of sheep at the corner of Main
and Behrend in Farmington - 1910

OTHER INFORMATION

CITY OF FARMINGTON, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL

For the Year Ended June 30, 2012

	Citizens Bank of Farmington	Wells Fargo	Vectra Bank
City of Farmington Deposits			
Demand Deposit Accounts	$ 86,832	$ 4,014,355	$ -
Non-Interest Bearing Accounts	-	4,144,467	-
Certificates of Deposit	54,000,000	5,000,000	37,103,727
Sub-Total	54,086,832	13,158,822	37,103,727
Less FDIC insurance	250,000	4,394,467	250,000
Uninsured amount	53,836,832	8,764,355	36,853,727
Pledge Collateral Required			
50 percent - deposits	26,918,416	4,382,178	18,426,864
Pledged collateral	31,830,703	4,516,773	20,904,939
Excess of pledged collateral	$ 4,912,287	$ 134,595	$ 2,478,076

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

Location of collateral		Dallas, TX	New York	San Francisco
Federal Home Loan Bank				
cusip # 313378KM2	03/23/21	$ 5,024,699	$	$
cusip # 3136F6YL7	12/25/12	952,117		
cusip # 31396YXY3	12/15/20	765,990		
cusip # 31331K3N8	01/27/21	4,043,404		
cusip # 3137ADBT3	02/15/29	6,059,656		
cusip # 31397QF29	10/25/25	6,550,784		
cusip # 36202FES1	03/20/25	1,534,241		
cusip # 31393RWF3	02/15/32	1,400,906		
cusip # 31396NCK0	04/15/36	5,498,906		
FHLMC				
cusip # 3128M6VZ8	10/01/38		108,185	
cusip # 3128JNVM4	01/01/37			453,247
cusip # 3128JL4T3	04/01/34			1,937,973
cusip # 3128JPXA3	02/01/39			363,528
FAMC				
cusip # 313172AG3	10/25/24			1,038,458
cusip # 31317GAZ0	04/25/17			230,300
cusip # 31317JAF8	07/25/18			2,452,749
cusip # 31317LAE6	01/25/20			3,577,476
cusip # 31318OAL5	08/25/24			1,009,397
SBA POOL				
cusip # 83164KCD3	08/25/30			6,467,427
cusip # 83164KCH4	08/25/17			3,374,384
FNMA				
cusip # 3138A2MN6	01/01/41		4,358	
cusip # 3138A2WV7	12/01/40		466,853	
cusip # 3138A2WW5	01/01/41		171,672	
cusip # 3138A46L4	01/01/41		4,668	
cusip # 3138A77E2	04/01/41		192,839	
cusip # 3138A8EL6	02/01/26		247,247	
cusip # 3138ALUX3	10/01/26		2,937,563	
cusip # 3138AXCM1	10/01/26		247,037	
cusip # 31418AD96	04/01/41		136,351	
		$ 31,830,703	$ 4,516,773	$ 20,904,939

CITY OF FARMINGTON, NEW MEXICO
SCHEDULE OF JOINT POWERS AGREEMENTS

June 30, 2012

Participants (including City of Farmington)	Responsible Party	Description	Dates of Agreement	Total Amount/ City Share	FY12 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	$ 5,587	San Juan County Communications Authority
Aztec, Bloomfield & San Juan County	Crime Stoppers	Law Enforcement	07/01/05 through 06/30/14	$37,964 / $11,967	$ 11,967	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, San Juan County & NM Dept. of Public Safety	San Juan County Criminal Justice Training Authority	Police Training	8/07/96 until termination	As needed	$ -	San Juan County
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 until termination	As required	$ -	City
NM Taxation & Revenue	NM Taxation & Revenue	Taxpayer ID	05/17/89 perpetual	Not applicable	$ -	City
NM Community Development Council & NM Dept of Finance & Admin.	Dept. of Finance	Title 1 Housing	04/12/00 perpetual	Not applicable	$ -	City
Aztec, Bloomfield & San Juan County	City of Farmington	MPO	3/11/03 until terminated	$ 36,057 / $ 21,634	$ 21,634	City
San Juan County	San Juan County	Detention Center	12/16/04 to 6/30/10	$12,268,121/$1,588,061	$ 1,588,061	San Juan County
San Juan County	San Juan County	DWI Treatment Ctr	04/15/98 until terminated	$3,396,238 / $440,000	$ 440,000	San Juan County
NM Energy, Minerals and Natural Resources Department (NMEMNRD)	NMEMNRD	Wildfire Firefighting	12/12/05 until terminated	$69,143 / $ -	$ -	NMEMNRD
NMEMNRD	City of Farmington	Wilderness Trails	02/25/09 to 12/31/13	$ -	$ -	NMEMNRD