Comprehensive Annual Financial Report

CITY OF FARMINGTON NEW MEXICO

JULY 1, 2010 – JUNE 30, 2011

Cover (clockwise from upper left): Kayakers on the Animas River, Connie Mack World Series at Ricketts Park, Fishing on the San Juan River, Road Apple Rally

CITY OF FARMINGTON
NEW MEXICO
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Year Ended June 30, 2011

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Printing by Garrison Graphics

Pictures courtesy of the Parks, Recreation, and Cultural Affairs Department
and the Farmington Convention and Visitors Bureau

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Frisbee Golf – Lions Wilderness Park

INTRODUCTORY SECTION

UTAH | COLO.
ARIZ. | N.M.

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Farmington, NM 87401-2663
(505) 599-1102
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www.fmtn.org

December 16, 2011

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, 2011.

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, 2011, 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, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

conjunction with it. The City of Farmington's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Farmington is located in the northwest corner of the State of New Mexico in what is commonly called the Four Corners Area (see map on page xi). The City was originally incorporated in 1901 and has a current land area of 33 square miles and serves a population of 45,877. 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 July 1, 2011, the total in-city GRT rate is 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, and the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City, and appointing directors of the various departments. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with two Council members elected every two years. The Mayor is elected to serve a four-year term. The four Council members are elected by district and the Mayor is elected at large.

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

The annual budget serves as the foundation for the City of Farmington's financial planning and control. All departments of the City of Farmington are required to submit requests for appropriation to the City Manager on or before the last day in February each year. The City Manager evaluates department requests and subsequently develops a proposed budget. The City Manager presents the proposed budget to the Council for review prior to May 10. The City Council is required to hold public hearings on the proposed budget and to adopt a preliminary budget by June 1 and a final budget no later than July 31 of each year. The City of Farmington's fiscal year begins July 1 of each year and ends on June 30. The appropriated budget is prepared according to fund, function (e.g. public safety), and department (e.g. police). Department directors may make transfers of appropriations within a fund and between their divisions. Transfers of appropriations between funds, however, require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 20 as part of the basic financial statements for the governmental funds. Budget-to-actual comparisons for all other funds are presented in the non-major governmental funds, internal service fund, and enterprise funds sections of this report.

Factors Affecting Financial Condition

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

Local economy. The local economy has historically been based on the natural resource extractive industry, two large coal-fired electric generating stations, and Farmington's geographical position as a regional retail center catering to a 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 continued to remain low during FY2011 although gross receipts tax (GRT) in FY2011 increased by 3.9% from the prior fiscal year.

Relative to the FY2011 budget process and because it was unclear when an end to the downturn that began in FY2009 would take place, the budget for FY2011 focused on reducing expenditures and enhancing revenue wherever possible. In FY2011 thirty-five positions, vacant from attrition or reorganization, were left unfilled for a savings in excess of one million dollars. Other expenditure areas such as travel, computer equipment, fleet vehicles and supplies were also reduced by over one million dollars. To enhance revenue in the general fund, the Payment In Lieu of Taxes from the electric utility was increased from 5% to 7.5% which generated an additional $900,000 in revenue. Consequently, these adjustments to the FY2011 budget accomplished management's objective to maintain basic services at existing levels. Not coincidently, this objective received the highest priority during public input sessions where citizens voiced their desire to maintain existing services to the fullest extent possible. For the long term, this approach requires additional revenue in the future to cover those expenditures that were deferred during FY2011. To this end the City Council adopted a Dividend Policy with regard to the City's electric utility. It is a common practice for municipal electric utilities to pay a dividend to the municipality's general fund as a return on the investment made by the City into the electric utility. The City's policy provides that, in accordance with New Mexico state law, the City may transfer excess funds from the utility to the general fund subsequent to the utility covering its operation and maintenance expenses and debt service costs. 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 Dividend Policy provides that 40% of the operating net income of the electric utility 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. As a comparison, the utility dividend budgeted in FY2012 as per the adopted policy will result in a transfer to the general fund of $8.1 million or approximately 16% of the total revenue budget.

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. 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.

Having been designated a Metropolitan Statistical Area for several years now, Farmington continues to participate in a national urban cost of living survey. As a participant in this survey, Farmington is compared with about 400 other cities in the American Chamber of Commerce Researchers Association's Cost of Living Index. This index measures six different cost of living components such as housing, transportation, and utilities and then rates each city in terms of the national average. In a recent survey, Farmington's cost of living index was 98% of the national average.

Farmington, NM was the 18th most secure small community in the nation in which to live according to a 2008 study by the Farmers Insurance Group of Companies. The ranking is based on crime statistics, extreme weather, risk of natural disasters, housing depreciation, foreclosures, air quality, life expectancy, and job loss numbers. The survey reveals much about how local governments and citizens work together to make their communities a desirable choice for individuals and families to live, work, and grow. The designation reflects the high quality of life in Farmington that its citizens have come to realize and enjoy.

Residents and visitors in the City of Farmington enjoy 61 parks covering 1,855 acres and strategically located across the community. Farmington boasts numerous recreational facilities including 23 ball parks, 5 soccer complexes, 18 tennis courts, 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 brings in 10 teams from across the country. The teams hail from regions throughout the contiguous United States as well as Puerto Rico and Canada. 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.

San Juan Regional Medical Center (SJRMC) of Farmington is a 250 licensed–bed acute care hospital and related hospital facilities. SJRMC is a community-governed hospital founded in 1910 that continues to be the largest employer in the region with 1,500 employees. As a Level III Trauma Center, SJRMC seeks to meet the healthcare needs of the whole community through a very broad range of medical, surgical and rehabilitation services. In August, 2006, the hospital completed a $70 million expansion and renovation project. The East Tower expansion project of SJRMC added 72 private patient rooms, 8 new operating suites, a recovery room, and several day surgery rooms. A new entrance, lobby, and public square were also a part of the new addition. Twenty (20) additional private rooms were added in 2008 with the completion of the East Tower's 5th floor. In 2003 San Juan County voters approved a $25-million, one-eighth cent gross receipts tax to help pay for the medical center expansion and renovation while SJRMC funded the remainder of the project. In 2007, the City of Farmington issued $12 million in Hospital Revenue Bonds (San Juan Regional Medical Center, Inc. Project) which funded the renovation costs for the first floor of SJRMC and the acquisition of a Linear Accelerator for cancer treatment. By means of a financing partnership between the City and the hospital, SJRMC is obligated to repay the bonded debt. These projects are another example of the cooperation between various local governments that the County of San Juan is experiencing.

The City of Farmington has an employed labor force of approximately 51,933, an increase of 2% compared to last year. The County unemployment rate was 8.3% at June 2011 compared to 10.2% for the same period in FY2010. 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 of the local economy is also impacting residential growth and creating a slowdown from the 1% per year growth of recent years.

The precipitous downturn in oil and gas activity in San Juan County in late 2008 has continued to negatively impact many businesses within the region. As natural gas prices continue to remain low in FY2011, many oil and gas companies believe it is not worth drilling for natural gas in the Farmington region. 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.

Contributing to the local unemployment rate was the layoff of 100 employees in December, 2009, at the Bloomfield Oil and Gas Refinery when Western Refining, Inc., owner of the processing facility, made cost cuts by transferring all Bloomfield, NM operations to its Gallup, NM facility. Due to a shortage in affordable crude supplies in the region, Western Refining, based out of El Paso, Texas, decided the consolidation of its Four Corners refineries in Bloomfield and Gallup would save the oil and gas company at least $25 million each year.

During FY2011, the number of building permits increased 9.7% while the valuation of these building permits decreased $7.8 million or 10.5%. Last year the state passed new legislation requiring building permits for all roof replacements which is reflected in the increase in the number of building permits. The decrease in the value of permits shows that new housing construction is still diminishing due to the continual economic downturn in the area. Gross receipts taxes (GRT) relative to construction dropped 6.3% in FY2011 compared to the prior year. Retail GRT, the largest industry sector in terms of GRT, increased slightly by $149,000 in FY2011 or .75%. GRT comprises 73% of the City's general fund total revenue sources.

Long-term financial planning. The design phase for capital projects such as Fire Station #7 and a regional animal shelter have been completed, but are temporarily on hold as funding sources continue to be developed. However, a higher ending cash balance in the general fund for FY2011 will allow for approximately $3.5 million in capital improvement spending during FY2012, pending City Council approval.

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). The first loan payment of $952,997 was made on July 1, 2007 and the final loan payment will be in July, 2026. The treatment plant's capacity was increased by 15% to meet a projected 6.67 mgd flow rate. In addition, reliability and flexibility have improved through the rehabilitation of the primary clarifiers and sludge drying beds as well as the capacity expansion of the disinfection process.

The wastewater treatment plant's next planned expansion phase III is scheduled to begin in FY2012 and will add redundancy and future capacity. The plant's existing chemical disinfection system will be upgraded to a state of the art UV disinfection system which will reduce chemical costs and discharge of chemicals into the San Juan River. Construction for this expansion project is estimated at $5.5 million with funding to be provided by another NMED low interest, 20-year loan through the State's Clean Water Revolving Fund Program.

The electric utility's municipal structure keeps customer user rates very reasonable and Farmington customers enjoy the lowest electric 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.

In FY2005, the City issued $5,725,000 of Series 2005 Sales Tax Revenue Bonds to construct, furnish, equip and improve fire-fighting facilities and acquire and rehabilitate fire-fighting equipment. Fire Station 6, completed in July 2006, provides much-needed response and emergency service coverage to the west side of the city. In addition to the new state of the art fire station, the bond proceeds purchased two 95 foot platform ladder trucks and three 75 foot aerial ladder trucks.

Other long-term financial planning is incorporated into the City of Farmington's Comprehensive Plan approved by the City Council in October, 2002. This plan was developed in a multi-stage process and provides the vision, goals, objectives, and actions necessary to direct the City's progress over the next twenty years. It is an official public document that will serve as the guide for policy decisions relating to the physical, social, and economic growth of the community. In addition to providing goals and objectives, the plan assesses the opportunities and challenges facing the City and sets priorities for an implementation program that outlines specific actions and practical results. This document will serve as a planning guide for future financial capital investments. It is also currently serving as the springboard for development of a Metropolitan Redevelopment Area (MRA) covering the downtown neighborhoods.

ARRA Funding

The City has received funding for various programs included in the American Recovery and Reinvestment Act of 2009 (ARRA). ARRA is an economic stimulus package enacted by the 111th United States Congress in February, 2009. The Act of Congress is intended to provide a stimulus to the U.S. economy in the wake of the economic downturn. As of June 30, 2011, the city has received awards totaling over $7.8 million. ARRA projects include the Animas waterline, Wildflower road widening, CDBG sidewalk project, new bus trolleys, efficiency lighting for ballparks, and various police grants.

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, 2010. This was the seventeenth consecutive year that the City of Farmington received this prestigious award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City of Farmington received the GFOA's Distinguished Budget Presentation Award for its annual budget document for FY2011. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully submitted,

Robert Mayes
City Manager

H. Andrew Mason
Administrative Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Farmington New Mexico

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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 2011

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

Community Services
Assistant City Manager
Campbell
Customer Care

Electric Utility
Grantham-Richards
Administration
Animas Power Plant
Bluffview Power Plant
Electric Engineering
Electric Construction
System Control Center
Electric Meter Shop
Electric Relay Shop
Navajo Dam Power Plant
San Juan No. 4
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
Mayes (Interim)
Employee Benefits
Insurance
Personnel
Workplace Safety
Payroll

General Services
Campbell (Interim)
Administration
Print Shop
Airport/Transit
Building Support
Farmington Indian Center
Community Services
Building & Maintenance
Vehicle Maintenance

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

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
Sandstone Production
Senior Citizen Center
Museum System
Parks Operations
Recreation Center
Recreation Programs
Golf Courses
Sycamore Center

CITY OF FARMINGTON

Principal Officials

June 30, 2011

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
Maude Grantham-Richards

FIRE CHIEF
Terry Page

GENERAL SERVICES DIRECTOR
Robert Campbell (Interim)

HUMAN RESOURCES DIRECTOR
Robert Mayes (Interim)

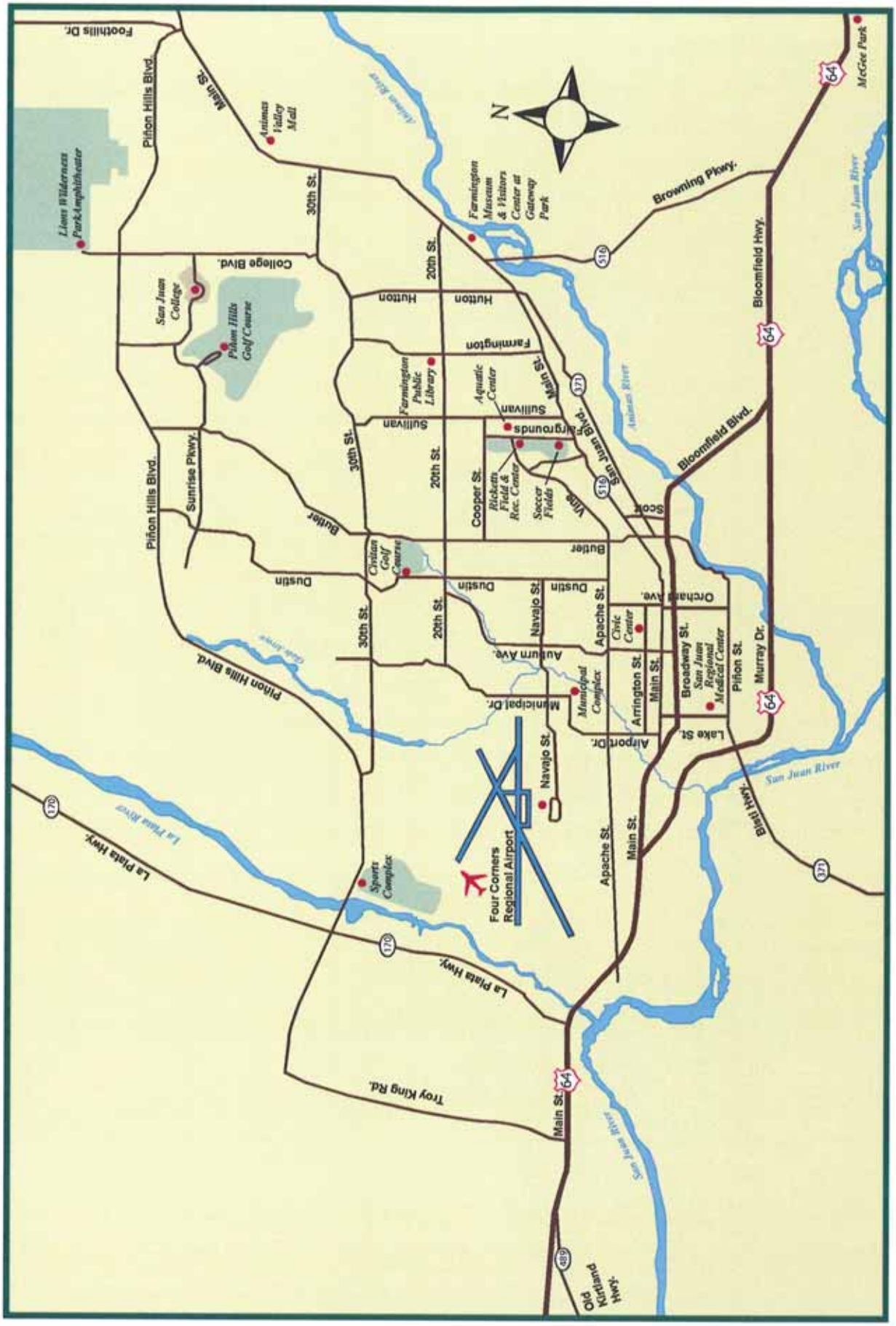
INFORMATION TECHNOLOGY DIRECTOR
Richard Friedman

PARKS & RECREATION DIRECTOR
Jeffrey Bowman

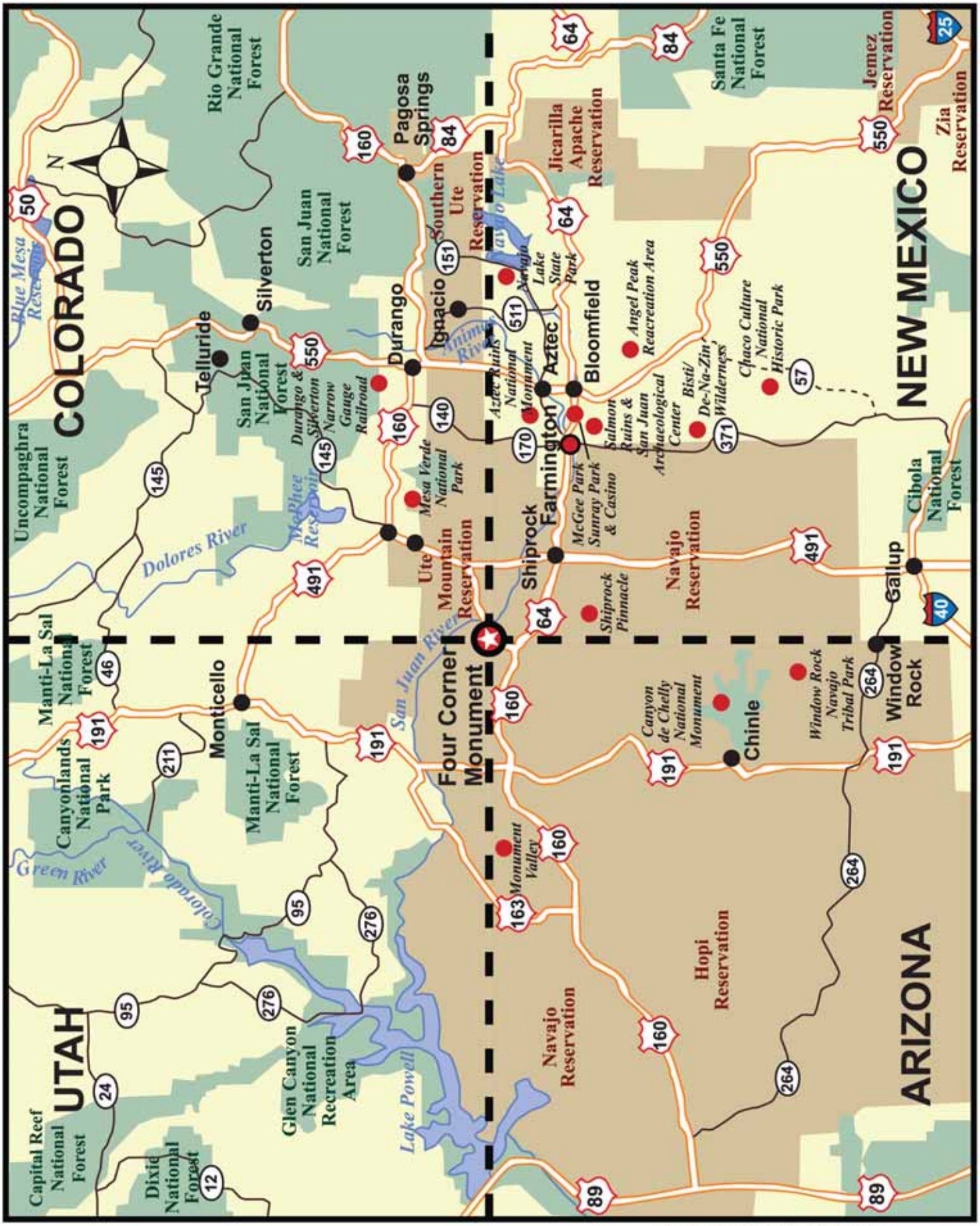
POLICE CHIEF
Kyle Westall

PUBLIC WORKS DIRECTOR
Jeffrey Smaka

CONTROLLER
Eric Schlotthauer



MAP COURTESY OF FARMINGTON CONVENTION & VISITORS BUREAU



MAP COURTESY OF FARMINGTON CONVENTION & VISITORS BUREAU

PRCA movie night – Ricketts Park

FINANCIAL SECTION

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

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 (the "City"), New Mexico, as of and for the year ended June 30, 2011, 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 all nonmajor governmental funds, all enterprise funds and the internal service fund for the year ended June 30, 2011, 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 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, 2011, 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, 2011, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Generally Accepted Accounting Principles which 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 basic 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 is presented for purposes of additional analysis as required by the US Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The additional schedules listed as other supplementary information in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory and the statistical sections have not been subjected to the auditing procedures applied in the audit of the basic and combining and individual fund financial statements and, accordingly, we express no opinion on them.

Moss Adams LLP

Albuquerque, New Mexico
December 16, 2011

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, 2011. 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 FY2011 by $520,677,462 (net assets). Of this amount, $111,617,771 (unrestricted net assets) may be used to meet the City's ongoing obligations.

- As of June 30, 2011, the City of Farmington's governmental funds reported combined ending fund balances of $36,859,738, an increase of $10,594,218 or 40.3% in comparison with the prior year. A total of $18,449,727 (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 $18,449,727, or 37.5 % of the total general fund expenditures.

- The City's total net debt decreased by $6,659,032, or 18.5% 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 15-16 of this report.

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

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

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

The City of Farmington maintains eighteen (18) 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 sixteen (16) 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 55-62).

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

The basic governmental fund financial statements can be found on pages 17-21 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 81-85 of this report. Fund data for the internal service fund is provided on page 80 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-51 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 $520,677,462 at the close of FY2011.

The largest portion of the City of Farmington's net assets ($401,185,288 or 77.1%) 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	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Current and other assets	$ 43,613,410	$ 32,701,555	$ 101,491,107	$ 91,614,776	$ 145,104,517	$ 124,316,331
Capital assets	98,320,657	102,859,288	331,602,090	327,857,607	429,922,747	430,716,895
Total assets	141,934,067	135,560,843	433,093,197	419,472,383	575,027,264	555,033,226
Long-term liabilities outstanding	12,968,881	13,864,286	24,107,073	29,697,850	37,075,954	43,562,136
Other liabilities	3,187,112	2,681,022	14,086,736	11,038,472	17,273,848	13,719,494
Total liabilities	16,155,993	16,545,308	38,193,809	40,736,322	54,349,802	57,281,630
Net assets:						
Invested in capital assets, net of related debt	91,574,976	94,776,714	309,610,312	299,184,651	401,185,288	393,961,365
Restricted	2,630,553	4,195,660	5,243,850	3,657,082	7,874,403	7,852,742
Unrestricted	31,572,545	20,043,161	80,045,226	75,894,328	111,617,771	95,937,489
Total net assets	$ 125,778,074	$ 119,015,535	$ 394,899,388	$ 378,736,061	$ 520,677,462	$ 497,751,596

Another portion of the City of Farmington's net assets ($7,874,403 or 1.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* ($111,617,771 or 21.4%) may be used to meet the City's ongoing obligations.

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

The City of Farmington's net assets increased $22,925,866 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 $6,762,539. 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	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Revenues:						
Program revenues:						
Charges for services	$ 10,942,333	$ 10,424,975	$ 116,624,604	$ 120,057,935	$ 127,566,937	$ 130,482,910
Operating grants and Contributions	6,243,941	4,090,058	6,282,404	12,949,631	12,526,345	17,039,689
Capital grants and Contributions	3,442,981	4,228,018	-	-	3,442,981	4,228,018
General revenues:						
Property taxes	1,806,123	1,556,401	-	-	1,806,123	1,556,401
GRT taxes	47,605,170	44,760,879	-	-	47,605,170	44,760,879
Other taxes	2,443,271	2,698,332	1,258,718	-	3,701,989	2,698,332
Other	1,906,016	2,188,423	1,071,740	1,324,627	2,977,756	3,513,050
Total revenues	74,389,835	69,947,086	125,237,466	134,332,193	199,627,301	204,279,279
Expenses:						
General Government	29,114,460	25,732,424	-	-	29,114,460	25,732,424
Police	15,021,697	14,918,275	-	-	15,021,697	14,918,275
Fire	8,665,126	8,808,809	-	-	8,665,126	8,808,809
Parks, rec & cultural affairs	13,714,785	13,349,714	-	-	13,714,785	13,349,714
Community development	10,800,128	8,425,359	-	-	10,800,128	8,425,359
Electric	-	-	77,933,334	75,094,411	77,933,334	75,094,411
Water	-	-	8,662,030	8,540,615	8,662,030	8,540,615
Wastewater	-	-	5,674,564	5,263,247	5,674,564	5,263,247
Sanitation	-	-	5,318,445	4,393,018	5,318,445	4,393,018
Golf	-	-	1,468,586	1,285,065	1,468,586	1,285,065
Other	328,280	377,304	-	-	328,280	377,304
Total expenses	77,644,476	71,611,885	99,056,959	94,576,356	176,701,435	166,188,241
Increase in net assets before transfers	(3,254,641)	(1,664,799)	26,180,507	39,755,837	22,925,866	38,091,038
Transfers	10,017,180	14,406,807	(10,017,180)	(14,406,807)	-	-
Increase in net assets	6,762,539	12,742,008	16,163,327	25,349,030	22,925,866	38,091,038
Net assets - 7/01/10	119,015,535	106,273,527	378,736,061	353,387,031	497,751,596	459,660,558
Net assets - 6/30/11	$ 125,778,074	$ 119,015,535	$ 394,899,388	$ 378,736,061	$ 520,677,462	$ 497,751,596

Total accrued gross receipts tax (GRT) increased by $2,844,291 or 6.4%. This was due to an overall increase in receipts from the retail trade and manufacturing sectors.

Operating grants increased $2,153,883 mainly due to a Federal Emergency Management Agency (FEMA) grant ($2,192,574) received to assist the City in repairing the damage from a flood in August, 2010. Capital grants and contributions decreased $785,037 during the year. This was due to an overall decrease in federal American Recovery and Reinvestment Act (ARRA) funding mainly in the general fund.

Charges for services increased $517,358 or 4.9% due mainly to an increase in stop loss payments ($706,000) and a decrease in Red Apple subsidies ($158,000). The decrease

in Red Apple subsidies was due to the timing in draw down payments from the Federal Transit Administration (FTA). A large payment ($159,000) was received in July, 2011.

Transfers decreased $4,389,627 mainly due to the large increase in transfers in the prior year from the consolidation of the airport in the general fund ($9,295,156) and an increase in FY2011 transfers from the electric fund to the general fund ($4,217,000).

Total expenses increased $6,032,591 or 8.4% during the year mainly due to: utility expenses paid for by the electric utility being recognized in the governmental funds ($878,900), an increase in incurred but not reported (IBNR) estimates due to rising liability costs ($497,600), increases in health claims ($1,360,335), and increased debt service payments ($394,900). Community Development had more expenses capitalized ($1,736,000) resulting in lower expenses shown in FY2010 and depreciation increased ($601,000) in FY2011.

Business-type activities. Business-type activities increased the City of Farmington's net assets by $16,163,327, accounting for 70.5% of the total growth in the government's net assets. Key financial elements of the past fiscal year are as follows:

- Operating expenses are 84% of operating revenues, resulting in $18,662,031 in operating income.

- Total electric revenue decreased $4.8 million or 4.7%. Residential, commercial and industrial sales were up $2.1 million, combined. The power cost adjustment (PCA) decreased a net total of $3.8 million. Billed revenues for the PCA decreased $321,713 but, per FASB 71, revenues were decreased an additional $3.5 million for the regulatory liability. As a result, Electric sales to customers were down $1.9 million.

- Total water revenue decreased $4.6 million or 24%. Water sales to customers increased slightly by $572,729 due to an increase in water rates and increases in renewal and replacement fees for water infrastructure improvements. A majority of the decrease in revenue was due to a $6.4 million decrease in grants received from the Bureau of Reclamation and the State of New Mexico.

- Total wastewater revenue increased by $304,287 or 4% during the year. A majority of this increase was due to the receipt of construction contributions from the BLM (Bureau of Land Mangement) for the construction of a new sewer line. Also wastewater sales increased due to increases in wastewater rates and increases in renewal and replacement fees for wastewater infrastructure improvements.

- Total sanitation revenue increased $81,137 or 1.6% mainly due to higher demand for sanitation services.

- Investment earnings for business-type activities were $1,071,740, a 19.1% decrease over FY2010 due to an overall decrease 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, 2011, the City of Farmington's governmental funds reported combined ending fund balances of $36,859,738, an increase of $10,594,218 in comparison with the prior year. Approximately 50% of this total amount or $18,449,727 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* ($600,102), *restricted* ($2,642,207), *committed* ($13,434,068), or *assigned* ($1,733,634).

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 $18,449,727, while total fund balance was $19,049,829. 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 37.5% of total general fund expenditures, while total fund balance represents 38.8% of that same amount. The fund balance of the City of Farmington's general fund increased $6,118,345 or 47.3% during the current fiscal year.

The total increase in general fund revenue was $848,506 or 1.9%. This is due in part by a $2,247,036 increase in GRT due to an increase in retail sales. Franchise fees are down $34,761 or 5.4% due to the continual decrease in natural gas prices which affects the revenue from both our local gas service companies and the City's oil and gas royalties. Investment earnings in the general fund increased $25,746 due to the City having more funds to invest even though interest rates continue to decline. Intergovernmental revenue decreased $676,396 due to a decrease in cigarette taxes of $75,600 (the state now keeps all cigarette tax proceeds) and a reduction in ARRA funding ($718,144). Property taxes increased $141,727 due to an increase in assessed Farmington property values. Fines are down $287,898 presumably due to less traffic in the area attributed to the loss of oil workers and a general slowing of the economy keeping people from outlying areas coming to town to shop. Miscellaneous revenue declined $455,907 mainly due to a one-time payment of $384,200 for a FY2010 Public Service of New Mexico (PNM) bond refunding fee and the sale of property ($41,800), also in FY2010.

Total general fund expenditures increased $1,783,736 or 3.8% over the prior year. Key elements of this change were: utility expenses paid for by the electric utility being recognized in the general fund this year ($878,900), an increase in IBNR estimates in the Legal division due to rising liability costs ($497,600) and increases in police ammunition ($112,900) and wage and special duty costs ($245,160). Aside from expenditures that were non-utility related, total costs rose only $904,836 or 1.9%

reflecting management's efforts to keep general fund costs near FY2010 levels. As shown above, total general fund revenues increased 1.9%

Total revenue from incoming transfers in the general fund increased by $5,005,918 due mainly to an increase in revenue transfers from the electric utility ($5,782,636) generated from the implementation of a new dividend policy, and a decrease in transfers to the governmental capital projects fund ($919,177). Since overall general fund revenues rose only slightly, transfers to the governmental capital projects fund were not made in FY2011.

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 increased $2,531,733 due mostly to a FEMA grant ($2,102,566) received to assist in the cleanup from the August 2010 flood and an increase in GRT ($447,941) generated by an increase in retail sales. The GRT parks fund had an increase of $83,190 due to an increase in GRT ($149,314), a FEMA grant ($27,590), and a decrease in miscellaneous funding caused by a one-time revenue in FY2010 of $88,810 for light fixtures at City parks.

Total operating revenues in the governmental funds (not including the general fund) increased $2,515,793, or 13.5%, the main reason being the FEMA grant discussed in the preceding paragraph. Other funds that saw increases were the parks gifts and grants fund ($320,055) due to an increase in local donations for various city parks and projects; the animal shelter; and Sandstone Production's summer theatre, and the governmental capital projects fund ($780,390) due solely to a pass-through grant from the state for improvements to the family crisis center building. Governmental funds that showed decreases were the recreation fund ($42,908) due to the elimination of this fund since the state stopped passing on revenue from the cigarette taxes collected in Farmington and the library gifts and grants fund ($260,240) mainly due to the receipt of bonds proceeds from the state dedicated to libraries in FY2010 and that funding was not repeated in FY2011.

Expenditures in the governmental funds (not including the general fund) decreased $4,117,602 or 18.7% during FY2011. Key elements of this decrease are: GRT streets fund projects expenditures were larger in FY2010 due to several large projects, such as North Foothills development ($2,063,300), San Juan Blvd. sidewalks ($562,200), Cutler repaving ($717,400), and micro-surfacing various streets ($250,700). The law enforcement block grant fund decreased ($214,782) due to a decrease in ARRA funding. The COPS program grant fund increased during FY2011 due to an increase in ARRA funding which funded five (5) fulltime police officers. The state fire fund also showed an increase in expenditures ($236,079) due to increased purchases to replace aging protective gear.

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 $67,887,608 in the electric utility system, $5,189,197 in the water utility system, $5,806,716 in the wastewater utility system, and $1,161,705 in combined net assets for the other propriety funds (sanitation

and golf courses). The total growth in net assets was $9,618,313 in the electric fund, $5,246,221 in the water fund, $1,861,156 in the wastewater fund, and a decline of $562,363 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

After the dramatic FY2010 decline of 17.5% in the GRT, this past year saw a welcomed increase of 3.9% (on a cash basis). This increase hopefully signaled the end of the decline and the start of a new upward trend. However, even with this modest increase, the total level of GRT was basically at FY2005 levels which represent a yearly loss of over $6 million from the average over the past five years. This level is also significantly below the twenty-five year average growth trend of 9%. With the considerable drop in natural gas prices, the actual result for FY2011 is indicative that the setbacks the local economy has suffered have run their course. For this reason the GRT budget for FY2012 will be set at essentially the same level as the actual results for FY2011. With a higher degree of uncertainty as to actual revenue levels, the budget for FY2012 will be even more closely monitored than in prior years.

On the expenditure side, the original general fund budget of $49,332,343 was increased to $49,686,180 during FY2011. This adjustment increase was made to reflect slightly increasing revenue throughout the year. As a result of actions adopted as part of the FY2011 budget an extensive expenditure reduction strategy was put into effect. First, a city-wide pay freeze was instituted. Second, 45 vacant positions were frozen. Third, an across the board 2% reduction in operating costs was instituted. Fourth, a 10% reduction in all hours worked by temporary employees was made. Fifth, all non-essential capital expenditures were postponed until revenue was stabilized. Sixth, transfers from the electric utility were increased. Although difficult to accomplish, this effort resulted in actual FY2011 general fund expenditures being held to prior year levels. The combination of increasing revenue and flat expenditure levels led to a favorable ending cash balance of $15,034,259 (cash basis), which was $6.4 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 and allow a complete budget for many maintenance items that were "deferred" during the revenue downturn of FY2010.

During the year, four separate budget revisions were made to the original FY2011 expenditure budget. These adjustments totaled $12,168,457 and equaled 5.6% 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 expenditures during the year was in the enterprise funds as a result of capital projects that were started the previous year but not completed until last year. There were also several increases for grant awards that were made during the year and the health fund required a large adjustment as both revenue and expenditures were higher than anticipated.

For FY2011, the general fund budget had two overriding issues to be addressed. The first issue involved creating an accurate revenue projection in light of sharply declining GRT revenue in FY2010. The second issue was the need to create a balanced budget.

Because of the sharp drop in revenue during FY2010, the preliminary projections reflected the idea that the worst was over and that, at a minimum, revenue would quit declining. This turned out to be very accurate as GRT revenue continued declining the first third of the current year and then turned around and achieved a small percentage gain for the year. To achieve a balanced budget, a thorough review of all expenditures was undertaken. With the objective to maintain existing services, every general government departmental budget was reviewed to determine where expenditures could be reduced without affecting service delivery. Although many cost items were deferred, the combination of these deferrals and keeping personnel costs under control by not awarding raises and reviewing vacant positions before rehire, led to the creation of a balanced budget for FY2011.

For FY2011, capital projects took a backseat to maintaining current operations. Both the new animal shelter and fire Station #7, as well as other capital projects had some funding allocated but were basically put on hold. However, additional funds will be required for the completion of both projects and the source for operating funds to staff both facilities is as yet undetermined. Another capital project in the planning stage is a bridge over the Animas River which will connect north and south on the east side of the city.

The budget for FY2011 did continue the implementation of previously adopted water and wastewater projects that were funded by a renewal and replacement fee that was added to water and wastewater bills to ensure that adequate infrastructure be in place for service delivery. Two large water projects were undertaken during the year. The Navajo Reach Project was a federally funded project designed to facilitate the delivery of water to the Navajo Nation. The second large project was the flood clean-up effort, funded by FEMA, that sought to repair the damage from a flood event that struck the east end of town. These projects required adjustments to the adopted budget.

The most favorable budget highlight for the year was the revenue/expenditure actual to actual comparison for the general fund at the end of the year. With actual revenue, including transfers, recovering nicely from the prior year's decline and actual expenditures maintained at prior year levels the result was a $5.8 million surplus. With this surplus and with revenue projected to remain constant, the prospect for "catching up" on deferred items is favorable which in turn means that service provision levels are certain to meet citizen expectations.

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, 2011 was $429,922,747 (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 $331,602,090 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 $3,744,483 or 1.1%. The governmental activities investment in capital assets accounted for $98,320,657 or 22.9% of all capital assets owned by the City. The total decrease in governmental activities investment in capital assets for the current year was $4,538,631 or 4.4%.

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

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

	Governmental Activities		Business-type Activities		Total	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Land	$ 26,893,367	$ 26,893,367	$ 3,984,334	$ 3,984,334	$ 30,877,701	$ 30,877,701
Land rights	-	-	954,359	998,731	954,359	998,731
Buildings	28,651,008	29,575,233	65,302,459	61,890,222	93,953,467	91,465,455
Improvements	12,130,819	11,171,843	69,980,207	63,805,764	82,111,026	74,977,607
Equipment	9,186,573	10,449,999	153,174,815	150,272,689	162,361,388	160,722,688
Infrastructure	19,106,098	15,601,285	-	-	19,106,098	15,601,285
Construction in progress	2,352,792	9,167,561	38,205,916	46,905,867	40,558,708	56,073,428
Total	$ 98,320,657	$ 102,859,288	$ 331,602,090	$ 327,857,607	$ 429,922,747	$ 430,716,895

Capital expenditures for the electric utility system will average approximately $14,050,080 per year over the next five fiscal years. Some large projects included in the FY2012 capital budget are the transformer shop addition ($3,500,000), customer work order system ($2,776,000) and Vista substation upgrade ($2,887,800). 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 $5,137,943 per year, totaling $25,689,716 for fiscal years 2012 through 2016. During FY2011, the City of Farmington implemented the fifth of five planned annual rate increases including a renewal and replacement fee, plus a water rights acquisition fee to generate revenues for capital projects and ensure adequate water sources for the future.

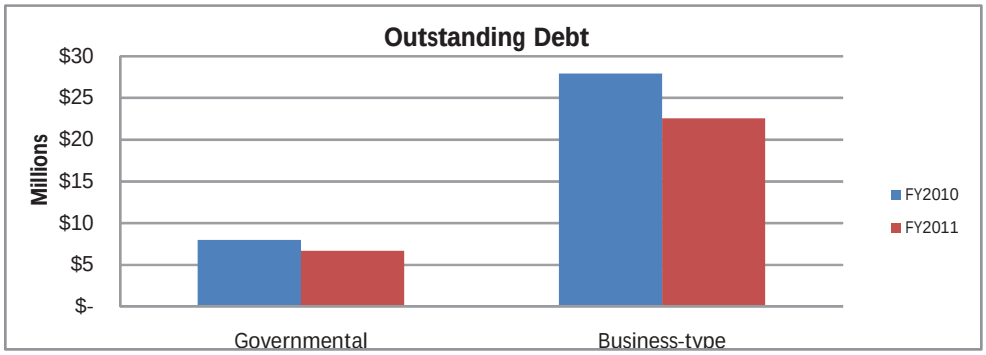
Pursuant to the Wastewater System Master Plan, in FY2004 the City placed in service a new wastewater treatment plant. Funding came from a $14,178,191 loan obtained from the New Mexico Environment Department (NMED). Capital expenditures for FY2012 are budgeted at $2,750,000 for treatment and $2,103,706 for the collection system. During FY2011, the wastewater fund implemented the fifth of five planned annual rate increases including a renewal and replacement fee to generate additional revenues for capital projects. Additional information on the City of Farmington's capital assets can be found in Note C on pages 39-40 of this report.

Long-term debt. At the end of the current fiscal year, the City of Farmington had total bonded debt outstanding of $16,820,000. Of this amount, $6,680,000 constitutes special, limited obligations of the City government, payable solely from the City's existing 1.225% state-shared gross receipts tax. This tax is collected by the State and distributed monthly to the City. Per the bond ordinance, interest may be earned on cash balances held by the City until debt payments are made. The bonds are not an indebtedness of the City within any constitutional or statutory provision or limitation and are not general obligations of the City. Consequently, the registered owners cannot look to the general fund or other fund for any payment that becomes due on the bonds other

than the special funds that are specifically pledged for their payment under the terms of the bond ordinance. The remainder of the City's debt is secured solely by specified revenue sources. The City of Farmington's total net debt decreased $6,659,032 or 18.5% during FY2011.

City of Farmington's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Sales tax bonds	$ 6,680,000	$ 7,995,000	$ -	$ -	$ 6,680,000	$ 7,995,000
NMED loan	-	-	11,376,818	11,970,694	11,376,818	11,970,694
NMFA loan	-	-	1,054,844	-	1,054,844	-
Revenue bonds	-	-	10,140,000	15,945,000	10,140,000	15,945,000
Total	$ 6,680,000	$ 7,995,000	$ 22,571,662	$ 27,915,694	$ 29,251,662	$ 35,910,694



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 $982,911,834, the City's general obligation debt limit is $39,316,473. The City presently has no general obligation bonds outstanding. For more detailed information on the City's debt, see pages 43-46 in the Notes to the Financial Statements.

Requests for Information

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

Basic Financial Statements

CITY OF FARMINGTON, NEW MEXICO
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 30,040,963	$ 73,821,058	$ 103,862,021
Receivables (net, where applicable, of allowances for uncollectibles):	610,249	6,753,449	7,363,698
Accrued unbilled revenues	-	6,037,897	6,037,897
Special assessments	653	-	653
Intergovernmental receivable	12,215,812	245,193	12,461,005
Internal balances	77,843	(77,843)	-
Inventories	256,764	5,298,231	5,554,995
Prepaids	250,752	110,280	361,032
Deferred charges	67,788	95,848	163,636
Restricted reserve investment account	92,586	-	92,586
Restricted assets			
Temporarily restricted:			
Cash and equivalents	-	9,206,994	9,206,994
Capital assets (not being depreciated):			
Land	26,893,367	3,984,334	30,877,701
Construction in progress	2,352,792	38,205,916	40,558,708
Capital assets (net of accumulated depreciation):			
Land rights	-	954,359	954,359
Buildings	28,651,008	65,302,459	93,953,467
Improvements other than buildings	12,130,819	69,980,207	82,111,026
Equipment	9,186,573	153,174,815	162,361,388
Infrastructure	19,106,098	-	19,106,098
Total assets	141,934,067	433,093,197	575,027,264
LIABILITIES			
Accounts payable and other current liabilities	1,678,924	5,672,889	7,351,813
Wages and benefits payable	1,418,891	448,888	1,867,779
Other accrued liabilities	14,444	1,212,131	1,226,575
Accrued claims liabilities	-	130,750	130,750
Retainage deposits payable	63,199	-	63,199
Unearned revenue	-	2,601,120	2,601,120
Accrued interest payable	11,654	57,814	69,468
Customer deposits	-	3,963,144	3,963,144
Non-current liabilities:			
Due within one year	3,487,836	7,529,910	11,017,746
Due in more than one year	9,481,045	16,577,163	26,058,208
Total liabilities	16,155,993	38,193,809	54,349,802
NET ASSETS			
Invested in capital assets, net of related debt	91,574,976	309,610,312	401,185,288
Restricted for:			
Police	2,483	-	2,483
Fire	594,946	-	594,946
Lodgers promotion	337,879	-	337,879
Capital projects	1,671,588	-	1,671,588
Debt service	23,657	5,243,850	5,267,507
Unrestricted	31,572,545	80,045,226	111,617,771
Total net assets	$ 125,778,074	$ 394,899,388	$ 520,677,462

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, 2011

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	$ 29,114,460	$ 8,866,978	$ 2,121,805	$ 990,620	$ (17,135,057)	$ -	$ (17,135,057)
Police	15,021,697	1,185,576	1,093,430	-	(12,742,691)	-	(12,742,691)
Fire	8,665,126	-	740,716	-	(7,924,410)	-	(7,924,410)
Parks, recreation, cultural affairs	13,714,785	838,839	185,474	-	(12,690,472)	-	(12,690,472)
Public works	10,800,128	50,940	2,102,516	2,452,361	(6,194,311)	-	(6,194,311)
Interest on long-term debt	328,280	-	-	-	(328,280)	-	(328,280)
Total governmental activities	77,644,476	10,942,333	6,243,941	3,442,981	(57,015,221)	-	(57,015,221)
Business-type activities:							
Electric	77,933,334	91,451,673	4,361,540	-	-	17,879,879	17,879,879
Water	8,662,030	12,897,358	1,570,758	-	-	5,806,086	5,806,086
Wastewater	5,674,564	6,163,722	350,106	-	-	839,264	839,264
Sanitation	5,318,445	5,092,625	-	-	-	(225,820)	(225,820)
Golf	1,468,586	1,019,226	-	-	-	(449,360)	(449,360)
Total business-type activities	99,056,959	116,624,604	6,282,404	-	-	23,850,049	23,850,049
Total government	$ 176,701,435	$ 127,566,937	$ 12,526,345	$ 3,442,981	(57,015,221)	23,850,049	(33,165,172)
General revenues:							
Property taxes					1,806,123	-	1,806,123
Sales taxes					47,605,170	-	47,605,170
Franchise taxes					614,627	-	614,627
Gasoline taxes					882,502	-	882,502
Lodger's taxes					946,142	-	946,142
Environmental taxes					-	1,258,718	1,258,718
Miscellaneous					1,541,494	-	1,541,494
Unrestricted investment earnings					364,522	1,071,740	1,436,262
Transfers					10,017,180	(10,017,180)	-
Total general revenues and transfers					63,777,760	(7,686,722)	56,091,038
Change in net assets					6,762,539	16,163,327	22,925,866
Net assets - beginning					119,015,535	378,736,061	497,751,596
Net assets - ending					$ 125,778,074	$ 394,899,388	$ 520,677,462

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

CITY OF FARMINGTON, NEW MEXICO
Balance Sheet
Governmental Funds
June 30, 2011

	General	Gross Receipts Tax Streets	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Pooled cash and investments	$ 14,562,248	$ 9,867,213	$ 5,611,502	$ 30,040,963
Receivables (net, where applicable, of allowances for uncollectibles):	386,326	-	5,069	391,395
Special assessments	653	-	-	653
Due from other funds	408,045	-	474,805	882,850
Inventories, at cost	256,764	-	-	256,764
Prepaid items	250,752	-	-	250,752
Restricted reserve investment account	92,586	-	-	92,586
Intergovernmental	8,898,201	1,882,500	1,435,111	12,215,812
Total assets	$ 24,855,575	$ 11,749,713	$ 7,526,487	$ 44,131,775
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	$ 705,172	$ 388,390	$ 585,362	$ 1,678,924
Wages and benefits payable	1,329,107	774	89,010	1,418,891
Other accrued expenditures	14,444	-	-	14,444
Accrued claims payable	1,858,463	-	-	1,858,463
Retainage/deposits payable	63,199	-	-	63,199
Deferred revenue	1,835,361	44,125	169,439	2,048,925
Due to other funds	-	-	189,191	189,191
Total liabilities	5,805,746	433,289	1,033,002	7,272,037
Fund Balances:				
Nonspendable:				
Inventories and prepaids	507,516	-	-	507,516
Restricted reserve investment	92,586	-	-	92,586
Restricted to:				
Police	-	-	2,483	2,483
Fire	-	-	594,946	594,946
Lodgers promotion	-	-	337,879	337,879
Capital projects	-	-	1,671,588	1,671,588
Debt service	-	-	35,311	35,311
Committed to:				
Police	-	-	103,727	103,727
Incarceration	-	-	18	18
Parks, recreation, cultural affairs	-	-	2,013,899	2,013,899
Public works	-	11,316,424	-	11,316,424
Assigned to:				
Parks, recreation, cultural affairs	-	-	1,129,543	1,129,543
Library	-	-	97,888	97,888
Capital projects	-	-	506,203	506,203
Unassigned	18,449,727	-	-	18,449,727
Total fund balances	19,049,829	11,316,424	6,493,485	36,859,738
Total liabilities and fund balances	$ 24,855,575	$ 11,749,713	$ 7,526,487	

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.	98,320,657
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,048,925
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.	(1,401,126)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(10,050,120)
Net assets of governmental activities	$ 125,778,074

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, 2011

	General	Gross Receipts Tax Streets	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Property	$ 1,637,361	$ -	$ -	$ 1,637,361
Gross receipts	37,535,166	7,552,503	2,517,501	47,605,170
Franchise	614,627	-	-	614,627
Gasoline	-	882,502	-	882,502
Lodger's	-	-	946,142	946,142
Licenses and permits	601,750	-	4,628	606,378
Intergovernmental	2,074,988	2,102,516	5,509,418	9,686,922
Charges for services	2,388,406	-	118,281	2,506,687
Fines	989,927	-	181,101	1,171,028
Special assessments	1,970	-	-	1,970
Investment earnings	175,114	107,607	81,939	364,660
Miscellaneous	522,394	479	1,018,621	1,541,494
Total revenues	46,541,703	10,645,607	10,377,631	67,564,941
EXPENDITURES:				
Current:				
General government	19,113,656	-	-	19,113,656
Police	13,493,339	-	1,399,469	14,892,808
Fire	7,841,376	-	438,282	8,279,658
Parks, recreation and cultural affairs	8,009,514	-	4,190,707	12,200,221
Public works	677,192	5,598,863	-	6,276,055
Debt service:				
Principal	-	-	1,315,000	1,315,000
Interest	-	-	330,393	330,393
Capital outlay:				
General government	-	-	770,941	770,941
Airport	-	-	990,802	990,802
Highways and streets	-	838,038	1,980,331	2,818,369
Total expenditures	49,135,077	6,436,901	11,415,925	66,987,903
Excess (deficiency) of revenues over (under) expenditures	(2,593,374)	4,208,706	(1,038,294)	577,038
OTHER FINANCING SOURCES (USES):				
Transfers in	10,105,556	-	2,037,337	12,142,893
Transfers out	(1,393,837)	(533,500)	(198,376)	(2,125,713)
Total other financing sources (uses)	8,711,719	(533,500)	1,838,961	10,017,180
Net change in fund balances	6,118,345	3,675,206	800,667	10,594,218
Fund balances-beginning	12,931,484	7,641,218	5,692,818	26,265,520
Fund balances- ending	$ 19,049,829	$ 11,316,424	$ 6,493,485	$ 36,859,738

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, 2011

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

Net change in fund balances-total governmental funds (page 18)	$	10,594,218
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.		(4,538,631)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		168,762
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.		1,283,868
The net revenue/expense of certain activities of internal service funds is reported with governmental activities.		(745,678)
Change in net assets of governmental activities (page 16)	$	6,762,539

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, 2011

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES:				
Taxes:				
Property taxes	$ 1,557,200	$ 1,557,200	$ 1,636,283	$ 79,083
Gross receipts tax	33,084,676	33,084,676	36,982,207	3,897,531
Franchise taxes	600,000	600,000	621,369	21,369
Licenses and permits	565,100	565,100	601,680	36,580
Intergovernmental	1,623,000	1,686,134	1,836,524	150,390
Charges for services	2,132,630	2,132,630	2,058,679	(73,951)
Fines	1,203,250	1,203,250	1,095,536	(107,714)
Special assessments	-	-	1,970	1,970
Investment earnings	127,500	127,500	175,114	47,614
Miscellaneous	328,500	328,500	570,083	241,583
Total revenues	41,221,856	41,284,990	45,579,445	4,294,455
EXPENDITURES:				
Current:				
General government:				
Council	257,855	257,855	264,018	(6,163)
Municipal court	2,206,707	2,206,707	2,019,253	187,454
Administrative	9,648,185	9,789,701	8,553,599	1,236,102
Legal	1,026,947	1,026,947	712,787	314,160
Administrative services	460,874	465,594	314,176	151,418
General services	4,694,001	4,689,054	5,198,505	(509,451)
Community Development	1,259,017	1,264,307	1,224,576	39,731
Total general government	19,553,586	19,700,165	18,286,914	1,413,251
Public safety:				
Police	13,334,130	13,550,894	13,498,870	52,024
Fire	7,943,691	7,868,721	7,830,047	38,674
Total public safety	21,277,821	21,419,615	21,328,917	90,698
Public works	855,032	861,250	660,665	200,585
Parks, recreation and cultural affairs	7,645,904	7,705,150	7,825,742	(120,592)
Total expenditures	49,332,343	49,686,180	48,102,238	1,583,942
Excess (deficiency) of revenues over (under) expenditures	(8,110,487)	(8,401,190)	(2,522,793)	5,878,397
OTHER FINANCING SOURCES (USES):				
Transfers in	9,107,362	9,107,362	10,105,556	998,194
Transfers out	(996,875)	(996,875)	(1,393,837)	(396,962)
Total other financing sources and uses	8,110,487	8,110,487	8,711,719	601,232
Net change in fund balances	-	(290,703)	6,188,926	$ 6,479,629
RECONCILIATION TO GAAP BASIS:				
Change in receivables			169,757	
Change in intergovernmental			792,502	
Change in accrued payables			(1,032,840)	
			(70,581)	
GAAP BASIS CHANGE IN FUND BALANCES:			6,118,345	
Fund balances-beginning	12,931,484	12,931,484	12,931,484	
Fund balances-ending	$ 12,931,484	$ 12,640,781	$ 19,049,829	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Gross receipts taxes	$ 6,660,745	$ 6,660,745	$ 7,441,497	$ 780,752
Intergovernmental	-	-	1,669,825	1,669,825
Gasoline taxes	865,000	865,000	804,964	(60,036)
Investment earnings	150,000	150,000	107,607	(42,393)
Miscellaneous	2,000	2,000	479	(1,521)
Total revenues	7,677,745	7,677,745	10,024,372	2,346,627
EXPENDITURES:				
Current:				
Public Works	6,399,239	6,589,239	5,440,387	1,148,852
Capital Outlay:				
Highways and streets	3,950,000	3,950,000	721,718	3,228,282
Total expenditures	10,349,239	10,539,239	6,162,105	4,377,134
Excess (deficiency) of revenues over (under) expenditures	(2,671,494)	(2,861,494)	3,862,267	6,723,761
OTHER FINANCING SOURCES (USES):				
Transfers out	(533,500)	(533,500)	(533,500)	-
Net change in fund balances	(3,204,994)	(3,394,994)	3,328,767	$ 6,723,761
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			621,234	
Change in accounts payable			(274,795)	
			346,439	
GAAP BASIS CHANGE IN FUND BALANCES			3,675,206	
Fund balances-beginning	7,641,218	7,641,218	7,641,218	
Fund balances-ending	$ 4,436,224	$ 4,246,224	$ 11,316,424	

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, 2011

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Totals	
ASSETS							
Current assets:							
Pooled cash and investments	$ 62,462,259	$ 4,799,683	$ 5,098,150	$ 1,459,266	$ 1,700	$ 73,821,058	$ -
Accounts receivable (net of allowance for doubtful accounts)	4,777,889	1,077,140	609,397	278,105	10,918	6,753,449	218,854
Accrued unbilled revenues	4,950,447	666,099	236,879	184,472	-	6,037,897	-
Intergovernmental receivable	-	245,193	-	-	-	245,193	-
Inventories	5,283,444	13,418	1,369	-	-	5,298,231	-
Prepaid items	82,509	10,962	13,645	-	3,164	110,280	-
Restricted cash, cash equivalents and investments	7,014,869	734,880	1,457,245	-	-	9,206,994	-
Total current assets	84,571,417	7,547,375	7,416,685	1,921,843	15,782	101,473,102	218,854
Noncurrent assets:							
Deferred charges	76,599	16,529	2,720	-	-	95,848	-
Capital assets:							
Land and land rights	3,546,554	1,654,325	479,388	23,341	100,000	5,803,608	-
Building and system	69,529,667	14,008,573	23,989,482	80,640	1,045,237	108,653,599	-
Improvements other than buildings	60,892,905	38,044,286	14,467,951	14,839	2,934,615	116,354,596	-
Machinery and equipment	269,739,374	9,558,265	3,551,062	101,099	832,249	283,782,049	-
Construction in progress	22,490,515	13,677,469	2,037,932	-	-	38,205,916	-
Less accumulated depreciation	(169,588,844)	(31,455,361)	(17,600,821)	(181,621)	(2,371,031)	(221,197,678)	-
Total capital assets (net of accumulated depreciation)	256,610,171	45,487,557	26,924,994	38,298	2,541,070	331,602,090	-
Total noncurrent assets	256,686,770	45,504,086	26,927,714	38,298	2,541,070	331,697,938	-
Total assets	$ 341,258,187	$ 53,051,461	$ 34,344,399	$ 1,960,141	$ 2,556,852	$ 433,171,040	$ 218,854

CITY OF FARMINGTON, NEW MEXICO
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities Enterprise Funds						
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Totals	Governmental Activities Internal Service Fund
LIABILITIES							
Current liabilities:							
Current liabilites payable from unrestricted assets:							
Accounts payable	$ 4,576,238	$ 390,053	$ 85,104	$ 549,272	$ 72,222	$ 5,672,889	$ -
Compensated absences	527,129	4,915	4,915	-	22,000	558,959	-
Due to other funds	-	-	-	-	77,843	77,843	615,816
Other accrued expenses	1,504,425	121,261	5,440	86	29,807	1,661,019	-
Accrued claims payable	31,000	49,000	50,000	-	750	130,750	1,004,164
Deferred revenue	2,599,680	1,440	-	-	-	2,601,120	-
Capital lease payable - current	-	-	-	-	34,400	34,400	-
Accrued interest payable	46,203	9,970	1,641	-	-	57,814	-
Revenue bonds payable	5,054,653	1,090,727	179,478	-	-	6,324,858	-
NMED loan	-	-	611,693	-	-	611,693	-
Total current liabilities payable from unrestricted assets	14,339,328	1,667,366	938,271	549,358	237,022	17,731,345	1,619,980
Current liabilities payable from restricted assets	3,667,796	295,348	-	-	-	3,963,144	-
Total current liabilities	18,007,124	1,962,714	938,271	549,358	237,022	21,694,489	1,619,980
Noncurrent liabilities:							
(net of unamortized discounts)							
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	3,401,041	733,899	120,762	-	-	4,255,702	-
NMED loan	-	-	10,765,125	-	-	10,765,125	-
NMFA loan	-	1,054,844	-	-	-	1,054,844	-
Compensated absences	460,864	8,344	8,344	-	23,940	501,492	-
Total noncurrent liabilities	3,861,905	1,797,087	10,894,231	-	23,940	16,577,163	-
Total liabilities	21,869,029	3,759,801	11,832,502	549,358	260,962	38,271,652	1,619,980
NET ASSETS							
Invested in capital assets, net of related debt	248,154,477	43,662,931	15,247,936	38,298	2,506,670	309,610,312	-
Restricted for debt service	3,347,073	439,532	1,457,245	-	-	5,243,850	-
Unrestricted	67,887,608	5,189,197	5,806,716	1,372,485	(210,780)	80,045,226	(1,401,126)
Total net assets	$ 319,389,158	$ 49,291,660	$ 22,511,897	$ 1,410,783	$ 2,295,890	$ 394,899,388	$ (1,401,126)

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, 2011

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Totals	
Operating revenues:							
Charges for sales and services:							
Electric	$ 90,970,119	$ -	$ -	$ -	$ -	$ 90,970,119	$ -
Water	-	12,889,963	-	-	-	12,889,963	-
Wastewater	-	-	6,163,636	-	-	6,163,636	-
Sanitation	-	-	-	4,999,188	-	4,999,188	-
Golf course	-	-	-	-	1,019,300	1,019,300	-
Health	-	-	-	-	-	-	6,656,270
Other revenues	481,554	7,395	86	93,437	(74)	582,398	-
Total operating revenues	91,451,673	12,897,358	6,163,722	5,092,625	1,019,226	116,624,604	6,656,270
Operating expenses:							
Salaries and fringe benefits	9,944,245	467,427	282,316	2,638	646,804	11,343,430	-
Purchased power, fuel and chemicals	37,443,044	-	-	-	-	37,443,044	-
Other operating expenses	17,367,920	6,314,249	3,651,330	5,311,060	607,665	33,252,224	7,401,810
Depreciation and amortization	12,602,306	1,753,159	1,361,466	4,747	202,197	15,923,875	-
Total operating expenses	77,357,515	8,534,835	5,295,112	5,318,445	1,456,666	97,962,573	7,401,810
Operating income (loss)	14,094,158	4,362,523	868,610	(225,820)	(437,440)	18,662,031	(745,540)
Nonoperating revenues (expenses):							
Intergovernmental-environmental tax	-	-	1,258,718	-	-	1,258,718	-
Investment earnings	899,712	78,660	68,927	24,171	270	1,071,740	(138)
Revenue from grants	36,416	352,584	-	-	-	389,000	-
Interest expense	(575,819)	(127,195)	(379,452)	-	(11,920)	(1,094,386)	-
Total nonoperating revenues (expenses)	360,309	304,049	948,193	24,171	(11,650)	1,625,072	(138)
Income (loss) before transfers	14,454,467	4,666,572	1,816,803	(201,649)	(449,090)	20,287,103	(745,678)
Capital contributions	4,325,124	1,218,174	350,106	-	-	5,893,404	-
Transfers in	-	-	-	-	88,376	88,376	-
Transfers out	(9,161,278)	(638,525)	(305,753)	-	-	(10,105,556)	-
Change in net assets	9,618,313	5,246,221	1,861,156	(201,649)	(360,714)	16,163,327	(745,678)
Total net assets-beginning	309,770,845	44,045,439	20,650,741	1,612,432	2,656,604	378,736,061	(655,448)
Total net assets-ending	$ 319,389,158	$ 49,291,660	$ 22,511,897	$ 1,410,783	$ 2,295,890	$ 394,899,388	$ (1,401,126)

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, 2011

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers/users	$ 94,126,109	$ 13,573,687	$ 6,124,766	$ 5,092,603	$ 1,016,189	$ 119,933,354	$ 6,799,703
Payments to suppliers	(55,142,565)	(6,512,411)	(3,653,390)	(5,272,482)	(589,737)	(71,170,585)	(7,483,460)
Payments to employees	(9,743,740)	(463,605)	(281,492)	(2,630)	(649,722)	(11,141,189)	-
Net cash provided (used) by operating activities	29,239,804	6,597,671	2,189,884	(182,509)	(223,270)	37,621,580	(683,757)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfer to other funds	(9,161,278)	(638,525)	(305,753)	-	-	(10,105,556)	615,816
Transfer from other funds	-	-	-	-	88,376	88,376	-
Advances from other funds	-	-	-	-	77,843	77,843	-
Operating grants	36,416	352,584	-	-	-	389,000	-
Intergovernmental-envrionmental tax	-	-	1,258,718	-	-	1,258,718	-
Net cash provided (used) by capital and related financing activities	(9,124,862)	(285,941)	952,965	-	166,219	(8,291,619)	615,816
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from capital debt	-	1,054,844	-	-	-	1,054,844	-
Capital contributions	4,325,124	1,218,174	350,106	-	-	5,893,404	-
Acquisition and construction of capital assets	(12,211,002)	(5,673,748)	(1,808,555)	24,947	-	(19,668,358)	-
Principal paid on capital debt	(4,822,891)	(1,040,717)	(765,125)	-	-	(6,628,733)	-
Interest paid on capital debt	(575,819)	(127,195)	(379,452)	-	(11,920)	(1,094,386)	-
Capital lease payment	-	-	-	-	(52,445)	(52,445)	-
Net cash provided (used) by capital and related financing activities	(13,284,588)	(4,568,642)	(2,603,026)	24,947	(64,365)	(20,495,674)	-
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends received	899,712	78,660	68,927	24,171	270	1,071,740	(138)
Net increase (decrease) in cash and cash equivalents	7,730,066	1,821,748	608,750	(133,391)	(121,146)	9,906,027	(68,079)
Cash and cash equivalents - beginning	61,747,062	3,712,815	5,946,645	1,592,657	122,846	73,122,025	68,079
Cash and cash equivalents - ending	$ 69,477,128	$ 5,534,563	$ 6,555,395	$ 1,459,266	$ 1,700	$ 83,028,052	$ -

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, 2011

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Golf Courses	Totals	
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	$ 14,094,158	$ 4,362,523	$ 868,610	$ (225,820)	$ (437,440)	$ 18,662,031	$ (745,540)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation and amoritzation	12,602,306	1,753,159	1,361,466	4,747	202,197	15,923,875	-
(Increase) decrease in accounts receivable	(1,128,250)	706,682	(35,008)	(10,007)	(3,037)	(469,620)	143,433
(Increase) decrease in accrued unbilled revenues	(474,470)	(63,005)	(3,948)	9,985	-	(531,438)	-
(Increase) decrease in regulatory asset	1,564,358	-	-	-	-	1,564,358	-
(Increase) decrease in inventories	(696,655)	27,194	6,272	-	-	(663,189)	-
(Increase) decrease in prepaid items	(632)	657	1,653	-	56	1,734	-
(Increase) decrease in deferred charges	2,639,645	10,064	1,419	-	-	2,651,128	-
Increase (decrease) in other accrued expenses	171,510	(2,435)	(205)	8	(2,918)	165,960	-
Increase (decrease) in accrued claims payable	5,000	14,000	5,000	-	(250)	23,750	(52,529)
Increase (decrease) in customer deposits	113,118	31,212	-	-	-	144,330	-
Increase (decrease) in accounts payable	349,716	(242,380)	(15,375)	38,578	18,122	148,661	(29,121)
Total adjustments	15,145,646	2,235,148	1,321,274	43,311	214,170	18,959,549	61,783
Net cash provided (used) by operating activities	$ 29,239,804	$ 6,597,671	$ 2,189,884	$ (182,509)	$ (223,270)	$ 37,621,580	$ (683,757)

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

Notes to the Financial Statements

CITY OF FARMINGTON, NEW MEXICO

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 45,877 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, 2011.

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 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 asset is recorded. The liability (unearned revenue) is recorded on the statement of net assets ($2,599,680 as of June 30, 2011) and the related reduction in revenue is recorded on the statement of activities ($4,164,039 for the year ended June 30, 2011).

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

As of June 30, 2011, 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, 2011, fund balances are composed of the following:

	General Fund	***Gross Receipts Tax Streets Fund***	***Nonmajor Governmental Funds***	***Total Governmental Funds***
Nonspendable:				
Inventories/prepaids	$ 507,516	$ -	$ -	$ 507,516
Restricted reserve investment	92,586	-	-	92,586
Restricted:				
Police	-	-	2,483	2,483
Fire	-	-	594,946	594,946
Lodgers promotion	-	-	337,879	337,879
Capital projects	-	-	1,671,588	1,671,588
Debt service	-	-	35,311	35,311
Committed:				
Police	-	-	103,727	103,727
Incarceration	-	-	18	18
Parks, rec, cultural affairs	-	-	2,013,899	2,013,899
Public Works	-	11,316,424	-	11,316,424
Assigned:				
Parks, rec, cultural affairs	-	-	1,129,543	1,129,543
Library	-	-	97,888	97,888
Capital projects	-	-	506,203	506,203
Unassigned	18,449,727	-	-	18,449,727
Total fund balances	$ 19,049,829	$ 11,316,424	$ 6,493,485	$ 36,859,738

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 $7,874,406 as of June 30, 2011.

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 $10,050,120 difference are as follows:

Bonds payable	$	6,680,000
Bond premium (to be amortized over the life of the debt)		65,681
Issuance costs (to be amortized over the life of the debt)		(67,788)
Accrued interest payable		11,654
Compensated absences payable		3,360,573
Net adjustment to reduce *fund balance-total governmental funds* to arrive at *net assets-governmental activities*	$	10,050,120

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balance-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." Details of this $4,538,631 are as follows:

Capital outlay	$	4,565,768
Depreciation		(8,716,617)
Loss on disposals and other		(387,782)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(4,538,631)

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities". Details of this $1,283,868 are as follows:

Principal repayments	$	1,315,000
Amortization of bond premium		21,893
Amortization of issuance costs		(22,597)
Accrued interest		2,113
Compensated absences		(32,541)
Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$	1,283,868

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 $745,678 difference are as follows:

Internal service charges for services	$	6,656,132
Internal service operating expenses		(7,401,810)
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(745,678)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted for all funds. All budgets are prepared on a basis other than generally accepted accounting principles (Non-GAAP basis), excluding encumbrances. All annual appropriations lapse at fiscal year end. Carryover funds must be appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

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

Because the Non-GAAP basis of accounting is not generally accepted accounting method for governmental and propriety funds, differences result from budgeting for various items. Reconciliations between the budget basis (Non-GAAP) and GAAP basis are provided in the budgetary schedules.
The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. In April or May the City Manager submits to the Council a proposed preliminary operating budget for the fiscal year commencing the following July 1st. The budget includes proposed expenditures and the means of financing them. The budget is prepared by fund, department, and function.

2. In late June, after there has been an opportunity for public comment, the City Council adopts the budget as finalized.

3. By the end of July, the Local Government Division of the State Department of Finance and Administration approves the final budget.

4. After the budget is adopted, any supplemental appropriations must be approved by the City Council.

Encumbrance accounting is employed by the City. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are carried forward to the new fiscal year and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

The City had the following encumbrances outstanding at June 30, 2011

General Fund	$	179,821
Gross Receipts Tax Streets Fund		3,951,654
Lodgers Tax Fund		401
Region II Narcotics Fund		43
State Fire Fund		436,455
Community Development Capital Projects Fund		25,722
Airport Grant Capital Projects Fund		172,941
Electric Utility Fund		3,672,577
Water Utility Fund		2,216,829
Wastewater Utility Fund		446,242
Golf Course Fund		357
Health Fund		28,314
Total Encumbrances	$	11,131,356

B. Excess of expenditures over appropriations

Expenditures for all funds were within budgeted appropriations for FY2011.

C. Deficit Fund Equity

As of June 30, 2011, the health insurance internal service fund had a deficit net asset balance of $(1,401,126). This deficit is equal to accrued payables of $1,619,980 less cash and receivables totaling $218,854. The net asset balance decreased by $(745,678) over FY2010. In FY2008, the retirees participating in the City of Farmington's health plan were transferred to the New Mexico Retiree Health Care Authority.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Cash and investments	
Governmental activities	$ 30,040,963
Business activities	73,821,058
Restricted cash and investments	
Business activities	9,206,994
Reserve investment account	92,586
Total cash and investments	$113,161,601

As of June 30, 2011, the City had the following investments:

Investment Type		Fair Value	Weighted Average Maturity (Years)
Money markets	$	3,684,818	0.08
Certificates of deposit		39,103,727	0.91
State treasurer's pool		11,862,360	0.10
State treasurer's pool - reserved		92,586	N/A
Federal agency securities		56,213,777	3.93
Total Fair Value	$	110,957,268	
Portfolio weighted average maturity			2.82

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, 2011 was 36 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, 2011, with more than 5 percent of the total in securities of the federal agency securities. These investments represented 51 percent, respectively, of total investments.

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

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that the bank deposits be 50% collateralized and repurchase agreements be 102% collateralized. As of June 30, 2011, the City was in compliance with state statute. The City's carrying amount of deposits as of June 30, 2011 was $40,416,621 and the bank balance was $42,963,203. Of the bank balance, $1,250,000 was covered by federal depository insurance, $29,090,390 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and $12,622,813 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, 2011 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, 2011. 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 ($92,586) 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. We anticipate receiving the balance of these funds but since a portion of these funds are being held for pending litigation we cannot accurately estimate the full amount to be returned.

B. Receivables

Receivables as of June 30, 2011 are as follows:

	General	Special Revenue	Enterprise	Total
Receivables:				
Accounts Receivable	$ 386,326	$ 5,069	$ 7,390,277	$ 7,781,672
Unbilled Revenue	-	-	6,037,897	6,037,897
Special Assessments	653	-	-	653
Intergovernmental	8,898,201	3,317,611	245,193	12,461,005
Gross Receivables	9,285,180	3,322,680	13,673,367	26,281,227
Less: Allowance for Uncollectibles	-	-	(636,828)	(636,828)
Net Total Receivables:	$ 9,285,180	$ 3,322,680	$ 13,036,539	$ 25,644,399

Intergovernmental receivables are made up of the following amounts in the general and special revenue funds: gross receipts taxes $8,372,085, property taxes $1,834,520, federal and state grants $1,590,459, franchise taxes $131,441, lodger's taxes $165,645 and other taxes $121,662. In the internal service health fund there is $218,854 in accounts receivable, $204,567 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	$ 53,520
Uncollectibles related to water sales	14,792
Uncollectibles related to wastewater charges	8,083
Uncollectibles related to sanitation charges	7,177
Total uncollectibles of the current fiscal year	$ 83,572

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	$ 2,048,925

C. Capital assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Governmental activities	Balance July 1, 2010	Transfers	Additions	Deletions	Balance June 30, 2011
Non-Depreciable Assets:					
Land	$ 26,893,367	$ -	$ -	$ -	$ 26,893,367
Construction in progress	9,167,561	-	3,663,959	(10,478,728)	2,352,792
Total Non-Depreciable Assets	36,060,928	-	3,663,959	(10,478,728)	29,246,159
Depreciable Assets:					
Buildings	62,509,044	(436,940)	1,161,918	(24,895)	63,209,127
Improvements other than buildings	21,032,435	267,965	2,481,191	(18,855)	23,762,736
Equipment	29,710,681	-	1,327,195	(817,027)	30,220,849
Infrastructure	55,438,835	168,975	6,410,233	(616,937)	61,401,106
Total Depreciable Assets	168,690,995	-	11,380,537	(1,477,714)	178,593,818
Total Governmental Assets	204,751,923	-	15,044,496	(11,956,442)	207,839,977
Accumulated Depreciation:					
Buildings	(32,933,811)	-	(1,647,313)	23,005	(34,558,119)
Improvements other than buildings	(9,860,592)	149,966	(1,940,146)	18,855	(11,631,917)
Equipment	(19,260,682)	-	(2,550,520)	776,926	(21,034,276)
Infrastructure	(39,837,550)	(149,966)	(2,578,638)	271,146	(42,295,008)
Total Accumulated Depreciation	(101,892,635)	-	(8,716,617)	1,089,932	(109,519,320)
Net Governmental Assets	$ 102,859,288	$ -	$ 6,327,879	$ (10,866,510)	$ 98,320,657

Business-type activities	Balance July 1, 2010	Transfers	Additions	Deletions	Balance June 30, 2011
Non-Depreciable Assets:					
Land	$ 3,984,334	$ -	$ -	$ -	$ 3,984,334
Construction in progress	46,905,867	-	17,809,909	(26,509,860)	38,205,916
Total Non-Depreciable Assets	50,890,201	-	17,809,909	(26,509,860)	42,190,250
Depreciable Assets:					
Land Rights	1,818,782	-	492	-	1,819,274
Buildings	102,110,947	-	6,542,652	-	108,653,599
Improvements other than buildings	106,755,479	-	9,636,481	(37,364)	116,354,596
Equipment	271,878,281	-	12,173,775	(270,007)	283,782,049
Total Depreciable Assets	482,563,489	-	28,353,400	(307,371)	510,609,518
Total Business-type Assets	533,453,690	-	46,163,309	(26,817,231)	552,799,768
Accumulated Depreciation:					
Land Rights	(820,051)	-	(44,864)	-	(864,915)
Buildings	(40,220,725)	-	(3,130,415)	-	(43,351,140)
Improvements other than buildings	(42,949,715)	-	(3,656,797)	232,123	(46,374,389)
Equipment	(121,605,592)	-	(9,271,649)	270,007	(130,607,234)
Total Accumulated Depreciation	(205,596,083)	-	(16,103,725)	502,130	(221,197,678)
Net Business-type Assets	$ 327,857,607	$ -	$ 30,059,584	$ (26,315,101)	$ 331,602,090

Enterprise Assets – by fund

	Electric	Water	Wastewater	Sanitation	Golf
Land and land Rights	$ 3,546,554	$ 1,654,325	$ 479,388	$ 23,341	$ 100,000
Buildings and Structures	69,529,667	14,008,573	23,989,482	80,640	1,045,237
Improvements other Than buildings	60,892,905	38,044,286	14,467,951	14,839	2,934,615
Equipment	269,739,374	9,558,265	3,551,062	101,099	832,249
Total	403,708,500	63,265,449	42,487,883	219,919	4,912,101
Less accumulated Depreciation	(169,588,844)	(31,455,361)	(17,600,821)	(181,621)	(2,371,031)
Construction in progress	22,490,515	13,677,469	2,037,932	-	-
Net Assets	$ 256,610,171	$ 45,487,557	$ 26,924,994	$ 38,298	$ 2,541,070

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	$ 999,722
Airport	1,039,969
Police	571,095
Fire	691,905
Parks, recreation, cultural affairs	2,361,171
Public works/Community development	479,624
Highways and streets	2,573,131
Total depreciation expense - governmental activities	$ 8,716,617
Business-type activities:	
Electric	$ 12,746,037
Water	1,784,174
Wastewater	1,366,570
Sanitation	4,747
Golf	202,197
Total depreciation expense - business-type activities	$ 16,103,725

Construction commitments

The City has two active material construction projects as of June 30, 2011; the Animas waterline project and the Farmington Reach Navajo Municipal pipeline project. At year end, the City's commitment with contractors was as follows:

Project	To Date	Commitment
Animas waterline	$ 2,471,979	$ 2,552,902
Farmington Reach	7,155,202	7,951,082
	$ 9,627,181	$ 10,503,984

D. Interfund receivables, payables and transfers

The composition of other accrued liabilities as of June 30, 2011 is as follows:

Other Accrued Liabilities	Governmental Funds	Health Fund	Total
Taxes	$ 556	$ -	$ 556
Intergovernemental	1,388	-	1,388
Court collections	12,500	-	12,500
Total	$ 14,444	$ -	$ 14,444

The composition of other accrued expenses as of June 30, 2011 is as follows:

Other Accrued Expenses	Electric	Water	Wastewater	Sanitation	Golf	Total
Wages & benefits	$ 410,151	$ 8,027	$ 5,440	$ 86	$ 25,184	$ 448,888
Gross receipts taxes	464,837	97,128	-	-	4,623	566,588
Water conservation fee	-	16,106	-	-	-	16,106
Compensating taxes	39,365	-	-	-	-	39,365
Ad valorem taxes	300,000	-	-	-	-	300,000
Franchise taxes	239,987	-	-	-	-	239,987
PNM deferred credits	20,388	-	-	-	-	20,388
Billed customer deposits	29,697	-	-	-	-	29,697
Total	$ 1,504,425	$ 121,261	$ 5,440	$ 86	$ 29,807	$ 1,661,019

The composition of interfund balances as of June 30, 2011 is as follows:

	Due from other funds	Due to other funds
Major Fund:		
General fund	$ 408,045	$ -
Nonmajor governmental funds:		
Gross receipts tax parks fund	77,843	-
Region II narcotics grant fund	-	108,310
COPS program grant fund	-	80,881
Governmental capital projects fund	396,962	-
Major proprietary funds:		
Golf fund	-	77,843
Internal Service funds:		
Health insurance fund	-	615,816
	$ 882,850	$ 882,850

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, 2011 are as follows:

Fund Financial Statements – Transfers

Governmental Funds	**In**	**Out**
General fund – operating transfer to airport construction grant projects fund	$ -	$ 24,375
General fund – operating transfer to debt service fund	-	942,500
General fund – operating transfer to region II fund	-	30,000
General fund – operating transfer to governmental capital projects fund	-	396,962
General fund – operating transfer from electric/water/wastewater	10,105,556	-
GRT streets fund – operating transfer to debt service fund	-	533,500
GRT parks fund – operating transfer to golf fund	-	88,376
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
Governmental capital projects fund – operating transfer from general fund	396,962	-
Airport construction grant projects fund – operating transfer from general fund	24,375	-
Debt service fund – operating transfer from GRT streets fund	533,500	-
Debt service fund – operating transfer from general fund	942,500	-
Debt service fund – operating transfer from state fire grant fund	110,000	-
Total governmental funds transfers	12,142,893	$ 2,125,713
Net governmental funds transfers	$ **10,017,180**	
Business-type funds		
Electric utility fund – operating transfer to general fund	$ -	$ 9,161,278
Water utility fund – operating transfer to general fund	-	638,525
Wastewater utility fund – operating transfer to general fund	-	305,753
Golf fund – operating transfer from GRT parks fund	88,376	-
Total business-type funds transfers	$ 88,376	10,105,556
Net business-type transfers		$ **10,017,180**

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
2012	$ 173,069
2013	87,485
2014	5,914
Total	$ 266,468

Capital Leases

The City has entered into a lease agreement for turf equipment for the golf courses. The turf equipment is valued at $492,085. This agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through this capital lease are as follows:

Asset		Business Activities
Machinery and equipment	$	492,085
Less: accumulated depreciation		(492,085)
Total	$	-

The future minimum lease obligation and the net present value of those minimum lease payments as of June 30, 2011 were as follows:

Year Ending		Golf Course Turf Equipment
June 30, 2012	$	35,556
Total minimum lease payments		35,556
Less: amount representing interest		(1,156)
Payments	$	34,400

F. <u>Long-term debt</u>

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, 2011 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 dollars 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.

Revenue bonds outstanding as of June 30, 2011 are as follows:

	Interest Rates	General Govt	Electric	Water	Wastewater	Total
Governmental Activities						
Sales Tax Bonds 2001	4.00 - 5.00%	$ 3,040,000	$ -	$ -	$ -	$ 3,040,000
Sales Tax Bonds 2005	3.50 - 4.00%	3,640,000	-	-	-	3,640,000
Business Activities						
Serial Bonds 2002	3.50 - 5.00%	-	8,103,609	1,748,653	287,738	10,140,000
Total		$ 6,680,000	$ 8,103,609	$ 1,748,653	$ 287,738	$ 16,820,000

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
2012	$ 1,370,000	$ 279,692	$ 4,870,957	$ 369,621	$ 1,051,088	$ 79,759	$ 172,955	$ 13,124
2013	1,420,000	225,680	3,232,652	126,073	697,565	27,205	114,783	4,477
2014	1,485,000	158,780	-	-	-	-	-	-
2015	445,000	96,200	-	-	-	-	-	-
2016	460,000	78,400	-	-	-	-	-	-
2017	480,000	60,000	-	-	-	-	-	-
2018	500,000	40,800	-	-	-	-	-	-
2019	520,000	20,800	-	-	-	-	-	-
Total	$ 6,680,000	$ 960,352	$ 8,103,609	$ 495,694	$ 1,748,653	$ 106,964	$ 287,738	$ 17,601

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, 2011, 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 for a $14.1 million, 3% loan for expansion of the wastewater treatment plant.

The NMED loan repayment schedule is as follows:

Year Ending June 30	Principal	Interest
2012	$ 611,693	$ 341,305
2013	630,043	322,954
2014	648,945	304,052
2015	668,413	284,584
2016	688,465	264,532
2017-2021	3,764,811	1,000,174
2022-2026	4,364,448	400,538
Total	$ 11,376,818	$ 2,918,139

New Mexico Finance Authority Loan. In January 2010, the City entered into a loan and subsidy agreement with the New Mexico Finance Authority 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 plus a 0.25% administrative fee. As of June 30, 2011, the City has received $812,405 in draw down payments and accrued $242,439. The repayment of the loan should begin in FY2012 once the final disbursement of $242,439 is received. Per the agreement, the City has two years after the closing date to submit the final disbursement.

The NMFA loan repayment schedule is as follows:

Year Ending June 30	Principal	Interest	Administrative Fee
2012	$ 47,892	$ 7,914	$ 2,637
2013	48,372	7,555	2,517
2014	48,860	7,189	2,396
2015	49,350	6,823	2,274
2016	49,844	6,453	2,151
2017-2021	256,817	26,581	8,860
2022-2026	269,952	16,755	5,585
2027-2031	283,757	6,427	2,143
Total	$ 1,054,844	$ 85,697	$ 28,563

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, 2011 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, 2011, the following outstanding bonds are considered defeased (amounts in thousands):

		Series 1992
Original issue amount	$	49,205
Retired prior to fiscal year		(35,550)
Retired during the year ended 2011		(7,125)
Balance of principal remaining	$	6,530
Interest payments made during year ended June 30, 2011	$	785

Changes in Long-term Liabilities

During the year ended June 30, 2011, 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	$ 3,975,000	$ -	$ (935,000)	$ 3,040,000	$ 970,000
2005 Sales tax revenue bonds	4,020,000	-	(380,000)	3,640,000	400,000
Premium on bonds	87,574	-	(21,893)	65,681	21,894
Total bonds payable	8,082,574	-	(1,336,893)	6,745,681	1,391,894
Claims and judgments	2,453,680	7,500,881	(7,091,934)	2,862,627	1,927,913
Compensated absences	3,328,032	1,855,789	(1,823,248)	3,360,573	168,029
Total long-term liabilities Governmental activities	$ 13,864,286	$ 9,356,670	$(10,252,075)	$ 12,968,881	$ 3,487,836
Business-type activities:					
Bonds payable:					
Series 2002A	$ 15,945,000	$ -	$ (5,805,000)	$ 10,140,000	$ 6,095,000
Premium on bonds	670,417	-	(229,857)	440,560	229,858
Total bonds payable	16,615,417	-	(6,034,857)	10,580,560	6,324,858
NMED loan	11,970,694	-	(593,876)	11,376,818	611,693
NMFA loan	-	1,054,844	-	1,054,844	-
Capital leases	86,845	-	(52,445)	34,400	34,400
Compensated absences	1,024,894	594,516	(558,959)	1,060,451	558,959
Total long-term liabilities Business-type activities	$ 29,697,850	$ 1,649,360	$ (7,240,137)	$ 24,107,073	$ 7,529,910

G. Restricted Assets

The following is a summary of restricted assets as of June 30, 2011:

Enterprise Funds

	Electric	Water	Wastewater	Total
Revenue bond current debt service	$ 438,533	$ 94,630	$ 15,571	$ 548,734
NMED loan debt service reserves	-	-	1,384,921	1,384,921
Revenue bond renewal, replacement and contingency account	1,598,345	344,902	56,753	2,000,000
Debt service reserves	1,310,195	-	-	1,310,195
Customer deposits/overpayments	3,667,796	295,348	-	3,963,144
Total restricted assets	$ 7,014,869	$ 734,880	$ 1,457,245	$ 9,206,994

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, 2010		June 30, 2011	
	Health	Risk Mgmt	Health	Risk Mgmt
Unpaid claims, beginning of fiscal year	$ 848,503	$ 1,243,342	$ 1,056,693	$ 1,396,987
Incurred claims and changes in estimate	4,212,982	1,199,910	5,580,942	1,919,939
Claim payments	(4,004,792)	(1,046,265)	(5,633,471)	(1,458,463)
Unpaid claims, end of fiscal year	$ 1,056,693	$ 1,396,987	$ 1,004,164	$ 1,858,463
Due within one year			$ 1,004,164	$ 923,749

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.

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 FY2011, the City made no 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 FY2011, 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 of Farmington's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the

plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute from 9.15% to 16.30%, depending upon the plan (i.e., municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City of Farmington is required to contribute from 9.15% to 21.25% (depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City of Farmington are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City of Farmington's contributions to PERA for the fiscal years ending June 30, 2011, 2010, and 2009 were $8,778,923, $8,953,674, and $8,916,669, respectively, which equal the amount of the required contributions for each fiscal year.

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

Plan Description. The City of Farmington, at the beginning of 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 the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee is required to contribute .8333% 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
FY2012	1.834%	.917%
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, 2011, the statute required each participating employer to contribute 2.084% of each participating employee's annual salary, and each participating employee was required to contribute 1.042% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contributions rates for both employees and employers will rise as follows:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY2012	2.292%	1.146%
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 of Farmington's contributions to the NMRHCA for the year ended June 30, 2011, 2010 and 2009 were $725,751, $512,041 and $512,664, respectively, which equals the required contributions for the year.

F. <u>Undivided Interest in San Juan Unit No. 4.</u>

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 of Farmington. The company operates and maintains the water and wastewater facilities. The contract expires in December, 2015. The company is responsible for operating expenditures, as well as repairs and replacements up to $2,000. The City paid approximately $5.9 million for contracted services for the year ended June 30, 2011.

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, 2011 was $995,000,000. This debt will never constitute an indebtedness of the City of Farmington within the meaning of any constitutional or statutory provision of the state of New Mexico and will never constitute or give rise to a pecuniary liability of the City of Farmington or a charge against its general or taxing powers.

Tubing down the Animas River

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

State Police Protection 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.

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, 2011

	Special Revenue			
	Gross Receipts Tax Parks	Park Development Fees	Library Gifts and Grants	Parks/ Recreation Gifts and Grants
ASSETS:				
Pooled cash and investments	$ 1,177,487	$ 359,377	$ 97,888	$ 931,650
Accounts receivable	-	-	-	5,069
Intergovernmental receivable	442,716	-	-	13,072
Due from other funds	77,843	-	-	-
Total assets	$ 1,698,046	$ 359,377	$ 97,888	$ 949,791
LIABILITIES:				
Accounts payable	$ 51	$ -	$ -	$ 25
Deferred revenue	-	-	-	-
Accrued wages payable	43,473	-	-	3,306
Due to other funds	-	-	-	-
Total liabilities	43,524	-	-	3,331
FUND BALANCES:				
Restricted to:				
Police	-	-	-	-
Fire	-	-	-	-
Lodgers promotion	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Police	-	-	-	-
Incarceration	-	-	-	-
Parks, recreation, cultural affairs	1,654,522	359,377	-	-
Assigned to:				
Parks, recreation, cultural affairs	-	-	-	946,460
Library	-	-	97,888	-
Capital projects	-	-	-	-
Total fund balances	1,654,522	359,377	97,888	946,460
Total liabilities and fund balances	$ 1,698,046	$ 359,377	$ 97,888	$ 949,791

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, 2011

	Special Revenue				
	Museum Gifts and Grants	Lodgers Tax	State Police Protection Grant	Region II Narcotics Grant	COPS Program Grant
ASSETS:					
Pooled cash and investments	$ 180,462	$ 299,701	$ -	$ 121,815	$ -
Accounts receivable	-	-	-	-	-
Intergovernmental receivable	2,929	165,645	-	158,239	94,614
Due from other funds	-	-	-	-	-
Total assets	$ 183,391	$ 465,346	$ -	$ 280,054	$ 94,614
LIABILITIES:					
Accounts payable	$ 308	$ 53,248	$ -	$ 57,727	$ -
Deferred revenue	-	53,174	-	-	3,315
Accrued wages payable	-	21,045	-	8,155	10,418
Due to other funds	-	-	-	108,310	80,881
Total liabilities	308	127,467	-	174,192	94,614
FUND BALANCES:					
Restricted to:					
Police	-	-	-	2,135	-
Fire	-	-	-	-	-
Lodgers promotion	-	337,879	-	-	-
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Committed to:					
Police	-	-	-	103,727	-
Incarceration	-	-	-	-	-
Parks, recreation, cultural affairs	-	-	-	-	-
Assigned to:					
Parks, recreation, cultural affairs	183,083	-	-	-	-
Library	-	-	-	-	-
Capital projects	-	-	-	-	-
Total fund balances	183,083	337,879	-	105,862	-
Total liabilities and fund balances	$ 183,391	$ 465,346	$ -	$ 280,054	$ 94,614

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, 2011

	Special Revenue			
	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	Total Special Revenue
ASSETS:				
Pooled cash and investments	$ 13,298	$ 671,302	$ 15,422	$ 3,868,402
Accounts receivable	-	-	-	5,069
Intergovernmental receivable	-	23,644	-	900,859
Due from other funds	-	-	-	77,843
Total assets	$ 13,298	$ 694,946	$ 15,422	$ 4,852,173
LIABILITIES:				
Accounts payable	$ -	$ -	$ 15,404	$ 126,763
Deferred revenue	12,950	100,000	-	169,439
Accrued wages payable	-	-	-	86,397
Due to other funds	-	-	-	189,191
Total liabilities	12,950	100,000	15,404	571,790
FUND BALANCES:				
Restricted to:	-	-	-	-
Police	348	-	-	2,483
Fire	-	594,946	-	594,946
Lodgers promotion	-	-	-	337,879
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Police	-	-	-	103,727
Incarceration	-	-	18	18
Parks, recreation, cultural affairs	-	-	-	2,013,899
Assigned to:				
Parks, recreation, cultural affairs	-	-	-	1,129,543
Library	-	-	-	97,888
Capital projects	-	-	-	-
Total fund balances	348	594,946	18	4,280,383
Total liabilities and fund balances	$ 13,298	$ 694,946	$ 15,422	$ 4,852,173

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, 2011

	Capital Projects					
	Community Development Grant Projects	**Governmental Capital Projects**	**Airport Construction Grant Projects**	**Total Capital Projects**	**Debt Service**	**Total Nonmajor Governmental Funds**
ASSETS:						
Pooled cash and investments	$ 1,595,051	$ 109,241	$ 3,497	$ 1,707,789	$ 35,311	$ 5,611,502
Accounts receivable	-	-	-	-	-	5,069
Intergovernmental receivable	318,768	-	215,484	534,252	-	1,435,111
Due from other funds	-	396,962	-	396,962	-	474,805
Total assets	$ 1,913,819	$ 506,203	$ 218,981	$ 2,639,003	$ 35,311	$ 7,526,487
LIABILITIES:						
Accounts payable	$ 317,603	$ -	$ 140,996	$ 458,599	$ -	$ 585,362
Deferred revenue	-	-	-	-	-	169,439
Accrued wages payable	2,613	-	-	2,613	-	89,010
Due to other funds	-	-	-	-	-	189,191
Total liabilities	320,216	-	140,996	461,212	-	1,033,002
FUND BALANCES:						
Restricted to:						
Police	-	-	-	-	-	2,483
Fire	-	-	-	-	-	594,946
Lodgers promotion	-	-	-	-	-	337,879
Capital projects	1,593,603	-	77,985	1,671,588	-	1,671,588
Debt service	-	-	-	-	35,311	35,311
Committed to:						
Police	-	-	-	-	-	103,727
Incarceration	-	-	-	-	-	18
Parks, recreation, cultural affairs	-	-	-	-	-	2,013,899
Assigned to:						
Parks, recreation, cultural affairs	-	-	-	-	-	1,129,543
Library	-	-	-	-	-	97,888
Capital projects	-	506,203	-	506,203	-	506,203
Total fund balances	1,593,603	506,203	77,985	2,177,791	35,311	6,493,485
Total liabilities and fund balances	$ 1,913,819	$ 506,203	$ 218,981	$ 2,639,003	$ 35,311	$ 7,526,487

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, 2011

	Special Revenue			
	Gross Receipts Tax Parks	**Park Development Fees**	**Library Gifts and Grants**	**Parks/ Recreation Gifts and Grants**
REVENUES:				
Taxes:				
Gross receipts tax	$ 2,517,501	$ -	$ -	$ -
Lodger's taxes	-	-	-	-
Licenses and permits	-	4,628	-	-
Intergovernmental	27,590	-	46,817	141,579
Charges for services	-	-	-	-
Fines	-	-	-	-
Investment earnings	14,453	4,750	2,491	11,565
Donations	-	-	10,493	557,140
Miscellaneous	2,213	1	252	297,950
Total revenues	2,561,757	9,379	60,053	1,008,234
EXPENDITURES:				
Current:				
Police operations	-	-	-	-
Fire operations	-	-	-	-
Parks, recreation and cultural affairs	1,996,039	-	177,403	690,198
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Airport	-	-	-	-
Highways and streets	-	-	-	-
Total expenditures	1,996,039	-	177,403	690,198
Excess (deficiency) of revenues over (under) expenditures	565,718	9,379	(117,350)	318,036
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(88,376)	-	-	-
Total other financing sources (uses)	(88,376)	-	-	-
Net change in fund balances	477,342	9,379	(117,350)	318,036
Fund balances-beginning	1,177,180	349,998	215,238	628,424
Fund balances-ending	$ 1,654,522	$ 359,377	$ 97,888	$ 946,460

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, 2011

	Special Revenue				
	Museum Gifts and Grants	Lodgers Tax	State Police Protection Grant	Region II Narcotics Grant	COPS Program Grant
REVENUES:					
Taxes:					
Gross receipts tax	$ -	$ -	$ -	$ -	$ -
Lodger's taxes	-	946,142	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	16,305	-	105,000	539,477	352,584
Charges for services	75,374	42,907	-	-	-
Fines	-	-	-	-	-
Investment earnings	2,407	4,730	-	1,470	-
Donations	21,617	-	-	-	-
Miscellaneous	632	839	1,169	77,763	-
Total revenues	116,335	994,618	106,169	618,710	352,584
EXPENDITURES:					
Current:					
Police operations	-	-	122,267	642,423	352,584
Fire operations	-	-	-	-	-
Parks, recreation and cultural affairs	99,249	1,227,818	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
General government	-	-	-	-	-
Airport	-	-	-	-	-
Highways and streets	-	-	-	-	-
Total expenditures	99,249	1,227,818	122,267	642,423	352,584
Excess (deficiency) of revenues over (under) expenditures	17,086	(233,200)	(16,098)	(23,713)	-
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	30,000	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	30,000	-
Net change in fund balances	17,086	(233,200)	(16,098)	6,287	-
Fund balances-beginning	165,997	571,079	16,098	99,575	-
Fund balances-ending	$ 183,083	$ 337,879	$ -	$ 105,862	$ -

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, 2011

	Special Revenue			
	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	Total Special Revenue
REVENUES:				
Taxes:				
Gross receipts tax	$ -	$ -	$ -	$ 2,517,501
Lodger's taxes	-	-	-	946,142
Licenses and permits	-	-	-	4,628
Intergovernmental	96,369	740,716	-	2,066,437
Charges for services	-	-	-	118,281
Fines	-	-	181,101	181,101
Investment earnings	563	12,102	-	54,531
Donations	-	-	-	589,250
Miscellaneous	322	305	342	381,788
Total revenues	97,254	753,123	181,443	6,859,659
EXPENDITURES:				
Current:				
Police operations	100,770	-	181,425	1,399,469
Fire operations	-	438,282	-	438,282
Parks, recreation and cultural affairs	-	-	-	4,190,707
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Airport	-	-	-	-
Highways and streets	-	-	-	-
Total expenditures	100,770	438,282	181,425	6,028,458
Excess (deficiency) of revenues over (under) expenditures	(3,516)	314,841	18	831,201
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	30,000
Transfers out	-	(110,000)	-	(198,376)
Total other financing sources (uses)	-	(110,000)	-	(168,376)
Net change in fund balances	(3,516)	204,841	18	662,825
Fund balances-beginning	3,864	390,105	-	3,617,558
Fund balances-ending	$ 348	$ 594,946	$ 18	$ 4,280,383

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, 2011

	Capital Projects					
	Community Development Grant Projects	Governmental Capital Projects	Airport Construction Grant Projects	Total Capital Projects	Debt Service	Total Nonmajor Governmental Funds
REVENUES:						
Taxes:						
Gross receipts tax	$ -	$ -	$ -	$ -	$ -	$ 2,517,501
Lodger's taxes	-	-	-	-	-	946,142
Licenses and permits	-	-	-	-	-	4,628
Intergovernmental	1,671,970	780,391	990,620	3,442,981	-	5,509,418
Charges for services	-	-	-	-	-	118,281
Fines	-	-	-	-	-	181,101
Investment earnings	15,796	1,556	-	17,352	10,056	81,939
Donations	-	-	-	-	-	589,250
Miscellaneous	47,583	-	-	47,583	-	429,371
Total revenues	1,735,349	781,947	990,620	3,507,916	10,056	10,377,631
EXPENDITURES:						
Current:						
Police operations	-	-	-	-	-	1,399,469
Fire operations	-	-	-	-	-	438,282
Parks, recreation and cultural affairs	-	-	-	-	-	4,190,707
Debt Service:						
Principal	-	-	-	-	1,315,000	1,315,000
Interest	-	-	-	-	330,393	330,393
Capital outlay:						
General government	-	770,941	-	770,941	-	770,941
Airport	-	-	990,802	990,802	-	990,802
Highways and streets	1,980,331	-	-	1,980,331	-	1,980,331
Total expenditures	1,980,331	770,941	990,802	3,742,074	1,645,393	11,415,925
Excess (deficiency) of revenues over (under) expenditures	(244,982)	11,006	(182)	(234,158)	(1,635,337)	(1,038,294)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	396,962	24,375	421,337	1,586,000	2,037,337
Transfers out	-	-	-	-	-	(198,376)
Total other financing sources (uses)	-	396,962	24,375	421,337	1,586,000	1,838,961
Net change in fund balances	(244,982)	407,968	24,193	187,179	(49,337)	800,667
Fund balances-beginning	1,838,585	98,235	53,792	1,990,612	84,648	5,692,818
Fund balances-ending	$ 1,593,603	$ 506,203	$ 77,985	$ 2,177,791	$ 35,311	$ 6,493,485

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Gross receipts taxes	$ 2,220,248	$ 2,220,248	$ 2,480,499	$ 260,251
Intergovernmental	-	-	27,590	27,590
Investment earnings	10,000	10,000	14,453	4,453
Miscellaneous	7,000	7,000	2,213	(4,787)
Total revenues	2,237,248	2,237,248	2,524,755	287,507
EXPENDITURES:				
Current:				
Parks, Recreation and Cultural Affairs	2,511,755	2,600,131	2,022,417	577,714
Excess (deficiency) of revenues over (under) expenditures	(274,507)	(362,883)	502,338	$ 865,221
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(88,376)	(88,376)
Net change in fund balances	(274,507)	(362,883)	413,962	$ 776,845
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			37,002	
Change in accounts payable			26,378	
			63,380	
GAAP BASIS CHANGE IN FUND BALANCES			477,342	
Fund balances-beginning	1,177,180	1,177,180	1,177,180	
Fund balances-ending	$ 902,673	$ 814,297	$ 1,654,522	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and permits	$ 10,000	$ 10,000	$ 4,628	$ (5,372)
Investment earnings	8,000	8,000	4,750	(3,250)
Miscellaneous	-	-	1	1
Total revenues	18,000	18,000	9,379	(8,621)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	100,000	100,000	-	100,000
Excess (deficiency) of revenues over (under) expenditures	(82,000)	(82,000)	9,379	$ 91,379
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			-	
GAAP BASIS CHANGE IN FUND BALANCES			9,379	
Fund balances-beginning	349,998	349,998	349,998	
Fund balances-ending	$ 267,998	$ 267,998	$ 359,377	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 30,000	$ 30,000	$ 46,817	$ 16,817
Investment earnings	4,000	4,000	2,490	(1,510)
Donations	17,500	17,500	10,494	(7,006)
Miscellaneous	700	700	252	(448)
Total revenues	52,200	52,200	60,053	7,853
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	70,000	177,500	177,403	97
Excess (deficiency) of revenues over (under) expenditures	(17,800)	(125,300)	(117,350)	$ 7,950
ADJUSTMENTS TO GAAP:				
Change in accounts payable			-	
GAAP BASIS CHANGE IN FUND BALANCES			(117,350)	
Fund balances-beginning	215,238	215,238	215,238	
Fund balances-ending	$ 197,438	$ 89,938	$ 97,888	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 29,000	$ 29,000	$ 133,943	$ 104,943
Investment earnings	9,000	9,000	11,565	2,565
Donations	231,200	365,500	559,190	193,690
Miscellaneous	108,750	285,750	292,901	7,151
Total revenues	377,950	689,250	997,599	308,349
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	351,829	697,729	640,198	57,531
Excess (deficiency) of revenues over (under) expenditures	26,121	(8,479)	357,401	$ 365,880
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			10,635	
Change in accounts payable			(50,000)	
			(39,365)	
GAAP BASIS CHANGE IN FUND BALANCES			318,036	
Fund balances-beginning	628,424	628,424	628,424	
Fund balances-ending	$ 654,545	$ 619,945	$ 946,460	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 22,000	$ 22,000	$ 13,376	$ (8,624)
Charges for Services	63,400	63,400	75,374	11,974
Investment earnings	-	-	2,407	2,407
Donations	26,000	26,000	21,617	(4,383)
Miscellaneous	9,600	9,600	632	(8,968)
Total revenues	121,000	121,000	113,406	(7,594)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	122,500	122,500	99,249	23,251
Excess (deficiency) of revenues over (under) expenditures	(1,500)	(1,500)	14,157	$ 15,657
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			2,929	
GAAP BASIS CHANGE IN FUND BALANCES			17,086	
Fund balances-beginning	165,997	165,997	165,997	
Fund balances-ending	$ 164,497	$ 164,497	$ 183,083	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Lodger's taxes	$ 1,040,000	$ 1,068,400	$ 1,068,354	$ (46)
Charges for Services	-	43,000	42,907	(93)
Investment earnings	8,000	8,000	4,730	(3,270)
Miscellaneous	8,100	8,100	839	(7,261)
Total revenues	1,056,100	1,127,500	1,116,830	(10,670)
EXPENDITURES:				
Current:				
Parks, recreation and cultural affairs	1,103,443	1,203,943	1,201,992	1,951
Excess (deficiency) of revenues over (under) expenditures	(47,343)	(76,443)	(85,162)	$ (8,719)
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(122,212)	
Change in accounts payable			(25,826)	
			(148,038)	
GAAP BASIS CHANGE IN FUND BALANCES			(233,200)	
Fund balances-beginning	571,079	571,079	571,079	
Fund balances-ending	$ 523,736	$ 494,636	$ 337,879	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 100,000	$ 105,000	$ 105,000	$ -
Miscellaneous	700	1,200	1,169	(31)
Total revenues	100,700	106,200	106,169	(31)
EXPENDITURES:				
Current:				
Police operations	100,700	122,273	122,267	6
Excess (deficiency) of revenues over (under) expenditures	-	(16,073)	(16,098)	$ (25)
ADJUSTMENTS TO GAAP:				
Change in accounts payable			-	
GAAP BASIS CHANGE IN FUND BALANCES			(16,098)	
Fund balances-beginning	16,098	16,098	16,098	
Fund balances-ending	$ 16,098	$ 25	$ -	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 537,000	$ 814,932	$ 572,338	$ (242,594)
Investment earnings	-	-	1,470	1,470
Miscellaneous	22,000	22,000	88,402	66,402
Total revenues	559,000	836,932	662,210	(174,722)
EXPENDITURES:				
Current:				
Public safety	589,000	731,800	642,423	89,377
Excess (deficiency) of revenues over (under) expenditures	(30,000)	105,132	19,787	(85,345)
OTHER FINANCING SOURCES (USES):				
Transfers in	30,000	30,000	30,000	-
Net change in fund balances	-	135,132	49,787	$ (85,345)
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(43,500)	
GAAP BASIS CHANGE IN FUND BALANCES			6,287	
Fund balances-beginning	99,575	99,575	99,575	
Fund balances-ending	$ 99,575	$ 234,707	$ 105,862	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 262,031	$ 396,377	$ 301,033	$ (95,344)
EXPENDITURES:				
Current:				
Public safety	262,031	362,031	358,178	3,853
Excess (deficiency) of revenues over (under) expenditures	-	34,346	(57,145)	$ (91,491)
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			51,551	
Change in accounts payable			5,594	
			57,145	
GAAP BASIS CHANGE IN FUND BALANCES			-	
Fund balances-beginning	-	-	-	
Fund balances-ending	$ -	$ 34,346	$ -	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 105,000	$ 105,000	$ 54,882	$ (50,118)
Investment earnings	-	-	563	563
Miscellaneous	-	-	322	322
Total revenues	105,000	105,000	55,767	(49,233)
EXPENDITURES:				
Current:				
Public safety	130,000	130,000	100,770	29,230
Excess (deficiency) of revenues over (under) expenditures	(25,000)	(25,000)	(45,003)	$ (20,003)
ADJUSTMENTS TO GAAP:				
Change in deferred revenue			41,487	
GAAP BASIS CHANGE IN FUND BALANCES			(3,516)	
Fund balances-beginning	3,864	3,864	3,864	
Fund balances-ending	$ (21,136)	$ (21,136)	$ 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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 470,000	$ 602,778	$ 817,072	$ 214,294
Investment earnings	5,000	5,000	12,102	7,102
Miscellaneous	1,000	1,000	305	(695)
Total revenues	476,000	608,778	829,479	220,701
EXPENDITURES:				
Current:				
Fire operations	362,238	818,016	438,282	379,734
Excess (deficiency) of revenues over (under) expenditures	113,762	(209,238)	391,197	600,435
OTHER FINANCING SOURCES (USES):				
Transfers out	(110,000)	(110,000)	(110,000)	-
Net change in fund balances	3,762	(319,238)	281,197	$ 600,435
ADJUSTMENTS TO GAAP:				
Change in accounts payable			(76,356)	
GAAP BASIS CHANGE IN FUND BALANCES			204,841	
Fund balances-beginning	390,105	390,105	390,105	
Fund balances-ending	$ 393,867	$ 70,867	$ 594,946	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines	$ 205,000	$ 205,000	$ 181,101	$ (23,899)
Miscellaneous	1,000	1,000	342	(658)
Total Revenues	206,000	206,000	181,443	(24,557)
EXPENDITURES:				
Current:				
Public safety	206,000	206,000	203,771	2,229
Excess (deficiency) of revenues over (under) expenditures	-	-	(22,328)	$ (22,328)
ADJUSTMENTS TO GAAP:				
Change in accounts payable			22,346	
GAAP BASIS CHANGE IN FUND BALANCES			18	
Fund balances-beginning	-	-	-	
Fund balances-ending	$ -	$ -	$ 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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 2,364,056	$ 3,722,874	$ 2,480,969	$ (1,241,905)
Investment earnings	20,000	20,000	15,797	(4,203)
Miscellaneous	500	500	47,582	47,082
Total revenues	2,384,556	3,743,374	2,544,348	(1,199,026)
EXPENDITURES:				
Capital Outlay:				
Highways and Streets	2,409,345	3,768,163	1,662,728	2,105,435
Excess (deficiency) of revenues over (under) expenditures	(24,789)	(24,789)	881,620	$ 906,409
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(808,999)	
Change in accounts payable			(317,603)	
			(1,126,602)	
GAAP BASIS CHANGE IN FUND BALANCES			(244,982)	
Fund balances-beginning	1,838,585	1,838,585	1,838,585	
Fund balances-ending	$ 1,813,796	$ 1,813,796	$ 1,593,603	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ -	$ 1,177,362	$ 780,391	$ (396,971)
Investment earnings	4,000	4,000	1,556	(2,444)
Total revenues	4,000	1,181,362	781,947	(399,415)
EXPENDITURES:				
Capital Outlay:				
General Government	-	780,400	780,391	9
Excess (deficiency) of revenues over (under) expenditures	4,000	400,962	1,556	(399,406)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	396,962	396,962
Net change in fund balances	4,000	400,962	398,518	$ (2,444)
ADJUSTMENTS TO GAAP:				
Change in accounts payable			9,450	
GAAP BASIS CHANGE IN FUND BALANCES			407,968	
Fund balances-beginning	98,235	98,235	98,235	
Fund balances-ending	$ 102,235	$ 499,197	$ 506,203	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	$ 950,625	$ 1,200,625	$ 1,106,356	$ (94,269)
EXPENDITURES:				
Capital Outlay:				
Airport	975,000	1,226,600	1,226,534	66
Excess (deficiency) of revenues over (under) expenditures	(24,375)	(25,975)	(120,178)	(94,203)
OTHER FINANCING SOURCES (USES):				
Transfers in	24,375	24,375	24,375	-
Net change in fund balances	-	(1,600)	(95,803)	$ (94,203)
ADJUSTMENTS TO GAAP:				
Change in intergovernmental receivable			(115,735)	
Change in accounts payable			235,731	
			119,996	
GAAP BASIS CHANGE IN FUND BALANCES			24,193	
Fund balances-beginning	53,792	53,792	53,792	
Fund balances-ending	$ 53,792	$ 52,192	$ 77,985	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Investment earnings	$ 10,000	$ 10,000	$ 10,056	$ 56
EXPENDITURES:				
Debt Service:				
Principal	1,315,000	1,315,000	1,315,000	-
Interest	331,000	331,000	330,393	607
Total expenditures	1,646,000	1,646,000	1,645,393	607
Excess (deficiency) of revenues over (under) expenditures	(1,636,000)	(1,636,000)	(1,635,337)	663
OTHER FINANCING SOURCES (USES):				
Transfers in	1,586,000	1,586,000	1,586,000	-
Net change in fund balances	(50,000)	(50,000)	(49,337)	$ 663
ADJUSTMENTS TO GAAP:				
Change in receivables			-	
GAAP BASIS CHANGE IN FUND BALANCES:			(49,337)	
Fund balances-beginning	84,648	84,648	84,648	
Fund balances-ending	$ 34,648	$ 34,648	$ 35,311	

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

Internal Service Fund

Internal Service Fund

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

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

CITY OF FARMINGTON, NEW MEXICO
Health Insurance
Schedule of Revenues, Expenses and Changes in Fund Net Assets
Non-GAAP Budgetary Basis
For the Year Ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Operating revenues:				
Charges for services	$ 5,979,464	$ 6,970,655	$ 6,656,270	$ (314,385)
Operating expenses:				
Costs of services	5,891,092	7,041,092	7,019,208	21,884
Operating income (loss)	88,372	(70,437)	(362,938)	(292,501)
Nonoperating revenues (expenses):				
Investment earnings	2,500	2,500	(138)	(2,638)
Change in net assets	90,872	(67,937)	(363,076)	$ (295,139)
RECONCILIATION TO GAAP BASIS:				
Change in accounts receivable			(350,347)	
Change in accounts payable			29,121	
Change in accrued claims payable			(61,376)	
			(382,602)	
GAAP BASIS CHANGE IN NET ASSETS			(745,678)	
Total net assets-beginning	(655,448)	(655,448)	(655,448)	
Total net assets-ending	$ (564,576)	$ (723,385)	$ (1,401,126)	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Operating revenues:				
Charges for sales and services:				
Electric	$ 87,700,614	$ 87,700,614	$ 90,970,119	$ 3,269,505
Other revenues	499,900	499,900	481,554	(18,346)
Total operating revenues	88,200,514	88,200,514	91,451,673	3,251,159
Operating expenses:				
Salaries and fringe benefits	11,103,105	11,103,105	9,944,245	1,158,860
Purchased power, fuel and chemicals	44,988,123	44,988,123	37,443,044	7,545,079
Other operating expenses	11,457,475	16,829,805	17,367,920	(538,115)
Capital outlay	26,428,023	21,891,318	10,589,058	11,302,260
Total operating expenses	93,976,726	94,812,351	75,344,267	19,468,084
Operating income	(5,776,212)	(6,611,837)	16,107,406	22,719,243
Nonoperating revenues (expenses):				
Investment earnings	1,367,891	1,367,891	899,712	(468,179)
Revenue from grants	-	-	36,416	36,416
Interest expense	(623,581)	(623,581)	(575,819)	47,762
Principal on debt service	(4,639,196)	(4,639,196)	(4,639,196)	-
Total nonoperating revenues (expenses)	(3,894,886)	(3,894,886)	(4,278,887)	(384,001)
Income (loss) before operating transfers	(9,671,098)	(10,506,723)	11,828,519	22,335,242
Capital contributions	2,000,000	2,000,000	4,325,124	2,325,124
Transfers out	(8,157,304)	(8,157,304)	(9,161,278)	(1,003,974)
Change in net assets	(15,828,402)	(16,664,027)	6,992,365	$ 23,656,392
ADJUSTMENTS TO GAAP				
Depreciation			(12,746,037)	
Amortization			143,731	
Capital outlay capitalized			10,589,058	
Principal on debt service			4,639,196	
			2,625,948	
GAAP BASIS CHANGE IN NET ASSETS			9,618,313	
Total net assets-beginning	309,770,845	309,770,845	309,770,845	
Total net assets-ending	$ 293,942,443	$ 293,106,818	$ 319,389,158	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Operating revenues:				
Charges for sales and services:				
Water	$ 13,172,049	$ 13,172,049	$ 12,889,963	$ (282,086)
Other revenues	-	-	7,395	7,395
Total operating revenues	13,172,049	13,172,049	12,897,358	(274,691)
Operating expenses:				
Salaries and fringe benefits	631,936	631,936	467,427	164,509
Other operating expenses	6,933,431	6,933,431	6,314,249	619,182
Capital outlay	4,645,504	9,089,904	5,720,526	3,369,378
Total operating expenses	12,210,871	16,655,271	12,502,202	4,153,069
Operating income	961,178	(3,483,222)	395,156	3,878,378
Nonoperating revenues (expenses):				
Investment earnings	115,000	115,000	78,660	(36,340)
Revenue from operating grants	-	4,444,400	352,584	(4,091,816)
Interest expense	(134,813)	(134,813)	(127,195)	7,618
Principal on debt service	(1,001,077)	(1,001,077)	(1,001,077)	-
Total nonoperating revenues (expenses)	(1,020,890)	3,423,510	(697,028)	(4,120,538)
Income (loss) before operating transfers	(59,712)	(59,712)	(301,872)	(242,160)
Capital contributions	-	-	1,218,174	1,218,174
Transfers out	(648,900)	(648,900)	(638,525)	10,375
Change in net assets	(708,612)	(708,612)	277,777	$ 986,389
ADJUSTMENTS TO GAAP				
Depreciation			(1,784,174)	
Amortization			31,015	
Capital outlay capitalized			5,720,526	
Principal on debt service			1,001,077	
			4,968,444	
GAAP BASIS CHANGE IN NET ASSETS			5,246,221	
Total net assets-beginning	44,045,439	44,045,439	44,045,439	
Total net assets-ending	$ 43,336,827	$ 43,336,827	$ 49,291,660	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Operating revenues:				
Charges for sales and services:				
Wastewater	$ 5,954,995	$ 5,954,995	$ 6,163,636	$ 208,641
Other revenues	2,000	2,000	86	(1,914)
Total operating revenues	5,956,995	5,956,995	6,163,722	206,727
Operating expenses:				
Salaries and fringe benefits	331,608	331,608	282,316	49,292
Other operating expenses	3,925,819	3,925,819	3,651,330	274,489
Capital outlay	2,929,588	4,360,538	1,769,978	2,590,560
Total operating expenses	7,187,015	8,617,965	5,703,624	2,914,341
Operating income	(1,230,020)	(2,660,970)	460,098	3,121,068
Nonoperating revenues (expenses):				
Intergovernmental-environmental tax	1,110,124	1,110,124	1,258,718	148,594
Investment earnings	204,000	204,000	68,927	(135,073)
Revenue from operating grants	-	203,000	-	(203,000)
Interest expense	(380,482)	(380,482)	(379,452)	1,030
Principal on debt service	(758,602)	(758,602)	(758,602)	-
Total nonoperating revenues (expenses)	175,040	378,040	189,591	(188,449)
Income (loss) before operating transfers	(1,054,980)	(2,282,930)	649,689	2,932,619
Capital contributions	-	-	350,106	350,106
Transfers out	(301,158)	(301,158)	(305,753)	(4,595)
Change in net assets	(1,356,138)	(2,584,088)	694,042	$ 3,278,130
ADJUSTMENTS TO GAAP				
Depreciation			(1,366,570)	
Amortization			5,104	
Capital outlay capitalized			1,769,978	
Principal on debt service			758,602	
			1,167,114	
GAAP BASIS CHANGE IN NET ASSETS			1,861,156	
Total net assets-beginning	20,650,741	20,650,741	20,650,741	
Total net assets-ending	$ 19,294,603	$ 18,066,653	$ 22,511,897	

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Operating revenues:				
Charges for sales and services:				
Sanitation	$ 5,261,456	$ 5,261,456	$ 4,999,188	$ (262,268)
Other revenues	127,069	127,069	93,437	(33,632)
Total operating revenues	5,388,525	5,388,525	5,092,625	(295,900)
Operating expenses:				
Salaries and fringe benefits	2,593	2,593	2,638	(45)
Other operating expenses	4,781,865	4,781,865	5,311,060	(529,195)
Capital outlay	4,500,000	4,510,400	(21,040)	4,531,440
Total operating expenses	9,284,458	9,294,858	5,292,658	4,002,200
Operating income	(3,895,933)	(3,906,333)	(200,033)	3,706,300
Nonoperating revenues (expenses):				
Investment earnings	30,000	30,000	24,171	(5,829)
NMED Loan	3,000,000	3,000,000	-	(3,000,000)
Total nonoperating revenues (expenses)	3,030,000	3,030,000	24,171	(3,005,829)
Change in net assets	(865,933)	(876,333)	(175,862)	$ 700,471
ADJUSTMENTS TO GAAP				
Depreciation			(4,747)	
Capital outlay capitalized			(21,040)	
			(25,787)	
GAAP BASIS CHANGE IN NET ASSETS			(201,649)	
Total net assets-beginning	1,612,432	1,612,432	1,612,432	
Total net assets-ending	$ 746,499	$ 736,099	$ 1,410,783	

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 Courses Enterprise Fund
For the Year Ended June 30, 2011

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
Operating revenues:				
Charges for sales and services:				
Golf	$ 1,336,955	$ 1,336,955	$ 1,019,300	$ (317,655)
Other revenues	-	-	(74)	(74)
Total operating revenues	1,336,955	1,336,955	1,019,226	(317,729)
Operating expenses:				
Salaries and fringe benefits	705,072	705,072	646,804	58,268
Other operating expenses	491,883	644,883	607,665	37,218
Capital outlay	153,000	-	-	-
Total operating expenses	1,349,955	1,349,955	1,254,469	95,486
Operating income	(13,000)	(13,000)	(235,243)	(222,243)
Nonoperating revenues (expenses):				
Investment earnings	13,000	13,000	270	(12,730)
Interest expense	-	-	(11,920)	(11,920)
Total nonoperating revenues (expenses)	13,000	13,000	(11,650)	(24,650)
Income (loss) before operating transfers	-	-	(246,893)	(246,893)
Transfer in	-	88,376	88,376	-
Change in net assets	-	88,376	(158,517)	$ (246,893)
ADJUSTMENTS TO GAAP				
Depreciation			(202,197)	
GAAP BASIS CHANGE IN NET ASSETS			(360,714)	
Total net assets-beginning	2,656,604	2,656,604	2,656,604	
Total net assets-ending	$ 2,656,604	$ 2,744,980	$ 2,295,890	

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

Golfing at Piñon Hills Golf Course

Capital Assets-
Governmental Funds

CITY OF FARMINGTON, NEW MEXICO
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
June 30, 2011 and 2010

	2011	2010
Governmental funds capital assets:		
Land	$ 26,893,367	$ 26,893,367
Buildings	63,209,127	62,509,044
Improvements other than buildings	23,762,736	21,032,435
Machinery and equipment	30,220,849	29,710,681
Infrastructure	61,401,106	55,438,835
Construction In Progress	2,352,792	9,167,561
Total governmental funds capital assets	$ 207,839,977	$ 204,751,923
Investments in governmental funds capital assets by source:		
General fund	$ 62,368,590	$ 69,180,212
Special revenue fund	105,721,189	100,501,437
Capital projects funds	37,508,494	32,954,728
Donations	2,241,704	2,115,546
Total governmental funds capital assets	$ 207,839,977	$ 204,751,923

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, 2011

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	-	-	140,032
Operations center	-	-	-	436,271	-	-	436,271
Fleet maintenance	-	-	-	586,504	-	-	586,504
Stores	-	38,467	270,135	260,234	-	-	568,836
Finance administration	-	-	-	6,520	-	-	6,520
Personnel administration	-	-	-	206,200	-	-	206,200
Purchasing	-	-	-	64,806	-	-	64,806
Law enforcement	-	-	-	22,210	-	-	22,210
Administrative services	1,283,660	12,211,284	37,057	1,583,238	-	750,876	15,866,115
Planning and zoning	-	-	-	52,403	-	-	52,403
Data processing	-	50,347	-	974,414	-	34,977	1,059,738
Total general government	1,287,660	12,300,098	307,192	4,366,525	-	785,853	19,047,328
PUBLIC SAFETY:							
Police	532,769	3,632,229	77,532	5,988,864	-	-	10,231,394
Fire	60,098	3,401,561	33,151	7,327,079	-	30,144	10,852,033
Inspection	-	-	-	188,791	-	-	188,791
Traffic	-	-	-	501,165	2,984,751	252,705	3,738,621
Total public safety	592,867	7,033,790	110,683	14,005,899	2,984,751	282,849	25,010,839
PUBLIC WORKS/COMMUNITY DEVELOPMENT:							
Streets	16,156,420	33,970	2,704,184	2,247,830	38,755,208	1,003,462	60,901,074
Bridges & Storm Drains	-	-	451,953	11,799	19,170,379	99,765	19,733,896
Administration	1,092,506	142,924	63,362	36,891	490,768	(108,797)	1,717,654
Survey	-	-	-	140,975	-	-	140,975
Engineering	-	-	-	125,585	-	-	125,585
Total public works/community development	17,248,926	176,894	3,219,499	2,563,080	58,416,355	994,430	82,619,184
CULTURE AND RECREATION:							
Parks and recreation	3,959,105	19,328,098	10,410,411	5,504,600	-	91,361	39,293,575
Civic center	92,174	3,184,154	-	353,596	-	-	3,629,924
Senior citizens center	250,627	1,276,019	37,161	210,040	-	-	1,773,847
Museum	1,057,979	4,819,473	134,173	166,897	-	-	6,178,522
Animal shelter	132,393	399,911	-	279,265	-	463,391	1,274,960
Total culture and recreation	5,492,278	29,007,655	10,581,745	6,514,398	-	554,752	52,150,828
LIBRARIES	1,391,668	8,686,494	106,000	1,117,272	-	-	11,301,434
AIRPORT	879,968	6,004,196	9,437,617	1,653,675	-	(265,092)	17,710,364
Total governmental funds capital assets	$ 26,893,367	$ 63,209,127	$ 23,762,736	$ 30,220,849	$ 61,401,106	$ 2,352,792	$ 207,839,977

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 Year Ended June 30, 2011

Function and Activity	Capital Assets June 30, 2010	Additions	Deductions	Net Transfers	Capital Assets June 30, 2011
GENERAL GOVERNMENT:					
Legislative	$ 37,693	$ -	$ -	$ -	$ 37,693
Judicial	140,032	-	-	-	140,032
Operations center	466,816	796,776	(827,321)	-	436,271
Fleet maintenance	921,607	-	(365,591)	30,488	586,504
Stores	563,389	9,558	(4,111)	-	568,836
Finance administration	6,520	-	-	-	6,520
Personnel administration	279,553	-	(73,353)	-	206,200
Purchasing	67,158	-	-	(2,352)	64,806
Law enforcement	22,210	-	-	-	22,210
Administrative services	14,605,766	858,120	(68,782)	471,011	15,866,115
Planning and zoning	24,822	-	-	27,581	52,403
Data processing	1,003,968	55,770	-	-	1,059,738
Total general government	18,139,534	1,720,224	(1,339,158)	526,728	19,047,328
PUBLIC SAFETY:					
Police	9,833,874	442,206	(16,550)	(28,136)	10,231,394
Fire	10,577,466	319,935	(30,198)	(15,170)	10,852,033
Inspection	188,791	-	-	-	188,791
Traffic	3,580,007	280,662	(122,048)	-	3,738,621
Total public safety	24,180,138	1,042,803	(168,796)	(43,306)	25,010,839
PUBLIC WORKS/ COMMUNITY DEVELOPMENT					
Streets	66,706,586	1,086,961	(7,305,605)	413,132	60,901,074
Bridges and storm drains	12,898,317	6,895,212	(59,633)	-	19,733,896
Administration	2,683,708	54,320	(99,755)	(920,619)	1,717,654
Survey	140,975	-	-	-	140,975
Engineering	125,585	-	-	-	125,585
Total public works/ community development	82,555,171	8,036,493	(7,464,993)	(507,487)	82,619,184
CULTURE AND RECREATION:					
Parks and recreation	38,953,743	1,019,437	(718,220)	38,615	39,293,575
Civic center	3,629,924	-	-	-	3,629,924
Senior citizens center	1,724,674	204,840	(155,667)	-	1,773,847
Museum	6,186,289	-	(7,767)	-	6,178,522
Animal shelter	1,265,183	24,327	-	(14,550)	1,274,960
Total culture and recreation	51,759,813	1,248,604	(881,654)	24,065	52,150,828
LIBRARIES	11,111,034	190,400	-	-	11,301,434
AIRPORT	17,006,233	2,805,972	(2,101,841)	-	17,710,364
Total general fixed assets	$ 204,751,923	$ 15,044,496	$ (11,956,442)	$ -	$ 207,839,977
Accumulated depreciation	$ 101,892,635	$ 8,716,617	$ (1,089,932)	$ -	$ 109,519,320

"Annie Get Your Gun"—Sandstone Productions

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	**92**
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	**97**
These schedules contain information to help the reader assess the City's most significant revenue sources - gross receipts tax and electricity sales. Also included are property tax schedules.	
Debt Capacity	**108**
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	**112**
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	**114**
The schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

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

Schedule 1

	Fiscal Year									
	2002	2003	2004	2005	2006	2007 Restated	2008 Restated	2009 Restated	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	$ 55,674,508	$ 63,961,010	$ 64,779,550	$ 66,265,472	$ 74,339,304	$ 75,000,933	$ 74,066,951	$ 82,050,200	$ 94,776,714	$ 91,574,976
Restricted	2,689,505	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
Unrestricted	28,039,208	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
Total governmental activities net assets	$ 86,403,221	$ 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
Business-type activities										
Invested in capital assets, net of related debt	$ 145,695,695	$ 151,976,725	$ 194,430,074	$ 215,390,130	$ 227,625,271	$ 240,380,428	$ 263,888,952	$ 290,777,764	$ 299,184,651	$ 309,610,312
Restricted	3,450,823	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
Unrestricted	33,466,317	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
Total business-type activities net assets	$ 182,612,835	$ 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
Primary government										
Invested in capital assets, net of related debt	$ 201,370,203	$ 215,937,735	$ 259,209,624	$ 281,655,602	$ 301,964,575	$ 315,532,250	$ 340,276,555	$ 372,827,964	$ 393,961,365	$ 401,185,288
Restricted	6,140,328	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
Unrestricted	61,505,525	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
Total primary government net assets	$ 269,016,056	$ 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

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.

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

Schedule 2

(continued)

	Fiscal Year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Expenses										
Governmental activities:										
General government	$ 17,921,350	$ 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
Police	9,137,433	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
Fire	4,661,223	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
Parks, recreation, cultural affairs	9,232,612	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
Community development/Public works [a]	7,359,539	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
Interest on long term debt	378,265	560,368	483,230	421,480	588,521	511,126	468,360	423,713	377,304	328,280
Total governmental activities expenses	48,690,422	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
Business-type activities:										
Electric	63,434,816	68,903,423	65,214,544	72,914,727	65,152,992	66,341,885	79,473,997	75,669,922	75,094,411	77,933,334
Water	6,096,326	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
Wastewater	3,203,574	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
Sanitation	3,345,147	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
Golf	1,076,241	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
Airport	1,422,951	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	78,579,055	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
Total primary government expenses	$ 127,269,477	$ 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
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 4,315,068	$ 4,892,278	$ 5,085,210	$ 5,019,939	$ 5,379,345	$ 6,906,273	$ 7,008,648	$ 6,420,991	$ 8,003,589	$ 8,866,978
Police	14,457	15,132	74,215	198,017	39,903	1,266,550	1,366,974	1,483,251	1,518,646	1,185,576
Parks, recreation, cultural affairs	546,488	530,669	552,114	545,461	703,731	888,618	831,845	884,964	844,503	838,839
Community development/Public works [a]	69,040	68,155	77,390	75,116	101,605	95,485	86,766	67,296	58,237	50,940
Operating grants and contributions	1,526,052	1,276,299	2,674,803	2,238,291	2,929,307	2,600,396	3,623,209	4,242,763	4,090,058	6,243,941
Capital grants and contributions	-	-	-	-	-	-	-	-	4,228,018	3,442,981
Total governmental activities program revenues	6,471,105	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
Business-type activities:										
Charges for services:										
Electric	78,835,548	79,130,644	84,158,287	91,152,321	89,801,858	91,704,560	102,193,403	97,122,636	94,173,433	91,451,673
Water	7,997,027	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
Wastewater	3,824,407	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
Sanitation	3,350,941	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
Golf	859,042	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
Airport	541,523	564,237	596,765	599,306	594,199	601,675	540,360	464,337	-	-
Operating grants and contributions	4,207,905	1,151,196	916,477	880,654	927,492	1,227,869	1,585,215	5,826,268	12,949,631	6,282,404
Capital grants and contributions	1,211,547	1,025,342	154,309	625,693	794,531	495,436	2,617,273	1,050,875	-	-
Total business-type activities program revenues	100,827,940	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
Total primary government program revenues	$ 107,299,045	$ 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

Source: City of Farmington CAFRs

Note: The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2002.
In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity.
[a] 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.

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

Schedule 2

	Fiscal Year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Net (Expenses)/Revenues										
Governmental activities	$ (42,219,317)	$ (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)
Business-type activities	22,248,885	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
Total primary governmental activities expenses	$ (19,970,432)	$ (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)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Gross receipts taxes	$ 35,922,137	$ 35,146,693	$ 38,351,092	$ 43,134,352	$ 49,274,220	$ 51,818,982	$ 54,401,730	$ 52,406,771	$ 44,760,879	$ 47,605,170
Property taxes	922,002	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
Franchise taxes	2,551,995	2,601,794	715,022	720,748	1,594,098	1,045,698	992,050	865,346	649,388	614,627
Other taxes	1,716,477	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
Other revenue	3,010,951	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
Unrestricted investment earnings	963,133	635,745	429,108	471,993	858,611	1,064,838	962,448	701,039	405,946	364,522
Loss on disposition	(1,902,219)	(1,904,487)	-	-	-	-	-	(1,381,262)	-	-
Transfers	415	(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
Total governmental activities	43,184,891	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
Business-type activities:										
Environmental taxes	-	-	-	-	-	-	-	-	-	1,258,718
Unrestricted investment earnings	1,435,925	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
Loss on disposition	-	-	-	-	-	-	-	(1,013,059)	-	-
Transfers	(415)	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)
Total business-type activities	1,435,510	1,610,800	(323,793)	(964,791)	(470,591)	1,011,858	1,379,616	(808,114)	(13,082,180)	(7,686,722)
Total primary government	$ 44,620,401	$ 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
Change in Net Assets										
Governmental activities	$ 965,574	$ 855,844	$ 552,817	$ 5,206,445	$ 8,188,633	$ (751,720)	$ (2,151,116)	$ 6,666,939	$ 12,742,008	$ 6,762,539
Business-type activities	23,684,395	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
Total primary government	$ 24,649,969	$ 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

Source: City of Farmington CAFRs

Note: The city began reporting accrual information with the implementation of GASB Statement 34 in fiscal year 2002.
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
(modified accrual basis of accounting)

Schedule 3

General Fund

Fiscal Year	Reserved	Unreserved	Nonspendable	Unassigned	Total
2002	$ 2,282,737	$ 11,618,472	$ -	$ -	$ 13,901,209
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

All Other Governmental Funds

Fiscal Year	Reserved	Unreserved	Restricted	Committed	Assigned	Total
2002	$ 406,768	$ 15,475,010	$ -	$ -	$ -	$ 15,881,778
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

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.

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

Schedule 4

	Fiscal Year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Revenues										
Taxes	$ 41,112,611	$ 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
Licenses and permits	556,573	605,478	602,971	819,869	951,280	765,694	794,169	618,877	693,743	606,378
Intergovernmental	1,761,181	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
Charges for services	852,738	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
Fines	1,265,848	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
Special assessments	77,800	72,337	61,327	46,859	36,370	39,943	18,591	6,667	600	1,970
Investment earnings	960,773	634,552	425,731	469,012	858,611	1,064,838	962,448	701,039	402,421	364,660
Miscellaneous	875,603	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
Total revenues	47,463,127	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
Expenditures										
Current										
General government	12,937,208	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
Police	9,499,112	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
Fire	4,491,634	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
Parks, recreation and cultural affairs	10,917,165	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
Community development	7,946,575	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
Public works [a]	-	-	-	-	-	-	-	1,049,097	5,510,298	6,276,055
Debt service										
Principal	1,360,000	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
Interest	378,265	560,368	483,230	421,480	588,521	512,905	470,217	425,643	379,342	330,393
Arbitrage rebate	34,387	-	-	-	-	-	-	-	-	-
Bond issuance costs	70,733	-	-	-	-	-	-	-	-	-
Capital outlay	1,579,147	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
Total expenditures	49,214,226	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
Excess of revenues over (under) expenditures	(1,751,099)	(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
Other Financing Sources (Uses)										
Operating transfers in	960,119	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
Operating transfers out	(1,220,341)	(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)
Refunding bonds issued	15,076,862	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	(4,412,245)	-	-	-	-	-	-	-	-	-
Sale tax debt issuance	-	-	-	5,725,000	-	-	-	-	-	-
Total other financing sources and uses	10,404,395	(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
Net change in fund balance	$ 8,653,296	$ (7,326,627)	$ 575,971	$ 6,129,866	$ (28,772)	$ (1,333,750)	$ 37,924	$ (1,562,603)	$ (9,476)	$ 10,594,218
Debt service as a percentage of noncapital expenditures	4.5%	5.8%	5.4%	5.1%	3.3%	2.7%	2.6%	3.0%	3.7%	3.2%

Source: City of Farmington CAFRs
Notes: [a] 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.

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
2002	437,063,198	$ 21,206,468	342,471,521	$ 29,184,137	204,910,713	$ 17,762,166	984,445,432	$ 68,152,771
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
Change 2002-2011	-1.3%	24.1%	25.2%	35.4%	32.5%	43.5%	15.0%	34.0%

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, 2011

Type of Customer

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

Commercial
General Service
$4.50 Customer charge
$0.0875/kWh first 400 kWh
$0.0865/kWh additional kWh
Large General Service
$7.75/kW for demand charge
$0.0540/kWh first 500 per kW of billing demand is the energy charge
$0.040/kWh for all energy in excess of 500 kWh per kW of billing demand

Residential
$3.00 Customer charge
$0.08/kWh first 200 kWh
$0.0765/kWh additional kWh
Street Lighting
$7.75 100 W sodium 7/94
$11.75 100 W sodium 8/94
$14.00 250 W sodium 7/94
$14.75 250 W sodium 8/94
$7.75 175 W mercury
$14.00 400 W mercury

Source: Farmington Electric Utility System

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

Schedule 7

	2011			2002		
Customer	**Revenue**	**Rank**	**Percentage of Revenue**	**Revenue**	**Rank**	**Percentage of Revenue**
Enterprise Field Services/EPFS	$ 20,349,086	1	22.28%	$ -	-	-
Transwestern Pipeline/Paragon/Enron	4,778,728	2	5.23%	-	-	-
Val Verde Gas Gathering, LP	2,769,206	3	3.03%	-	-	-
San Juan Regional Medical Center	1,660,435	4	1.82%	900,405	6	1.32%
Praxair, Inc.	1,629,221	5	1.78%	-	-	-
Burlington Resources Oil & Gas / ConocoPhillips	1,056,329	6	1.16%	5,277,868	2	7.74%
Wal-Mart/Sam's Club	1,044,202	7	1.14%	595,331	8	0.87%
Western Refining Southwest, Inc.	948,881	8	1.04%	1,754,563	4	2.57%
Farmington Municipal Schools	922,396	9	1.01%	790,553	7	1.16%
San Juan College	904,582	10	0.99%	1,041,353	5	1.53%
El Paso Field Services	-	-	-	15,837,819	1	23.24%
Enron Capital & Trade	-	-	-	1,760,481	3	2.58%
BHP Billiton	-	-	-	504,692	9	0.74%
Animas Valley Mall	-	-	-	461,943	10	0.68%
Total	$ 36,063,066		39.49%	$ 28,925,008		42.44%

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
2002	$ 35,922,137	$ 922,002	$ 2,551,995	$ 1,716,477	$ 41,112,611
2003	35,146,693	930,112	2,601,794	1,724,672	40,403,271
2004	38,351,091	985,836	715,022	1,884,994	41,936,943
2005	43,134,352	1,043,064	720,748	1,873,736	46,771,900
2006	49,274,220	1,121,723	1,594,098	1,942,024	53,932,065
2007	51,818,982	1,235,064	1,045,698	1,944,810	56,044,554
2008	54,401,730	1,330,285	992,050	2,124,381	58,848,446
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
Change 2002-2011	32.5%	77.6%	-75.9%	6.5%	25.7%

Source: City of Farmington CAFRs

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

City of Farmington **Schedule 9**

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

Ending 6/30	2002	2003	(c) 2004	(d) 2005	2006	2007	2008	2009	2010	2011
Agriculture	$ 208	$ 2,002	$ 2,461	$ 2,726	$ 2,769	$ 3,325	$ 3,284	$ (2,519)	$ 609	$ 612
Mining	125,093	108,454	122,936	133,973	192,806	222,893	185,838	163,216	113,859	121,889
Construction	97,131	98,292	90,069	118,025	142,174	124,428	121,996	157,749	117,169	109,321
Manufacturing	40,120	27,001	33,015	50,656	78,377	69,509	86,755	79,094	57,270	73,713
Trans/Comm/Utility	48,676	24,178	15,481	20,096	33,026	26,547	32,545	30,259	24,207	22,033
Wholesale Trade	103,921	76,836	85,158	113,951	160,468	197,225	164,098	163,014	99,166	97,962
Retail Trade	667,453	668,134	653,535	673,785	634,152	717,121	753,122	772,111	675,796	676,094
Information and Cultural	-	-	25,225	44,094	43,293	51,774	51,018	53,838	55,436	57,180
Finance/Ins/Real Estate	22,102	21,467	20,539	21,001	26,338	30,878	34,686	33,594	39,232	46,227
Services	365,188	365,245	464,410	507,610	506,892	537,818	580,933	601,162	502,840	579,917
Government	-	-	2,240	1,920	-	-	-	-	-	-
Unclassified	84	75,713	35,955	40,682	39,669	1,486	14,923	8,359	8,883	6,880
Undisclosed (a)	24,705	33,493	30,835	28,708	26,503	26,258	28,647	31,054	28,235	29,402
Total (b)	$ 1,494,681	$ 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
City Direct Sales Tax Rate	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%

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

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

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

(c) Beginning with 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 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
2002	3.2750%	1.2250%	1.1875%	0.3750%	6.0625%
2003	3.2750%	1.2250%	1.1875%	0.3750%	6.0625%
2004	3.2750%	1.2250%	1.1875%	0.6875%	6.3750%
2005	3.7750%	1.2250%	1.1875%	0.6875%	6.8750%
2006	3.7750%	1.2250%	1.1875%	0.8125%	7.0000%
2007	3.7750%	1.2250%	1.1875%	0.8125%	7.0000%
2008	3.7750%	1.2250%	1.1875%	0.8125%	7.0000%
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%

Source: State of New Mexico Taxation and Revenue

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

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

Schedule 11

Ending 6/30	Fiscal Year 2011 (c)				Fiscal Year 2002			
	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	5	0.18%	$ 612	0.03%	-	0.00%	$ 208	0.01%
Mining	68	2.50%	121,889	6.69%	56	2.45%	125,093	8.37%
Construction	251	9.21%	109,321	6.00%	205	8.98%	97,131	6.50%
Manufacturing	100	3.67%	73,713	4.05%	69	3.02%	40,120	2.68%
Trans/Comm/Utility	38	1.40%	22,033	1.21%	90	3.94%	48,676	3.26%
Wholesale Trade	174	6.39%	97,962	5.38%	138	6.04%	103,921	6.95%
Retail Trade	600	22.03%	676,094	37.12%	631	27.63%	667,453	44.66%
Information and Cultural	79	2.90%	57,180	3.14%	-	0.00%	-	0.00%
Finance/Ins/Real Estate	124	4.55%	46,227	2.54%	75	3.28%	22,102	1.48%
Services	1,259	46.22%	579,917	31.84%	1,012	44.31%	365,188	24.43%
Government	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Unclassified	23	0.84%	6,880	0.38%	-	0.00%	84	0.01%
Undisclosed (a)	3	0.11%	29,402	1.61%	8	0.35%	24,705	1.65%
Total (b)	2,724	100.00%	$ 1,821,230	100.00%	2,284	100.00%	$ 1,494,681	100.00%

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

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

(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
2002	$ 301,906,840	$ 266,855,420	$ 61,117,936	$ 53,434,815	$ 576,445,381	1.584	1.905	$ 1,731,067,210	33.3%
2003	355,058,558	270,933,390	65,556,230	56,984,789	634,563,389	1.510	1.806	1,905,595,763	33.3%
2004	373,904,326	279,329,944	66,969,671	59,092,903	661,111,038	1.526	1.850	1,985,318,432	33.3%
2005	414,565,770	290,602,457	69,183,296	61,710,344	712,641,179	1.496	1.877	2,140,063,601	33.3%
2006	449,119,354	300,261,150	72,774,277	61,449,809	760,704,972	1.511	1.877	2,284,399,315	33.3%
2007	518,861,269	343,707,380	80,889,474	67,559,512	875,898,611	1.434	1.824	2,630,326,159	33.3%
2008	556,752,058	354,591,302	88,159,370	68,326,659	931,176,071	1.457	1.879	2,796,324,538	33.3%
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%

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
2002	1.584	-	1.584	1.123	6.285	10.346	3.410	0.600	23.348
2003	1.510	-	1.510	1.520	6.050	9.757	3.282	0.600	22.719
2004	1.526	-	1.526	1.028	6.661	9.794	3.342	0.600	22.951
2005	1.496	-	1.496	1.234	6.627	9.751	3.316	0.600	23.024
2006	1.511	-	1.511	1.291	6.737	9.800	3.371	0.600	23.310
2007	1.434	-	1.434	1.221	6.451	9.690	3.228	0.600	22.624
2008	1.457	-	1.457	1.250	6.567	9.725	3.283	0.600	22.882
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

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
2002	1.905	-	1.905	1.123	8.000	10.469	4.500	0.600	26.597
2003	1.806	-	1.806	1.520	8.000	9.887	4.500	0.600	26.313
2004	1.850	-	1.850	1.028	8.500	9.943	4.500	0.600	26.421
2005	1.877	-	1.877	1.234	8.500	9.961	4.500	0.600	26.672
2006	1.925	-	1.925	1.291	8.500	9.934	4.500	0.600	26.750
2007	1.824	-	1.824	1.221	8.500	9.853	4.500	0.600	26.498
2008	1.879	-	1.879	1.250	8.500	9.902	4.500	0.600	26.631
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

Source: San Juan County Assessor's Office

City of Farmington **Schedule 14**

Principal Property Tax Payers
Current Year and Nine Years Ago

	2011			2002		
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	$ 17,933,371	1	1.8%	$ -	-	-
Animas Valley Mall, LLC	9,662,751	2	1.0%	19,819,989	1	3.4%
San Juan Regional Medical Center	3,927,199	3	0.4%	-	-	-
Plaza Farmington II LLC	3,641,859	4	0.4%	-	-	-
Burlington Resources Oil and Gas LP.	3,315,327	5	0.3%	6,047,748	3	1.0%
Wal-Mart/Sam's Club	3,293,093	6	0.3%	16,293,264	2	2.8%
San Juan Development Corporation	3,247,441	7	0.3%	5,899,221	4	1.0%
Dugan Production Corp	2,767,661	8	0.3%	-	-	-
Lowe's Home Centers, Inc.	2,639,290	9	0.3%	-	-	-
PI Farmington Incorporated	2,325,787	10	0.2%	-	-	0.0%
SW Farmington Incorporated (The Inn)	-	-	-	5,460,993	5	0.9%
Farmington Hotel Assets	-	-	-	4,985,352	6	0.9%
Hwy 550 LLC	-	-	-	4,747,851	7	0.8%
Citizens Bank	-	-	-	4,519,032	8	0.8%
San Juan Associates (San Juan Plaza)	-	-	-	4,301,337	9	0.7%
Target Corporation	-	-	-	3,890,277	10	0.7%
Total	$ 52,753,779		5.4%	$ 75,965,064		13.2%

Source: San Juan County Assessor.

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

Schedule 15

Calendar Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	$ 899,429	$ 865,899	96%	$ 41,751	$ 907,650	101%
2002	927,021	874,028	94%	38,212	912,240	98%
2003	971,270	926,305	95%	41,402	967,707	100%
2004	1,026,992	982,868	96%	37,284	1,020,152	99%
2005	1,103,523	1,055,826	96%	38,894	1,094,720	99%
2006	1,197,589	1,158,836	97%	43,328	1,202,164	100%
2007	1,320,436	1,257,590	95%	36,247	1,293,837	98%
2008	1,439,218	1,363,140	95%	41,035	1,404,175	98%
2009	1,565,793	1,415,035	90%	45,082	1,460,117	93%
2010	1,647,620	1,568,062	95%	54,986	1,623,048	99%

Source: San Juan County Treasurer

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

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

Schedule 16

	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	Utility Revenue Bonds	NMED Loan	NMFA Loan	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2002	$ -	N/A	N/A	$ 13,815,000	$ 57,040,000	$ 3,466,634	$ -	$ 454,081	$ 74,775,715	9.8%	$ 1,869
2003	-	N/A	N/A	12,000,000	52,210,000	9,488,786	-	373,369	74,072,155	9.6%	1,829
2004	-	N/A	N/A	10,100,000	47,090,000	12,830,162	-	192,042	70,212,204	8.2%	1,696
2005	-	N/A	N/A	13,860,000	41,620,000	12,830,162	-	646,958	68,957,120	7.4%	1,630
2006	-	N/A	N/A	12,800,000	36,850,000	12,830,162	-	456,114	62,936,276	6.3%	1,457
2007	-	N/A	N/A	11,670,000	31,945,000	13,650,539	-	356,707	57,622,246	4.5%	1,322
2008	-	N/A	N/A	10,490,000	26,810,000	13,107,058	-	250,269	50,657,327	3.9%	1,194
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

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, 2011

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
San Juan County	$ -	30.320%	$ -
Farmington Public Schools	42,112,332	100.000%	42,112,332
San Juan College	17,190,000	30.322%	5,212,352
Subtotal Overlapping Debt			47,324,684
City direct debt			6,680,000
Total direct and overlapping debt			$ 54,004,684

Source: Debt amounts are provided by each governmental unit.

City of Farmington
Legal Debt Margin Information
Last Ten Fiscal Years

Schedule 18

	Fiscal Year									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Assessed Valuations										
Assessed Value (1)	$ 523,010,566	$ 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
Add back - exempt property	53,434,815	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
Total Assessed Value	576,445,381	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
Legal Debt Margin										
Debt limitation - 4 % of total assessed value	23,057,815	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
Debt applicable to limitation:										
Total bonded debt	70,855,000	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
Less: Revenue bonds	(70,855,000)	(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)
Total net debt applicable to limitation	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	$ 23,057,815	$ 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

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.

(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**
2002	$ 92,079,901	$58,676,235	$ 33,403,666	$ 4,380,000	$ 4,005,058	3.98	$18,241,261	$ 965,000	$ 368,188	13.68
2003	91,914,248	61,217,128	30,697,120	4,350,000	2,726,755	4.34	17,847,491	1,815,000	560,368	7.51
2004	97,272,752	64,101,912	33,170,840	5,120,000	2,291,203	4.48	19,474,684	1,900,000	483,230	8.17
2005	104,017,779	73,226,886	30,790,893	5,470,000	2,048,221	4.10	21,903,624	1,965,000	421,480	9.18
2006	104,286,825	64,874,653	39,412,172	4,770,000	1,790,605	6.01	25,021,449	1,060,000	588,522	15.18
2007	107,924,587	65,220,228	42,704,359	4,905,000	1,647,505	6.52	26,313,679	1,130,000	512,904	16.02
2008	121,977,607	77,084,567	44,893,040	5,135,000	1,421,305	6.85	27,625,198	1,180,000	470,217	16.74
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	76,368,976	35,191,076	5,805,000	752,755	5.37	24,173,905	1,315,000	330,393	14.69

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
2001	40,000	$ 760,000,000	$ 19,000	33.6	10,215	83.6%	19.7%	5.4%
2002	40,500	769,500,000	19,000	33.6	10,126	83.6%	19.7%	6.1%
2003	41,400	852,343,200	20,588	33.6	10,055	83.6%	19.7%	6.8%
2004	42,300	926,327,700	21,899	33.6	10,137	83.6%	19.7%	6.1%
2005	43,100	1,202,015,900	27,889	33.6	10,253	83.6%	19.7%	5.5%
2006	43,600	1,276,390,000	29,275	33.6	10,257	83.6%	19.7%	4.3%
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	84.0%	19.7%	9.6%

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

	2011			2002		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
San Juan Regional Medical Center	1,487	1	2.6%	776	4	1.5%
Farmington Public Schools	1,129	2	2.0%	1,090	2	2.1%
Central Consolidated Schools	1,068	3	1.9%	1,128	1	2.2%
BHP Billiton/New Mexico Coal	1,015	4	1.8%	854	3	1.7%
City of Farmington	771	5	1.4%	655	5	1.3%
San Juan County	701	6	1.2%	448	9	0.9%
Conoco Phillips	659	7	1.2%	-	-	-
Arizona Public Service	504	8	0.9%	565	7	1.1%
San Juan College	494	9	0.9%	-	-	-
Bloomfield Municipal Schools	470	10	0.8%	492	8	1.0%
Public Service Co of NM	-	-	-	567	6	1.1%
Aztec Schools	-	-	-	415	10	0.8%
Total	8,298		14.7%	6,990		13.5%

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									
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
General Government										
Administration	37.5	37.5	37.5	38.5	39.5	40.5	72.5	79.5	77.5	70.5
Administrative Services	30.0	31.0	31.0	31.0	31.0	32.0	31.0	29.0	29.0	29.0
General Services [b]	37.5	43.5	42.5	41.5	42.5	52.5	52.5	58.0	58.0	53.0
Police	147.5	148.5	148.5	148.5	159.5	172.5	174.5	165.5	165.0	165.0
Fire	73.0	73.0	73.0	73.0	82.0	96.0	96.0	95.0	95.0	91.0
Parks, Recreation and Cultural Affairs	107.0	112.0	114.0	114.0	118.0	124.0	104.0	106.0	106.0	96.0
Community Development	20.0	21.0	22.0	24.0	27.0	26.0	26.0	22.0	20.0	19.0
Public Works [a]	47.0	47.0	46.0	46.0	46.0	48.0	49.0	50.0	50.0	46.0
Electric	133.0	135.0	135.0	144.0	146.0	166.0	177.0	178.0	172.0	175.0
Human Resources	10.0	10.0	10.0	10.0	11.0	11.0	12.0	12.0	12.0	11.0
Water/Wastewater	4.0	7.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Golf	8.0	8.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0
Total Employees	**654.5**	**673.5**	**674.5**	**686.5**	**717.5**	**783.5**	**809.5**	**810.0**	**799.5**	**770.5**

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Total number of business registration/licenses	2,549	2,576	2,730	2,680	2,739	2,839	3,926	4,212	3,848	3,660
Police										
Police reports	8,429	7,177	6,512	6,636	6,254	6,500	6,770	7,723	7,894	6,731
Arrests	5,472	5,118	4,523	4,400	3,814	3,787	4,113	6,882	6,274	5,418
Traffic citations	23,475	26,147	22,274	17,473	16,263	18,982	24,449	24,586	27,372	13,058
Fire										
Fire alarm responses	886	804	772	700	888	760	927	954	991	1,295
Total responses	4,195	4,160	4,746	4,885	5,457	5,825	6,386	6,347	6,058	6,988
Parks and Recreation										
Parks and recreation participants [e]	320,048	310,076	304,701	299,248	309,546	305,279	349,042	438,179	494,845	606,384
Library										
Library Visits	289,280	247,983	327,505	410,690	427,831	436,629	503,148	517,452	530,119	468,455
Circulation	279,452	280,022	392,221	490,717	517,654	468,998	489,126	513,588	530,918	506,247
Number of computer users [b]	54,184	55,656	67,532	69,403	117,516	120,483	125,210	131,295	126,215	102,443
Museum										
Patrons [a]	47,281	57,782	52,314	64,572	75,427	71,332	65,784	97,003	81,366	108,156
Community Development										
Summary plats	49	43	38	89	77	71	66	63	54	54
Building permits issued	1,382	1,339	1,443	1,554	1,494	1,539	1,334	1,225	1,194	1,310
Permit valuation (in $)	41,087,054	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
Asphalt placed (sq.ft.)	106,852	96,798	123,514	83,727	132,216	88,582	103,006	129,349	139,464	119,745
Concrete placed (cu.yd.) [c]	1,071	1,032	756	698	441	727	574	174	438	338
Electric										
Meter connections	8,608	9,201	9,478	9,265	9,387	8,769	8,484	7,956	8,329	7,650
Meter reads	567,942	558,859	554,291	561,898	541,090	559,121	510,751	505,471	512,488	517,339
Water/Wastewater										
Water treated (millions of gallons)	4,534	4,452	4,057	3,366	3,842	4,029	4,346	4,512	4,630	4,409
Effluent treated (millions of gallons)	1,772	1,832	1,781	1,858	1,881	2,057	1,906	1,894	1,845	1,864
New water meter installations	177	176	205	304	373	342	262	158	156	116
Golf										
Golf course participants [d]	58,466	54,388	58,399	60,999	71,689	60,455	65,791	53,612	49,009	50,687
Airport										
Total enplanements	39,085	27,160	30,132	35,503	32,575	30,177	26,472	13,617	14,628	16,655
Transit										
Total Ridership	12,954	33,364	42,650	43,999	57,043	87,298	109,992	120,298	138,246	143,073

Source: Provided by various City Departments

Note: [a] Fluctuation in museum patronage is due to special exhibits.
[b] In 2011, Number of computer users was added. This item replaced Number of items in collection, which was not considered to be as meaningful of a measure. Data from fiscal years 2002 and 2003 was not available.
[c] The 2008 concrete placed (cu. yd.) reported has been restated in 2009 to the correct figure.
[d] In 2009, Civitan Golf Course was closed for remodel improvements which resulted in fewer golf course participants when compared to previous years.
[e] 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.

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

Schedule 24

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Sub-stations	3	3	3	3	3	3	4	4	4	4
Patrol vehicles	166	170	172	155	170	186	196	206	125	125
Fire stations	5	5	5	5	6	6	6	6	6	6
Parks and Recreation										
Developed acres [a]	584	586	588	588	589	592	594	1,364	1,364	1,364
Undeveloped acres [b]	1,275	1,273	1,282	1,289	1,288	1,285	1,283	309	309	309
Number of parks/facilities [c]	76	77	79	80	80	80	80	87	88	88
Baseball/softball diamonds	24	24	24	25	25	24	24	23	23	23
Soccer/football fields	11	11	11	13	13	14	14	11	11	11
Number of golf courses	2	2	2	2	2	2	2	2	2	2
Community Development										
Streets (miles)	234	235	238	240	245	253	N/A	268	270	274
Highway (miles)	17	17	17	17	17	17	17	17	17	17
Streetlights [d]	3,843	3,871	3,915	3,933	3,971	4,124	4,135	4,238	4,226	4,251
Traffic Signals	73	74	75	76	77	78	79	80	80	81
Water										
Water mains (miles)	310	318	325	330	336	336	340	340	340	340
Fire hydrants	1,866	2,010	2,154	2,296	2,360	2,400	2,470	2,500	2,511	2,556
Storage capacity (thousands of gallons)	24,300	24,300	24,300	24,300	24,300	24,300	24,300	24,860	24,860	26,860
Wastewater										
Sanitary sewers (miles)	191	195	199	203	207	275	272	275	275	275
Treatment capacity (thousands of gallons)	5,800	5,800	6,670	6,670	6,670	6,670	6,670	6,670	6,670	6,670
Transit - minibuses/vans	8	8	8	8	8	11	11	11	16	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.

[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.

Single Audit Section

CITY OF FARMINGTON, NEW MEXICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

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	$ 744,150
U.S. Department of Justice	**16.710-Recovery Act-Public Safety Partnership and Community Policing Grants**		
		COPS Grant - 2009RKWX0641	255,999
		COPS Technology Grant - 2010CKWX0423	96,585
	16.738-Edward Byrne Memorial Justice Assistance Grant Program		
		2009-DJ-BX-1498	8,047
		2010-DJ-BX-0173	43,987
	16.804-Recovery Act-Edward Byrne Memorial Justice Assistance Grant		
		2009-SB-B9-0036	44,336
	Federal Bureau of Investigations		
		FBI Cybercrime Task Force	1,014
		Gang Task Force	53,841
U.S. Department of Transportation	**20.106-Airport Improvement Program**		
		AIP Project No. 3-35-0016-030-2009	507,398
		AIP Project No. 3-35-0016-031-2010	113,585
		AIP Project No. 3-35-0016-032-2010	33,743
	20.505-Metropolitan Transportation Planning		
		Federal Transit - Metropolitan Transit Operations and Capital - Red Apple Transit	429,919
	20.703-Interagency Hazardous Materials Public Sector		
		2010 DOT-Farmington Fire Department-Haz Mat Refresher	3,503
National Science Foundation	**47.076-Education and Human Resources**		
		Science Theater Education Programming System	9,801
Department of Energy	**81.128-Recovery Act-Energy Efficiency and Conservation Block Grant Program**		
		EECBG Award- DE-RW0000215	36,416
Department of Health and Human Services	**93.243-Substance Abuse and Mental Health Services- Projects of Regional and National Significance**		
		1H79TI023160-01	107,934
Executive Office of the President	**95.001-High Intensity Drug Trafficking Area Grant**		
		G09SN0010A	10,393
		G10SN0010A	167,255
		G11SN0010A	3,206
Department of Homeland Security	**97.036-Disaster Grants-Public Assistance**		
		FEMA-1936-DR-NM	2,192,574
	97.044-Assistance to Firefighters Grant		
		FEMA- Assistance to Firefighters Grant EMW-2009-FO-10008	144,252
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	
		08-COPS METH JAG-REGION II	11,784
		09-COPS METH REGION II SFY11	37,965

Grantor / Pass-through ID Number	CFDA Number	PROGRAM NAME	Expenditures
PASS THROUGH PROGRAMS (continued)			
From the State of New Mexico Department of Public Safety (continued)			
	16.738-Edward Byrne Memorial Justice Assistance Grant Program		
		Region II Narcotics Task Force DPSJAG09REGII	5,300
		Region II Narcotics Task Force DPSJAG09REGII	32,800
		Region II Narcotics Task Force DPSJAG09REGII	53,089
		Region II Narcotics Task Force DPSJAG10REGII	111,738
	16.804-Recovery Act-Edward Byrne Memorial Justice Assistance Grant		
		Region II Narcotics Task Force RA-JAG-Region II SFY10	51,200
From the US Marshal Service			
U.S. Department of Justice	**16.738-Edward Byrne Memorial Justice Assistance Grant Program**		
		U.S. Marshal Service	17,180
From the State of New Mexico Children, Youth and Families Department			
U.S. Department of Justice	**16.727-Enforcing Underage Drinking Laws Program**		
Office of Juvenile Justice and Delinquency Prevention		Underage Drinking Laws Block Grant 10-690-9984-1	4,859
From the New Mexico Crime Victims Reparation Commission			
U.S. Department of Justice	**16.588-Recovery Act-Violence Against Women Formula Grant**		
		2009-EF-S6-0049	72,138
From the New Mexico Energy, Minerals and Natural Resources Department			
Department of Transportaion	**20.219-Recreation Trails Program**		
Federal Highway Administration (FHWA)		EMNRD Contract #09-521-0551000000-0199	23,356
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	894,995
Environmental Protection Agency	**66.468-Recovery Act-Capitalization Grants for Drinking Water State Revolving Funds**		
Office of Water		Water/Water System Improvements Project #2314-ADW-Animas Waterline	97,015
From the New Mexico Department of Transportation			
Federal Transit Authority	**20.505-Metropolitan Transportation Planning**		
		Federal Transit - Metropolitan Transit Operations MPO	214,874
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	46,769
National Highway Traffic Safety (NHTSA)		Operation DWI-10-AL-410-035	17,025
		Impaired Driving Demonstration Program-DWI Officers 11-AL-FTE164-035	110,453
Department of Transportation	**20.205-Highway Planning and Construction**		
Federal Highway Administration (FHWA)		Control# 5100090-Highway Safety Improvement Program	18,026
		Control# F100010-East Pinon Hills Blvd Extension over Animas River (bridge)	45,925
		Control#W500010-Safe Routes to School	5,202
Department of Transportation	**20.205-Recovery Act-Highway Planning and Construction**		
		Control#ESF1070-Wildflower Widening Project	684,297
		Total Federal Assistance	$ **7,563,926**

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, 2011

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.

Vietnam Veterans Park

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

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 financial statements of the City of Farmington (the "City") as of and for the year ended June 30, 2011, and have issued our report thereon dated December 16, 2011. 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *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. We did not identify any

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 2011-01, 2011-02 and 2011-03. 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 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 them.

This report is intended solely for the information and use of management, City Council, others within City, the audit committee, 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
December 16, 2011

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

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, 2011. 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 entity'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, 2011. However, the results of

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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 2011-04, 2011-05, 2011-06, and 2011-07.

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.

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 2011-05 and 2011-06. 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, City Council, others within City, the audit committee, 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
December 16, 2011

Animas River – Berg Park

CITY OF FARMINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

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 ☒ No
- Significant deficiencies identified? ☒ Yes ☐ None reported

Non-compliance material to financial statements noted? ☐ Yes ☒ No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified? ☒ 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? ☒ Yes ☐ No

IDENTIFICATION OF MAJOR PROGRAMS

CFDA Number	*Name of Federal Program or Cluster*
14.218	Department of Housing and Urban Development—Community Development Block Grants/Entitlement Grants
15.510	Department of Interior - Colorado Ute Indian Water Rights Settlement Act
16.710	Department of Justice - Public Safety Partnership and Community Policing Grants – ARRA
16.804/16.738	Department of Justice – JAG Program Cluster – ARRA & non-ARRA
20.106	Airport Improvement Program
20.205/20.219	Department of Transportation - Highway Planning and Construction Cluster (Federal-Aid Highway Program) – ARRA & non-ARRA
20.505	Department of Transportation – Metropolitan Transportation Planning
97.036	Department of Homeland Security - Public Assistance (Presidentially Declared Disasters)

CITY OF FARMINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

I. SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

B. FINANCIAL STATEMENTS FINDINGS

2011-01 RESTRICT PAYROLL ACCESS (SIGNIFICANT DEFICIENCY)

Condition - During our review of access control listing for the accounting system, we noted that HR personnel who are in charge of updating the master data also have the ability to process payroll, being the designated backups.

Criteria - ISACA's Control Objectives for Information and related Technology (COBIT) framework, provides that to ensure system security (DS5), the City should confirm that user access rights to the system and data are in line with defined and documented business needs and that job requirements are attached to user identities. This means that access is granted on a need to know basis.

Effect – The current set up increases risk of unauthorized access to the system.

Cause **–** The City has been aware of the situation and was waiting until the City filled the vacant HR director position to address this. It was addressed after year-end.

Recommendation – We recommend that the functions of master data update and payroll processing should be segregated. Assigned backups to process payroll should be personnel other than those who update the master data.

Management response - There are currently two employees that have been trained to run payroll as part of the City's disaster recovery plan. These two employees will now serve as backup to the payroll analyst in all situations and all other HR personnel have had their authority for processing payroll removed by IT.

B. FINANCIAL STATEMENTS FINDINGS (CONTINUED)

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

Condition - The Disaster Recovery Plan (Plan) is not comprehensive enough and initial testing in prior years has failed without follow up testing.

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.

Effect - The lack of a comprehensive Disaster Recovery Plan and absence of 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.

Cause - The City is still working on updating its Disaster Recovery Plan and working on a new test plan.

Recommendation – We recommend that the 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 Disaster Recovery Plan again to ensure the viability of the plan and the timeliness of its execution.

Management's Response - IT staff is working with IBM and Mimix to strengthen the disaster recovery plan, and provide more seamless disaster recovery/failover. The "test" referred to in the audit was actually a series of outages on the AS400

B. FINANCIAL STATEMENTS FINDINGS (CONTINUED)

2011-02 UPDATE AND TEST DISASTER RECOVERY PLAN (CONTINUED)

due to failing hardware experienced during the end of June and the beginning of July of 2010. During this time the City experienced several intermittent service interruptions on the AS400, until the hardware causing the service interruptions completely failed (a back-plane on one of the disk trays failed, until complete failure it appeared to be power supply failures). As a result of the last failure, the system was off line for approximately 6 hours while the back-plane was replaced. This series of events brought to light that our fail-over system, a second AS400 server housed off site, replicating the primary server, wasn't capable of taking over as a temporary (1-24 hours) server, then immediately going back to the secondary role.

Currently, the City has a comprehensive data backup system with real-time duplication of the production server on the secondary off site server. Additionally, daily tape backups are made and the tapes are stored off site. In the event of a major hardware failure at the primary site, the City would be able to move to the secondary server and have it up and fully functional within an estimated 24-48 hour period. Our documentation for such a scenario is lacking, due to the simple fact that there are so many possible variables; it is virtually impossible to accomplish such a monumental task with the current staffing levels. We do have comprehensive documentation for system back-up/restore procedure, and bringing the systems back on line, currently, we must rely on staff experience for bringing all the ancillary systems back on line as they are needed.

We would prefer to have a fully functional, virtually seamless fail-over system. We are currently researching the possibilities and should we find the solution, to ensure true full fail-over capability, we have been advised that the City will need to do a live fail-over test, while under production, and run on the secondary system for at least a month. This test would need to be started on a Saturday to test production systems during off hours, with staff from all user departments actively entering data and using the system as they would on a regular work day. Live production would then ensue on Monday, and would continue for one full business cycle (one month) to ensure that all systems are functional. At this time, the City simply does not have the staff, the resources, or full complement of redundant software/hardware to accomplish a live production test of the fail-over system.

B. FINANCIAL STATEMENTS FINDINGS (CONTINUED)

2011-02 UPDATE AND TEST DISASTER RECOVERY PLAN (CONTINUED)

In response to lessons learned during the 2010 server outages, the IT Department has begun moving the ancillary general network shares/storage and email systems off of the AS400. We recently moved email service from the AS400 to Google Apps for Government (guaranteed 99.9% up-time), and are in the process of moving the network shares/storage to multiple Windows servers running DFS that will provide real-time duplication and automatic fail-over access to data stores at multiple locations. These two changes diversify our critical services so that any one system becoming unavailable (the AS400) doesn't make such a dramatic impact on employee productivity. Additionally, it will make disaster recovery of the AS400 a much less complicated process than it is/was with all these systems embedded into a single server.

The IT Department will be upgrading the operating system on the AS400 at the end of November 2011. After the operating system upgrade is completed, we will have a full evaluation of our current Mimix replication system to determine what steps, if any, can be taken to improve system fail-over to the offsite AS400 server. After completion of the Mimix evaluation and completion of the system changes noted above, the IT Department will begin to address the issues noted regarding a disaster recovery plan.

B. FINANCIAL STATEMENTS FINDINGS (CONTINUED)

2011-03 ERROR IN PAYROLL PROCESSING (SIGNIFICANT DEFICIENCY)

Condition - During our testing of internal controls over the payroll process, it was found that there was an error in the way that the program figured out the calculated premium rate using the Fair Labor Standards Act (FLSA) method one. The error caused the City to underpay any police officer that had the stipend that was associated with “Traffic Officer.” The amount underpaid was caused by the computer not recognizing the stipend as regular pay within the method calculations.

Criteria - According to the FLSA method one, the stipend should have been included in the calculation as regular pay; however, the “overtime” pay of the stipend was included instead of the regular stipend, which caused an under payment on each payroll check.

Cause - An error in the initial setup of the calculation in the system caused the ongoing error to occur. The error is isolated only to those with the designation “Traffic Officer”, which is inclusive of approximately 9 individuals.

Effect - The calculations are incorrect and thus individuals were paid incorrect amounts for the course of FY11. Although this is an exception, the effect is immaterial to the financial statements.

Recommendation - The error was fixed the moment that it was recognized. However, there may need to be a periodic check on the calculation of pay amounts so that errors will be corrected in a timely manner.

Management response - All current payroll codes have been verified for accuracy by the payroll analyst. Procedures are now in place to have the payroll analyst verify all new payroll codes set up in the Sungard system by HR business partners.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2011-04 PROCUREMENT, SUSPENSION AND DEBARMENT – DOCUMENTATION OF SEARCH OF VENDOR STATUS (SIGNIFICANT DEFICIENCY)

Federal Program:
All Major Programs

Condition - The City was unable to provide supporting documentation that they performed procedures to verify that they entered into contracts with vendors that were not suspended or debarred prior to initiating these transactions. Our testing of these vendors did not indicate any evidence that the selected vendors were suspended or debarred.

Criteria - Per 48 CFR 9.400, Suspension and Debarment are applicable for contracts exceeding $25,000. Under the regulations, the City is responsible to perform verification check for covered transactions, by checking EPLS (Excluded Parties List System).

Questioned Costs – None.

Effect - The programs are not in compliance with Circular A-133 requirements.

Cause - The City had not established standard procedures and controls to ensure compliance with all OMB Circular A-133 compliance requirements. As a result, the City's personnel are not aware of OMB Circular A-133 compliance requirements.

Recommendation - We recommend the City formally document their due diligence conducted on vendors selected through the bidding process. This should be performed before the contract is awarded.

Management response - The Purchasing staff became aware of this issue prior to the audit finding. A meeting was held on September 28, 2011, where the EPLS website (Excluded Parties List System) was previewed. The Federal compliance for suspension and debarment was discussed and direction was given to all Purchasing staff to check the EPLS website and print the results to include in the procurement file as documentation of due diligence in the contract award process. This new process has been implemented.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2011-05 TIMELY SUBMISSION OF REQUIRED REPORT (SIGNIFICANT DEFICIENCY)

Federal Program:
U.S. Department of the Interior
Colorado UTE Indian Water Rights Settlement Act – CFDA 15.510
Award Period, July 1, 2010 – June 30, 2011

Condition - During our testing of reporting requirements in single audit, we noted that the City did not submit timely required quarterly financial reports or a timely required annual performance report for the fiscal year ended June 30, 2011.

Criteria - According to Cooperative Agreement No. 08-FC-40-2659 *Design, Construction and Construction Oversight for the Farmington Reach of the Navajo Nation Municipal Pipeline,* section 9, the City is required to submit, SF-269a Financial Status Report for each reporting period for which expenditures are being reported within 30 days following the end of the reporting period. Additionally, the City is required to submit, an annual program performance report within 90 days following the end of each year of the agreement.

Questioned Costs - None

Effect - The program is not in compliance with reporting requirements of the agreement and therefore not in compliance with OMB Circular A-133.

Cause - There are inadequate controls in place to ensure all reporting requirements are met and compliance with OMB Circular A-133 is achieved.

Recommendation - We recommend that the City review its processes and controls over reporting and assess the need for either strengthening existing controls or implementing new controls to ensure compliance with applicable reporting requirements and therefore compliance with OMB Circular A-133.

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.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

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

Federal Program:
U.S. Department of Homeland Security
Public Assistance (Presidentially Declared Disasters) – CFDA 97.036
Award Period, July 1, 2010 – June 30, 2011

Condition – The projects associated with a work order were accumulated and compiled by project number. However, a majority 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. As projects were either completed or beginning to wrap up during the year it was difficult to determine the Federal portion of the expenses.

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.

Effect – The City is not in compliance with the federal requirements.

Cause – Insufficient training, lack of experience with the grant requirements, and limited staffing may have led to this finding.

Questioned Costs – Unknown

Recommendation – We recommend the City develop a system or a separate general ledger account 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. 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.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2011-06 SPECIAL TESTS AND PROVISIONS – PROJECT ACCOUNTING (CONTINUED)

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.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2011-07 ALLOWABLE COSTS/COST PRINCIPLES (NON-COMPLIANCE)

Federal Program:
U.S. Department of Homeland Security
Public Assistance (Presidentially Declared Disasters) – CFDA 97.036
Award Period, July 1, 2010 – June 30, 2011

Condition – Three (3) transactions selected for testing included amounts based on encumbrances. The treatment of these expenditures was not consistent with how the City treated other similar expenditures. The amounts reported on the Schedule of Expenditures of Federal Awards should be based on actual costs. An adjustment was recorded by the City subsequent to year end to record these costs in the appropriate period.

Criteria – According to Circular A-87 under subsection C.1 to be allowable under federal guidelines all costs must (a) "be necessary and reasonable for proper and efficient performance and administration of Federal awards (b) "be adequately documented" and (c) "be consistent with policies, regulations, and procedures that comply uniformly to both Federal awards and other activities of the governmental unit."

Cause – Insufficient staff or inattention to grantor requirements may have contributed to this finding.

Effect – For the aforementioned transactions the program's allowable cost principle requirements were not followed.

Questioned Costs – None

Recommendation – We recommend the City develop a uniform method for recording expenses on FEMA related projects. These expenses should be based on actual expenses incurred consistent with the City's policy. This policy should be circularized and communicated to the department heads to ensure the policy is enforced. In addition, all expenses included on the SEFA should be based on actual costs not estimates.

Management's Response – Procedures are now in place to ensure that all expenditures are uniformly reported on the Schedule of Expenditures of Federal Awards.

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

Rock crawling

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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, 2011 and each quarter during the period from July 1, 2010 through June 30, 2011. 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, 2011, and each quarter during the period from July 1, 2010 through June 30, 2011, as defined in regulations issued by the U.S. Department of Transportation.

In accordance with *Government Auditing Standards*, we have also issued our report December 16, 2011, 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 MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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
December 16, 2011

PFC Revenue and Disbursement Schedule

Four Corners Regional Airport

FY-11

7/1/10 - 6/30/11

	FY-10 Program Total	Quarter 1 Jul-Sept	Quarter 2 Oct-Dec	Quarter 3 Jan-Mar	Quarter 4 Apr-Jun	FY-11 Total	FY-11 Program Total
Revenue							
Collections	$ 452,326	$ 9,418	$ 10,846	$ 8,426	$ 10,323	$ 39,013	$ 491,339
Interest	-	-	-	-	-	-	-
Total Revenue	**452,326**	**9,418**	**10,846**	**8,426**	**10,323**	**39,013**	**491,339**
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	57,462	6,611	-	-	-	6,611	64,073
Proj. 1-E Signage Improvements	-	2,807	9,271	-	-	12,078	12,078
Proj. 1-F Airfield Electrical Improvements	-	-	1,575	5,450	-	7,025	7,025
Proj. 1-G Security Improvements	-	-	-	2,976	10,323	13,299	13,299
Proj. 1-H Terminal Improvements	-	-	-	-	-	-	-
Proj. 1-I Non-revenue Parking Improvements	-	-	-	-	-	-	-
Proj. 1-J Acquire Safety Equipment	-	-	-	-	-	-	-
Proj. 1-K Conduct Planning	-	-	-	-	-	-	-
Proj. 1-L Improve Service Roads	-	-	-	-	-	-	-
Proj. 1-M Administrative Costs	-	-	-	-	-	-	-
Total App 01	**452,326**	**9,418**	**10,846**	**8,426**	**10,323**	**39,013**	**491,339**
Total Disbursements	**452,326**	**9,418**	**10,846**	**8,426**	**10,323**	**39,013**	**491,339**
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, 2011

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.

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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, 2011. 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, 2011.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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 audit committee, management, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Albuquerque, New Mexico
December 16, 2011

CITY OF FARMINGTON
FOUR CORNERS REGIONAL AIRPORT
PFC AUDIT SUMMARY
YEAR ENDED JUNE 30, 2011

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	

Ingredients ready for Chili Cook Off – Berg Park

CITY OF FARMINGTON
EXIT CONFERENCE
Year Ended June 30, 2011

An exit conference was held on November 17, 2011. In attendance were:

For the City of Farmington:

Tommy Roberts	Mayor
Robert Mayes	City Manager
Andy Mason	Administrative Services Director
Rich Friedman	Information Technology Director
Eric Schlotthauer	Controller
Sheree Wilson	Enterprise Accountant
Sarah Talley	Staff Accountant II
Krista Martin	Staff Accountant II
Paul McGee	Staff Accountant I

For Moss Adams, LLP (auditors):

Chris Garner	Senior Manager
Jaime Rumbaoa	Manager

PRCA mascot Ringo welcomes visitors to the Connie Mack World Series – Ricketts Park

OTHER INFORMATION

CITY OF FARMINGTON, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL

For the Year Ended June 30, 2011

	Citizens Bank of Farmington	Wells Fargo	Vectra Bank	Four Corners Bank	First Federal Bank
City of Farmington Deposits					
Demand Deposit Accounts	$ 1,679,412	$ 1,406,339	$ -	$ -	$ -
Overnight Deposits	-	2,773,726	-	-	-
Certificate of Deposit	21,000,000	-	9,103,727	5,000,000	2,000,000
Sub-Total	22,679,412	4,180,065	9,103,727	5,000,000	2,000,000
Less FDIC insurance	250,000	250,000	250,000	250,000	250,000
Uninsured amount	22,429,412	3,930,065	8,853,727	4,750,000	1,750,000
Pledge Collateral Required					
102 percent - overnight	-	2,829,201	-	-	-
50 percent - deposits	11,214,706	578,170	4,426,864	2,375,000	875,000
Total Pledged Collateral Required	11,214,706	3,407,370	4,426,864	2,375,000	875,000
Pledged collateral	12,185,154	3,725,417	8,865,085	2,855,092	1,470,999
Excess of pledged collateral	$ 970,448	$ 318,047	$ 4,438,222	$ 480,092	$ 595,999

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

Location of collateral	Dallas, TX	Los Angeles	San Francisco	Los Angeles	Los Angeles
Federal Home Loan Bank					
cusip # 3133XYV93 07/17/13	$ 5,001,475	$	$	$	$
cusip # 3136F6YL7 12/25/12	1,367,454				
cusip # 31371LPU7 04/01/14	505,812				
cusip # 31396YXY3 12/15/20	1,106,731				
cusip # 31394HYD7 05/15/16	172,008				
cusip # 313372DQ4 01/27/21	4,031,675				
cusip # 3133XFNL6 06/12/12				2,325,633	
cusip # 3133XGJA3 03/21/12				529,460	
cusip # 31337OL63 08/26/25					1,470,999
FHLMC					
cusip # 3128X85D0 08/03/16					
cusip # 3136FMJZ8 04/12/18					
cusip # 3128X92T6 10/22/18					
cusip # 3128JNVM4 01/01/37			694,394		
cusip # 3128JL4T3 04/01/34			2,009,631		
cusip # 3128JPXA3 02/01/39			365,648		
FAMC					
cusip # 313172AG3 10/25/24			1,032,442		
cusip # 31317GAZ0 04/25/17			246,605		
cusip # 31317JAF8 07/25/18			3,498,125		
cusip # 31318OAL5 08/25/24			1,018,241		
FNMA					
cusip # 31412MYZ5 06/01/38		136,323			
cusip # 31415LML8 08/01/38		887,258			
cusip # 31418WB58 08/01/25		2,701,836			
	$ 12,185,154	$ 3,725,417	$ 8,865,085	$ 2,855,092	$ 1,470,999

CITY OF FARMINGTON, NEW MEXICO
SCHEDULE OF JOINT POWERS AGREEMENTS

For the Year Ended June 30, 2011

Participants (including City of Farmington)	Responsible Party	Description	Dates of Agreement	Total Amount/ City Share	FY11 Amount	Audit Responsibility
Aztec, Bloomfield & San Juan County	San Juan County Communications Authority	Communications	3/31/92 until termination	$125,000/ up to $55,000/yr	$ -	San Juan County Communications Authority
Aztec, Bloomfield & San Juan County	Crime Stoppers	Law Enforcement	07/01/05 through 06/30/14	$37,964/$15,025	$ 15,025	City of Aztec
Aztec, Bloomfield, San Juan County San Juan Water Users Assoc.	Water Commission	Water Issues	3/5/86 until termination	$18.2m/32.46%	$ -	Water Commission
Aztec, Bloomfield, SJ County, NM Dept. of Public Safety San Juan College	San Juan County Criminal Justice Training Authority	Police Training	8/07/96 until termination	As needed	$ 65,950	SJ College
San Juan County	San Juan County	Septage Station	12/16/94 through 12/16/14	$200,000/operating	in-kind only	City
Aztec, Bloomfield, B.L.M. San Juan County N.M.Environment Dept.	Trash Force	Illegal Dumping	9/26/91 until termination	As needed	in-kind only	City
San Juan County	City of Farmington	Impact Fees	2/15/96 perpetual	Fee for service	$ -	City
Aztec, Bloomfield, San Juan County	All Participants	Solid Waste	03/25/92	As required	$ -	City
NM Taxation & Revenue	Tax & Revenue	Taxpayer ID	05/17/89 perpetual	Not applicable	$ -	City
NM Community Development Council and NM Dept of Finance & Admin.	Dept. of Finance	Title 1 Housing	04/12/00 perpetual	Not applicable	$ -	City
Aztec, Bloomfield, SJ County	City of Farmington	MPO	3/11/03 until terminated	$ 43,187 / $ 25,912	$ 25,912	City
San Juan County	San Juan County	Detention Center	12/16/04 to 6/30/10	$12,376,072/$1,371,248	$ 1,371,248	San Juan County
San Juan County	San Juan County	DWI Treatment Ctr	04/15/98 until terminated	$3,796,050 / $440,000	$ 440,000	San Juan County
NM Energy, Minerals and Natural Resources Department (NMEMNRD)	NMEMNRD	Wildfire Firefighting	12/12/05 until terminated	$119,292 / $119,292	$ 119,292	NMEMNRD
NMEMNRD	City of Farmington	Wilderness Trails	02/25/09 to 12/31/13	$47,890 / $24,234	$ 24,234	NMEMNRD