



City of  
**FARMINGTON**  
New Mexico

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

Photo: Farmington Lake



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

**For The Year Ended June 30, 2016**

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# INTRODUCTORY SECTION





## **CITY OF FARMINGTON**

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November 29, 2016

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, 2016.

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, 2016, 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, 2016, 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

**OFFICE of the CITY MANAGER**

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 xiii). The City was originally incorporated in 1901 and has a current land area of 34.6 square miles and serves a population of 42,871. The government is empowered to levy a property tax on both real and personal property located within its boundaries. However, the majority of City revenue is generated by a local option and state shared Gross Receipts Tax (GRT) collected by the New Mexico Taxation and Revenue Department on most business services and sales of tangible personal property. A portion of the State's share of this tax (1.225%) plus local municipal option components are then distributed back to the municipality by the Department on a monthly basis.

As of June 30, 2016, the total in-city GRT rate was 7.625% and includes the City's local option taxes in the amount of 1.4375%. Together with the 1.225% State share, the City's tax rate amounts to 2.6625%. Another 1.125% in local option tax authority is available to the City plus another .125% referred to as "hold harmless" increments and described in more detail in the "Financial Picture" section below, but to date, none of these options have been imposed.

The City of Farmington has operated under the council/manager form of government since 1965. Policy-making and legislative authority are vested in a governing council consisting of the Mayor and four Council members. The City Council's responsibilities include adopting ordinances, adopting the budget, appointing committees, and appointing the City Manager, City Clerk, City Treasurer, and the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City, and appointing directors of the various departments. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with two Council members elected every two years. The Mayor is elected to serve a four-year term. The four Council members are elected by district and the Mayor is elected at large.

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

The annual budget serves as the foundation for the City of Farmington's financial planning and control. All departments of the City of Farmington are required to submit requests for appropriation to the City Manager on or before the last day in February each year. The City Manager evaluates department requests and subsequently develops a proposed budget. The City Manager presents the proposed budget to the Council for review prior to May 10. The City Council is required to hold public hearings on the proposed budget and to adopt a preliminary budget by June 1 and a final budget no later than July 31 of each year. The City of Farmington's fiscal year begins July 1 of each year and ends on June 30. The appropriated budget is prepared according to fund, function (e.g. public safety), and department (e.g. police). Department directors may make transfers of appropriations within a fund and between their divisions. Transfers of appropriations between funds, however, require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and gross receipts tax streets fund, this comparison is presented on pages 24 and 25 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

Farmington is a Sun Belt city and marked by a local economy that has historically been based on the natural resources extractive industry, two large coal-fired electric generating stations, and the City's geographical position as a regional retail center catering to a retail trade market population base of more than 350,000. The City's population more than doubles on weekends as shoppers from the Navajo Nation and other regional neighborhoods flock into town. The City's average of 273 sunny days per year means that outdoor activities can be enjoyed year-round.

Historically, the local economy has fluctuated in cycles that correspond to the price of oil and particularly natural gas. Natural gas prices have remained low through FY2016 and the local natural gas industry continues in a depressed state. Crude oil prices have dropped to thirteen-year lows and natural gas reached a low of \$1.73 per BTU in March, 2016, a record low unseen since 1995. Crude oil prices, based on the West Texas Intermediate (WTI) market, dropped from \$50.90 a barrel in July 2015 to \$44.65 a barrel by June 30, 2016 while natural gas prices, according to the Nymex Henry Hub, decreased slightly from \$2.84 per BTU to \$2.82 per BTU during the same time period.

The Farmington, NM, unemployment rate began FY2016 at 7.0% and ended FY2016 at 8.2%, considerably higher than both the State of New Mexico rate of 6.2% and the national unemployment rate of 4.9% in June, 2016 according to the New Mexico Department of Workforce Solutions. The Bureau of Labor Statistics reported numbers for unemployment increased from 4,300 at the start of FY2016 to 4,995 at the end of FY2016. By way of comparison, the unemployment number was 3,948 at the beginning of FY2015. The New Mexico Department of Workforce Solutions reported that total nonfarm employment in the Farmington MSA increased by 100 jobs by the end of FY2016, or a 0.2% increase. This marked the area's first increase since May, 2015. Employment in the private sector decreased by 100 jobs, or 0.3%. The goods-producing industries registered a loss of 700 jobs, representing a decrease of 6.2%. Employment within the private service-providing industries provided a gain of 600 jobs over the year, representing an increase of 2.1%. Government employment, including school districts, colleges, and local governments, increased by 200 jobs, or 2.2%.

In 2004, the U.S. Office of Management and Budget designated Farmington as the central city of the Farmington-San Juan County Metropolitan Statistical Area (MSA). MSAs have at least one urbanized area with a population of at least 50,000. The MSA 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.

There are 382 MSAs in the U.S. that are annually ranked according to economic strength by POLICOM Corporation, an independent economic research firm specializing in analyzing local and state economies. POLICOM addresses the condition of an economy from the viewpoint of its impact upon the "standard of living" of the people who live and work in an area. The highest ranked areas have had rapid, consistent growth in both size and quality for an extended period of time. The lowest ranked areas have been in volatile decline for an extended period of time. An MSA's economic strength is measured according to earnings, jobs, and wages for all workers, personal income per capita, per capita earnings by residence, etc. According to recent data, Farmington is ranked 325 for its relative economic strength when compared to all 382 MSAs. In the prior year, Farmington was ranked 320 out of 382 MSAs.

Major employers include the regional medical center, four public school districts, a community college, city and county local governments, a coal mining operation, two electrical power generation plants, two Wal-Mart superstores, Sam's Club, and various oil and gas companies. Additionally, the Farmington community continues to attract new businesses with Chick-fil-A, Carl's Jr., Del Taco, Tomo Steakhouse, along with Cato clothing store and Fairfield Inn & Suites by Marriott opening in 2016 which bodes well for the local economy's future. Also to be noted, construction is under way for Five Guys Burgers and Fries, Sleep Number, and Blake's Lotaburger on the east end of Farmington. Ulta Beauty opened a store in the Animas Valley Mall in November 2016.

The City has embraced its regional role as a way to prevent further financial chaos stemming from the boom-and-bust cycle of the oil and gas industry. In 2010, for every tax dollar the City lost when the industry crashed, all other sectors declined by 50 percent as well. Currently, with the oil and gas sector still struggling, the City is seeing other sectors down by only 7 percent. This trend shows a healthy transition away from reliance on a single, volatile source of revenue, into a well-diversified municipality.

## **Financial picture**

The City's largest revenue stream for the general fund is gross receipts tax revenue (GRT) which comprises 65% of the City's FY2016 general fund total revenue sources. Overall, the gross receipts tax revenue (GRT) in FY2016 decreased (3.0%) over FY2015. The financial impact of the decline in oil and gas production in the Farmington area was reflected in the significant reduction in GRT generated by the mining, oil, and gas industry sector, which decreased by (28%) in FY2016 as compared to FY2015. One industry sector that showed declining GRT trends was the wholesale trade sector which produced a (24%) decrease in GRT. Professional, scientific, technical and other service sectors also declined (13%) each as compared to FY2015. The retail sector, which gained a modest 1% in FY2016, comprises 40% of Farmington's total GRT. The largest industry gain in FY2016 was the healthcare sector which increased a moderate 8% as compared to FY2015. The accommodations and food services industry sector increased 6% in FY2016, reflecting the continuing development of popular hotel chains and restaurants expansion to the Farmington area.

During FY2016, the 1,170 building permits issued increased 1.6% from FY2015 permits. With respect to building permit valuations, the \$42.8 million in FY2016 valuations totaled a \$4.4 million increase or 11.4% growth from FY2015. Timing differences between permits issued for several major construction projects in FY2015 as compared to the actual construction GRT paid by contractors accounts for the disparity between permits issued and GRT collected.

A major challenge facing the City in the coming years is preparation and planning for the reduction of gross receipts tax (GRT) revenue. This pending revenue reduction is the result of legislation that was passed by the New Mexico Legislature in 2013 and referred to as the repeal of the gross receipts tax "hold harmless" provision. In 2004, the State of New Mexico removed food sales and certain medical services from the gross receipts tax base. Also included in the legislation was the provision that local governments would be "held harmless" by this action and the State would reimburse local governments monthly for the loss of GRT on food sales and medical services. However, the reimbursement to local governments was removed by legislation passed in 2013 and, beginning in July 2015, the "hold harmless" distributions to the City of Farmington began phasing out over a period of 15 years. GRT on food sales and medical services currently represents 12% of all GRT received by the City or approximately \$6.1 million annually. Consequently, beginning in July 2015, the City began budgeting a reduction in GRT revenue. The first year's reduction was \$390K, the second year \$780K, the third year \$1.2 million, and so forth until year fifteen (15) when the annual loss will total \$6.1 million or possibly greater, depending on the local economy, and when ignoring inflation. The cumulative loss over the 15 year period will amount to more than \$47 million. Nevertheless, the 2013 legislation also granted local governments three (3) new one-eighth percent (1/8%) "hold harmless" GRT increments that local governments could impose on the remaining tax base to "cover" the loss of the hold harmless reimbursements. For the City of Farmington, a one-eighth percent (1/8%) increment would raise \$2.0 million in GRT revenue, but would eventually require the imposition of all three increments to fully cover the \$6.1 million loss. In order to cover the beginning and continuing loss of the "hold harmless" revenue, the City Council took action and imposed two of the 1/8% increments, effective January 1, 2016.

## **Long-term financial planning**

In FY2011, the City Council formally adopted a cash reserve policy for the City's general fund whereby funds exceeding a threshold equal to 2½ months of the annual expenditure budget would be transferred to a capital projects fund. In FY2012, FY2013, FY2014, FY2015 and FY2016 surplus amounts of \$3.6 million, \$4.1 million, \$2.9 million, \$3.2 million, and \$5.9 million respectively, were transferred from the general fund to the governmental capital projects fund (fund 408) with the City Council approving and

appropriating funding for a number of specific projects. The projects have included replacing a fire engine truck, roof replacements for several city buildings, downtown improvements, paving at the municipal operations center, street paving, fire facilities equipment, police facilities improvements, airport taxiway maintenance, upgrading city-wide communication equipment, baseball stadium renovation, vehicle replacements, storm drainage improvements, metropolitan redevelopment area improvements, and constructing fiber optic connectivity to various city facilities. The cash balance at June 30, 2016 in the governmental capital projects fund totals \$2.3 million. In FY2016, the City Council approved amending the general fund cash reserve policy by modifying the "prudent cash reserve" level from 20.8% of the annual expenditures budget to 16.7% (two months of expenditures) of the annual expenditure budget.

With respect to debt-funded capital projects, in FY2012, \$11.3 million in GRT (sales tax) revenue bonds were issued for the construction of five identified capital projects. Together with \$855K of sinking funds on hand, \$2.2 million of the \$11.3 million bond issue was applied to the refunding of the City's 2001 outstanding sales tax revenue bonds. Concurrently, net bond proceeds of \$9.1 million were deposited to a new capital projects fund to be used to construct a new animal shelter, the civic center remodel, Gateway Museum expansion, replacement of Fire Station #1, and a new storm water detention pond.

As of June 30, 2015, the civic center remodel was fully complete at a final cost of \$1.2 million. The renovation allows the civic center to host a greater variety of events including wedding receptions and banquets.

During FY2014, the new animal shelter project was completed. At 14,542 square feet, the new shelter is almost twice the size of the old building and can hold 358 animals or double the number of animals of the old shelter. In addition to \$712K in bond proceeds that were utilized, funding for the animal shelter included a \$2.7 million grant from the state of New Mexico, \$650K from San Juan County, \$333K from additional City funds, and \$191K in local donations all helped finance the \$4.6 million facility.

The Farmington Museum at Gateway Park also completed its \$2.3 million wing expansion during FY2014. About 7,500 of the 10,000-square-foot addition serves as exhibit space for the energy industry. Previously, 1,500 square feet was dedicated to oil and gas. The new energy exhibit showcases oil, gas and coal and also displays information on alternative forms of energy. Various museum collections such as Farmington history and traveling exhibits will occupy the balance of the new expansion space.

The Lakewood Detention pond construction project was completed in FY2015 at a cost of \$852K. Consequently, there is confidence that during times of flooding, peak flows and releases will be impounded at a controlled rate. The pond will decrease flows for a 100-year flood event to a level under a 10-year event and will help protect downstream properties east of Foothills Drive. In addition to protecting homes between Lakewood Drive and Rinconada along the Carl Arroyo, the Lakewood Detention Pond substantially decreases the likelihood of the Hawkeye Pond being overtopped in the future, thereby preventing damage to public infrastructure and private residences below Rinconada as well.

The final project receiving funding from the 2012 bond proceeds is the demolition and new construction of Fire Station #1. The construction includes a new fire operations center plus a new fire administration building to replace the present station which was originally built in the 1950's. As of June 30, 2016, the old fire station facility had been demolished and new construction was complete. The cost to construct the new facility is currently \$4.6M. The project is undergoing warranty issues for the heating and cooling system which may occur additional costs in FY2017. Any additional expenditures will be covered by the State Fire Fund. All bond proceeds were spent by June 30, 2016.

Relative to the City's downtown street routes, the City has engaged consultants to develop a design-ready plan to rebuild downtown's Main Street using a concept called "Complete Streets." The plan would revitalize the City's Main Street by including roundabouts, fewer traffic lights, fewer lanes, more parking, wider sidewalks and additional green space. A street that meets the concept's standards is designed for all users, i.e., pedestrians, bicyclists, drivers, motorists and bus riders, so that crossing the

street and walking to stores and biking to work are safe and easy. The concept is that if a city is going to be sustainable, it must plan its downtown around the human footprint and therefore attract the public to downtown. With the project estimated to cost between \$2M and \$3M, the City will seek funding through state and federal grants. In FY2016, the City Council gave the Metropolitan Redevelopment Agency Commission \$250K to hire an engineer and draw up plans for the renovation of the downtown area, part of phase one of the project. Phase one includes replacing traffic lights with two roundabouts and securing land.

With the goal of creating a financing plan for improvements to the City's civic center, in FY2015 the City Council approved the passage of a convention center fee which imposes a \$2.50 fee per room night on vendors for the use of lodging facilities. The new revenue generated \$871K in FY2016. The City plans to expand the Civic Center beginning in FY2017, adding an outdoor event area, making improvements to the theater, and expanding meeting spaces. Improvements also include renovation of the kitchen facility and replacing plumbing and electrical systems. Estimated renovation costs are currently \$8.0M. The City is in the process of obtaining both a New Mexico Finance Authority loan and bonds. Annual Convention Center Fee proceeds will be used to cover debt service payments.

Another future renovation planned is for the design of a new water park facility in place of the City's 60 year-old Brookside pool. The City Council made the decision not to reopen Brookside pool for the summer of 2016 based on studies indicating failing infrastructure and costly repairs necessary to maintain operations for the safety of the public. The City is in the process of conducting feasibility studies and holding public input sessions to determine the type of facility that will be built to replace the pool. Different options include a basic replication of the original pool, built up to code with new aquatic facility standards, at an estimated cost of \$2.0 million, to a high-end water park complete with water slides, lazy river, and additional splash features, and a cost upwards of \$4.0 million. Funding will likely come from refinancing existing bonds. The City believes in the importance of continuing to provide and improve services to the public, even in economic downturns.

During FY2016, the City's water utility completed a major electrical upgrade at Water Treatment Plant #2 (\$630K). This upgrade replaced the original motor control centers (MCC) with state of the art MCC's and added variable frequency drives (VFD's) for control for the pump motors. Under the Water Fund's infrastructure renewal and replacement program, the major projects completed in 2016 included: the Foothills Drive Project - Phase I & Phase III (\$1.3M and \$788K, respectively) which was the replacement of an existing steel waterline with a 16" PVC waterline with Phase II of this project scheduled for summer 2017; the 20<sup>th</sup> Street Project (\$1.3M) – Main Street to Schofield which was the replacement of an existing 6" & 8" waterline with a 12" PVC waterline; the Troy King Project (\$450K) – which was the replacement of an existing 6" waterline with a 16" PVC waterline from Main St. to W. Piedras St. Also included in this project was the replacement of a 6" waterline from Lomas St. to Troy King Road with a 12" PVC waterline along US 64 (\$155K).

In 2004, the City completed its wastewater treatment plant expansion, Phases I and II, which were financed with a 3% interest, \$14.2M, 20-year construction loan from the New Mexico Environment Department (NMED). Phases I and II were constructed to comply with the EPA's discharge permit requirements and to begin the phasing in of new biological wastewater treatment processes. Phases I and II increased the treatment plant's capacity by 15% to meet a projected 6.67 mgd flow rate. In addition, reliability and flexibility were improved through the rehabilitation of the primary clarifiers and sludge drying beds as well as the capacity expansion of the disinfection process. In 2016, the City acquired a loan from NMED for Phase III improvements to treatment processes that include constructing two sludge (MRAS) basins (one complete and one concrete structure only), two additional final clarifiers, a new solids handling facility, and a new state of the art ultraviolet (UV) disinfection system. Phase III will add redundancy to the wastewater treatment plant plus reduce chemical costs and the discharge of chemicals into the San Juan River. The Phase III project is funded through the New Mexico Environmental Department (NMED) with a 3% interest, \$22.0M, 20-year construction loan from the State's Clean Water Revolving Fund (CWSRF) Program. This construction is anticipated to begin in late 2016 and estimated Phase III completion 2018/2019.

The Farmington Electric Utility System's (FEUS) distributes power to more than 44,000 customers located in a 1,718 square mile service territory that includes the cities of Farmington and Bloomfield, NM, and a large rural area extending outside the municipal boundaries. Power is delivered to customers through a system of more than 2,500 line miles. The FEUS maintains a number of facilities that include power generation, transmission and distribution operations. Total generation capacity is 162 megawatts plus another 30 megawatts of outside purchased power capacity. In FY2015, the Animas Power Plant became a peaking unit providing 18 MW of power from a gas turbine. Previously it was a combined cycle gas-fired power plant providing 25 MW of baseload power. Two steam units at the plant were retired due to new restrictions for discharge of plant cooling water into the nearby Animas River. The Bluffview Power Plant, placed into service in 2005, remains as FEUS' only combined cycle power plant providing 63 MW of baseload power to the City's electric utility customers.

FEUS' primary objective is to ensure a secure, reliable and economical power source for its utility customers. The electric utility is fiscally sound and has no outstanding debt. Through the years the municipal structure of the electric utility has kept customer electric rates very reasonable and Farmington customers enjoy the lowest rates in the region. Currently FEUS is undergoing a cost of service study. The last cost of service study in FY2014 implemented new rates in November 2013. Residential customers had a three year phase-in of rates or a 9% total increase, with the last increase occurring in November 2015. Commercial rates were increased one-time by approximately 1%. Prior to the FY2014 rate increase, electric base rates had not changed since 1982. It is now the goal of the electric utility to conduct a cost of service study every three to four years to help ensure the utility remains fiscally sound, with an adequate revenue stream to maintain infrastructure for a secure and reliable electric system.

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

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Farmington for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. This was the 22<sup>nd</sup> consecutive year that the City of Farmington received this prestigious award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

The City of Farmington also received its 19<sup>th</sup> consecutive Distinguished Budget Presentation Award from GFOA for its annual budget document for FY2016. In order to qualify for the Distinguished Budget

Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

In addition, the City of Farmington's FY2015 Citizen's Financial Report was judged for the 6<sup>th</sup> consecutive year as a recipient of GFOA's Outstanding Achievement in Popular Annual Financial Reporting award. This award represents special recognition for a top-quality annual report specifically designed to be readily accessible and easily understandable to the City's general public and other interested parties without a background in public finance.

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

Respectfully submitted,



Robert Mayes  
City Manager



H. Andrew Mason  
Administrative Services Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Farmington  
New Mexico**

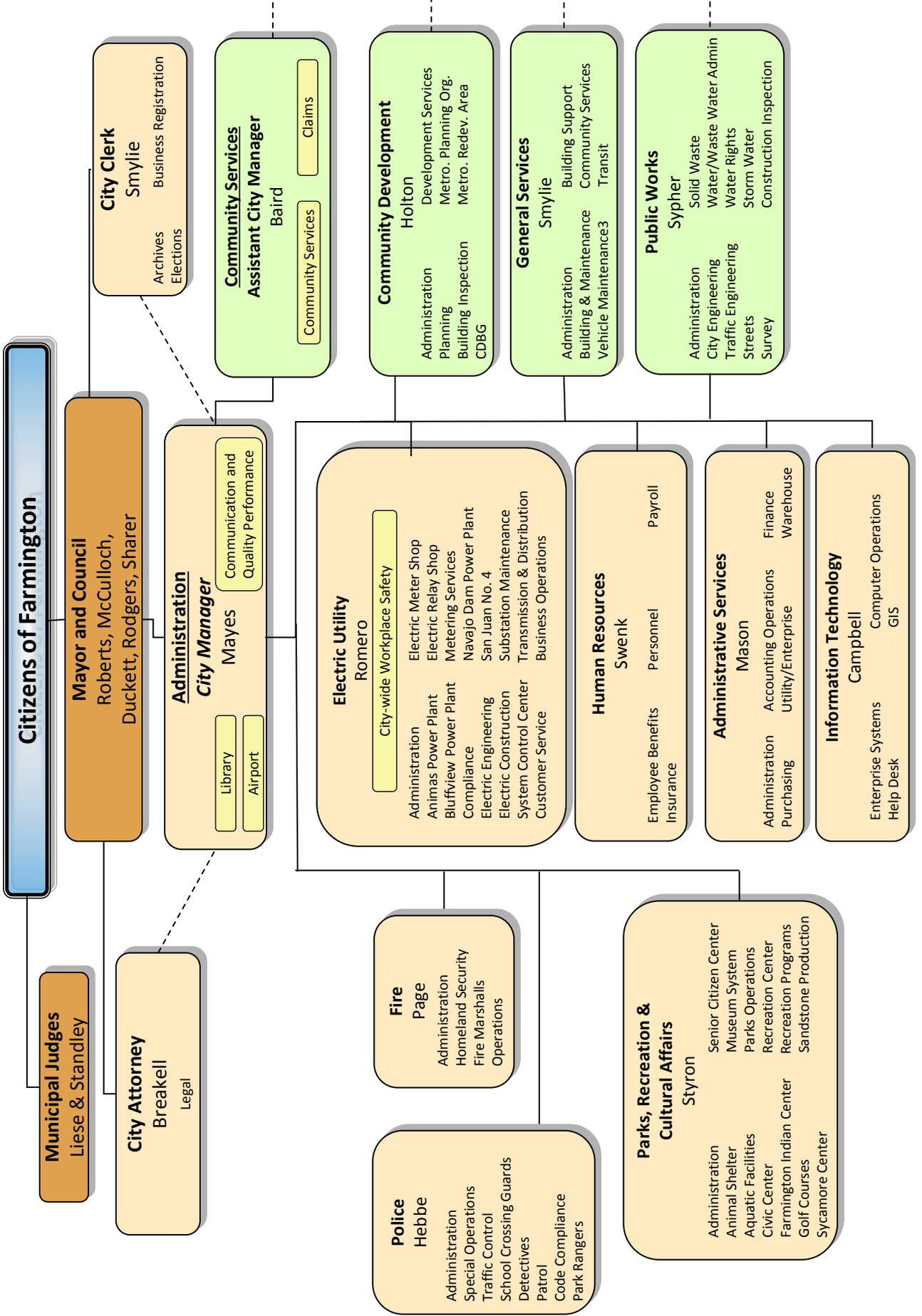
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

# City of Farmington – Organizational Chart

April 2016



# **CITY OF FARMINGTON**

## **Principal Officials**

**June 30, 2016**

---

**MAYOR**

Tommy Roberts

**CITY COUNCIL**

Linda Rodgers

Nate Duckett

Sean Sharer

Gayla McCulloch

**CITY MANAGER**

Robert Mayes

**ASSISTANT CITY MANAGER**

Julie Baird

**ADMINISTRATIVE SERVICES DIRECTOR**

H. Andrew Mason

**COMMUNITY DEVELOPMENT DIRECTOR**

Mary Holton

**ELECTRIC UTILITY DIRECTOR**

Rodney Romero

**FIRE CHIEF**

Terry Page

**GENERAL SERVICES DIRECTOR**

Edward Smylie

**HUMAN RESOURCES DIRECTOR**

Tom Swenk

**INFORMATION TECHNOLOGY DIRECTOR**

James Campbell

**PARKS & RECREATION DIRECTOR**

Cory Styron

**POLICE CHIEF**

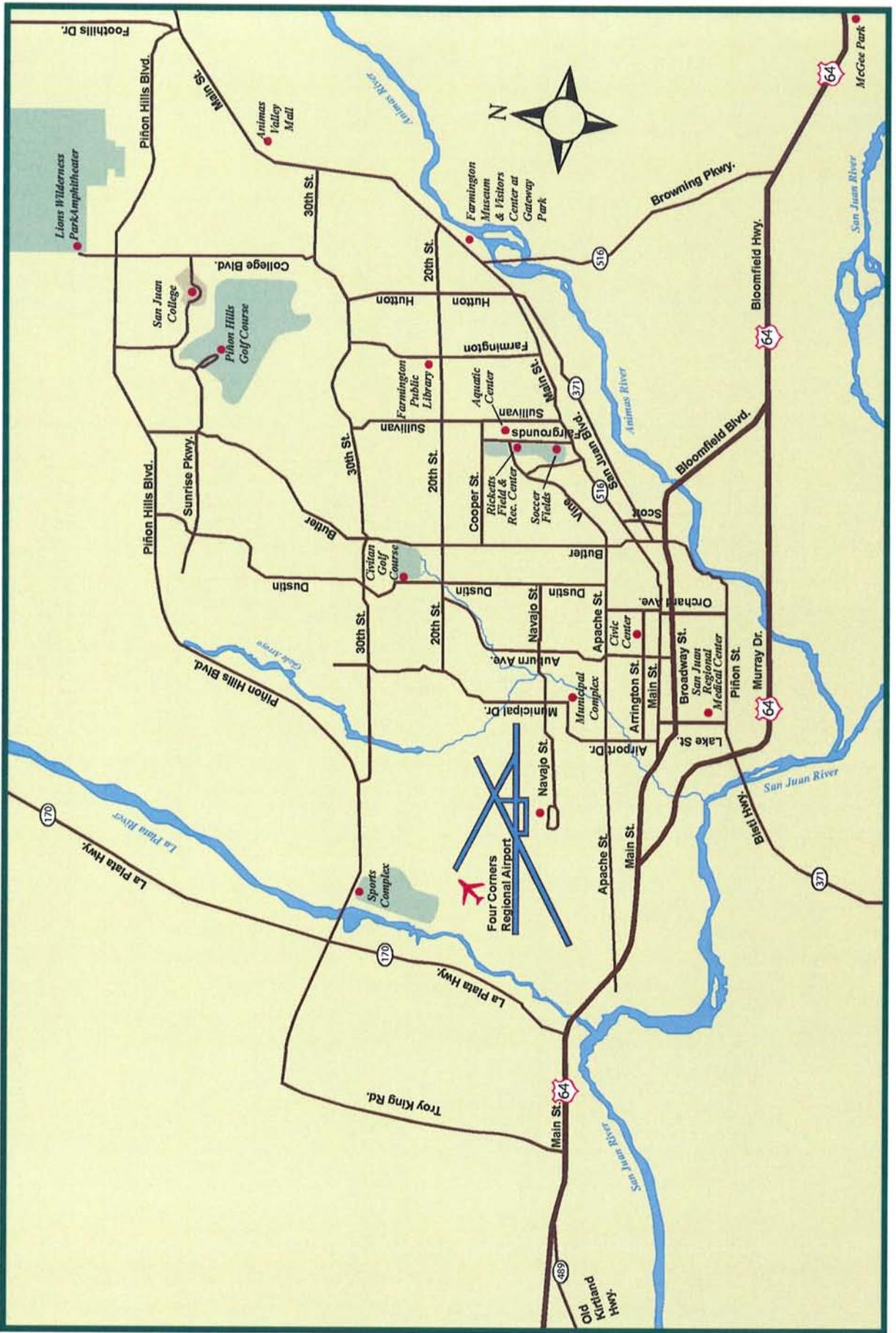
Steven Hebbe

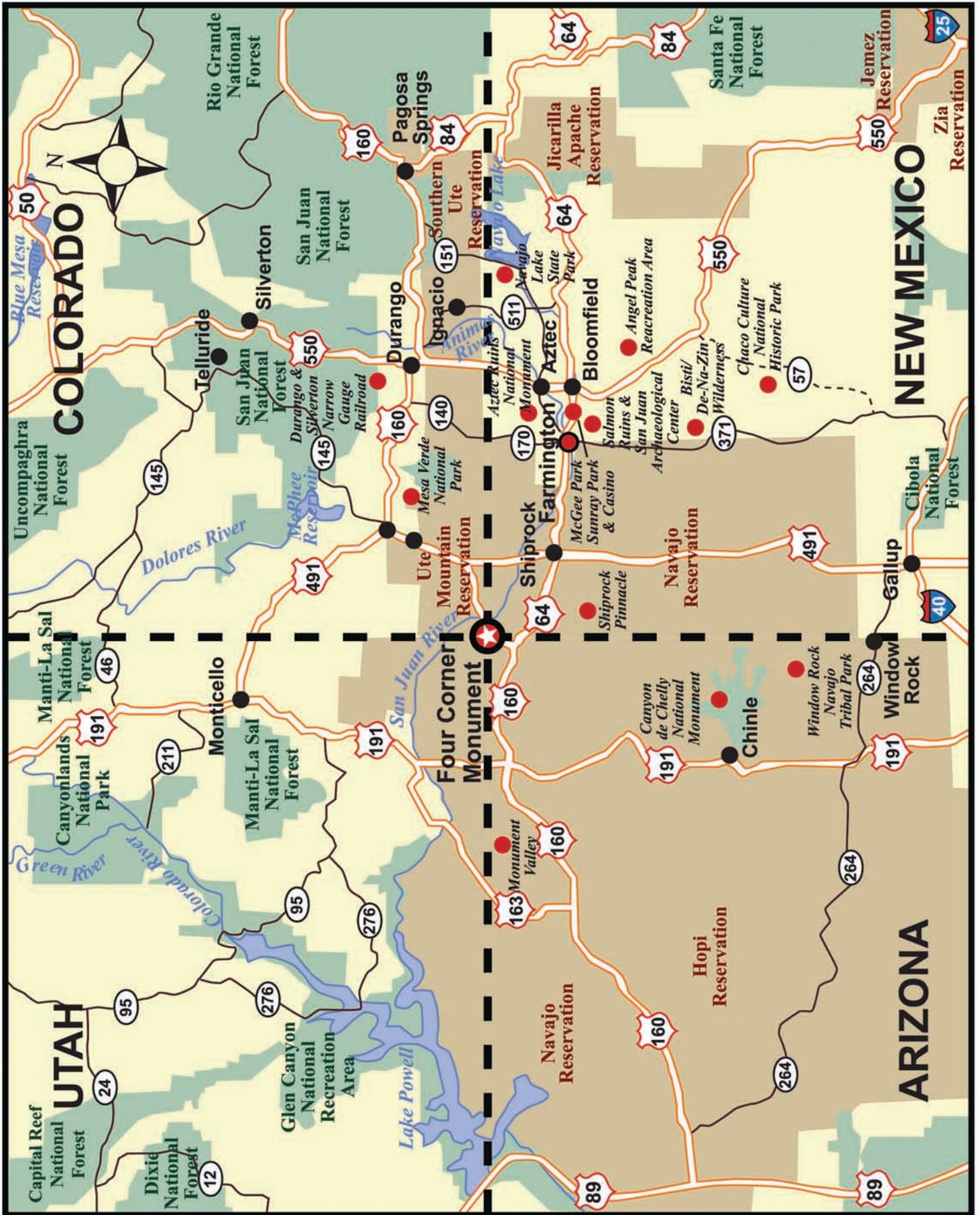
**PUBLIC WORKS DIRECTOR**

David Sypher

**CONTROLLER**

Brooke Quintana





MAP COURTESY OF FARMINGTON CONVENTION & VISITORS BUREAU



City Hall

# FINANCIAL SECTION



## REPORT OF INDEPENDENT AUDITORS

City of Farmington, New Mexico  
Honorable Mayor and City Council and  
Mr. Timothy Keller, New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue fund of the City of Farmington, New Mexico (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the City's nonmajor governmental funds, internal service fund and the budgetary comparisons for the enterprise funds, internal service fund, and all nonmajor funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

City of Farmington, New Mexico  
Honorable Mayor and City Council and  
Mr. Timothy Keller, New Mexico State Auditor

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance 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, 2016, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparisons for the enterprise funds, internal service fund and all nonmajor funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of City's proportionate share of the net pension liability and the schedule of the City's contributions on pages 5 through 18 and 63 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the schedule of PFC revenues and expenditures as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, schedules of capital assets used in the operation of governmental funds, *introductory and statistical section and other the other schedules required by 2.2.2 NMAC* included as Other Information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

City of Farmington, New Mexico  
Honorable Mayor and City Council and  
Mr. Timothy Keller, New Mexico State Auditor

The schedule of expenditures of federal awards, the schedule of PFC revenues and expenditures, schedules of capital assets used in the operation of governmental funds, and other schedules required by 2.2.2 NMAC included as Other Information as listed in the table of contents are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, the schedule of PFC revenues and expenditures, schedules of capital assets used in the operation of governmental funds, and other schedules required by 2.2.2 NMAC included as Other Information as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 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* in considering City of Farmington's internal control over financial reporting and compliance.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 29, 2016

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# MANAGEMENT'S 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, 2016. 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 FY2016 by \$536,714,033 (net position). Of this amount, \$55,703,498 represents unrestricted net position, which may be used to meet the City's ongoing obligations.
- As of June 30, 2016, the City of Farmington's governmental funds reported combined ending fund balances of \$25,905,655, a decrease of \$7,134,661, or 21.6% in comparison with the prior year. A total of \$10,905,069 (unassigned fund balance) is available for spending at the City's discretion.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$11,842,124, or 20.1% of the total general fund expenditures.
- The City's total net debt decreased by \$2,180,735, or 8.9% 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 position* presents information on all of the City of Farmington's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, and sanitation operations. The government-wide financial statements can be found on pages 19-20 of this report.

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

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

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

The City of Farmington maintains twenty-five (25) 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 twenty-three (23) 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 71-82).

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 21-25 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, and sanitation 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 individual proprietary fund financial statements provide separate information for the electric, water, wastewater, and sanitation operations and are found on pages 109-112 of this report. Fund data for the internal service fund is provided on page 108 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 31-59 of this report.

### **Government-wide Financial Analysis**

As noted earlier, over time, net position may serve as a useful indicator of a government's financial position. In the case of the City of Farmington, assets exceeded liabilities by \$536,714,033 at the close of FY2016.

The largest portion of the City of Farmington's net position (\$474,623,880 or 88.4%) 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 Position						
	Governmental Activities		Business-type Activities		Total	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Current and other assets	\$ 37,116,508	\$ 46,480,988	\$ 121,599,534	\$ 122,129,332	\$ 158,716,042	\$ 168,610,320
Capital assets	114,626,907	116,370,658	382,969,933	365,004,699	497,596,840	481,375,357
Total assets	151,743,415	162,851,646	504,569,467	487,134,031	656,312,882	649,985,677
Deferred outflow from pension	7,560,752	4,626,687	1,180,295	1,073,032	8,741,047	5,699,719
Long-term liabilities outstanding	77,983,662	63,292,173	27,838,200	25,227,456	105,821,862	88,519,629
Other liabilities	3,717,277	6,092,477	13,835,710	12,853,377	17,552,987	18,945,854
Total liabilities	81,700,939	69,384,650	41,673,910	38,080,833	123,374,849	107,465,483
Deferred inflow from pension	1,354,644	13,983,439	355,316	4,064,160	1,709,960	18,047,599
Deferred inflow from regulatory activity	-	-	3,255,087	-	3,255,087	-
Total deferred inflows of resources	1,354,644	13,983,439	3,610,403	4,064,160	4,965,047	18,047,599
Net position						
Net investment in capital assets	104,540,398	105,735,450	370,083,482	351,217,980	474,623,880	456,953,430
Restricted	4,724,748	3,161,762	1,661,907	1,661,907	6,386,655	4,823,669
Unrestricted (deficit)	(33,016,562)	(24,786,968)	88,720,060	93,182,183	55,703,498	68,395,215
Total net position	\$ 76,248,584	\$ 84,110,244	\$ 460,465,449	\$ 446,062,070	\$ 536,714,033	\$ 530,172,314

Another portion of the City of Farmington's net position, \$6,386,655 or 1.2%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$55,703,498 or 10.4% is unrestricted and 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 position for the government as a whole, as well as for its business-type activities. Governmental activities held positive balances for both net investment in capital assets and restricted net position. The same situation held true for the prior fiscal year.

The City of Farmington's net position increased \$6,541,719 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, mostly attributable to the utility systems.

**Governmental activities.** Governmental activities decreased the City of Farmington's net position by \$7,861,660. Key elements of the change in net position are as follows:

City of Farmington's Changes in Net Position						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Revenues:						
Program revenues:						
Charges for services	\$ 14,240,395	\$ 15,714,730	\$ 131,645,574	\$ 132,383,325	\$ 145,885,969	\$ 148,098,055
Operating grants and Contributions	6,110,984	5,254,695	59,056	-	6,170,040	5,254,695
Capital grants and Contributions	1,040,337	2,873,756	1,020,091	1,886,666	2,060,428	4,760,422
General revenues:						
Property taxes	1,936,699	1,907,059	-	-	1,936,699	1,907,059
GRT taxes	49,290,956	52,453,868	-	-	49,290,956	52,453,868
Other taxes	5,235,329	4,504,082	1,251,293	1,384,982	6,486,622	5,889,064
Other	1,268,216	1,410,359	776,699	742,813	2,044,915	2,153,172
Total revenues	79,122,916	84,118,549	134,752,713	136,397,786	213,875,629	220,516,335
Expenses:						
General Government	36,120,890	38,752,681	-	-	36,120,890	38,752,681
Police	18,127,957	16,544,038	-	-	18,127,957	16,544,038
Fire	10,680,758	7,460,513	-	-	10,680,758	7,460,513
Parks, rec & cultural affairs	18,906,482	17,017,698	-	-	18,906,482	17,017,698
Public Works	9,667,963	9,708,202	-	-	9,667,963	9,708,202
Electric	-	-	90,435,253	93,164,509	90,435,253	93,164,509
Water	-	-	11,086,095	10,362,693	11,086,095	10,362,693
Wastewater	-	-	6,460,670	6,239,817	6,460,670	6,239,817
Sanitation	-	-	5,497,700	5,529,374	5,497,700	5,529,374
Other	350,142	407,023	-	-	350,142	407,023
Total expenses	93,854,192	89,890,155	113,479,718	115,296,393	207,333,910	205,186,548
Increase (decrease) in net position before transfers	(14,731,276)	(5,771,606)	21,272,995	21,101,393	6,541,719	15,329,787
Transfers	6,869,616	7,900,683	(6,869,616)	(7,900,683)	-	-
Increase (decrease) in net position	(7,861,660)	2,129,077	14,403,379	13,200,710	6,541,719	15,329,787
Net position - beginning	84,110,244	137,142,994	446,062,070	446,863,176	530,172,314	584,006,170
Cumulative effect of GASB No. 68	-	(55,161,827)	-	(14,001,816)	-	(69,163,643)
Net position - ending	\$ 76,248,584	\$ 84,110,244	\$ 460,465,449	\$ 446,062,070	\$ 536,714,033	\$ 530,172,314

Total accrued gross receipts tax (GRT) decreased by \$3,162,912 or (6.0%). This was due to an overall decrease in receipts from the agriculture, mining, wholesale trade, and unclassified sectors.

Operating grants increased \$856,289 mainly due to increases in federal funding for public safety (\$515,496), EPA reimbursement (\$48,673), Red Apple Transit (\$475,598), and in funding from the state for library (\$52,333), public safety (\$67,348), and public works (\$504,000); decreases in federal funding for public works (\$701,932), and CDBG (\$118,132).

Capital grants and contributions decreased \$1,833,419 during the year. This was due mainly to a decrease in federal funding for the airport (\$989,095), and decreases in federal and state funding for various traffic and road improvements (\$904,638).

Charges for services decreased \$1,474,334 or (9.4%) due mainly to decreases in health insurance premiums (\$282,594) and stop loss payments (\$761,596), rental facilities related to the airport (\$85,668), interdepartmental fleet charges (\$171,295), parks and recreation fees (\$53,097), and decreases in museum ticket sales and museum store purchases (\$76,913). Fines collected during the year decreased (\$47,646).

Total transfers decreased \$1,031,067 due to a decrease in dividends from the electric utility (\$1,183,018) caused in part to an increase in purchased power and fuel costs in FY2015 (the year that the current dividend is based upon) and declining electric revenues in FY2016.

Total expenses increased \$3,964,037 or 4.4% during the year due to an increase in pension expense (\$1,251,366) as a result of GASB 68 reporting of PERA provided actuarial figures from the prior fiscal year and an increase in operating expenditures for police protection (\$1,479,883). Increases were also incurred in workers' compensation claims (\$1,021,824) for FY2016.

**Business-type activities.** Business-type activities increased the City of Farmington's net position by \$14,403,379, accounting for 220.2% of the total growth in the government's net position, largely due to the change in net pension liability for the governmental activities. Key financial elements of the past fiscal year are as follows:

- For FY2016, the total net pension liability increased \$19.2 million, which was a 34.8% increase from last fiscal year. Of this change, the business-type increase was \$3.5 million, or 18% of the total increase. The remaining change was all for governmental activities. As a result, most of the increase in the City's net position came from business-type activities.
- Operating expenses are 85.9% of operating revenues, resulting in \$18,528,298 in operating income.
- Total electric revenue decreased by \$3.5 million or (3.3%). Electric sales to customers were lower by \$3.8 million. Sales to residential customers increased \$2.2 million. While sales to commercial, industrial, and wholesale customers had a combined decrease of \$2.5 million. The power cost adjustment (PCA) decreased a net total of \$3.7 million. Billed revenues for the PCA increased \$3.5 million and per FASB 71, revenues were decreased by \$7.2 million for regulatory activities. This decrease in revenues is shown as deferred inflows of resources on the financial statements. In FY2014, the electric utility had its first rate increase in over 30 years. These rate increases were phased in over three years, FY2014 thru FY2016.
- Total water revenue increased \$1.3 million or 8.6%. Water sales to customers increased \$2.2 million. In FY2015, the water utility increased their rates and will be phased in over 5 years, FY2015 thru FY2019. The water utility also had a decrease

of \$1 million for contributions. The contributions were received from the state in FY2015 for capital improvements.

- Total wastewater revenue increased by \$582,452 or 7.0%. Wastewater sales to customers were up \$906,444. Along with water rates, the wastewater utility also increased their rates in FY2015. It will also be phased in from FY2015 to FY2019. Non-operating revenues had decreased \$131,337, mainly due to decreases in environmental taxes received from the state.
- Total sanitation revenue decreased \$21,247 due to lower demand for sanitation services.
- Investment earnings for business-type activities were up by \$33,886, a 4.6% increase over last year.

### **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, *unassigned 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, 2016, the City of Farmington's governmental funds reported combined ending fund balances of \$25,905,655, a decrease of \$7,134,661 in comparison with the prior year. Approximately 42.1% of this total amount or \$10,905,069 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* (\$551,393), *restricted* (\$4,724,748), *committed* (\$7,157,528), or *assigned* (\$2,566,917).

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 \$11,842,124, while total fund balance was \$12,385,083. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 20.1% of total general fund expenditures, while total fund balance represents 21.1% of that same amount. The fund balance of the City of Farmington's general fund decreased \$5,891,683 or (32.2%) during the current fiscal year.

The total decrease in general fund revenue was \$2,145,653 or (4.1%). This is due partly because of a decrease in GRT collections (\$2,093,573) in the oil & gas, wholesale, and professional/technical sectors. Other factors affecting general fund revenues are decreases in damage recoveries (\$239,357) and decreases in charges for services from airport operations (\$96,227), golf course (\$90,535), museums and civic center (\$53,097).

Total general fund expenditures decreased \$117,376 or (0.2%) over the prior year. Key elements of this change were increases in: police operations mainly due to an increase in operating costs including fuel and maintenance (\$172,499) and increases in non-capital equipment purchases (\$462,796), a decrease of lawsuit settlements (\$599,195), decreased estimated claim costs for IBNR (\$652,988), and decreased vehicle maintenance costs for the Public Works Street division (\$158,117).

Total incoming transfers decreased by \$609,804 or (5.8%) due to an increase in the transfer from the governmental capital projects fund (\$400,000) and a decrease in dividends transferred from the electric utility (\$1,183,018) caused in part to an increase in salaries and benefits as a result of the Safety Department moving from the General Fund to the Electric Utility and by a decrease in operating revenues from the power cost adjustment in the year that the current dividend is based upon (FY2014).

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. GRT revenues in both GRT funds, GRT streets (\$802,004) and GRT parks (\$267,335), decreased in FY2016 when compared to the prior year. This corresponds with the decrease in GRT revenues in the general fund.

Total revenues in the nonmajor governmental funds decreased \$723,026 or (6.6%) due mainly to decreases in: federal grants for the airport (\$989,095), state funding for community development projects including traffic systems (\$546,480), Transportation Alternative Projects (\$565,926), and Safe Routes to School (\$118,281). Total revenues were also affected by increases in: lodgers' taxes (\$69,495), convention center fees (\$528,522), federal grants related to the Red Apple Transit (\$408,665) and FEMA fire grant (\$270,344), and state grants related to community development safety projects (\$440,930).

Expenditures in the governmental funds (not including the general fund) decreased \$4,458,445 or (15.1%) during FY2016 as a result of conservative capital purchases and reduced capital projects planning throughout the course of the year. Key elements of this decrease are related to lowered expenditures in the GRT street fund (\$1,491,417) due to the Porter Arroyo Detention Pond facility from FY2015 nearing project completion in early FY2016, the Pinon Hills pump station project completion (\$311,091) from FY2015 in the parks and recreation gifts and grants fund, decreased funding related to community development grant projects including Transportation Alternative Projects and Safe Routes to School (\$853,592), nearing project completion of Fire Station #1 (\$2,485,484) in the GRT 2012 bond projects fund, and completion of the Lakewood Detention Facility (\$475,829) from the prior year, also from the GRT 2012 bond projects fund. Spending decreased in the airport construction grant projects fund (\$1,103,926) due to decreased FAA funding during FY2016. Expenditures also decreased in the convention center capital projects fund (\$845,834) due to a prior year purchase of the Daily Times building. The GRT parks fund increased expenditures (\$355,042) for additional projects such as Beckland Hills and Foothills playground, septic remodel at the sports complex, new soccer complex lighting, shade structure for the Farmington Indian Center, a digital sign at Gateway Museum, new scoreboard at the Farmington Aquatic Center, parking lot for the RC park, and vehicle purchases for the parks department. The Red Apple Transit grant fund incurred expenses for purchase of vehicles in FY2016 (\$360,296). The CDBG

grant fund expenditures increased (\$280,476) related to the Joint Intervention Program (JIP), and the governmental capital projects fund expenditures increased (\$1,501,241) due mainly to vehicle purchases for administration (\$615,795) and fire operations (\$551,203), energy savings improvements (\$99,945), paving projects (\$59,959), JIP construction (\$423,167), and improvements to the softball and baseball fields (\$199,194).

**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 position at the end of the year amounted to \$63,721,307 in the electric utility system, \$14,046,112 in the water utility system, \$8,430,873 in the wastewater utility system, and \$2,521,768 in the sanitation utility. The total growth in net position was \$7,685,928 in the electric fund, \$4,470,110 in the water fund, \$2,077,460 in the wastewater fund, and \$169,881 in the sanitation fund.

### **Budgetary Highlights**

Gross Receipts Tax (GRT) is the largest revenue source for the City of Farmington (City) General Fund. In FY2008, GRT was 88% of the total General Fund revenue. This percentage, however, has dropped significantly over the last 8 years. In FY2016, only 65% (cash basis) of the total General Fund revenue was received from GRT. As the Farmington economy declined, the amount of GRT decreased significantly although the budgetary requests of the citizens of Farmington did not decrease. The City Council had to identify other forms of revenue in order to continue the services offered by the City of Farmington. In FY2011, the City Council implemented a new policy to allow the General Fund to receive a dividend from the Farmington Electric Utility. In FY2016, the electric dividend comprised 9.3%, or \$5.6 million, of the General Fund revenue. Also in FY2011, and later revised in FY2016, the Cash Reserve Policy was approved by the Council which allowed excess cash to be moved from the General Fund to the General Government Capital Project Fund to be used for capital projects and help mitigate future risks due to temporary revenue shortfalls in the General Fund. This policy proved to be significant to the balancing of the City's budget. In FY2016, \$3 million of the cash reserve transfer monies were transferred back to the General Fund and budgeted to cover expenses in the General Fund.

The budget for FY2016 predicted a 1.3% decrease in GRT revenue. This conservative forecast for Farmington's economy in FY2016 was based on several factors. The history of Farmington's economy was a large factor in the GRT projection for FY2016. In FY2010, GRT plummeted 17.3%, which had a financial effect of almost \$7.4 million less revenue dollars than the previous year. FY2011 and FY2012 showed slight improvement with a 4% increase and 7.7% increase, respectively, giving the impression the recession was lifting and hinting at a more optimistic economic outlook. FY2013 dampened that optimistic spirit with GRT dropping 4.7% (cash basis). GRT slowly climbed 1.8% in FY2014 and 5.7% in FY2015 but still remains 4.9% below the City's historically highest GRT in FY2009.

Another factor relates to the importance of the natural gas and oil production industry to the City of Farmington. Natural gas and oil production are among the leading industries supporting Farmington and this industry has been struggling, not only locally but nationally and internationally as well. Natural gas and oil prices have been dropping

significantly, forcing companies to decommission rigs, sharply cut investments and lay off thousands of employees nationwide. In 2012, natural gas markets became saturated with supply stifling production and resulting in a low market value. This low market value, combined with new industry regulations and increased fees, created an unprofitable situation for companies to continue exploration and drilling operations. Although the natural gas industry has recovered slightly from 2012, the oil industry has had a much harder effect on the economy.

Once trading over \$100 per barrel, oil prices currently trade around \$50 per barrel but dipped below \$40/barrel in December 2015. Although there are many factors to the 50% decrease in oil prices, the overall reason for the oil bust can be explained using the simple economics of supply and demand. The boom and bust of the oil industry must be viewed on an international level as opposed to local level. Over the last six years, United States domestic production has nearly doubled, saturating the national market forcing Saudi, Nigerian, and Algerian oil once sold in the U.S. to compete for Asian market share. Canadian, Russian, and Iraqi oil production and exports also are rising year after year. With supply increasing and demand staying level, if not decreasing, the market price of oil plummeted. There are signs, however, that production is falling because of the drop in exploration investments. With many companies preserving cash in hopes of riding-out the drop in pricing, the trend of cutting capital investment and deferring major capital projects is expected to continue into 2017. Less production should help stabilize the oil price, but analysts predict it will be years, if at all, the days of \$100 per barrel will be seen again.

Political instability is also a large factor in the reduced world-wide production. Rebel attacks in Nigeria and continued fighting/instability in Libya and Venezuela have thwarted attempts to recover previous production levels in those countries. Over the last year, Iran, Venezuela, Ecuador and Algeria have pressed OPEC to cut production to help firm up prices. In September 2016, meetings will be held requesting OPEC to lower production. Conversely, Iraq is producing more and sanctions have been lifted on Iran who refuses to reduce production now that it is finally exporting large loads again.

As mentioned, this is a simple example of supply and demand. The oversupplied global market either needs less production or higher demand to support higher oil prices. Many of the recent reductions in production due to political turbulence and an indication that OPEC will reduce production, can be short-lived adjustments to supply. Future oil prices may be in store for a roller coaster ride. Once the price increases making exploration and production profitable again, if demand does not increase respectively, the market price will drop causing recession in the Oil Industry yet again.

Although Farmington does not directly receive large amounts of GRT from the production of natural gas and oil, the benefit is derived from a large population of residents employed in the oil and gas industry. Benefit is received in the way of retail, lodging and real estate, entertainment, and recreation to name a few industry sectors. Once having experienced unemployment rates of 4-5%, the average unemployment rate for Farmington was 7.7% for FY2016. This rate, however, is not likely a true number. The unknown factor is the number of citizens who left the area to find work elsewhere. Many of the higher-wage Farmington residents involved in the oil and gas industry left Farmington for other employment. According to the USA Today article dated April 8, 2016, "America's Fastest Shrinking Cities", Farmington (MSA) population shrank 8.8% from 2010 to 2015 and was among the highest outward migration in the nation.

On the expenditure side, the original General Fund budget of \$64,798,539 was increased to \$67,148,049 during FY2016. The \$2.3 million difference is comprised of several adjustments. The largest General Fund expenditure budget adjustment was related to the cash reserve transfer. In FY2011, Council adopted the Cash Reserve Policy designating any General Fund cash balance greater than 20.8% of the current expenditure budget as available for transfer to the General Governmental Capital Projects Fund and to be spent on Council-designated projects. In FY2016, the Cash Reserve Policy was revised to 16.7% of the current expenditure budget from the 20.8%. The total FY2016 cash reserve transfer of \$5.85 million made in accordance with the Council approved Cash Reserve Transfer Policy to the General Governmental Capital Projects Fund was originally estimated at \$3.8 million. Once the FY2015 final cash balance was determined, an additional transfer was made for \$2 million to the General Governmental Capital Projects Fund. The remaining adjustments reflected grants received during the fiscal year.

During the year, five separate budget revisions were presented to Council for approval to adjust the original FY2016 expenditure budget. For the City as a whole, these adjustments totaled \$8,516,611 and equaled 3.1% of the original total budget. The number of revisions is indicative of the ongoing budget process during the year of controlling expenditures to adjust to available revenue.

The largest percentage increase in budgeted expenditures during the year was in the special revenue, capital funds, and internal service fund. Large adjustments include a budget increase as a result of establishing project budgets for the General Governmental Capital Projects Fund, which is funded by monies transferred in accordance with the Cash Reserve Transfer Policy. Additional grant funds were received during FY2016 for police and fire operations resulting in an increase in expenditures relative to the increase in revenue. Numerous equipment purchases and other grant related budget adjustments were made to reflect the actual grant receipts and related expenditures. The health fund, an internal service fund, required the largest adjustment of \$1.1 million, due to higher than expected health insurance claims.

In FY2016 for the City as a whole, capital expenditures were more than the previous year by \$5.7 million or 16.3%. Of the \$5.85 million transferred to the General Governmental Capital Projects Fund and previous undesignated cash balance, Council designated \$1.9 million to be invested in vehicle purchases, \$1.2 million to invest in property improvements, \$425 thousand in community service programs, \$500 thousand to be invested in the Metropolitan Redevelopment Authority (MRA), and \$3.0 million to be transferred to the General Fund to help balance the FY2016 budget. In FY2012, Sales Tax Revenue Improvement and Refunding Bonds, Series 2012, were issued to refund the Series 2001 bonds and finance several projects. The high-dollar, long-term projects funded with the bond proceeds include the new Farmington Regional Animal Shelter, remodel of the Farmington Civic Center exhibit hall, Farmington Museum expansion, replacement of Fire Station #1, and the installation of the Lakewood Detention Pond. All bond proceeds were spent in FY2016.

Relative to the City's enterprise funds, in FY2015 and FY2016, the Electric Fund has been using cash reserves to make large improvements in the electric infrastructure. FY2016 Electric Fund capital expenditures were \$20.6 million, up \$6.8 million or 49% from FY2015 capital expenditures of \$13.8 million.

## 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, 2016, was \$497,596,840 (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 \$382,969,933 or 77% of the total City of Farmington capital assets. The total increase in the business-type investment in capital assets for the current fiscal year was \$17,965,234 or 4.9%. The governmental activities investment in capital assets accounted for \$114,626,907 or 23% of all capital assets owned by the City. The total change in governmental activities investment in capital assets was a decrease for the current fiscal year, \$(1,743,751) or (1.5%).

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

City of Farmington's Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Land	\$ 29,695,641	\$ 29,552,553	\$ 3,884,334	\$ 3,884,334	\$ 33,579,975	\$ 33,436,887
Land rights	-	-	2,218,772	2,257,360	2,218,772	2,257,360
Buildings	32,202,429	33,510,060	54,033,945	57,068,896	86,236,374	90,578,956
Improvements	11,444,421	12,891,618	101,111,051	98,319,288	112,555,472	111,210,906
Equipment	9,167,451	8,402,433	165,545,320	163,554,798	174,712,771	171,957,231
Infrastructure	17,432,511	15,868,790	-	-	17,432,511	15,868,790
Construction in progress	14,684,454	16,145,204	56,176,511	39,920,023	70,860,965	56,065,227
<b>Total</b>	<b>\$ 114,626,907</b>	<b>\$ 116,370,658</b>	<b>\$ 382,969,933</b>	<b>\$ 365,004,699</b>	<b>\$ 497,596,840</b>	<b>\$ 481,375,357</b>

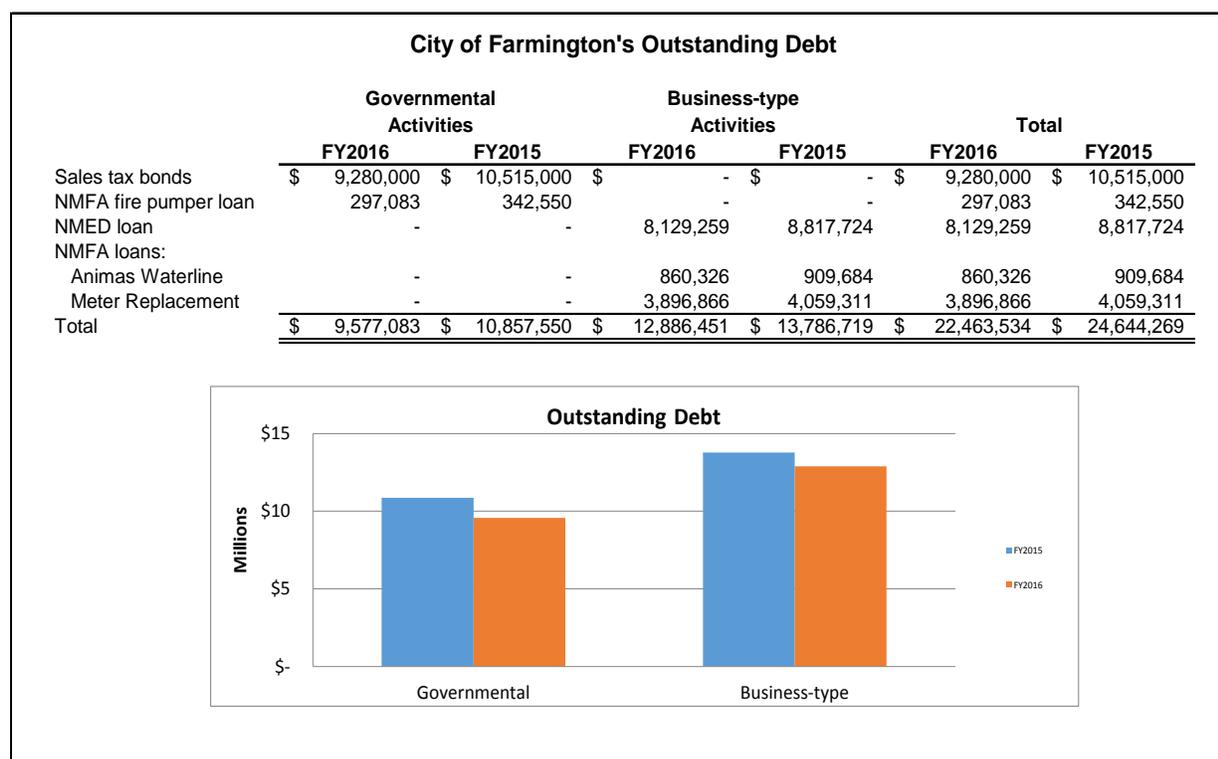
Capital expenditures for the electric utility system will average approximately \$25,438,373 per year over the next five fiscal years. Some large projects included in the FY2017 capital budget are vehicle purchases (\$1,306,000), transformer shop addition (\$2,500,000), distribution upgrades (\$2,220,000), customer work order system (\$2,750,000), Navajo Unit No. 2 turbine runner overhaul (\$2,335,000), new Cottonwood substation (\$4,120,000), and a new Aztec substation (\$1,030,000). The City expects to fund these projects from electric customer-generated revenues.

Capital expenditures for the water utility system scheduled in the current five-year capital improvements plan principally include upgrades and replacements of existing facilities to maintain the existing system and meet future demand requirements. Capital expenditures average \$10,490,000 per year, totaling \$52,450,000 for fiscal years 2017 through 2021. The FY2017 capital budget includes the NMFA-2P waterline replacement – phase 1 (\$3,200,000).

Capital expenditures scheduled for the wastewater utility system in FY2017 include lift station upgrades (\$750,000) and the expansion of the Wastewater Treatment Plant (\$8,000,000).

Additional information on the City of Farmington's capital assets can be found in Note IV.C on pages 43-44 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Farmington had total bonded debt outstanding of \$9,280,000, all of which 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 (\$2,180,735) or (8.9%) during FY2016.



**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 2016 assessed valuation of \$1,120,947,921, the City's general obligation debt limit is \$44,837,917. The City presently has no general obligation bonds outstanding. For more detailed information on the City's debt, see pages 47-49 in the Notes to the Financial Statements.

### **Requests for Information**

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

# **BASIC FINANCIAL STATEMENTS**

**BASIC FINANCIAL  
STATEMENTS**



**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Net Position**  
**June 30, 2016**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 24,203,786	\$ 84,483,629	\$ 108,687,415
Receivables (net, where applicable, of allowances for uncollectibles):	1,081,342	7,071,327	8,152,669
Accrued unbilled revenues	-	7,608,122	7,608,122
Intergovernmental receivable	12,379,987	-	12,379,987
Regulatory Asset	-	8,074,555	8,074,555
Internal balances	(1,100,000)	1,100,000	-
Inventories	186,658	7,512,554	7,699,212
Prepays	364,735	162,965	527,700
Restricted assets			
Temporarily restricted:			
Cash and cash equivalents	-	5,586,382	5,586,382
Capital assets (not being depreciated):			
Land	29,695,641	3,884,334	33,579,975
Construction in progress	14,684,454	56,176,511	70,860,965
Capital assets (net of accumulated depreciation):			
Land rights	-	2,218,772	2,218,772
Buildings	32,202,429	54,033,945	86,236,374
Improvements other than buildings	11,444,421	101,111,051	112,555,472
Equipment	9,167,451	165,545,320	174,712,771
Infrastructure	17,432,511	-	17,432,511
Total assets	<u>151,743,415</u>	<u>504,569,467</u>	<u>656,312,882</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pension	7,560,752	1,180,295	8,741,047
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	2,566,730	7,995,433	10,562,163
Wages and benefits payable	670,888	272,043	942,931
Other accrued liabilities	356,803	1,372,759	1,729,562
Accrued claims liabilities	-	271,000	271,000
Retainage deposits payable	57,167	-	57,167
Unearned revenue	42,475	-	42,475
Accrued interest payable	23,214	-	23,214
Customer deposits	-	3,924,475	3,924,475
Non-current liabilities:			
Due within one year	4,044,137	1,577,160	5,621,297
Due in more than one year	13,483,580	12,437,321	25,920,901
Net pension liability	60,455,945	13,823,719	74,279,664
Total liabilities	<u>81,700,939</u>	<u>41,673,910</u>	<u>123,374,849</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension	1,354,644	355,316	1,709,960
Deferred inflows from regulatory activity	-	3,255,087	3,255,087
Total deferred inflows of resources	<u>1,354,644</u>	<u>3,610,403</u>	<u>4,965,047</u>
<b>NET POSITION</b>			
Net investment in capital assets	104,540,398	370,083,482	474,623,880
Restricted for:			
Fire	102,906	-	102,906
Lodgers promotion	1,654,967	-	1,654,967
Capital projects	2,756,927	-	2,756,927
Debt service	209,948	1,661,907	1,871,855
Unrestricted (deficit)	(33,016,562)	88,720,060	55,703,498
Total net position	<u>\$ 76,248,584</u>	<u>\$ 460,465,449</u>	<u>\$ 536,714,033</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 36,120,890	\$ 10,483,519	\$ 3,700,730	\$ 374,090	\$ (21,562,551)	\$ -	\$ (21,562,551)
Police	18,127,957	1,090,033	605,005	-	(16,432,919)	-	(16,432,919)
Fire	10,680,758	-	950,411	-	(9,730,347)	-	(9,730,347)
Parks, recreation, cultural affairs	18,906,482	2,607,028	60,842	-	(16,238,612)	-	(16,238,612)
Public works	9,667,963	59,815	793,996	666,247	(8,147,905)	-	(8,147,905)
Interest on long-term debt	350,142	-	-	-	(350,142)	-	(350,142)
Total governmental activities	<u>93,854,192</u>	<u>14,240,395</u>	<u>6,110,984</u>	<u>1,040,337</u>	<u>(72,462,476)</u>	<u>-</u>	<u>(72,462,476)</u>
Business-type activities:							
Electric	90,435,253	102,230,879	-	1,020,091	-	12,815,717	12,815,717
Water	11,086,095	16,184,867	50,876	-	-	5,149,648	5,149,648
Wastewater	6,460,670	7,588,925	4,715	-	-	1,132,970	1,132,970
Sanitation	5,497,700	5,640,903	3,465	-	-	146,668	146,668
Total business-type activities	<u>113,479,718</u>	<u>131,645,574</u>	<u>59,056</u>	<u>1,020,091</u>	<u>-</u>	<u>19,245,003</u>	<u>19,245,003</u>
Total government	<u>\$ 207,333,910</u>	<u>\$ 145,885,969</u>	<u>\$ 6,170,040</u>	<u>\$ 2,060,428</u>	<u>(72,462,476)</u>	<u>19,245,003</u>	<u>(53,217,473)</u>
General revenues:							
Property taxes					1,936,699	-	1,936,699
Sales taxes					49,290,956	-	49,290,956
Franchise taxes					2,488,029	-	2,488,029
Gasoline taxes					528,361	-	528,361
Lodgers' taxes					2,218,939	-	2,218,939
Environmental taxes					-	1,251,293	1,251,293
Miscellaneous					1,004,418	-	1,004,418
Unrestricted investment earnings					263,798	776,699	1,040,497
Transfers					6,869,616	(6,869,616)	-
Total general revenues and transfers					<u>64,600,816</u>	<u>(4,841,624)</u>	<u>59,759,192</u>
Change in net position					<u>(7,861,660)</u>	<u>14,403,379</u>	<u>6,541,719</u>
Net position - beginning					<u>84,110,244</u>	<u>446,062,070</u>	<u>530,172,314</u>
Net position - ending					<u>\$ 76,248,584</u>	<u>\$ 460,465,449</u>	<u>\$ 536,714,033</u>

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

**CITY OF FARMINGTON, NEW MEXICO**

**Balance Sheet  
Governmental Funds  
June 30, 2016**

	<u>General</u>	<u>Gross Receipts Tax Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental funds</u>
<b>ASSETS:</b>				
Cash and investments	\$ 9,162,985	\$ 5,204,271	\$ 8,041,352	\$ 22,408,608
Receivables (net, where applicable, of allowances for uncollectibles)	301,415	1,000	468	302,883
Due from other funds	383,443	-	-	383,443
Inventories, at cost	186,658	-	-	186,658
Prepaid items	356,301	8,434	-	364,735
Intergovernmental	8,646,280	1,421,499	2,312,208	12,379,987
Total assets	<u>\$ 19,037,082</u>	<u>\$ 6,635,204</u>	<u>\$ 10,354,028</u>	<u>\$ 36,026,314</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>				
Liabilities:				
Accounts payable	\$ 660,737	\$ 841,617	\$ 1,064,376	\$ 2,566,730
Wages and benefits payable	634,139	656	36,093	670,888
Other accrued liabilities	37,476	-	-	37,476
Accrued claims payable	3,225,553	-	-	3,225,553
Retainage/deposits payable	57,167	-	-	57,167
Unearned revenue	-	-	42,475	42,475
Due to other funds	-	-	383,443	383,443
Advance from other funds	-	-	1,100,000	1,100,000
Total liabilities	<u>4,615,072</u>	<u>842,273</u>	<u>2,626,387</u>	<u>8,083,732</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue - property taxes	<u>2,036,927</u>	<u>-</u>	<u>-</u>	<u>2,036,927</u>
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories and prepaids	542,959	8,434	-	551,393
Restricted to:				
Fire	-	-	102,906	102,906
Lodgers' promotion	-	-	1,654,967	1,654,967
Capital projects	-	-	2,756,927	2,756,927
Debt service	-	-	209,948	209,948
Committed to:				
Police	-	-	186,842	186,842
Parks, recreation, cultural affairs	-	-	1,186,189	1,186,189
Public works	-	5,784,497	-	5,784,497
Assigned to:				
Parks, recreation, cultural affairs	-	-	438,393	438,393
Library	-	-	292,482	292,482
Community development	-	-	147,172	147,172
Capital projects	-	-	1,688,870	1,688,870
Unassigned	11,842,124	-	(937,055)	10,905,069
Total fund balances	<u>12,385,083</u>	<u>5,792,931</u>	<u>7,727,641</u>	<u>25,905,655</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,037,082</u>	<u>\$ 6,635,204</u>	<u>\$ 10,354,028</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	114,626,907
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,036,927
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 position.	1,477,556
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(13,548,624)
Net pension liability	(60,455,945)
Deferred outflows from pension	7,560,752
Deferred inflows from pension	(1,354,644)
Net position of governmental activities	<u>\$ 76,248,584</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	<u>General</u>	<u>Gross Receipts Tax Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 1,896,036	\$ -	\$ -	\$ 1,896,036
Gross receipts tax	39,279,951	7,508,254	2,502,751	49,290,956
Franchise taxes	2,488,029	-	-	2,488,029
Gasoline taxes	-	528,361	-	528,361
Lodgers' taxes/fees	-	-	2,218,939	2,218,939
Licenses and permits	605,712	-	7,841	613,553
Intergovernmental:				
Federal	351,259	289,996	2,429,415	3,070,670
State	132,799	504,000	2,186,250	2,823,049
Other	1,157,126	-	100,476	1,257,602
Charges for services	3,054,742	-	301,313	3,356,055
Fines	911,070	-	140,931	1,052,001
Investment earnings	99,724	56,113	87,702	243,539
Miscellaneous	714,288	13,998	276,126	1,004,412
Total revenues	<u>50,690,736</u>	<u>8,900,722</u>	<u>10,251,744</u>	<u>69,843,202</u>
<b>EXPENDITURES:</b>				
Current:				
General government	20,380,590	-	1,835,175	22,215,765
Police	17,657,194	-	901,274	18,558,468
Fire	9,273,544	-	572,835	9,846,379
Parks, recreation, and cultural affairs	10,969,349	-	4,029,062	14,998,411
Public works	568,766	5,602,121	-	6,170,887
Debt service:				
Principal	-	-	1,280,467	1,280,467
Interest	-	-	352,200	352,200
Capital outlay:				
General government	-	-	4,189,716	4,189,716
Police	-	-	165,271	165,271
Fire	-	-	145,410	145,410
Parks, recreation, and cultural affairs	-	-	1,031,227	1,031,227
Airport	-	-	313,401	313,401
Highways and streets	-	3,726,825	853,052	4,579,877
Total expenditures	<u>58,849,443</u>	<u>9,328,946</u>	<u>15,669,090</u>	<u>83,847,479</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,158,707)</u>	<u>(428,224)</u>	<u>(5,417,346)</u>	<u>(14,004,277)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	9,897,547	-	9,399,906	19,297,453
Transfers out	<u>(7,630,523)</u>	<u>(1,086,577)</u>	<u>(3,710,737)</u>	<u>(12,427,837)</u>
Total other financing sources (uses)	<u>2,267,024</u>	<u>(1,086,577)</u>	<u>5,689,169</u>	<u>6,869,616</u>
Net change in fund balances	(5,891,683)	(1,514,801)	271,823	(7,134,661)
Fund balances-beginning	18,276,766	7,307,732	7,455,818	33,040,316
Fund balances-ending	<u>\$ 12,385,083</u>	<u>\$ 5,792,931</u>	<u>\$ 7,727,641</u>	<u>\$ 25,905,655</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2016**

Amounts reported for governmental activities in the statement of activities (page 20) are different because:

Net change in fund balances-total governmental funds (page 22)	\$ (7,134,661)
Governmental funds report capital outlays as expenditures. However, in the statements 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.	(1,743,751)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	40,663
The issuance of long-term debt (e.g. bonds, leases) provide 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 position. 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.	1,325,432
The net revenue/expense of certain activities of internal services funds is reported with governmental activities.	(179,655)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	<u>(169,688)</u>
Change in net position of governmental activities (page 20)	<u>\$ (7,861,660)</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 1,807,102	\$ 1,807,102	\$ 1,894,951	\$ 87,849
Gross receipts tax	40,371,865	40,371,865	39,629,134	(742,731)
Franchise taxes	2,457,080	2,457,080	2,482,669	25,589
Licenses and permits	620,250	620,250	605,712	(14,538)
Intergovernmental:				
Federal	66,338	105,217	347,084	241,867
State	10,000	89,159	130,570	41,411
Other	1,106,594	1,124,264	1,157,827	33,563
Charges for services	3,182,029	3,365,029	3,018,701	(346,328)
Fines	1,157,000	1,157,000	911,070	(245,930)
Investment earnings	110,000	110,000	97,179	(12,821)
Miscellaneous	289,504	289,504	711,864	422,360
Total revenues	51,177,762	51,496,470	50,986,761	(509,709)
<b>EXPENDITURES:</b>				
Current:				
General government:				
Council	324,816	324,816	304,004	20,812
Municipal court	2,532,240	2,532,240	2,266,317	265,923
Administrative	9,695,555	9,700,161	9,581,635	118,526
Legal	801,700	820,700	1,636,188	(815,488)
Administrative services	831,109	831,109	783,287	47,822
General services	4,558,179	4,752,432	4,894,803	(142,371)
Community development	971,191	971,191	901,687	69,504
Total general government	19,714,790	19,932,649	20,367,921	(435,272)
Public safety:				
Police	17,966,708	18,065,070	17,669,153	395,917
Fire	9,213,902	9,213,902	9,273,544	(59,642)
Total public safety	27,180,610	27,278,972	26,942,697	336,275
Public works	895,528	895,528	564,125	331,403
Parks, recreation, and cultural affairs	11,438,308	11,438,308	10,915,796	522,512
Total expenditures	59,229,236	59,545,457	58,790,539	754,918
Excess (deficiency) of revenues over (under) expenditures	(8,051,474)	(8,048,987)	(7,803,778)	245,209
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	9,789,846	9,847,640	9,897,547	49,907
Transfers out	(5,569,303)	(7,602,592)	(7,630,523)	(27,931)
Total other financing sources (uses)	4,220,543	2,245,048	2,267,024	21,976
Net change in fund balances	(3,830,931)	(5,803,939)	(5,536,754)	\$ 267,185
<b>ADJUSTMENTS TO GAAP:</b>				
Change in receivables			41,010	
Change in intergovernmental			(337,035)	
Change in accrued payables			(58,904)	
			(354,929)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(5,891,683)	
Fund balances-beginning	18,276,766	18,276,766	18,276,766	
Fund balances-ending	\$ 14,445,835	\$ 12,472,827	\$ 12,385,083	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Gross Receipts Tax Streets Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Gross receipts taxes	\$ 8,132,810	\$ 8,132,810	\$ 7,710,742	\$ (422,068)
Intergovernmental				
Federal	-	-	344,884	344,884
State	504,000	504,000	504,000	-
Gasoline taxes	579,470	579,470	534,923	(44,547)
Investment earnings	60,000	60,000	54,838	(5,162)
Miscellaneous	500	500	13,998	13,498
Total revenues	9,276,780	9,276,780	9,163,385	(113,395)
<b>EXPENDITURES:</b>				
Current:				
Public Works	6,470,013	6,470,013	5,947,304	522,709
Capital Outlay:				
Highways and streets	5,371,000	5,371,000	4,591,556	779,444
Total expenditures	11,841,013	11,841,013	10,538,860	1,302,153
Excess (deficiency) of revenues over (under) expenditures	(2,564,233)	(2,564,233)	(1,375,475)	1,188,758
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(1,086,577)	(1,086,577)	(1,086,577)	-
Net change in fund balances	(3,650,810)	(3,650,810)	(2,462,052)	\$ <u>1,188,758</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts receivable			(209,050)	
Change in intergovernmental receivable - federal			(54,888)	
Change in fair market value - investments			1,275	
Change in accounts payable			1,209,914	
			947,251	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			(1,514,801)	
Fund balances - beginning	7,307,732	7,307,732	7,307,732	
Fund balances - ending	\$ 3,656,922	\$ 3,656,922	\$ 5,792,931	

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

CITY OF FARMINGTON, NEW MEXICO  
Statement of Net Position  
Proprietary Funds  
June 30, 2016

	Business-type Activities Enterprise Funds				Totals	Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation		
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 60,262,255	\$ 13,643,003	\$ 7,925,801	\$ 2,652,570	\$ 84,483,629	\$ 1,795,178
Accounts receivable (net of allowance for doubtful accounts)	4,803,311	1,258,201	687,447	322,368	7,071,327	778,459
Accrued unbilled revenues	5,970,422	1,017,214	370,524	249,962	7,608,122	-
Regulatory asset	8,074,555	-	-	-	8,074,555	-
Inventories	7,512,554	-	-	-	7,512,554	-
Prepaid items	125,131	14,853	22,981	-	162,965	-
Restricted cash, cash equivalents and investments	3,489,114	435,361	1,661,907	-	5,586,382	-
Total current assets	90,237,342	16,368,632	10,668,660	3,224,900	120,499,534	2,573,637
Noncurrent assets:						
Advance to other funds	1,100,000	-	-	-	1,100,000	-
Capital assets:						
Land and land rights	3,624,763	3,036,947	479,388	23,341	7,164,439	-
Building and system	73,114,469	14,021,188	24,306,649	80,323	111,522,629	-
Improvements other than buildings	80,853,262	64,056,655	19,152,539	-	164,062,456	-
Machinery and equipment	320,435,711	11,262,175	4,884,074	99,706	336,681,666	-
Construction in progress	40,091,153	10,842,489	5,242,869	-	56,176,511	-
Less accumulated depreciation	(226,271,183)	(41,985,057)	(24,297,882)	(83,646)	(292,637,768)	-
Total capital assets	291,848,175	61,234,397	29,767,637	119,724	382,969,933	-
(net of accumulated depreciation)	291,848,175	61,234,397	29,767,637	119,724	382,969,933	-
Total noncurrent assets	383,185,517	77,603,029	40,436,297	3,344,624	504,569,467	2,573,637
Total assets						
	\$ 1,128,005	\$ 27,059	\$ 20,234	\$ 4,997	\$ 1,180,295	\$ -
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred amount on pension						

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	Business-type Activities					Governmental Activities
	Enterprise Funds					
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Totals	
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 5,689,588	\$ 1,380,487	\$ 278,114	\$ 647,244	\$ 7,995,433	\$ -
Accrued liabilities	1,495,994	143,166	4,638	1,004	1,644,802	319,327
Compensated absences	612,927	15,950	15,950	-	644,827	-
Accrued claims payable	196,000	35,000	40,000	-	271,000	776,754
Liabilities payable - restricted assets	3,489,114	435,361	-	-	3,924,475	-
NMED loan	-	-	709,119	-	709,119	-
NMFA loan	-	223,214	-	-	223,214	-
Total current liabilities	<u>11,483,623</u>	<u>2,233,178</u>	<u>1,047,821</u>	<u>648,248</u>	<u>15,412,870</u>	<u>1,096,081</u>
Noncurrent liabilities:						
Compensated absences	408,451	37,376	37,376	-	483,203	-
NMED loan	-	-	7,420,140	-	7,420,140	-
NMFA loan	-	4,533,978	-	-	4,533,978	-
Net Pension Liability	13,256,152	294,665	214,522	58,380	13,823,719	-
Total noncurrent liabilities	<u>13,664,603</u>	<u>4,866,019</u>	<u>7,672,038</u>	<u>58,380</u>	<u>26,261,040</u>	<u>-</u>
Total liabilities	<u>25,148,226</u>	<u>7,099,197</u>	<u>8,719,859</u>	<u>706,628</u>	<u>41,673,910</u>	<u>1,096,081</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred amount on pension	340,727	7,574	5,514	1,501	355,316	-
Deferred amount on regulatory activity	3,255,087	-	-	-	3,255,087	-
Total deferred inflows of resources	<u>3,595,814</u>	<u>7,574</u>	<u>5,514</u>	<u>1,501</u>	<u>3,610,403</u>	<u>-</u>
<b>NET POSITION</b>						
Net investment in capital assets	291,848,175	56,477,205	21,638,378	119,724	370,083,482	-
Restricted for debt service	-	-	1,661,907	-	1,661,907	-
Unrestricted	63,721,307	14,046,112	8,430,873	2,521,768	88,720,060	1,477,556
Total net position	<u>\$ 355,569,482</u>	<u>\$ 70,523,317</u>	<u>\$ 31,731,158</u>	<u>\$ 2,641,492</u>	<u>\$ 460,465,449</u>	<u>\$ 1,477,556</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-type Activities Enterprise Funds					Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Totals	
Operating revenues:						
Charges for sales and services:						
Electric	\$ 101,173,657	\$ -	\$ -	\$ -	\$ 101,173,657	\$ -
Water	-	16,156,608	-	-	16,156,608	-
Wastewater	-	-	7,585,270	-	7,585,270	-
Sanitation	-	-	-	5,546,447	5,546,447	-
Health	-	-	-	-	-	9,218,786
Other revenues	1,057,222	28,259	3,655	94,456	1,183,592	-
Total operating revenues	<u>102,230,879</u>	<u>16,184,867</u>	<u>7,588,925</u>	<u>5,640,903</u>	<u>131,645,574</u>	<u>9,218,786</u>
Operating expenses:						
Salaries and fringe benefits	12,989,421	723,574	384,459	81,572	14,179,026	-
Purchased power, fuel and chemicals	40,642,782	-	-	-	40,642,782	-
Other operating expenses	18,763,939	7,644,529	4,389,934	5,412,805	36,211,207	9,418,706
Depreciation and amortization	18,039,111	2,620,082	1,421,745	3,323	22,084,261	-
Total operating expenses	<u>90,435,253</u>	<u>10,988,185</u>	<u>6,196,138</u>	<u>5,497,700</u>	<u>113,117,276</u>	<u>9,418,706</u>
Operating income (loss)	<u>11,795,626</u>	<u>5,196,682</u>	<u>1,392,787</u>	<u>143,203</u>	<u>18,528,298</u>	<u>(199,920)</u>
Nonoperating revenues (expenses):						
Intergovernmental-environmental tax	-	-	1,251,293	-	1,251,293	-
Investment earnings	541,077	133,185	79,224	23,213	776,699	20,265
Revenue from grants	-	50,876	4,715	3,465	59,056	-
Interest expense	-	(97,910)	(264,532)	-	(362,442)	-
Total nonoperating revenues (expenses)	<u>541,077</u>	<u>86,151</u>	<u>1,070,700</u>	<u>26,678</u>	<u>1,724,606</u>	<u>20,265</u>
Income (loss) before transfers	<u>12,336,703</u>	<u>5,282,833</u>	<u>2,463,487</u>	<u>169,881</u>	<u>20,252,904</u>	<u>(179,655)</u>
Capital contributions	1,020,091	-	-	-	1,020,091	-
Transfers in	16,512	-	-	-	16,512	-
Transfers out	(5,687,378)	(812,723)	(386,027)	-	(6,886,128)	-
Change in net position	<u>7,685,928</u>	<u>4,470,110</u>	<u>2,077,460</u>	<u>169,881</u>	<u>14,403,379</u>	<u>(179,655)</u>
Net position - beginning	<u>347,883,554</u>	<u>66,053,207</u>	<u>29,653,698</u>	<u>2,471,611</u>	<u>446,062,070</u>	<u>1,657,211</u>
Net position - ending	<u>\$ 355,569,482</u>	<u>\$ 70,523,317</u>	<u>\$ 31,731,158</u>	<u>\$ 2,641,492</u>	<u>\$ 460,465,449</u>	<u>\$ 1,477,556</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-type Activities				Governmental Activities	
	Enterprise Funds					
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Totals	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers/users	\$ 110,875,127	\$ 15,736,408	\$ 7,648,880	\$ 5,611,905	\$ 139,872,320	\$ 8,911,331
Payments to suppliers	(60,824,057)	(6,800,782)	(4,310,362)	(5,389,537)	(77,324,738)	(9,246,853)
Payments to employees	(13,462,362)	(704,599)	(387,632)	(83,492)	(14,638,085)	-
Net cash provided (used) by operating activities	<u>36,588,708</u>	<u>8,231,027</u>	<u>2,950,886</u>	<u>138,876</u>	<u>47,909,497</u>	<u>(335,522)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfer to other funds	(5,687,378)	(812,723)	(386,027)	-	(6,886,128)	-
Transfer from other funds	16,512	-	-	-	16,512	-
Grants-federal	-	50,876	4,715	3,465	59,066	-
Intergovernmental-environmental tax	-	-	1,251,293	-	1,251,293	-
Net cash provided (used) by capital and related financing activities	<u>(5,670,866)</u>	<u>(761,847)</u>	<u>869,981</u>	<u>3,465</u>	<u>(5,559,267)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital contributions	1,020,091	-	-	-	1,020,091	-
Acquisition and construction of capital assets	(29,459,130)	(6,979,321)	(3,511,338)	(99,706)	(40,049,495)	-
Principal paid on capital debt	-	(211,803)	(688,465)	-	(900,268)	-
Interest paid on capital debt	-	(97,910)	(264,532)	-	(362,442)	-
Net cash used by capital and related financing activities	<u>(28,439,039)</u>	<u>(7,289,034)</u>	<u>(4,464,335)</u>	<u>(99,706)</u>	<u>(40,292,114)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest and dividends received	541,077	133,185	79,224	23,213	776,699	20,265
Net increase (decrease) in cash and cash equivalents	3,019,880	313,331	(564,244)	65,848	2,834,815	(315,257)
Cash and cash equivalents - beginning	60,731,489	13,765,033	10,151,952	2,586,722	87,235,196	2,110,435
Cash and cash equivalents - ending	<u>\$ 63,751,369</u>	<u>\$ 14,078,364</u>	<u>\$ 9,587,708</u>	<u>\$ 2,652,570</u>	<u>\$ 90,070,011</u>	<u>\$ 1,795,178</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	Business-type Activities Enterprise Funds					Totals	Governmental Activities Internal Service Fund
	Electric Utility	Water Utility	Wastewater Utility	Sanitation	Totals		
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>							
Operating income (loss)	\$ 11,795,626	\$ 5,196,682	\$ 1,392,787	\$ 143,203	\$ 18,528,298	\$ (199,920)	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation and amortization	18,039,111	2,620,082	1,421,745	3,323	22,084,261	-	
(Increase) decrease in accounts receivable	(887,940)	(225,736)	156,740	(7,762)	(964,698)	(307,455)	
(Increase) decrease in accrued unbilled revenues	(439,348)	(220,201)	(96,785)	(21,236)	(777,570)	-	
(Increase) decrease in regulatory asset	3,015,215	-	-	-	3,015,215	-	
(Increase) decrease in inventories	(1,081,376)	-	-	-	(1,081,376)	-	
(Increase) decrease in prepaid items	(18,373)	(5,698)	(16,613)	-	(40,684)	-	
(Increase) decrease in deferred outflow on pension	(99,050)	(4,181)	(3,573)	(459)	(107,263)	-	
Increase (decrease) in other accrued expenses	(472,941)	18,975	(3,173)	(1,920)	(459,059)	-	
Increase (decrease) in accrued claims payable	(25,000)	(25,000)	(20,000)	-	(70,000)	171,853	
Increase (decrease) in customer deposits	487,508	(2,522)	-	-	484,986	-	
Increase (decrease) in accounts payable	113,748	862,852	101,633	5,759	1,083,992	-	
Increase (decrease) in net pension liability	3,266,840	88,857	69,461	28,268	3,453,426	-	
Increase (decrease) in deferred inflow on pension	(3,574,125)	(73,083)	(51,336)	(10,300)	(3,708,844)	-	
Increase (decrease) in deferred inflow on regulatory activity	6,468,813	-	-	-	6,468,813	-	
Total adjustments	24,793,082	3,034,345	1,558,099	(4,327)	29,381,199	(135,602)	
Net cash provided (used) by operating activities	\$ 36,588,708	\$ 8,231,027	\$ 2,950,886	\$ 138,876	\$ 47,909,497	\$ (335,522)	

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

# **NOTES TO FINANCIAL STATEMENTS**

**NOTES TO THE  
FINANCIAL STATEMENTS**



**CITY OF FARMINGTON, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2016**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Farmington (City), New Mexico, which was incorporated in 1901, has a population of 42,871 living within an area of 34.6 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, 2016.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. 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.

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.

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. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The utilities also recognize as operating revenue the portion of tap fees intended to

recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is city policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

##### ***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. There are no investments held in the State Treasurer's Investment Pool as of June 30, 2016.

##### ***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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### ***4. Regulatory Activities***

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/deferred inflow of resources is recorded depending on the account balance. The PCA at year end became a deferred inflow of resources and is recorded on the statement of net position (\$3,255,087 as of June 30, 2016) and the related reduction in revenue is part of electric charges for services recorded on the statement of activities (\$6,468,813 for the year ended June 30, 2016).

The City's electric utility incurs large maintenance costs for their two generation plants, Bluffview and Animas Power Plants. The electric utility has the ability to charge rates that are intended to produce revenue to recover these maintenance costs. The City intends to include these allowable costs in periods other than just the current period. This regulatory asset was \$8,074,555 as of June 30, 2016.

### ***5. Restricted assets***

Certain resources of enterprise funds are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants or other restrictions. The NMED debt service reserve and replacement reserve accounts are used to segregate resources accumulated for future debt service payments. The amount paid to the San Juan Coal Company trust for reclamation costs is also classified as a restricted asset. Customer deposits, as well as customer overpayments, are also classified as restricted assets. The deposits and overpayments remain the property of the customers, and the restricted account reports these assets separately from current assets available for operations to demonstrate the fiduciary relationship with the customers.

### ***6. Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Such assets, including infrastructure, have higher limits that must be met before they are capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Computer software costs, whether externally purchased or developed in-house, shall be capitalized if the total cost of the software equals or exceeds \$5,000 and has a life of at least two years. Library books are not capitalized.

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

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

**7. Compensated absences**

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

**8. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. As a result of implementing GASB Statement No.68, the City has recognized deferred outflows of resources for its FY2016 pension contributions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Again, as part of implementing GASB Statement No. 68, the City has recognized deferred inflows of resources for its pension liability based on actuarial valuation that was performed. In addition, the City also has deferred inflows of resources for regulatory activity. For details regarding regulatory activities, refer to Note I.D.4.

For additional pension information, refer to Note V.D.

**9. Net Position**

In the government-wide financial statements and proprietary fund financial statements, net position is reported in three categories: net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position represents restrictions by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments). The City's restricted net position in the government-wide financial statements are \$6,386,655 as of June 30, 2016.

## **10. Net position flow assumption**

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

## **11. Fund balance flow assumptions**

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

## **12. Fund balance policies**

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

As of June 30, 2016, 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 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 nor committed. Intent is expressed by (1) the City Council or by (2) the City Manager to which the City Council has delegated the authority to assign amounts to be used for specific purposes.

*Unassigned* — amounts in the general fund and nonmajor governmental funds that have not been restricted, committed, or assigned to specific purposes within the general fund.

As of June 30, 2016, fund balances are composed of the following:

	<b>General Fund</b>	<b>Gross Receipts Tax Streets Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Nonspendable:				
Inventories/prepays	\$ 542,959	\$ 8,434	\$ -	\$ 551,393
Restricted:				
Fire	-	-	102,906	102,906
Lodgers’ promotion	-	-	1,654,967	1,654,967
Capital projects	-	-	2,756,927	2,756,927
Debt service	-	-	209,948	209,948
Committed:				
Police	-	-	186,842	186,842
Parks, rec, cultural affairs	-	-	1,186,189	1,186,189
Public works	-	5,784,497	-	5,784,497
Assigned:				
Parks, rec, cultural affairs	-	-	438,393	438,393
Library	-	-	292,482	292,482
Community development	-	-	147,172	147,172
Capital projects	-	-	1,688,870	1,688,870
Unassigned	11,842,124	-	(937,055)	10,905,069
Total fund balances	<u>\$ 12,385,083</u>	<u>\$ 5,792,931</u>	<u>\$ 7,727,641</u>	<u>\$ 25,905,655</u>

### 13. 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 position

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. 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 \$13,548,624 difference are as follows:

Bond payable	\$ 9,280,000
Bond premium (to be amortized over the life of the debt)	509,426
Accrued interest payable	23,214
NMFA loan payable	297,083
Compensated absences payable	<u>3,438,901</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$ <u>13,548,624</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balance-total governmental funds* and *changes in net position 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 \$1,743,751 difference are as follows:

Capital outlay	\$ 7,819,352
Depreciation	<u>(9,563,103)</u>
Net adjustment to decrease <i>net changes in fund balance – total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	\$ <u>(1,743,751)</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. 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 \$1,325,432 are as follows:

Principal repayments	\$ 1,280,467
Amortization of bond premium	64,476
Accrued interest	2,058
Compensated absences	<u>(21,569)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>1,325,432</u>

Another element of that reconciliation states that: “the net revenue/expense of certain activities of internal service funds is reported with governmental funds.” The details of this \$179,655 difference are as follows:

Internal service charges for services and other non-operating revenue	\$ 9,239,051
Internal service operating expenses	<u>(9,418,706)</u>
Net adjustment to decrease <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>(179,655)</u>

### III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary information

Annual budgets are adopted for all funds. All budgets are prepared on a basis consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at fiscal year end. Carryover funds must be appropriated in the budget of the subsequent fiscal year.

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

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, 2016:

General Fund	\$	115,901
Gross Receipts Tax Streets Fund		1,059,974
Gross Receipts Tax Parks Fund		57,274
Parks/Rec Gifts and Grants Fund		56,890
Red Apple Grant Fund		10,581
CDBG Fund		14,422
Lodgers' Tax Fund		23,650
Region II Narcotics Grant Fund		70
State Fire Grant Fund		92,054
Community Development Capital Projects Fund		14,765
General Government Capital Projects Fund		584,117
Electric Utility Fund		1,864,384
Water Utility Fund		4,267,085
Wastewater Utility Fund		1,695,490
Sanitation Fund		13,068
Health Insurance Fund		1,700
<b>Total Encumbrances</b>	<b>\$</b>	<b>9,871,425</b>

## B. Excess of expenditures over appropriations

Expenditures for all funds were within budgeted appropriations for FY2016.

## C. Deficit Fund Equity

As of June 30, 2016, the convention center capital projects fund had a deficit fund balance of (\$937,055). This is a new fund created to account for capital expenditures for Civic Center improvements and will be funded by a new convention center lodgers fee enacted in March of 2015. The FY2016 capital expenditures in this fund were funded by a \$1,100,000 inter-fund loan from the electric utility fund. The loan will be repaid as the new fees are collected and it is expected that this fund will have a positive fund balance in the very near future.

## IV. DETAILED NOTES ON ALL FUNDS

### A. Deposits and investments

Cash and investments	
Governmental activities	\$ 24,203,786
Business activities	84,483,629
Restricted cash and investments	
Business activities	5,586,382
Total cash and investments	<u>\$ 114,273,797</u>

As of June 30, 2016, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Weighted Average Maturity (Years)</u>
Money markets	\$ 5,156,688	\$ 5,156,688	-	-	0.08
Certificates of deposit	69,000,000	69,000,000	-	-	1.18
Federal agency securities	<u>35,014,107</u>	<u>35,014,107</u>	-	-	<u>2.86</u>
Total Fair Value	<u>\$ 109,170,795</u>	<u>\$ 109,170,795</u>			
Portfolio weighted average maturity					<u>1.76</u>

Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities or offer same day liquidity at a price of par.

**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).

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, 2016, with more than 5% of the total in securities of the federal agency securities. These investments represented 32% of total investments.

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

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy and state statute require that the bank deposits be 50% collateralized and repurchase agreements be 102% collateralized. As of June 30, 2016, the City was in compliance with state statute. The City’s carrying amount of deposits as of June 30, 2016, was \$77,904,475 and the bank balance was \$79,984,260. Of the bank balance, \$1,000,000 was covered by federal depository insurance, \$54,605,347 was collateralized with securities held by the pledging financial institution’s trust department or agent in the City’s name, and \$24,378,913 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, 2016, 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%.

Ratios	Banking Institutions Percentage Level of Collateralization Required		
	50%	75%	100%
<u>Primary Capital</u> Assets	Above 6%	5% - 6%	Less than 5%
<u>Net Operating Income</u> Total Average Assets	Above .60%	.051% - .60%	Less than .51%
<u>Non-Performing Loans</u> Primary Capital	Under 35%	35% - 49.9%	Above 49.9%

**Savings and Loan Institutions  
Percentage Level of Collateralization Required**

Ratios	50%	75%	100%
<u>Net Worth</u> Average Assets	Above 3%	2% - 3%	Less than 2%
4 Qtrs Avg Net <u>Income Before Tax</u> 4 Qtrs Avg Assets	Above .3%	.2% - .3%	Less than .2%
2 Consecutive Quarters of After Tax Losses		Yes	
3 Consecutive Quarters of After Tax Losses			Yes

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

**B. Receivables**

Receivables as of June 30, 2016, are as follows:

	General	Gross Receipts Tax Streets	Nonmajor Govern- mental Funds	Enterprise	Internal Service Fund	Total
<b>Receivables:</b>						
Accounts Receivable	\$ 301,415	\$ 1,000	\$ 468	\$ 7,563,783	\$ 778,459	\$ 8,645,125
Unbilled Revenue	-	-	-	7,608,122	-	7,608,122
Intergovernmental	8,646,280	1,421,499	2,312,208	-	-	12,379,987
Gross Receivables	8,947,695	1,422,499	2,312,676	15,171,905	778,459	28,633,234
<b>Less:</b> Allowance for Uncollectibles	-	-	-	(492,456)	-	(492,456)
<b>Net Total Receivables:</b>	<u>\$ 8,947,695</u>	<u>\$ 1,422,499</u>	<u>\$ 2,312,676</u>	<u>\$ 14,679,449</u>	<u>\$ 778,459</u>	<u>\$ 28,140,778</u>

Intergovernmental receivables are made up of the following amounts in the general and special revenue funds: gross receipts taxes \$7,968,813, property taxes \$2,036,927, federal and state grants \$1,874,411, franchise taxes \$131,271, lodgers' taxes and fees \$325,968, and other taxes \$42,597.

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	\$ 87,009
Uncollectibles related to water sales	29,440
Uncollectibles related to wastewater charges	13,516
Uncollectibles related to sanitation charges	5,675
Total uncollectibles of the current fiscal year	<u>\$ 135,640</u>

## C. Capital assets

Capital asset activity for the year ended June 30, 2016, was as follows:

<b>Governmental activities:</b>	Balance July 1, 2015	Transfers	Additions	Deletions	Balance June 30, 2016
Non-Depreciable Assets:					
Land	\$ 29,552,553	\$ -	\$ 143,088	\$ -	\$ 29,695,641
Construction in progress	16,145,204	-	6,094,569	(7,555,319)	14,684,454
Total Non-Depreciable Assets	<u>45,697,757</u>	<u>-</u>	<u>6,237,657</u>	<u>(7,555,319)</u>	<u>44,380,095</u>
Depreciable Assets:					
Buildings	75,378,615	-	668,345	(70,000)	75,976,960
Improvements other than buildings	32,769,663	-	504,429	(54,666)	33,219,426
Equipment	34,718,095	-	3,141,506	(2,107,039)	35,752,562
Infrastructure	70,092,832	-	4,876,784	-	74,969,616
Total Depreciable Assets	<u>212,959,205</u>	<u>-</u>	<u>9,191,064</u>	<u>(2,231,705)</u>	<u>219,918,564</u>
Total Governmental Asset	<u>258,656,962</u>	<u>-</u>	<u>15,428,721</u>	<u>(9,787,024)</u>	<u>264,298,659</u>
Accumulated Depreciation:					
Buildings	(41,868,555)	-	(1,963,463)	57,487	(43,774,531)
Improvements other than buildings	(19,878,045)	-	(1,926,484)	29,524	(21,775,005)
Equipment	(26,315,662)	-	(2,360,093)	2,090,644	(26,585,111)
Infrastructure	(54,224,042)	-	(3,313,063)	-	(57,537,105)
Total Accumulated Depreciation	<u>(142,286,304)</u>	<u>-</u>	<u>(9,563,103)</u>	<u>2,177,655</u>	<u>(149,671,752)</u>
Net Governmental Assets	<u>\$ 116,370,658</u>	<u>\$ -</u>	<u>\$ 5,865,618</u>	<u>\$ (7,609,369)</u>	<u>\$ 114,626,907</u>
<b>Business-type activities:</b>	Balance July 1, 2015	Transfers	Additions	Deletions	Balance June 30, 2016
Non-Depreciable Assets:					
Land	\$ 3,884,334	\$ -	\$ -	\$ -	\$ 3,884,334
Construction in progress	39,920,023	-	37,626,590	(21,370,102)	56,176,511
Total Non-Depreciable Assets	<u>43,804,357</u>	<u>-</u>	<u>37,626,590</u>	<u>(21,370,102)</u>	<u>60,060,845</u>
Depreciable Assets:					
Land Rights	3,280,105	-	-	-	3,280,105
Buildings	112,346,159	(102,316)	196,604	(917,818)	111,522,629
*Improvements other than buildings	157,340,730	-	6,860,461	(138,735)	164,062,456
Equipment	329,074,970	102,316	13,101,463	(5,597,083)	336,681,666
Total Depreciable Assets	<u>602,041,964</u>	<u>-</u>	<u>20,158,528</u>	<u>(6,653,636)</u>	<u>615,546,856</u>
Total Business-type Assets	<u>645,846,321</u>	<u>-</u>	<u>57,785,118</u>	<u>(28,023,738)</u>	<u>675,607,701</u>
Accumulated Depreciation:					
Land rights	(1,022,745)	-	(38,588)	-	(1,061,333)
Buildings	(55,277,263)	-	(3,129,239)	917,818	(57,488,684)
*Improvements other than buildings	(59,021,442)	-	(4,689,461)	759,498	(62,951,405)
Equipment	(165,520,172)	-	(11,211,758)	5,595,584	(171,136,346)
Total Accumulated Depreciation	<u>(280,841,622)</u>	<u>-</u>	<u>(19,069,046)</u>	<u>7,272,900</u>	<u>(292,637,768)</u>
Net Business-type Assets	<u>\$ 365,004,699</u>	<u>\$ -</u>	<u>\$ 38,716,072</u>	<u>\$ (20,750,838)</u>	<u>\$ 382,969,933</u>

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

## Business-type Capital Assets – by fund

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>
Land and Land Rights	\$ 3,624,763	\$ 3,036,947	\$ 479,388	\$ 23,341
Buildings and Structures	73,114,469	14,021,188	24,306,649	80,323
Improvements other than buildings	80,853,262	64,056,655	19,152,539	-
Equipment	320,435,711	11,262,175	4,884,074	99,706
Total	<u>478,028,205</u>	<u>92,376,965</u>	<u>48,822,650</u>	<u>203,370</u>
Less accumulated depreciation	(226,271,183)	(41,985,057)	(24,297,882)	(83,646)
Construction in progress	40,091,153	10,842,489	5,242,869	-
Net Enterprise Capital Assets	<u>\$ 291,848,175</u>	<u>\$ 61,234,397</u>	<u>\$ 29,767,637</u>	<u>\$ 119,724</u>

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

### Governmental activities:

General government	\$ 905,681
Airport	1,171,486
Police	537,615
Fire	757,783
Parks, recreation, cultural affairs	2,149,495
Public works/Community development	277,211
Highways and streets	3,763,832
Total depreciation expense – governmental activities	<u>\$ 9,563,103</u>

### Business-type activities:

Electric	\$ 15,023,896
Water	2,620,082
Wastewater	1,421,745
Sanitation	3,323
Total depreciation expense – business-type activities	<u>\$ 19,069,046</u>

## D. Interfund receivables, payables and transfers

The composition of other accrued liabilities as of June 30, 2016, is as follows:

<u>Other Accrued Liabilities</u>	<u>Governmental Funds</u>
Taxes	\$ 8,427
Intergovernmental	11,836
Court collections	17,213
Miscellaneous insurance	319,327
	<u>\$ 356,803</u>

The composition of other accrued liabilities as of June 30, 2016, is as follows:

<u>Other Accrued Liabilities</u>	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>	<u>Total</u>
Wages & benefits	\$ 260,404	\$ 6,019	\$ 4,638	\$ 982	\$ 272,043
Gross receipt taxes	529,605	121,623	-	22	651,250
Water conservation fee	-	15,524	-	-	15,524
Ad valorem taxes	385,000	-	-	-	385,000
Franchise taxes	260,695	-	-	-	260,695
Other PNM liabilities	31,386	-	-	-	31,386
Billed customer deposits	28,904	-	-	-	28,904
Total	<u>\$ 1,495,994</u>	<u>\$ 143,166</u>	<u>\$ 4,638</u>	<u>\$ 1,004</u>	<u>\$ 1,644,802</u>

The composition of interfund balances as of June 30, 2016, is as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Major Fund:		
General fund	\$ 383,443	\$ -
Nonmajor governmental funds:		
Red Apple Transit grant fund	-	202,863
General government grant fund	-	154,801
Region II Narcotics grant fund	-	25,779
	<u>\$ 383,443</u>	<u>\$ 383,443</u>

Federal and state grants (e.g., Red Apple Transit, General Government grants, and Region II Narcotics grant fund) are normally reimbursement oriented; therefore, the payable represents the unreimbursed expenditures at year end. All other interfund transactions represent cash transfers for operating purposes.

Interfund advances not expected to be repaid within one year are to be repaid from revenues is as follows as of June 30, 2016:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric Utility Enterprise Fund	Convention Center Capital Project Fund	\$ 1,100,000

Receivable set up to reimburse Electric Utility Enterprise fund for purchasing of convention center property.

Interfund transfers for the year ended June 30, 2016, are as follows:

**Fund Financial Statements – Transfers**

<b>Governmental Funds</b>	<u>In</u>	<u>Out</u>
General fund – operating transfer from airport construction grant projects fund	\$ 27,931	\$ -
General fund – operating transfer to debt service fund	-	1,166,625
General fund – operating transfer from governmental capital projects fund	3,000,000	-
General fund – operating transfer to region II fund	-	30,000
General fund – operating transfer to governmental capital projects fund	-	5,851,480
General fund – operating transfer from electric/water/wastewater utility funds	6,869,616	-
General fund – operating transfer to red apple transit grant fund	-	386,857
General fund – operating transfer to general government grant fund	-	46,449
General fund – operating transfer to COPS program grant fund	-	149,112
GRT streets fund – operating transfer to capital projects fund	-	781,339
GRT streets fund – operating transfer to debt service fund	-	305,238
Convention Center fees fund – operating transfer to Convention Center capital projects fund	-	22,000
Red apple transit – operating transfer from general fund	386,857	-
General government grant – operating transfer from general fund	46,449	-
Region II fund – matching funds for grant from general fund	30,000	-
COPS program grant fund – matching funds for grant from general fund	149,112	-
State fire grant fund – operating transfer to debt service fund	-	160,806
Governmental capital projects fund – operating transfer from general fund	5,851,480	-
Governmental capital projects fund – operating transfer to general fund	-	3,000,000

Governmental capital projects fund – operating transfer from GRT streets fund	781,339	-
Governmental capital projects fund – operating transfer to metro redevelopment authority fund	-	500,000
Metro redevelopment authority fund – transfer from governmental capital projects fund	500,000	-
Airport construction grant projects fund – operating transfer to general fund	-	27,931
Convention Center capital projects fund – operating transfer from Convention Center fees fund	22,000	-
Debt service fund – operating transfer from state fire grant fund	160,806	-
Debt service fund – operating transfer from GRT streets fund	305,238	-
Debt service fund – operating transfer from general fund	<u>1,166,625</u>	<u>-</u>
 Total governmental funds transfers	 <u>19,297,453</u>	 <u>\$ 12,427,837</u>
 <b>Net governmental funds transfers</b>	 <b>\$ <u>6,869,616</u></b>	
 <b>Business-type funds</b>		
Electric utility fund – operating transfer to general fund	\$ -	\$ 5,687,378
Water utility fund – operating transfer to general fund	-	804,467
Wastewater utility fund – operating transfer to general fund	-	377,771
Water utility fund – operating transfer to electric utility fund	-	8,256
Wastewater utility fund – operating transfer to electric utility fund	-	8,256
Electric utility fund – operating transfer from water utility fund	8,256	-
Electric utility fund – operating transfer from wastewater utility fund	<u>8,256</u>	<u>-</u>
 Total business-type funds transfers	 <u>\$ 16,512</u>	 <u>6,886,128</u>
 <b>Net business-type transfers</b>		 <b>\$ <u>6,869,616</u></b>
 <b><u>Government-wide Financial Statements – Transfers</u></b>		
	<u>In</u>	<u>Out</u>
Net governmental and business-type transfers	6,869,616	6,869,616
	<b>\$ <u>6,869,616</u></b>	<b>\$ <u>6,869,616</u></b>

## **E. Leases**

### **Operating Leases**

The City leases equipment (golf carts) under a non-cancelable operating lease. The future minimum lease payment for this lease is as follows:

<u>Year Ending</u>		<u>Amount</u>
2017	\$	83,881
2018		83,881
2019		20,970
	<b>\$</b>	<b><u>188,732</u></b>

**F. Long-term debt**

**General Obligation bonds**

The City has the capacity to issue general obligation bonds to provide funds for the acquisition and/or construction of major capital projects, but as of June 30, 2016, 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.

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.

In April 2012, the City issued \$10,655,000 of Series 2012 Sales Tax Refunding and Improvement Revenue Bonds through the New Mexico Finance Authority (NMFA). A portion of the proceeds (\$2,231,667) was used to refund the 2001 Sales Tax Revenue Improvement and Refunding Bonds. The refunding resulted in both a reduction of debt service of \$94,520 over three years and also an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$98,612. The balance of the proceeds were used to build a new animal shelter, renovate the Civic Center, expand the Gateway Museum, remodel Fire Station #1, and to complete various drainage improvement projects. By the end of FY2016 most of the improvements were completed. The remaining projects (Fire Station #1 and various drainage projects) should be completed in FY2017.

Revenue bonds outstanding as of June 30, 2016, are as follows:

<b>Governmental Activities</b>	<u>Interest Rates</u>	<u>General Govt.</u>
Sales Tax Bonds 2005	4.00%	\$ 1,500,000
Sales Tax Bonds 2012	1.50 – 5.00%	7,780,000
Total		<u>\$ 9,280,000</u>

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

<u>Year Ending June 30</u>	<b>General Govt.</b>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,265,000	\$ 308,563
2018	1,305,000	277,588
2019	1,355,000	225,388
2020	1,080,000	185,800
2021	1,000,000	158,800
2022-2024	3,275,000	209,150
Total	<u>\$ 9,280,000</u>	<u>\$ 1,365,289</u>

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.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 709,119	\$ 243,878
2018	730,393	222,604
2019	752,305	200,692
2020	774,874	178,123
2021	798,120	154,877
2022-2026	4,364,448	400,538
<b>Total</b>	<u>\$ 8,129,259</u>	<u>\$ 1,400,712</u>

**New Mexico Environment Department Loan – Wastewater Treatment Facility Improvement.** In FY2015, the City entered into an interim loan agreement with the New Mexico Environment Department (NMED) for a \$14 million, 3% loan for improving the City’s existing Wastewater Treatment Facility. During FY2016 the agreement was amended to increase the loan an additional \$8 million for the project. In June 2016 the amendment was approved for an amount not to exceed \$22 million at a 3% annual percentage rate. The loan will have 20 annual payments to begin no later than 1 year after construction completion. The construction is to be completed by July 31, 2019. By the end of FY2016, no construction had begun at the facility.

**New Mexico Finance Authority Loan – Animas Waterline.** In January 2010, the City entered into a loan and subsidy agreement with the New Mexico Finance Authority (NMFA) for \$2,109,688, for improving approximately 13,900 feet of existing waterline in the City’s water utility system. Of this amount 50% of the amount is forgiven and the amount repayable is \$1,054,844 at a 1% interest rate (includes 0.25% for administrative fees).

The NMFA loan repayment schedule for the Animas Waterline is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>
2017	\$ 49,851	\$ 6,452	\$ 2,151
2018	50,350	6,079	2,026
2019	50,853	5,701	1,900
2020	51,362	5,319	1,773
2021	51,875	4,934	1,645
2022-2026	267,263	18,757	6,253
2027-2031	280,896	8,533	2,844
2032	57,876	434	145
<b>Total</b>	<u>\$ 860,326</u>	<u>\$ 56,209</u>	<u>\$ 18,737</u>

**New Mexico Finance Authority Loan – Water Meter Replacement.** In January 2013, the City entered into a loan and subsidy agreement with the New Mexico Finance Authority (NMFA) originally for \$5,959,000, for replacing and upgrading water meters and any ancillary equipment for reading the meters in the City’s water utility system. Once the loan was finalized in August 2015, only \$5,412,414 of the original amount was used for the project. As part of the original agreement, 25% of the total would be forgiven and with a 2% interest rate (includes .025% for administrative fees). The final loan amount was \$4,059,311.

The Water Meter Replacement project was less than the original loan/subsidy agreement. The final NMFA loan repayment schedule for the project is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>
2017	\$ 173,363	\$ 68,195	\$ 9,742
2018	176,830	65,161	9,309
2019	180,366	62,067	8,867
2020	183,973	58,910	8,416
2021	187,653	55,691	7,956
2022-2026	996,084	227,862	32,551
2027-2031	1,099,758	137,148	19,593
2032-2035	898,839	38,092	5,441
<b>Total</b>	<b>\$ 3,896,866</b>	<b>\$ 713,126</b>	<b>\$ 101,875</b>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 46,322	\$ 8,883
2018	47,355	7,851
2019	48,576	6,629
2020	49,980	5,225
2021	51,550	3,656
2022	53,300	1,903
<b>Total</b>	<b>\$ 297,083</b>	<b>\$ 34,147</b>

### Changes in Long-term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
2005 Sales tax revenue bonds	\$ 1,960,000	\$ -	\$ (460,000)	\$ 1,500,000	\$ 480,000
2012 Sales tax revenue bonds	8,555,000	-	(775,000)	7,780,000	785,000
Premium on bonds - 2012 bonds	573,902	-	(64,476)	509,426	64,476
Total Bonds payable	11,088,902	-	(1,299,476)	9,789,426	1,329,476
NMFA Fire Pumper Loan	342,550	-	(45,467)	297,083	46,322
Claims and judgments	3,719,992	8,869,301	(8,586,986)	4,002,307	2,496,394
Compensated absences	3,417,332	1,533,528	(1,511,959)	3,438,901	171,945
Total long-term liabilities					
Governmental activities	<u>\$ 18,568,776</u>	<u>\$ 10,402,829</u>	<u>\$ (11,443,888)</u>	<u>\$ 17,527,717</u>	<u>\$ 4,044,137</u>
<b>Business-type activities:</b>					
NMED loan	\$ 8,817,724	\$ -	\$ (688,465)	\$ 8,129,259	\$ 709,119
NMFA loan - Animas Waterline	909,684	-	(49,358)	860,326	49,851
NMFA loan - Meter Replacement	4,059,311	-	(162,445)	3,896,866	173,363
Compensated absences	1,070,344	702,513	(644,827)	1,128,030	644,827
Total long-term liabilities					
Net Business-type Capital Assets	<u>\$ 14,857,063</u>	<u>\$ 702,513</u>	<u>\$ (1,545,095)</u>	<u>\$ 14,014,481</u>	<u>\$ 1,577,160</u>

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

**G. Restricted Assets**

The following is a summary of restricted assets as of June 30, 2016:

***Business-Type Activities***

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
NMED loan debt service reserves	\$ -	\$ -	\$ 1,661,907	\$ 1,661,907
San Juan Coal Co. Coal Reclamation	1,339,603	-	-	1,339,603
Customer deposits/overpayments	2,149,511	435,361	-	2,584,872
	<u>\$ 3,489,114</u>	<u>\$ 435,361</u>	<u>\$ 1,661,907</u>	<u>\$ 5,586,382</u>

**V. OTHER INFORMATION**

**A. Risk Management**

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

	<b>FY2015</b>		<b>FY2016</b>	
	<u>Health</u>	<u>Risk Mgmt</u>	<u>Health</u>	<u>Risk Mgmt</u>
Unpaid claims, beginning of fiscal year	\$ 831,732	\$ 1,942,740	\$ 809,352	\$ 2,910,640
Incurred claims and changes in estimate	7,204,641	3,332,900	6,798,538	2,070,763
Claim payments	<u>(7,227,021)</u>	<u>(2,365,000)</u>	<u>(6,831,136)</u>	<u>(1,755,850)</u>
Unpaid claims, end of fiscal year	<u>\$ 809,352</u>	<u>\$ 2,910,640</u>	<u>\$ 776,754</u>	<u>\$ 3,225,553</u>
Due within one year			<u>\$ 776,754</u>	<u>\$ 1,719,640</u>

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

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

On July 31, 2015 all parties to the PPA executed the San Juan Project Restructuring Agreement in response to environmental compliance issues at SJGS and California laws and regulations affecting some of the plant participants. Some participants will exit SJGS on December 31, 2017 as a result of operations ceasing for Units #2 and #3. Various other agreements were also executed on July 31, 2015 to provide for this event, which the City was a party to.

Coal for the operation of the project is supplied by San Juan Coal Company (SJCC), owned and operated by Westmoreland Coal Company (Westmoreland), and is mined from the San Juan Mine located adjacent to the project. PNM is a party to a Coal Sales Agreement (CSA), a Reclamation Services Agreement (RSA) and a Coal Combustion Residuals Disposal Agreement (CCRDA), all dated July 1, 2015, with Westmoreland. The contract years for the three agreements commenced on January 1, 2016. The CSA and CCRDA will expire on June 30, 2022 unless extended by the parties. The RSA will continue in effect until full release of all reclamation and similar bonds. The City’s share is 2.559%.

All Participants agreed to establish individual trust agreements in accordance with the Mine Reclamation and Trust Funds Agreement Among the San Juan Project Participants dated May 16, 2012, to assure SJCC they will meet their obligation to fully compensate SJCC for all reclamation costs at the surface and underground mine sites. An Amended and Restated Mine Reclamation Trust Funds Agreement among all participants was executed on July 31, 2015 as a result of the plant restructuring. The trust funds will continue until SJCC achieves Reclamation Bond Release. Funding of the trust accounts will be according to funding curves provided in the agreement based on estimates for coal reclamation expenses which will be adjusted from time-to-time.

The City entered into a trust agreement with the Bank of Albuquerque, as Trustee for the benefit of SJCC, on May 22, 2012. This agreement was amended and restated on April 26, 2016 as a result of the plant restructuring. Funds will be disbursed from the trust only for the City’s share of reclamation costs, and for costs and fees associated with the maintenance of the trust account. The City retains no beneficial interest in the funds held in trust, except the right to a return of any funds that may remain in the trust after satisfaction of the Utilities reclamation obligation with SJCC.

Should another SJGS Participant default under the funding agreement prior to December 31, 2017, the City is required by the funding agreement to establish a separate segregated portion of the trust account, a “make-up” trust fund, to provide funding for the City’s share of the shortfall created by the defaulting Participant. Funds in the make-up trust fund will only be used for reclamation costs, and trust maintenance costs and fees. Should the defaulting Participant correct their default, funds in the make-up trust will be returned to the City.

### **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 FY2016, the City did not make any financial 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 FY2016, 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 has purchased 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). In 2009 NMMEAA issued Series 2009 Gas Supply Variable Rate Revenue Bonds to provide a lump sum payment to RBC for the Prepaid Agreement. Due to new guidelines adopted by the Canadian Office of the Superintendent of Financial Institutions ("OSFI") which RBC determined materially affected the 2009 transaction, the Series 2009 bonds were refunded with Series 2014 Refunding Bunds for an initial 5 year period with a potential to continue beyond 5 years. The refunding took place on August 1, 2014, and has resulted in the City receiving a discount of \$0.02894 per MMBtu of gas under the gas supply agreement. 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 \$1,320,387 per year under this agreement.

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

**Pensions.** For purposes of measuring the net pension liability, deferred outflows and inflows of resources, related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by the New Mexico Public Employees Retirement Plan (Plan), the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Plan Description.** The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter

22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund, unless specifically excluded.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

**Benefits provided.** For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at

<http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2015.pdf>

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for Tier I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the retirement pension amount is based on final average salary, which is defined under Tier I as the average salary for 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

**Contributions and Funding Policy.** The contribution requirements of defined benefit plan members and the City are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 through 32 of the PERA FY15 annual audit report at

[http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf). The PERA coverage options that apply to the City are: Municipal General Division, Municipal Police Division, and Municipal Fire Division. Statutorily required contributions to the pension plan from the City were \$5,104,558 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members, and legislative member) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense, and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members; and legislative members. The City's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that

membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

**For Municipal General Division.** At June 30, 2016, the City reported a liability of \$34,544,615 for its proportionate share of the net pension liability. At June 30, 2015, the proportion was 3.39%.

For the year ended June 30, 2016, the City recognized Municipal General Division pension expense of \$1,380,222. At June 30, 2016, the City reported Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 765,179
Changes of assumptions	-	13,457
Net difference between projected and actual earnings on pension plan investments	-	109,276
Changes in proportion and differences the City's contributions and proportionate share of contributions	188,236	-
City's contributions subsequent to the measurement date	2,734,756	-
Total	<u>\$ 2,922,992</u>	<u>\$ 887,912</u>

\$2,734,756 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2017	\$ (856,672)
2018	(856,672)
2019	(856,672)
2020	1,870,340
2021	-

**For Municipal Police Division.** At June 30, 2016, the City reported a liability of \$18,029,698 for its proportionate share of the net pension liability. At June 30, 2015, the proportion was 3.75%.

For the year ended June 30, 2016, the City recognized Municipal Police Division pension expense of \$1,241,499. At June 30, 2016, the City reported Municipal Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,259,841	\$ -
Changes of assumptions	-	745,926
Net difference between projected and actual earnings on pension plan investments	-	50,013
Changes in proportion and differences the City's contributions and proportionate share of contributions	153,585	-
City's contributions subsequent to the measurement date	1,439,757	-
Total	<u>\$ 2,853,183</u>	<u>\$ 795,939</u>

\$1,439,757 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	
2017	\$ (105,970)
2018	(105,970)
2019	(105,970)
2020	935,397
2021	-

**For Municipal Fire Division.** At June 30, 2016, the City reported a liability of \$21,705,351 for its proportionate share of the net pension liability. At June 30, 2015, the proportion was 4.21%.

For the year ended June 30, 2016, the City recognized Municipal Fire Division pension expense of \$2,237,852. At June 30, 2016, the City reported Municipal Fire Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 854,802	\$ -
Changes of assumptions	457,787	-
Net difference between projected and actual earnings on pension plan investments	-	26,109
Changes in proportion and differences the City's contributions and proportionate share of contributions	508,682	-
City's contributions subsequent to the measurement date	1,143,601	-
Total	<u>\$ 2,964,872</u>	<u>\$ 26,109</u>

\$1,143,601 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	
2017	\$ 415,233
2018	415,233
2019	415,233
2020	549,463
2021	-

**Actuarial Assumptions.** As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changed in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation. The total pension liability in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair Value
Actuarial Assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013

The long-term expected rate of return on pension plan investments was determined using statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.10%	5.00%
International Equity	24.80	5.20
Private Equity	7.00	8.20
Core and Global Fixed Income	26.10	1.85
Fixed Income Plus Sectors	5.00	4.80
Real Estate	5.00	5.30
Real Assets	7.00	5.70
Absolute Return	4.00	4.15
Total	<u>100.00%</u>	

**Discount rate.** The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.** The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the City's net pension liability in each PERA Fund Division that the City participates in, under the current single rate assumption, as if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Municipal General Division			
City's proportionate share of the net pension liability	\$ 58,815,772	\$ 34,544,615	\$ 14,364,797

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Municipal Police Division			
City's proportionate share of the net pension liability	\$ 29,774,959	\$ 18,029,698	\$ 8,394,606

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Municipal Fire Division			
City's proportionate share of the net pension liability	\$ 29,437,831	\$ 21,705,351	\$ 15,332,739

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. This report is available at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2015.pdf>.

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

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the NMRHCA plan on the person's behalf unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years. The NMRHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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

The employer, employee and retiree contributions are required to be remitted to the NMRHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the NMRHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15 (G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the NMRHCA for the years ended June 30, 2016, 2015, and 2014 were \$920,983, \$870,038, and \$839,873, respectively, which equal the required contributions for each year.

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

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

Unit No. 4 provides electricity to the co-owners and to other unrelated parties. The City's pro rata portion 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 position of the Unit and is included in the electric utility capital assets.

### **G. Contracted Water and Wastewater Services**

In January 2016, the City entered into an agreement with CH2M Hill-OMI to provide water and wastewater services to the City. The company operates and maintains the water and wastewater facilities. The contract expires in December 2023. The company is responsible for operating expenditures, as well as repairs and replacements up to \$2,000. The City paid approximately \$8.1 million for contracted services for the year ended June 30, 2016.

### **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, 2016, was \$953,810,000. This debt will never constitute an indebtedness of the City within the meaning of any constitutional or statutory provision of the state of New Mexico and will never constitute or give rise to a pecuniary liability of the City or a charge against its general or taxing powers.



All Veterans Memorial Plaza

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF FARMINGTON, NEW MEXICO**  
**Schedules of Required Supplementary Information**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**Public Employees Retirement Association (PERA) Plan**  
**Last 10 Fiscal Years\***

	<b>2015</b>	<b>2016</b>
City's proportion of the net pension liability		
Municipal General	3.36%	3.39%
Municipal Police	3.69%	3.75%
Municipal Fire	4.05%	4.21%
City's proportionate share of the net pension liability		
Municipal General	\$ 26,184,302	\$ 34,544,615
Municipal Police	12,021,827	18,029,698
Municipal Fire	16,887,561	21,705,351
	\$ 55,093,690	\$ 74,279,664
City's covered-employee payroll		
Municipal General	\$ 20,344,393	\$ 21,096,761
Municipal Police	10,709,715	10,950,699
Municipal Fire	7,799,937	8,184,359
	\$ 38,854,045	\$ 40,231,819
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		
Municipal General	128.71%	163.74%
Municipal Police	112.25%	164.64%
Municipal Fire	216.51%	265.21%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF FARMINGTON, NEW MEXICO**  
**Schedules of Required Supplementary Information**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**Public Employees Retirement Association (PERA) Plan**  
**Municipal General Division**  
**Last 10 Fiscal Years\***

	<b>2015</b>	<b>2016</b>
Contractually required contribution	\$ 2,493,089	\$ 2,678,614
Contributions in relation to contractually required contribution	2,493,089	2,678,614
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 20,344,393	\$ 21,096,761
Contributions as a percentage of covered- employee payroll	12.25%	12.70%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF FARMINGTON, NEW MEXICO**  
**Schedules of Required Supplementary Information**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**Public Employees Retirement Association (PERA) Plan**  
**Municipal Police Division**  
**Last 10 Fiscal Years\***

	<u><b>2015</b></u>	<u><b>2016</b></u>
Contractually required contribution	\$ 1,313,907	\$ 1,388,780
Contributions in relation to contractually required contribution	<u>1,313,907</u>	<u>1,388,780</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 10,709,715	\$ 10,950,699
Contributions as a percentage of covered- employee payroll	12.27%	12.68%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF FARMINGTON, NEW MEXICO**  
**Schedules of Required Supplementary Information**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**Public Employees Retirement Association (PERA) Plan**  
**Municipal Fire Division**  
**Last 10 Fiscal Years\***

	<b>2015</b>	<b>2016</b>
Contractually required contribution	\$ 957,615	\$ 1,037,164
Contributions in relation to contractually required contribution	957,615	1,037,164
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 7,799,937	\$ 8,184,359
Contributions as a percentage of covered- employee payroll	12.28%	12.67%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF FARMINGTON, NEW MEXICO**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2016**

**Changes of benefit terms.** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA FY15 audit available at

<http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2015.pdf>

**Changes of assumptions.**

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>

The summary of Key Findings for PERA Fund (on page 2 of the report) states "based on the current statutory rates and actuarial assumptions, the UAAL is projected to be fully amortized in 41 years." For details about changes in the actuarial assumptions, see Appendix B on page 53 of the report.



# Gateway Park and Museum

# **NONMAJOR GOVERNMENTAL FUNDS**



# NONMAJOR GOVERNMENTAL FUNDS

## Special Revenue Funds

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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.

**Red Apple Transit Grant Fund** - City management established this fund to account for federal grants restricted to expenditures for Red Apple transportation purposes.

**General Government Grant Fund** - City management established this fund to account for state grants restricted to expenditures for general government grant purposes.

**CDBG Grant Fund** - City management established this fund to account for federal grants restricted to expenditures for CDBG grant purposes.

**Lodgers' Tax Fund** - State Statute 3-38-15 NMSA 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.

**Convention Center Fees Fund** - State Statute 5-13-4 NMSA and City Ordinance 1272 established this fund to account for the City-imposed convention center fee on the use of a room within a lodging facility within the city limits in the amount of \$2.50 per room for each day the room is occupied by a vendee not otherwise exempted by the Act or the Ordinance.

**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.

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## Capital Projects Funds

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

**Community Development Grant Projects Fund** - This fund is used to account for community improvements throughout the City funded primarily by federal and state grants.

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

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

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

**Metro Redevelop Authority Fund** - This fund is used to account for metro redevelopment authority projects funded primarily by federal and state grants.

**Convention Center Capital Projects Fund** - This fund is used to account for civic center capital projects funded primarily with the convention center fees.

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## Debt Service Fund

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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, 2016**

	<b>Special Revenue</b>			
	<b>Gross Receipts Tax Parks</b>	<b>Park Development Fees</b>	<b>Library Gifts and Grants</b>	<b>Parks/ Recreation Gifts and Grants</b>
<b>ASSETS:</b>				
Cash and investments	\$ 539,792	\$ 330,589	\$ 292,482	\$ 242,367
Accounts receivable	-	-	-	468
Intergovernmental receivable	386,451	-	-	16,265
Total assets	\$ 926,243	\$ 330,589	\$ 292,482	\$ 259,100
 <b>LIABILITIES:</b>				
Accounts payable	\$ 49,392	\$ -	\$ -	\$ 26,344
Unearned revenue	-	-	-	-
Wages and benefits payable	21,251	-	-	-
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
Total liabilities	70,643	-	-	26,344
 <b>FUND BALANCES:</b>				
Restricted to:				
Fire	-	-	-	-
Lodgers' promotion	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Police	-	-	-	-
Parks, recreation, cultural affairs	855,600	330,589	-	-
Assigned to:				
Parks, recreation, cultural affairs	-	-	-	232,756
Library	-	-	292,482	-
Community development	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	855,600	330,589	292,482	232,756
Total liabilities and fund balances	\$ 926,243	\$ 330,589	\$ 292,482	\$ 259,100

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

(Continued)

**CITY OF FARMINGTON, NEW MEXICO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	<b>Special Revenue</b>			
	<b>Museum Gifts and Grants</b>	<b>Red Apple Transit Grant</b>	<b>General Government Grant</b>	<b>CDBG Grant</b>
<b>ASSETS:</b>				
Cash and investments	\$ 205,812	\$ -	\$ -	\$ 91,756
Accounts receivable	-	-	-	-
Intergovernmental receivable	-	261,820	194,438	20,351
Total assets	\$ 205,812	\$ 261,820	\$ 194,438	\$ 112,107
 <b>LIABILITIES:</b>				
Accounts payable	\$ 175	\$ 57,925	\$ -	\$ -
Unearned revenue	-	-	-	-
Wages and benefits payable	-	1,032	3,498	1,074
Due to other funds	-	202,863	154,801	-
Advance from other funds	-	-	-	-
Total liabilities	175	261,820	158,299	1,074
 <b>FUND BALANCES:</b>				
Restricted to:				
Fire	-	-	-	-
Lodgers' promotion	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Police	-	-	-	-
Parks, recreation, cultural affairs	-	-	-	-
Assigned to:				
Parks, recreation, cultural affairs	205,637	-	-	-
Library	-	-	-	-
Community development	-	-	36,139	111,033
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	205,637	-	36,139	111,033
Total liabilities and fund balances	\$ 205,812	\$ 261,820	\$ 194,438	\$ 112,107

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	<b>Special Revenue</b>			
	<b>Lodgers' Tax</b>	<b>Convention Center Fees</b>	<b>State Police Protection Grant</b>	<b>Region II Narcotics Grant</b>
<b>ASSETS:</b>				
Cash and investments	\$ 323,513	\$ 1,072,869	\$ -	\$ 100,338
Accounts receivable	-	-	-	-
Intergovernmental receivable	200,181	125,787	-	51,310
<b>Total assets</b>	<b>\$ 523,694</b>	<b>\$ 1,198,656</b>	<b>\$ -</b>	<b>\$ 151,648</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 61,526	\$ -	\$ -	\$ 26,608
Unearned revenue	-	-	-	-
Wages and benefits payable	5,857	-	-	3,004
Due to other funds	-	-	-	25,779
Advance from other funds	-	-	-	-
<b>Total liabilities</b>	<b>67,383</b>	<b>-</b>	<b>-</b>	<b>55,391</b>
<b>FUND BALANCES:</b>				
Restricted to:				
Fire	-	-	-	-
Lodgers' promotion	456,311	1,198,656	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Committed to:				
Police	-	-	-	96,257
Parks, recreation, cultural affairs	-	-	-	-
Assigned to:				
Parks, recreation, cultural affairs	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>456,311</b>	<b>1,198,656</b>	<b>-</b>	<b>96,257</b>
<b>Total liabilities and fund balances</b>	<b>\$ 523,694</b>	<b>\$ 1,198,656</b>	<b>\$ -</b>	<b>\$ 151,648</b>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	Special Revenue				
	COPS Program Grant	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	Total Special Revenue
<b>ASSETS:</b>					
Cash and investments	\$ 90,139	\$ 43,298	\$ 120,917	\$ 9,637	\$ 3,463,509
Accounts receivable	-	-	-	-	468
Intergovernmental receivable	-	-	-	-	1,256,603
Total assets	<u>\$ 90,139</u>	<u>\$ 43,298</u>	<u>\$ 120,917</u>	<u>\$ 9,637</u>	<u>\$ 4,720,580</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ -	\$ -	\$ 18,011	\$ 9,637	\$ 249,618
Unearned revenue	-	42,475	-	-	42,475
Wages and benefits payable	377	-	-	-	36,093
Due to other funds	-	-	-	-	383,443
Advance from other funds	-	-	-	-	-
Total liabilities	<u>377</u>	<u>42,475</u>	<u>18,011</u>	<u>9,637</u>	<u>711,629</u>
<b>FUND BALANCES:</b>					
Restricted to:					
Fire	-	-	102,906	-	102,906
Lodgers' promotion	-	-	-	-	1,654,967
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Committed to:					
Police	89,762	823	-	-	186,842
Parks, recreation, cultural affairs	-	-	-	-	1,186,189
Assigned to:					
Parks, recreation, cultural affairs	-	-	-	-	438,393
Library	-	-	-	-	292,482
Community development	-	-	-	-	147,172
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>89,762</u>	<u>823</u>	<u>102,906</u>	<u>-</u>	<u>4,008,951</u>
Total liabilities and fund balances	<u>\$ 90,139</u>	<u>\$ 43,298</u>	<u>\$ 120,917</u>	<u>\$ 9,637</u>	<u>\$ 4,720,580</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	<b>Capital Projects</b>			
	<b>Community Development Grant Projects</b>	<b>Gross Receipts Tax 2012 Projects</b>	<b>Governmental Capital Projects</b>	<b>Airport Construction Grant Projects</b>
<b>ASSETS:</b>				
Cash and investments	\$ 539,812	\$ -	\$ 2,275,031	\$ 27,172
Accounts receivable	-	-	-	-
Intergovernmental receivable	1,049,881	-	-	5,724
<b>Total assets</b>	<b>\$ 1,589,693</b>	<b>\$ -</b>	<b>\$ 2,275,031</b>	<b>\$ 32,896</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 228,597	\$ -	\$ 586,161	\$ -
Unearned revenue	-	-	-	-
Wages and benefits payable	-	-	-	-
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
<b>Total liabilities</b>	<b>228,597</b>	<b>-</b>	<b>586,161</b>	<b>-</b>
<b>FUND BALANCES:</b>				
Restricted to:				
Fire	-	-	-	-
Lodgers' promotion	-	-	-	-
Capital projects	1,361,096	-	-	32,896
Debt service	-	-	-	-
Committed to:				
Police	-	-	-	-
Parks, recreation, cultural affairs	-	-	-	-
Assigned to:				
Parks, recreation, cultural affairs	-	-	-	-
Library	-	-	-	-
Community development	-	-	-	-
Capital projects	-	-	1,688,870	-
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>1,361,096</b>	<b>-</b>	<b>1,688,870</b>	<b>32,896</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,589,693</b>	<b>\$ -</b>	<b>\$ 2,275,031</b>	<b>\$ 32,896</b>

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

(Continued)

**CITY OF FARMINGTON, NEW MEXICO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	<u>Capital Projects</u>			<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Metro Redevelop Authority</u>	<u>Convention Center Capital Projects</u>	<u>Total Capital Projects</u>		
<b>ASSETS:</b>					
Cash and investments	\$ 1,362,935	\$ 162,945	\$ 4,367,895	\$ 209,948	\$ 8,041,352
Accounts receivable	-	-	-	-	468
Intergovernmental receivable	-	-	1,055,605	-	2,312,208
Total assets	<u>\$ 1,362,935</u>	<u>\$ 162,945</u>	<u>\$ 5,423,500</u>	<u>\$ 209,948</u>	<u>\$ 10,354,028</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ -	\$ -	\$ 814,758	\$ -	\$ 1,064,376
Unearned revenue	-	-	-	-	42,475
Wages and benefits payable	-	-	-	-	36,093
Due to other funds	-	-	-	-	383,443
Advance from other funds	-	1,100,000	1,100,000	-	1,100,000
Total liabilities	<u>-</u>	<u>1,100,000</u>	<u>1,914,758</u>	<u>-</u>	<u>2,626,387</u>
<b>FUND BALANCES:</b>					
Restricted to:					
Fire	-	-	-	-	102,906
Lodgers' promotion	-	-	-	-	1,654,967
Capital projects	1,362,935	-	2,756,927	-	2,756,927
Debt service	-	-	-	209,948	209,948
Committed to:					
Police	-	-	-	-	186,842
Parks, recreation, cultural affairs	-	-	-	-	1,186,189
Assigned to:					
Parks, recreation, cultural affairs	-	-	-	-	438,393
Library	-	-	-	-	292,482
Community development	-	-	-	-	147,172
Capital projects	-	-	1,688,870	-	1,688,870
Unassigned	-	(937,055)	(937,055)	-	(937,055)
Total fund balances	<u>1,362,935</u>	<u>(937,055)</u>	<u>3,508,742</u>	<u>209,948</u>	<u>7,727,641</u>
Total liabilities and fund balances	<u>\$ 1,362,935</u>	<u>\$ 162,945</u>	<u>\$ 5,423,500</u>	<u>\$ 209,948</u>	<u>\$ 10,354,028</u>

The notes to the financial statement 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, 2016**

	<b>Special Revenue</b>			
	<b>Gross Receipts Tax Parks</b>	<b>Park Development Fees</b>	<b>Library Gifts and Grants</b>	<b>Parks/ Recreation Gifts and Grants</b>
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ 2,502,751	\$ -	\$ -	-
Lodgers' taxes/fees	-	-	-	-
Licenses and permits	-	7,841	-	-
Intergovernmental:				
Federal	-	-	-	-
State	-	-	129,002	56,078
Other	-	-	-	4,764
Charges for services	-	-	-	-
Fines	-	-	-	-
Investment earnings	7,068	3,269	2,657	1,639
Donations	-	-	33,556	93,960
Miscellaneous	23,026	-	2,326	1,146
Total revenues	<u>2,532,845</u>	<u>11,110</u>	<u>167,541</u>	<u>157,587</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Parks, recreation, and cultural affairs	2,415,766	-	185,634	47,776
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Parks, recreation, and cultural affairs	819,082	56,430	-	60,247
Airport	-	-	-	-
Highways and streets	-	-	-	-
Total expenditures	<u>3,234,848</u>	<u>56,430</u>	<u>185,634</u>	<u>108,023</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(702,003)</u>	<u>(45,320)</u>	<u>(18,093)</u>	<u>49,564</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(702,003)	(45,320)	(18,093)	49,564
Fund balances-beginning	1,557,603	375,909	310,575	183,192
Fund balances-ending	<u>\$ 855,600</u>	<u>\$ 330,589</u>	<u>\$ 292,482</u>	<u>\$ 232,756</u>

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, 2016**

	<u>Special Revenue</u>			
	<u>Museum Gifts and Grants</u>	<u>Red Apple Transit Grant</u>	<u>General Government Grant</u>	<u>CDBG Grant</u>
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes/fees	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal	-	823,494	228,547	436,362
State	-	66,411	318,018	-
Other	-	57,712	-	-
Charges for services	99,108	99,608	-	-
Fines	-	-	-	-
Investment earnings	1,769	-	-	766
Donations	13,811	-	-	-
Miscellaneous	650	5,746	273	65
Total revenues	<u>115,338</u>	<u>1,052,971</u>	<u>546,838</u>	<u>437,193</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	1,113,535	577,011	113,016
Police	-	-	-	-
Fire	-	-	-	-
Parks, recreation, and cultural affairs	87,105	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
General government	-	360,296	-	323,420
Police	-	-	-	-
Fire	-	-	-	-
Parks, recreation, and cultural affairs	-	-	-	-
Airport	-	-	-	-
Highways and streets	-	-	-	-
Total expenditures	<u>87,105</u>	<u>1,473,831</u>	<u>577,011</u>	<u>436,436</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,233</u>	<u>(420,860)</u>	<u>(30,173)</u>	<u>757</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	386,857	46,449	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>386,857</u>	<u>46,449</u>	<u>-</u>
Net change in fund balances	28,233	(34,003)	16,276	757
Fund balances-beginning	177,404	34,003	19,863	110,276
Fund balances-ending	<u>\$ 205,637</u>	<u>\$ -</u>	<u>\$ 36,139</u>	<u>\$ 111,033</u>

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, 2016**

	Special Revenue			
	Lodgers' Tax	Convention Center Fees	State Police Protection Grant	Region II Narcotics Grant
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes/fees	1,347,682	871,257	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal	-	-	-	145,520
State	-	-	109,200	126,469
Other	-	-	-	38,000
Charges for services	102,597	-	-	-
Fines	-	-	-	-
Investment earnings	3,601	6,256	690	195
Donations	-	-	-	-
Miscellaneous	1,357	-	24	90,366
Total revenues	<u>1,455,237</u>	<u>877,513</u>	<u>109,914</u>	<u>400,550</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
Police	-	-	19,134	403,639
Fire	-	-	-	-
Parks, recreation, and cultural affairs	1,292,781	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
General government	-	-	-	-
Police	-	-	90,780	74,491
Fire	-	-	-	-
Parks, recreation, and cultural affairs	-	-	-	-
Airport	-	-	-	-
Highways and streets	-	-	-	-
Total expenditures	<u>1,292,781</u>	<u>-</u>	<u>109,914</u>	<u>478,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>162,456</u>	<u>877,513</u>	<u>-</u>	<u>(77,580)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	30,000
Transfers out	-	(22,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(22,000)</u>	<u>-</u>	<u>30,000</u>
Net change in fund balances	162,456	855,513	-	(47,580)
Fund balances-beginning	293,855	343,143	-	143,837
Fund balances-ending	<u>\$ 456,311</u>	<u>\$ 1,198,656</u>	<u>\$ -</u>	<u>\$ 96,257</u>

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, 2016**

	Special Revenue				Total Special Revenue
	COPS Program Grant	Law Enforcement Block Grant	State Fire Grant	Penalty Assessment	
<b>REVENUES:</b>					
Taxes:					
Gross receipts tax	\$ -	\$ -	\$ -	\$ -	2,502,751
Lodgers' taxes/fees	-	-	-	-	2,218,939
Licenses and permits	-	-	-	-	7,841
Intergovernmental:					
Federal	124,492	61,324	291,955	-	2,111,694
State	-	-	658,456	-	1,463,634
Other	-	-	-	-	100,476
Charges for services	-	-	-	-	301,313
Fines	-	-	-	140,931	140,931
Investment earnings	-	397	3,098	182	31,587
Donations	-	-	107	-	141,434
Miscellaneous	-	194	9,334	-	134,507
Total revenues	<u>124,492</u>	<u>61,915</u>	<u>962,950</u>	<u>141,113</u>	<u>9,155,107</u>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	-	1,803,562
Police	275,445	61,943	-	141,113	901,274
Fire	-	-	572,835	-	572,835
Parks, recreation, and cultural affairs	-	-	-	-	4,029,062
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
General government	-	-	-	-	683,716
Police	-	-	-	-	165,271
Fire	-	-	145,410	-	145,410
Parks, recreation, and cultural affairs	-	-	-	-	935,759
Airport	-	-	-	-	-
Highways and streets	-	-	-	-	-
Total expenditures	<u>275,445</u>	<u>61,943</u>	<u>718,245</u>	<u>141,113</u>	<u>9,236,889</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(150,953)</u>	<u>(28)</u>	<u>244,705</u>	<u>-</u>	<u>(81,782)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	149,112	-	-	-	612,418
Transfers out	-	-	(160,806)	-	(182,806)
Total other financing sources (uses)	<u>149,112</u>	<u>-</u>	<u>(160,806)</u>	<u>-</u>	<u>429,612</u>
Net change in fund balances	(1,841)	(28)	83,899	-	347,830
Fund balances-beginning	91,603	851	19,007	-	3,661,121
Fund balances-ending	<u>\$ 89,762</u>	<u>\$ 823</u>	<u>\$ 102,906</u>	<u>\$ -</u>	<u>\$ 4,008,951</u>

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, 2016**

	<u>Capital Projects</u>			
	<u>Community Development Grant Projects</u>	<u>Gross Receipts Tax 2012 Bond Projects</u>	<u>Governmental Capital Projects</u>	<u>Airport Construction Grant Projects</u>
<b>REVENUES:</b>				
Taxes:				
Gross receipts tax	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes/fees	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal	47,812	-	-	269,909
State	618,435	-	-	104,181
Other	-	-	-	-
Charges for services	-	-	-	-
Fines	-	-	-	-
Investment earnings	1,817	1,827	34,647	26
Donations	-	-	-	-
Miscellaneous	1	46	26	112
Total revenues	<u>668,065</u>	<u>1,873</u>	<u>34,673</u>	<u>374,228</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
Parks, recreation, and cultural affairs	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay:				
General government	-	654,547	2,851,453	-
Police	-	-	-	-
Fire	-	-	-	-
Parks, recreation, and cultural affairs	-	-	-	-
Airport	-	-	-	313,401
Highways and streets	853,052	-	-	-
Total expenditures	<u>853,052</u>	<u>654,547</u>	<u>2,851,453</u>	<u>313,401</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(184,987)</u>	<u>(652,674)</u>	<u>(2,816,780)</u>	<u>60,827</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	781,339	-	5,851,480	-
Transfers out	-	-	(3,500,000)	(27,931)
Total other financing sources (uses)	<u>781,339</u>	<u>-</u>	<u>2,351,480</u>	<u>(27,931)</u>
Net change in fund balances	596,352	(652,674)	(465,300)	32,896
Fund balances-beginning	764,744	652,674	2,154,170	-
Fund balances-ending	<u>\$ 1,361,096</u>	<u>\$ -</u>	<u>\$ 1,688,870</u>	<u>\$ 32,896</u>

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, 2016**

	Capital Projects				Total Nonmajor Governmental Funds
	Metro Redevelop Authority	Convention Center Capital Projects	Total Capital Projects	Debt Service	
<b>REVENUES:</b>					
Taxes:					
Gross receipts	\$ -	\$ -	\$ -	\$ -	2,502,751
Lodgers' taxes/fees	-	-	-	-	2,218,939
Licenses and permits	-	-	-	-	7,841
Intergovernmental:					
Federal	-	-	317,721	-	2,429,415
State	-	-	722,616	-	2,186,250
Other	-	-	-	-	100,476
Charges for services	-	-	-	-	301,313
Fines	-	-	-	-	140,931
Investment earnings	9,621	1,643	49,581	6,534	87,702
Donations	-	-	-	-	141,434
Miscellaneous	-	-	185	-	134,692
Total revenues	9,621	1,643	1,090,103	6,534	10,251,744
<b>EXPENDITURES:</b>					
Current:					
General government	31,613	-	31,613	-	1,835,175
Police	-	-	-	-	901,274
Fire	-	-	-	-	572,835
Parks, recreation, and cultural affairs	-	-	-	-	4,029,062
Debt service:					
Principal	-	-	-	1,280,467	1,280,467
Interest	-	-	-	352,200	352,200
Capital outlay:					
General government	-	-	3,506,000	-	4,189,716
Police	-	-	-	-	165,271
Fire	-	-	-	-	145,410
Parks, recreation, and cultural affairs	-	95,468	95,468	-	1,031,227
Airport	-	-	313,401	-	313,401
Highways and streets	-	-	853,052	-	853,052
Total expenditures	31,613	95,468	4,799,534	1,632,667	15,669,090
Excess (deficiency) of revenues over (under) expenditures	(21,992)	(93,825)	(3,709,431)	(1,626,133)	(5,417,346)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	500,000	22,000	7,154,819	1,632,669	9,399,906
Transfers out	-	-	(3,527,931)	-	(3,710,737)
Total other financing sources (uses)	500,000	22,000	3,626,888	1,632,669	5,689,169
Net change in fund balances	478,008	(71,825)	(82,543)	6,536	271,823
Fund balances-beginning	884,927	(865,230)	3,591,285	203,412	7,455,818
Fund balances-ending	\$ 1,362,935	\$ (937,055)	\$ 3,508,742	\$ 209,948	\$ 7,727,641

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Gross Receipts Tax Parks Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Gross receipts taxes	\$ 2,710,937	\$ 2,710,937	\$ 2,570,247	\$ (140,690)
Intergovernmental				
State	46,586	46,586	-	(46,586)
Investment earnings	7,000	7,000	6,905	(95)
Miscellaneous	14,526	14,526	23,026	8,500
Total revenues	2,779,049	2,779,049	2,600,178	(178,871)
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	2,353,322	2,388,541	2,372,295	16,246
Capital Outlay:				
Park Construction	808,586	993,773	819,082	174,691
Total expenditures	3,161,908	3,382,314	3,191,377	190,937
Excess (deficiency) of revenues over (under) expenditures	(382,859)	(603,265)	(591,199)	\$ 12,066
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts receivable			(67,496)	
Change in fair market value - investments			163	
Change in accounts payable			(43,471)	
			(110,804)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			(702,003)	
Fund balances - beginning	1,557,603	1,557,603	1,557,603	
Fund balances - ending	\$ 1,174,744	\$ 954,338	\$ 855,600	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Park Development Fees Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Licenses and permits	\$ 5,000	\$ 5,000	\$ 7,841	\$ 2,841
Investment earnings	2,500	2,500	3,198	698
Total revenues	7,500	7,500	11,039	3,539
<b>EXPENDITURES:</b>				
Capital Outlay:				
Park Construction	125,000	125,000	56,430	68,570
Excess (deficiency) of revenues over (under) expenditures	(117,500)	(117,500)	(45,391)	\$ 72,109
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			71	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
Fund balances - beginning	375,909	375,909	375,909	
Fund balances - ending	\$ 258,409	\$ 258,409	\$ 330,589	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Library Gifts and Grants Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
State	\$ 75,000	\$ 126,476	\$ 129,002	\$ 2,526
Investment earnings	1,500	1,500	2,596	1,096
Donations	16,000	46,000	35,505	(10,495)
Miscellaneous	1,200	1,200	377	(823)
Total revenues	93,700	175,176	167,480	(7,696)
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	105,500	196,251	185,634	10,617
Excess (deficiency) of revenues over (under) expenditures	(11,800)	(21,075)	(18,154)	\$ 2,921
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			61	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
Fund balances - beginning	310,575	310,575	310,575	
Fund balances - ending	\$ 298,775	\$ 289,500	\$ 292,482	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Parks/Recreation Gifts and Grants Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
State	\$ 321,240	\$ 321,240	\$ 48,465	\$ (272,775)
Other	10,000	10,000	4,764	(5,236)
Investment earnings	3,000	3,000	1,594	(1,406)
Donations	36,167	36,167	93,961	57,794
Miscellaneous	-	-	1,145	1,145
Total revenues	370,407	370,407	149,929	(220,478)
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	137,618	137,618	28,955	108,663
Capital Outlay:				
Parks, recreation, and cultural affairs	264,500	264,500	57,832	206,668
Total expenditures	402,118	402,118	86,787	315,331
Excess (deficiency) of revenues over (under) expenditures	(31,711)	(31,711)	63,142	\$ 94,853
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - state			7,613	
Change in fair market value - investments			45	
Change in accounts payable			(21,236)	
			(13,578)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			49,564	
Fund balances - beginning	183,192	183,192	183,192	
Fund balances - ending	\$ 151,481	\$ 151,481	\$ 232,756	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Museum Gifts and Grants Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
State	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Charges for services	94,000	94,000	99,109	5,109
Investment earnings	1,000	1,000	1,730	730
Donations	38,000	38,000	13,810	(24,190)
Miscellaneous	5,000	5,000	650	(4,350)
Total revenues	141,000	141,000	115,299	(25,701)
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	140,100	140,100	87,105	52,995
Capital Outlay:				
Parks, recreation, and cultural affairs	5,000	5,000	-	5,000
Total expenditures	145,100	145,100	87,105	57,995
Excess (deficiency) of revenues over (under) expenditures	(4,100)	(4,100)	28,194	\$ 32,294
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			39	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			28,233	
Fund balances - beginning	177,404	177,404	177,404	
Fund balances - ending	\$ 173,304	\$ 173,304	\$ 205,637	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Red Apple Transit Grant Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 896,703	\$ 1,151,358	\$ 608,188	\$ (543,170)
State	-	66,411	66,411	-
Other	61,200	126,722	57,647	(69,075)
Charges for services	92,000	92,000	91,932	(68)
Miscellaneous	-	25,000	5,746	(19,254)
Total revenues	1,049,903	1,461,491	829,924	(631,567)
<b>EXPENDITURES:</b>				
Current:				
General government	1,088,598	1,474,495	1,131,760	342,735
Capital Outlay:				
General government	-	359,914	360,296	(382)
Total expenditures	1,088,598	1,834,409	1,492,056	342,353
Excess (deficiency) of revenues over (under) expenditures	(38,695)	(372,918)	(662,132)	(289,214)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	320,264	386,857	386,857	-
Net change in fund balances	281,569	13,939	(275,275) \$	(289,214)
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - state			215,371	
Change in charges for services receivable			7,676	
Change in accounts payable			18,225	
			241,272	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				(34,003)
Fund balances - beginning	34,003	34,003	34,003	
Fund balances - ending	\$ 315,572	\$ 47,942	\$ -	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**General Government Grant Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 254,573	\$ 254,573	\$ 233,870	\$ (20,703)
State	330,132	330,132	318,018	(12,114)
Miscellaneous	-	-	273	273
Total revenues	584,705	584,705	552,161	(32,544)
<b>EXPENDITURES:</b>				
Current:				
General government	628,492	628,492	577,011	51,481
Excess (deficiency) of revenues over (under) expenditures	(43,787)	(43,787)	(24,850)	18,937
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	46,449	46,449	46,449	-
Net change in fund balances	2,662	2,662	21,599	\$ 18,937
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			(5,323)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			16,276	
Fund balances - beginning	19,863	19,863	19,863	
Fund balances - ending	\$ 22,525	\$ 22,525	\$ 36,139	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**CDBG Grant Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 720,386	\$ 720,386	\$ 433,093	\$ (287,293)
Investment earnings	500	500	766	266
Miscellaneous	-	-	65	65
Total revenues	720,886	720,886	433,924	(286,962)
<b>EXPENDITURES:</b>				
Current:				
General government	143,646	143,646	113,016	30,630
Capital Outlay:				
General government	576,190	576,190	323,420	252,770
Total expenditures	719,836	719,836	436,436	283,400
Excess (deficiency) of revenues over (under) expenditures	1,050	1,050	(2,512)	\$ (3,562)
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			3,269	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			757	
Fund balances - beginning	110,276	110,276	110,276	
Fund balances - ending	\$ 111,326	\$ 111,326	\$ 111,033	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Lodgers' Tax Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Lodgers taxes/fees	\$ 1,200,000	\$ 1,332,000	\$ 1,331,701	\$ (299)
Charges for services	152,000	152,000	102,597	(49,403)
Investment earnings	1,500	1,500	3,536	2,036
Miscellaneous	3,000	3,000	1,358	(1,642)
Total revenues	1,356,500	1,488,500	1,439,192	(49,308)
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	1,355,840	1,487,840	1,342,703	145,137
Excess (deficiency) of revenues over (under) expenditures	660	660	96,489	\$ 95,829
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts receivable			15,980	
Change in fair market value - investments			65	
Change in accounts payable			49,922	
			65,967	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			162,456	
Fund balances - beginning	293,855	293,855	293,855	
Fund balances - ending	\$ 294,515	\$ 294,515	\$ 456,311	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Convention Center Fees Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Lodgers taxes/fees	\$ 600,000	\$ 600,000	\$ 864,175	\$ 264,175
Investment earnings	500	500	6,256	5,756
Total revenues	<u>600,500</u>	<u>600,500</u>	<u>870,431</u>	<u>269,931</u>
<b>EXPENDITURES:</b>				
Current:				
Parks, recreation, and cultural affairs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	600,500	600,500	870,431	269,931
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>-</u>	<u>(22,000)</u>	<u>(22,000)</u>	<u>-</u>
Net change in fund balances	600,500	578,500	848,431	<u>\$ 269,931</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable			<u>7,082</u>	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
Fund balances - beginning	343,143	343,143	343,143	
Fund balances - ending	<u>\$ 943,643</u>	<u>\$ 921,643</u>	<u>\$ 1,198,656</u>	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**State Police Protection Grant Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental				
State	\$ 109,200	109,200	\$ 109,200	\$ -
Investment earnings	500	500	690	190
Miscellaneous	500	500	24	(476)
Total revenues	<u>110,200</u>	<u>110,200</u>	<u>109,914</u>	<u>(286)</u>
<b>EXPENDITURES:</b>				
Current:				
Police operations	110,200	110,200	19,134	91,066
Capital Outlay:				
Police operations	-	-	90,780	(90,780)
Total expenditures	<u>110,200</u>	<u>110,200</u>	<u>109,914</u>	<u>286</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	<u>\$ -</u>
Fund balances - beginning	-	-	-	
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Region II Narcotics Grant Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 206,000	\$ 206,000	\$ 164,750	\$ (41,250)
State	150,000	150,000	126,158	(23,842)
Other	38,000	38,000	38,000	-
Investment earnings	200	200	195	(5)
Miscellaneous	40,000	40,000	114,162	74,162
Total revenues	434,200	434,200	443,265	9,065
<b>EXPENDITURES:</b>				
Current:				
Police operations	442,373	442,373	382,814	59,559
Capital Outlay:				
Police operations	25,000	81,880	98,287	(16,407)
Total expenditures	467,373	524,253	481,101	43,152
Excess (deficiency) of revenues over (under) expenditures	(33,173)	(90,053)	(37,836)	(34,087)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	30,000	30,000	30,000	-
Net change in fund balances	(3,173)	(60,053)	(7,836)	\$ <u><u>(34,087)</u></u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			(19,230)	
Change in intergovernmental receivable - state			311	
Change in accounts receivable			(23,796)	
Change in accounts payable			2,971	
			(39,744)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			(47,580)	
Fund balances - beginning	143,837	143,837	143,837	
Fund balances - ending	\$ 140,664	\$ 83,784	\$ 96,257	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**COPS Program Grant Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 223,667	\$ 223,667	\$ 124,492	\$ (99,175)
<b>EXPENDITURES:</b>				
Current:				
Police operations	372,400	372,400	275,445	96,955
Excess (deficiency) of revenues over (under) expenditures	(148,733)	(148,733)	(150,953)	(196,130)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	149,112	149,112	149,112	-
Net change in fund balances	379	379	(1,841)	\$ <u>(196,130)</u>
Fund balances - beginning	91,603	91,603	91,603	
Fund balances - ending	\$ <u>91,982</u>	\$ <u>91,982</u>	\$ <u>89,762</u>	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Law Enforcement Block Grant Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 36,953	\$ 36,953	\$ 61,324	\$ 24,371
Investment earnings	200	200	397	197
Miscellaneous	-	-	194	194
Total revenues	<u>37,153</u>	<u>37,153</u>	<u>61,915</u>	<u>24,762</u>
<b>EXPENDITURES:</b>				
Current:				
Police operations	<u>37,153</u>	<u>104,850</u>	<u>61,943</u>	<u>42,907</u>
Excess (deficiency) of revenues over (under) expenditures	-	(67,697)	(28)	\$ <u><u>67,669</u></u>
Fund balances - beginning	851	851	851	
Fund balances - ending	<u>\$ 851</u>	<u>\$ (66,846)</u>	<u>\$ 823</u>	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**State Fire Grant Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ -	\$ 274,441	\$ 291,955	\$ 17,514
State	591,108	591,108	658,456	67,348
Investment earnings	2,000	2,000	3,082	1,082
Donations	-	-	107	107
Miscellaneous	1,500	7,600	9,334	1,734
Total revenues	594,608	875,149	962,934	87,785
<b>EXPENDITURES:</b>				
Current:				
Fire operations	311,431	431,131	554,835	(123,704)
Capital Outlay:				
Fire operations	-	302,249	145,410	156,839
Total expenditures	311,431	733,380	700,245	33,135
Excess (deficiency) of revenues over (under) expenditures	283,177	141,769	262,689	120,920
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(160,806)	(160,806)	(160,806)	-
Net change in fund balances	122,371	(19,037)	101,883	\$ 120,920
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			16	
Change in accounts payable			(18,000)	
			(17,984)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			83,899	
Fund balances - beginning	19,007	19,007	19,007	
Fund balances - ending	\$ 141,378	\$ (30)	\$ 102,906	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Penalty Assessment Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Fines	\$ 155,000	\$ 155,000	\$ 140,931	\$ (14,069)
Investment earnings	100	100	180	80
Total revenues	155,100	155,100	141,111	(13,989)
<b>EXPENDITURES:</b>				
Capital Outlay:				
Public Safety	155,000	155,000	142,308	12,692
Excess (deficiency) of revenues over (under) expenditures	100	100	(1,197)	\$ (1,297)
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			2	
Change in accounts payable			1,195	
			1,197	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
Fund balances - beginning	-	-	-	
Fund balances - ending	\$ 100	\$ 100	\$ -	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Community Development Grant Projects Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 3,388,000	\$ 3,388,000	\$ 115,460	\$ (3,272,540)
State	796,766	796,766	718,357	(78,409)
Investment earnings	3,000	3,000	1,751	(1,249)
Miscellaneous	-	-	1	1
Total revenues	4,187,766	4,187,766	835,569	(3,352,197)
<b>EXPENDITURES:</b>				
Capital Outlay:				
Highways and streets	5,060,000	5,060,000	686,033	4,373,967
Excess (deficiency) of revenues over (under) expenditures	(872,234)	(872,234)	149,536	1,021,770
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	781,339	781,339	781,339	-
Net change in fund balances	(90,895)	(90,895)	930,875	\$ 1,021,770
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - federal			(67,648)	
Change in intergovernmental receivable - state			(99,922)	
Change in fair market value - investments			66	
Change in accounts payable			(167,019)	
			(334,523)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			596,352	
Fund balances - beginning	764,744	764,744	764,744	
Fund balances - ending	\$ 673,849	\$ 673,849	\$ 1,361,096	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Gross Receipts Tax 2012 Bond Projects Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Investment earnings	\$ 1,500	\$ 1,500	\$ 1,762	\$ 262
Miscellaneous	-	-	45	45
Total revenues	1,500	1,500	1,807	307
<b>EXPENDITURES:</b>				
Capital Outlay:				
General government	350,000	798,099	797,670	429
Excess (deficiency) of revenues over (under) expenditures	(348,500)	(796,599)	(795,863)	\$ 736
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			66	
Change in accounts payable			143,123	
			143,189	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			(652,674)	
Fund balances - beginning	652,674	652,674	652,674	
Fund balances - ending	\$ 304,174	\$ (143,925)	\$ -	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Governmental Capital Projects Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Investment earnings	\$ 20,000	\$ 20,000	\$ 34,192	\$ 14,192
Miscellaneous	-	-	26	26
Total revenues	20,000	20,000	34,218	14,218
<b>EXPENDITURES:</b>				
Capital Outlay:				
General government	1,983,066	4,002,117	2,265,292	1,736,825
Excess (deficiency) of revenues over (under) expenditures	(1,963,066)	(3,982,117)	(2,231,074)	1,751,043
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	3,831,931	5,851,480	5,851,480	-
Transfers out	(3,000,000)	(3,500,000)	(3,500,000)	-
	831,931	2,351,480	2,351,480	-
Net change in fund balances	(1,131,135)	(1,630,637)	120,406	\$ 1,751,043
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			455	
Change in accounts payable			(586,161)	
			(585,706)	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			(465,300)	
Fund balances - beginning	2,154,170	2,154,170	2,154,170	
Fund balances - ending	\$ 1,023,035	\$ 523,533	\$ 1,688,870	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Airport Construction Grant Projects Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Intergovernmental				
Federal	\$ 1,636,523	\$ 1,473,222	\$ 269,909	\$ (1,203,313)
State	54,551	154,034	99,999	(54,035)
Investment earnings	-	-	23	23
Miscellaneous	-	-	112	112
Total revenues	1,691,074	1,627,256	370,043	(1,257,213)
<b>EXPENDITURES:</b>				
Capital Outlay:				
Airport	1,745,625	1,591,770	313,401	1,278,369
Excess (deficiency) of revenues over (under) expenditures	(54,551)	35,486	56,642	21,156
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	24,922	-	-	-
Transfers out	-	(27,931)	(27,931)	-
	24,922	(27,931)	(27,931)	-
Net change in fund balances	(29,629)	7,555	28,711	\$ 21,156
<b>ADJUSTMENTS TO GAAP:</b>				
Change in intergovernmental receivable - state			4,182	
Change in fair market value - investments			3	
			4,185	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
			32,896	
Fund balances - beginning	-	-	-	
Fund balances - ending	\$ (29,629)	\$ 7,555	\$ 32,896	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Metro Redevelop Authority Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Investment earnings	\$ 3,500	\$ 3,500	\$ 9,378	\$ 5,878
Donations	-	6,000	-	(6,000)
Total revenues	3,500	9,500	9,378	(122)
<b>EXPENDITURES:</b>				
Current:				
General government	59,980	292,480	67,573	224,907
Capital Outlay:				
General government	75,000	111,000	-	111,000
Total expenditures	134,980	403,480	67,573	335,907
Excess (deficiency) of revenues over (under) expenditures	(131,480)	(393,980)	(58,195)	(330,029)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	500,000	500,000	-
Net change in fund balances	(131,480)	106,020	441,805	\$ (330,029)
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			243	
Change in accounts payable			35,960	
			36,203	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>			478,008	
Fund balances - beginning	884,927	884,927	884,927	
Fund balances - ending	\$ 753,447	\$ 990,947	\$ 1,362,935	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Convention Center Capital Projects Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Investment earnings	\$ 500	\$ 500	\$ 1,643	\$ 1,143
<b>EXPENDITURES:</b>				
Capital Outlay:				
Park Construction	236,625	257,082	95,468	161,614
Excess (deficiency) of revenues over (under) expenditures	(236,125)	(256,582)	(93,825)	162,757
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	22,000	22,000	-
Net change in fund balances	(236,125)	(234,582)	(71,825)	\$ 162,757
Fund balances - beginning	(865,230)	(865,230)	(865,230)	
Fund balances - ending	\$ (1,101,355)	\$ (1,099,812)	\$ (937,055)	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Debt Service Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
Investment earnings	\$ 4,000	\$ 4,000	\$ 6,492	\$ 2,492
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	1,280,467	1,280,467	1,280,467	-
Interest	352,202	352,202	352,200	2
Total expenditures	1,632,669	1,632,669	1,632,667	2
Excess (deficiency) of revenues over (under) expenditures	(1,628,669)	(1,628,669)	(1,626,175)	2,490
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,632,669	1,632,669	1,632,669	-
Net change in fund balances	4,000	4,000	6,494	\$ 2,490
<b>ADJUSTMENTS TO GAAP:</b>				
Change in fair market value - investments			42	
<b>GAAP BASIS CHANGE IN FUND BALANCES:</b>				
Fund balances - beginning	203,412	203,412	203,412	
Fund balances - ending	\$ 207,412	\$ 207,412	\$ 209,948	

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



# Pinon Hills Golf Course

# INTERNAL SERVICE FUND



## Internal Service Fund

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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.

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***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 Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 8,777,499	\$ 8,947,633	\$ 8,911,331	\$ (36,302)
Operating expenses:				
Costs of services	<u>8,823,313</u>	<u>9,916,362</u>	<u>9,246,853</u>	<u>669,509</u>
Operating income (loss)	(45,814)	(968,729)	(335,522)	633,207
Nonoperating revenues (expenses):				
Investment earnings	<u>4,000</u>	<u>19,866</u>	<u>19,872</u>	<u>6</u>
Change in net position	(41,814)	(948,863)	(315,650)	<u>\$ 633,213</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Change in accounts receivable			307,848	
Change in accounts payable			(33,766)	
Change in accrued claims payable			<u>(138,087)</u>	
			<u>135,995</u>	
<b>GAAP BASIS CHANGE IN NET POSITION:</b>			(179,655)	
Net position - beginning	<u>1,657,211</u>	<u>1,657,211</u>	<u>1,657,211</u>	
Net position - ending	<u>\$ 1,615,397</u>	<u>\$ 708,348</u>	<u>\$ 1,477,556</u>	

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

# ENTERPRISE FUNDS



**CITY OF FARMINGTON, NEW MEXICO**  
**Electric Utility Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for sales and services:				
Electric	\$ 103,974,265	\$ 103,974,265	\$ 100,734,309	\$ (3,239,956)
Other revenues	665,668	665,668	1,003,859	338,191
Total operating revenues	<u>104,639,933</u>	<u>104,639,933</u>	<u>101,738,168</u>	<u>(2,901,765)</u>
Operating expenses:				
Salaries and fringe benefits	15,030,503	15,030,503	13,395,756	1,634,747
Purchased power, fuel and chemicals	45,128,506	45,128,506	40,734,837	4,393,669
Other operating expenses	16,865,584	16,865,584	18,903,735	(2,038,151)
Capital outlay	30,679,501	30,679,501	25,282,106	5,397,395
Total operating expenses	<u>107,704,094</u>	<u>107,704,094</u>	<u>98,316,434</u>	<u>9,387,660</u>
Operating income	(3,064,161)	(3,064,161)	3,421,734	6,485,895
Nonoperating revenues (expenses):				
Investment earnings	400,000	400,000	528,500	128,500
Income (loss) before operating transfers	(2,664,161)	(2,664,161)	3,950,234	6,614,395
Capital contributions	800,000	800,000	1,020,091	220,091
Transfers in	-	16,512	16,512	-
Transfers out	<u>(5,629,584)</u>	<u>(5,687,378)</u>	<u>(5,687,378)</u>	<u>-</u>
Change in net position	(7,493,745)	(7,535,027)	(700,541)	<u>\$ 6,834,486</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(15,023,896)	
Amortization			(3,015,215)	
Capital outlay capitalized			25,282,106	
Change in accounts receivable			505,288	
Change in accounts payable			638,186	
			<u>8,386,469</u>	
<b>GAAP BASIS CHANGE IN NET POSITION:</b>			7,685,928	
Net position - beginning	347,883,554	347,883,554	347,883,554	
Net position - ending	<u>\$ 340,389,809</u>	<u>\$ 340,348,527</u>	<u>\$ 355,569,482</u>	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Water Utility Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for sales and services:				
Water	\$ 15,592,881	\$ 15,592,881	\$ 15,936,407	\$ 343,526
Other revenues	-	-	17,837	17,837
Total operating revenues	15,592,881	15,592,881	15,954,244	361,363
Operating expenses:				
Salaries and fringe benefits	843,715	843,715	711,981	131,734
Other operating expenses	8,409,196	8,409,196	7,320,947	1,088,249
Capital outlay	10,155,000	10,155,000	6,404,384	3,750,616
Total operating expenses	19,407,911	19,407,911	14,437,312	4,970,599
Operating income	(3,815,030)	(3,815,030)	1,516,932	5,331,962
Nonoperating revenues (expenses):				
Investment earnings	75,000	75,000	130,330	55,330
Revenue from grants	-	-	50,876	50,876
Interest expense	(99,902)	(99,902)	(97,910)	1,992
Principal on debt service	(232,025)	(232,025)	(211,803)	20,222
Total nonoperating revenues (expenses)	(256,927)	(256,927)	(128,507)	128,420
Income (loss) before operating transfers	(4,071,957)	(4,071,957)	1,388,425	5,460,382
Transfers out	(779,000)	(787,256)	(802,056)	(14,800)
Change in net position	(4,850,957)	(4,859,213)	586,369	\$ <u>5,445,582</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(2,620,082)	
Capital outlay capitalized			6,404,384	
Principal on debt service			211,803	
Change in accounts receivable			233,478	
Change in accounts payable			(345,842)	
			3,883,741	
<b>GAAP BASIS CHANGE IN NET POSITION:</b>			4,470,110	
Net position - beginning	66,053,207	66,053,207	66,053,207	
Net position - ending	\$ 61,202,250	\$ 61,193,994	\$ 70,523,317	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Wastewater Utility Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for sales and services:				
Wastewater	\$ 7,555,053	\$ 7,555,053	\$ 7,488,485	\$ (66,568)
Other revenues	2,000	2,000	195,914	193,914
Total operating revenues	<u>7,557,053</u>	<u>7,557,053</u>	<u>7,684,399</u>	<u>127,346</u>
Operating expenses:				
Salaries and fringe benefits	353,176	353,176	369,907	(16,731)
Other operating expenses	5,328,406	5,328,406	4,430,614	897,792
Capital outlay	8,560,000	8,560,000	3,605,187	4,954,813
Total operating expenses	<u>14,241,582</u>	<u>14,241,582</u>	<u>8,405,708</u>	<u>5,835,874</u>
Operating income	(6,684,529)	(6,684,529)	(721,309)	5,963,220
Nonoperating revenues (expenses):				
Intergovernmental-environmental tax	1,355,468	1,355,468	1,285,047	(70,421)
Investment earnings	55,000	55,000	77,216	22,216
NMFA loan proceeds	4,000,000	4,000,000	-	(4,000,000)
Revenue from grants	-	-	4,715	4,715
Interest expense	(264,532)	(264,532)	(264,532)	-
Principal on debt service	(688,465)	(688,465)	(688,465)	-
Total nonoperating revenues (expenses)	<u>4,457,471</u>	<u>4,457,471</u>	<u>413,981</u>	<u>(4,043,490)</u>
Income (loss) before operating transfers	(2,227,058)	(2,227,058)	(307,328)	1,919,730
Transfers out	<u>(381,262)</u>	<u>(389,518)</u>	<u>(380,597)</u>	<u>8,921</u>
Change in net position	(2,608,320)	(2,616,576)	(687,925)	<u>\$ 1,928,651</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(1,421,745)	
Capital outlay capitalized			3,605,187	
Principal on debt service			688,465	
Change in accounts receivable			(127,220)	
Change in accounts payable			20,698	
			<u>2,765,385</u>	
<b>GAAP BASIS CHANGE IN NET POSITION:</b>			2,077,460	
Net position - beginning	29,653,698	29,653,698	29,653,698	
Net position - ending	<u>\$ 27,045,378</u>	<u>\$ 27,037,122</u>	<u>\$ 31,731,158</u>	

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Sanitation Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget to Actual**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for sales and services:				
Sanitation	\$ 5,926,152	\$ 5,926,152	\$ 5,525,210	\$ (400,942)
Other revenues	90,000	90,000	103,850	13,850
Total operating revenues	<u>6,016,152</u>	<u>6,016,152</u>	<u>5,629,060</u>	<u>(387,092)</u>
Operating expenses:				
Salaries and fringe benefits	63,787	63,787	64,063	(276)
Other operating expenses	5,934,945	5,974,945	5,387,212	587,733
Capital outlay	-	100,000	99,706	294
Total operating expenses	<u>5,998,732</u>	<u>6,138,732</u>	<u>5,550,981</u>	<u>587,751</u>
Operating income	17,420	(122,580)	78,079	200,659
Nonoperating revenues (expenses):				
Investment earnings	15,000	15,000	22,676	7,676
Revenue from grants	-	-	3,465	3,465
Total nonoperating revenues (expenses)	<u>15,000</u>	<u>15,000</u>	<u>26,141</u>	<u>11,141</u>
Change in net position	32,420	(107,580)	104,220	<u>\$ 211,800</u>
<b>ADJUSTMENTS TO GAAP:</b>				
Depreciation			(3,323)	
Capital outlay capitalized			99,706	
Change in accounts receivable			12,380	
Change in accounts payable			(43,102)	
			<u>65,661</u>	
<b>GAAP BASIS CHANGE IN NET POSITION:</b>			169,881	
Net position - beginning	2,471,611	2,471,611	2,471,611	
Net position - ending	<u>\$ 2,504,031</u>	<u>\$ 2,364,031</u>	<u>\$ 2,641,492</u>	

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

# CAPITAL ASSETS - GOVERNMENTAL FUNDS



**CITY OF FARMINGTON, NEW MEXICO**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules By Source**  
**June 30, 2015 and 2016**

	<u>2016</u>	<u>2015</u>
Governmental funds capital assets:		
Land	\$ 29,695,641	\$ 29,552,553
Buildings	75,976,960	75,378,615
Improvements other than buildings	33,219,426	32,769,663
Machinery and equipment	35,752,562	34,718,095
Infrastructure	74,969,616	70,092,832
Construction In Progress	14,684,454	16,145,204
Total governmental funds capital assets	<u>\$ 264,298,659</u>	<u>\$ 258,656,962</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 76,842,502	\$ 81,082,812
Special revenue fund	124,497,226	118,756,136
Capital projects funds	58,525,225	54,351,373
Donations	4,433,706	4,466,641
Total governmental funds capital assets	<u>\$ 264,298,659</u>	<u>\$ 258,656,962</u>

**CITY OF FARMINGTON, NEW MEXICO**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Function and Activity**  
**For the Year Ended June 30, 2016**

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction In Progress	Total
<b>GENERAL GOVERNMENT:</b>							
Legislative	\$ 4,000	\$ -	\$ -	\$ 42,071	\$ -	\$ -	\$ 46,071
Judicial	-	111,855	-	118,759	-	-	230,614
Operations center	-	26,363	-	604,923	-	-	631,286
Fleet maintenance	-	133,282	-	454,492	-	-	587,774
Stores	-	38,467	270,135	260,990	-	-	569,592
Finance administration	-	-	-	16,515	-	-	16,515
Personnel administration	-	-	-	178,739	-	-	178,739
Law enforcement	-	-	-	38,544	-	-	38,544
Administrative services	1,670,752	12,644,074	37,057	2,048,354	-	829,339	17,229,576
Planning and zoning	-	-	-	71,740	-	-	71,740
Data processing	-	98,671	-	691,387	324,220	-	1,114,278
Total general government	<u>1,674,752</u>	<u>13,052,712</u>	<u>307,192</u>	<u>4,526,514</u>	<u>324,220</u>	<u>829,339</u>	<u>20,714,729</u>
<b>PUBLIC SAFETY:</b>							
Police	532,770	3,689,746	130,561	7,424,789	23,866	3,618	11,805,350
Fire	60,098	4,007,952	-	8,418,851	33,151	4,609,357	17,129,409
Inspection	-	-	-	228,929	-	-	228,929
Traffic	-	39,403	-	824,531	3,908,981	1,017,068	5,789,983
Total public safety	<u>592,868</u>	<u>7,737,101</u>	<u>130,561</u>	<u>16,897,100</u>	<u>3,965,998</u>	<u>5,630,043</u>	<u>34,953,671</u>
<b>PUBLIC WORKS/COMMUNITY DEVELOPMENT:</b>							
Streets	16,156,523	263,453	3,475,794	3,848,783	53,197,892	7,818,257	84,760,702
Bridges and storm drains	227,783	-	-	-	17,459,247	93,468	17,780,498
Administration	1,071,147	142,924	63,362	47,135	-	31,346	1,355,914
Survey	-	-	-	146,210	-	-	146,210
Engineering	-	-	-	90,468	-	-	90,468
Total public works/community development	<u>17,455,453</u>	<u>406,377</u>	<u>3,539,156</u>	<u>4,132,596</u>	<u>70,657,139</u>	<u>7,943,071</u>	<u>104,133,792</u>
<b>CULTURE AND RECREATION:</b>							
Parks and recreation	5,046,145	19,809,258	12,463,364	6,837,799	-	196,845	44,353,411
Civic center	918,688	4,454,817	-	310,587	-	79,110	5,763,202
Senior citizens center	250,627	1,324,293	37,161	206,418	-	6,046	1,824,545
Museum	1,131,932	7,499,623	134,173	145,069	-	-	8,910,797
Animal shelter	132,392	4,567,174	-	105,747	-	-	4,805,313
Golf Courses	100,000	1,286,458	2,934,616	746,900	22,259	-	5,090,233
Total culture and recreation	<u>7,579,784</u>	<u>38,941,623</u>	<u>15,569,314</u>	<u>8,352,520</u>	<u>22,259</u>	<u>282,001</u>	<u>70,747,501</u>
LIBRARIES	<u>1,391,668</u>	<u>8,686,494</u>	<u>106,000</u>	<u>576,788</u>	<u>-</u>	<u>-</u>	<u>10,760,950</u>
AIRPORT	<u>1,001,116</u>	<u>7,152,653</u>	<u>13,567,203</u>	<u>1,267,044</u>	<u>-</u>	<u>-</u>	<u>22,988,016</u>
Total governmental funds capital assets	<u>\$ 29,695,641</u>	<u>\$ 75,976,960</u>	<u>\$ 33,219,426</u>	<u>\$ 35,752,562</u>	<u>\$ 74,969,616</u>	<u>\$ 14,684,454</u>	<u>\$ 264,298,659</u>

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

**CITY OF FARMINGTON, NEW MEXICO**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes By Function and Activity**  
**For the fiscal year ended June 30, 2016**

<u>Function and Activity</u>	<u>Capital Assets June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Net Transfers</u>	<u>Capital Assets June 30, 2016</u>
<b>GENERAL GOVERNMENT:</b>					
Legislative	\$ 46,071	\$ -	\$ -	\$ -	\$ 46,071
Judicial	251,887	-	(21,273)	-	230,614
Operations center	711,389	41,113	(121,216)	-	631,286
Fleet maintenance	593,265	-	(18,091)	12,600	587,774
Stores	569,592	-	-	-	569,592
Finance administration	16,515	-	-	-	16,515
Personnel administration	208,713	-	(29,974)	-	178,739
Law enforcement	18,246	20,298	-	-	38,544
Administrative services	16,211,359	1,217,238	(186,421)	(12,600)	17,229,576
Planning and zoning	51,755	19,985	-	-	71,740
Data processing	1,078,779	35,499	-	-	1,114,278
Total general government	<u>19,757,571</u>	<u>1,334,133</u>	<u>(376,975)</u>	<u>-</u>	<u>20,714,729</u>
<b>PUBLIC SAFETY:</b>					
Police	11,017,892	1,021,451	(250,959)	16,966	11,805,350
Fire	16,529,216	1,224,403	(624,210)	-	17,129,409
Inspection	208,276	20,653	-	-	228,929
Traffic	4,277,520	666,481	(124,584)	970,566	5,789,983
Total public safety	<u>32,032,904</u>	<u>2,932,988</u>	<u>(999,753)</u>	<u>987,532</u>	<u>34,953,671</u>
<b>PUBLIC WORKS/ COMMUNITY DEVELOPMENT:</b>					
Streets	66,801,209	5,293,059	(3,579,703)	16,246,137	84,760,702
Bridges and storm drains	34,633,217	5,328,108	(5,082,158)	(17,098,669)	17,780,498
Administration	1,487,202	3,712	-	(135,000)	1,355,914
Survey	146,210	-	-	-	146,210
Engineering	106,885	-	(16,417)	-	90,468
Total public works/ community development	<u>103,174,723</u>	<u>10,624,879</u>	<u>(8,678,278)</u>	<u>(987,532)</u>	<u>104,133,792</u>
<b>CULTURE AND RECREATION:</b>					
Parks and recreation	43,330,220	1,898,494	(875,303)	-	44,353,411
Civic center	5,664,234	98,968	-	-	5,763,202
Senior citizens center	1,841,560	65,003	(82,018)	-	1,824,545
Museum	8,946,186	80,068	(115,457)	-	8,910,797
Animal Shelter	4,769,212	36,101	-	-	4,805,313
Golf Courses	5,163,458	368,741	(441,966)	-	5,090,233
Total culture and recreation	<u>69,714,870</u>	<u>2,547,375</u>	<u>(1,514,744)</u>	<u>-</u>	<u>70,747,501</u>
LIBRARIES	11,057,961	18,985	(315,996)	-	10,760,950
AIRPORT	22,918,933	121,148	(52,065)	-	22,988,016
Total general fixed assets	<u>\$ 258,656,962</u>	<u>\$ 17,579,508</u>	<u>\$ (11,937,811)</u>	<u>\$ -</u>	<u>\$ 264,298,659</u>
Accumulated depreciation	<u>\$ 142,286,304</u>	<u>\$ 9,563,103</u>	<u>\$ (2,177,655)</u>	<u>\$ -</u>	<u>\$ 149,671,752</u>



# Native American Rug Display

# **STATISTICAL SECTION**

**STATISTICAL  
SECTION**



# STATISTICAL SECTION

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

	<b><u>Page</u></b>
<b><i>Financial Trends</i></b>	<b>118</b>
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
<b><i>Revenue Capacity</i></b>	<b>123</b>
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.	
<b><i>Debt Capacity</i></b>	<b>134</b>
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
<b><i>Demographic and Economic Information</i></b>	<b>138</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
<b><i>Operating Information</i></b>	<b>140</b>
The schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities</b>						Restated				
Net invested in capital assets	\$ 75,000,933	\$ 74,066,951	\$ 82,050,200	\$ 94,776,714	\$ 91,574,976	\$ 83,813,002	\$ 95,018,930	\$ 102,345,158	\$ 105,735,450	\$ 104,540,398
Restricted	4,491,602	4,599,840	4,085,917	4,195,660	2,630,563	10,998,211	8,253,150	5,936,973	3,161,762	4,724,748
Unrestricted (deficit)	22,873,893	21,548,521	20,137,410	20,043,161	31,572,545	34,265,211	28,214,098	28,860,863	(24,786,968)	(33,016,562)
Total governmental activities net position	\$ 102,366,428	\$ 100,215,312	\$ 106,273,527	\$ 119,015,535	\$ 125,778,074	\$ 129,076,424	\$ 131,486,178	\$ 137,142,994	\$ 84,110,244	\$ 76,248,584
<b>Business-type activities</b>										
Net invested in capital assets	\$ 240,380,428	\$ 263,888,952	\$ 290,777,764	\$ 299,184,651	\$ 309,610,312	\$ 316,889,337	\$ 28,083,837	\$ 345,992,235	\$ 351,217,980	\$ 370,083,482
Restricted	2,914,976	3,139,945	3,438,741	3,657,082	5,243,850	4,852,866	-	1,661,907	1,661,907	1,661,907
Unrestricted	45,749,953	54,174,692	59,170,526	75,894,328	80,045,226	92,897,685	334,361,892	99,209,034	93,182,183	88,720,060
Total business-type activities net position	\$ 289,045,357	\$ 321,203,589	\$ 353,387,031	\$ 378,736,061	\$ 394,899,388	\$ 414,639,888	\$ 362,445,729	\$ 446,863,176	\$ 446,062,070	\$ 460,465,449
<b>Primary government</b>										
Net invested in capital assets	\$ 315,532,250	\$ 340,276,555	\$ 372,827,964	\$ 393,961,365	\$ 401,185,288	\$ 400,702,339	\$ 123,102,767	\$ 448,337,393	\$ 456,953,430	\$ 474,623,880
Restricted	7,406,578	7,739,785	7,524,658	7,852,742	7,874,403	15,851,077	8,253,150	7,598,880	4,823,669	6,386,655
Unrestricted	68,623,846	77,309,002	79,307,936	95,937,489	111,617,771	127,162,896	362,575,990	128,069,897	68,395,215	55,703,498
Total primary government net position	\$ 391,411,785	\$ 421,418,901	\$ 459,660,558	\$ 497,751,596	\$ 520,677,462	\$ 543,716,312	\$ 493,931,907	\$ 584,006,170	\$ 530,172,314	\$ 536,714,033

Source: City of Farmington CAFRs

Note: In 2007, a prior period adjustment was made to adjust capital outlay in the Airport fund.  
 In 2008, a prior period adjustment was made to adjust general fund accumulated depreciation and accrued compensated absences.  
 In 2009, a prior period adjustment was made to adjust governmental and business-type net assets.  
 In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity.  
 In 2012, the city added Civitan Golf Course to governmental activities which had previously been accounted for as a business-type activity.  
 In 2012, a change in accounting principle adjustment was made to correct costs associated with regulatory costs for business-type activity.  
 In 2014, the city added Pinon Hills Golf Course to governmental activities which had previously been accounted for as a business-type activity.  
 In 2015, the city implemented GASB 68 which resulted in a deficit governmental activities unrestricted net position.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
General government	\$ 24,470,791	\$ 24,773,909	\$ 30,738,756	\$ 25,732,424	\$ 29,114,460	\$ 32,642,985	\$ 37,156,707	\$ 35,295,440	\$ 38,752,681	\$ 36,120,890
Police	15,029,695	16,405,749	14,551,370	14,918,275	15,021,697	15,645,349	15,624,298	16,371,812	16,544,038	18,127,957
Fire	7,606,467	8,702,072	9,461,309	8,808,809	8,665,126	9,595,679	8,804,530	10,224,591	7,460,513	10,680,758
Parks, recreation, cultural affairs	13,769,347	15,479,059	8,959,793	13,349,714	13,714,785	14,251,614	8,345,000	13,504,216	17,017,698	18,906,462
Public works/community development	10,776,798	11,857,265	2,144,831	8,425,359	10,800,128	11,044,820	11,068,146	8,778,072	9,708,202	9,667,963
Interest on long term debt	511,126	468,360	423,713	377,304	328,280	288,476	537,023	441,145	407,023	350,142
Total governmental activities	\$ 72,164,224	\$ 77,686,414	\$ 66,279,772	\$ 71,611,885	\$ 77,644,476	\$ 83,468,923	\$ 81,535,704	\$ 84,615,276	\$ 89,890,155	\$ 93,854,192
Business-type activities:										
Electric	66,341,885	79,473,997	75,669,922	75,094,411	77,933,334	76,465,532	85,104,921	86,071,781	93,164,509	90,435,253
Water	7,207,259	6,854,639	7,670,708	8,540,615	8,662,030	9,368,428	9,388,141	9,895,015	10,362,693	11,086,095
Wastewater	5,274,284	5,227,357	5,066,171	5,263,247	5,674,564	5,829,583	5,850,820	6,014,663	6,239,817	6,460,670
Sanitation	4,002,806	4,130,295	4,404,269	4,393,018	5,318,445	5,100,718	5,081,821	5,239,556	5,529,374	5,497,700
Golf	1,164,683	1,312,463	1,331,765	1,285,065	1,468,586	1,157,049	1,132,150	-	-	-
Airport	1,604,506	1,557,946	1,639,916	-	-	-	-	-	-	-
Total business-type activities	\$ 85,595,423	\$ 98,556,757	\$ 95,782,751	\$ 94,576,356	\$ 99,056,959	\$ 97,921,310	\$ 106,557,853	\$ 107,221,015	\$ 115,296,393	\$ 113,479,718
Total expenses	\$ 157,759,647	\$ 176,243,171	\$ 162,062,523	\$ 166,188,241	\$ 176,701,435	\$ 181,390,233	\$ 188,093,557	\$ 191,836,291	\$ 205,186,548	\$ 207,333,910
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 6,906,273	\$ 7,008,648	\$ 6,420,991	\$ 8,003,589	\$ 8,866,978	\$ 11,555,421	\$ 9,195,215	\$ 12,104,821	\$ 11,688,723	\$ 10,483,519
Police	1,266,550	1,366,974	1,483,251	1,518,646	1,185,576	1,200,551	1,185,579	1,082,132	1,148,476	1,090,033
Parks, recreation, cultural affairs	888,618	831,845	884,964	844,503	838,839	1,094,483	1,227,346	2,538,777	2,818,948	2,607,028
Public works/community development	95,485	86,766	67,296	58,237	50,940	61,644	61,841	63,430	58,583	59,815
Operating grants and contributions	2,600,396	3,623,209	4,242,763	4,090,058	6,243,941	3,546,860	4,535,975	5,188,416	5,254,695	6,110,984
Capital grants and contributions	11,757,322	12,917,442	13,099,265	18,743,051	20,629,255	18,757,582	20,342,446	24,739,442	23,843,181	21,391,716
Total governmental activities	\$ 91,704,560	\$ 102,193,403	\$ 97,122,636	\$ 94,173,433	\$ 91,451,673	\$ 95,742,961	\$ 102,124,215	\$ 99,529,498	\$ 105,907,531	\$ 102,230,879
Business-type activities:										
Charges for services:										
Electric	8,688,421	10,783,517	11,052,694	12,324,629	12,897,358	14,025,394	13,576,405	13,232,372	13,932,663	16,184,867
Water	5,214,261	6,240,272	6,910,478	7,445,521	6,163,722	6,475,468	6,598,137	6,640,367	6,875,136	7,588,925
Wastewater	4,051,998	4,228,681	4,774,637	5,007,853	5,092,625	5,423,632	5,452,441	5,547,113	5,667,995	5,640,903
Sanitation	1,113,328	1,146,652	1,167,456	1,106,499	1,019,226	1,043,005	957,766	-	-	-
Golf	601,675	540,360	464,337	-	-	-	-	-	-	-
Airport	1,227,869	1,585,215	5,826,268	12,949,631	6,282,404	2,706,388	4,192,656	-	-	59,056
Operating grants and contributions	495,436	2,617,273	1,050,875	-	-	-	-	2,067,760	1,886,666	1,020,091
Capital grants and contributions	113,097,548	129,335,373	128,369,381	133,007,566	122,907,008	125,416,848	132,901,620	127,017,110	134,269,991	132,724,721
Total business-type activities	\$ 124,854,870	\$ 142,252,815	\$ 141,468,164	\$ 151,750,617	\$ 143,536,263	\$ 144,174,430	\$ 153,244,066	\$ 151,756,552	\$ 158,113,172	\$ 154,116,437

Source: City of Farmington CAFRS

Note: In 2009, Community Development was separated from Public Works. For reporting purposes, Community Development expenses and revenues are reported together in 2009 and prior years. Beginning in 2010, only Public works expenses and revenues are reported and Community Development data is combined with General government. In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity. In 2012, the city added Civitan Golf Course operations to governmental activities which had previously been accounted for as a business-type activity. In 2012, a change in accounting principle adjustment was made to correct costs associated with regulatory costs for business-type activity. In 2014, the city added Pinon Hills Golf Course to governmental activities which had previously been accounted for as a business-type activity.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Net (Expenses)/Revenues</b>						Restated				
Governmental activities	\$ (60,406,902)	\$ (64,768,972)	\$ (53,180,507)	\$ (52,868,834)	\$ (57,015,221)	\$ (64,711,341)	\$ (61,193,256)	\$ (59,875,834)	\$ (66,046,974)	\$ (72,462,476)
Business-type activities	27,502,125	30,778,616	32,586,630	38,431,210	23,850,049	27,495,538	26,343,767	19,796,095	18,973,598	19,245,003
Total net expenses	\$ (32,904,777)	\$ (33,990,356)	\$ (20,593,877)	\$ (14,437,624)	\$ (33,165,172)	\$ (37,215,803)	\$ (34,849,491)	\$ (40,079,739)	\$ (47,073,376)	\$ (53,217,473)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Gross receipts taxes	\$ 51,818,982	\$ 54,401,730	\$ 52,406,771	\$ 44,760,879	\$ 47,605,170	\$ 50,432,706	\$ 47,951,282	\$ 49,107,699	\$ 52,453,868	\$ 49,290,956
Property taxes	1,235,064	1,330,285	1,550,503	1,556,401	1,806,123	1,687,900	1,712,368	1,864,221	1,907,059	1,936,699
Franchise taxes	1,045,698	992,050	865,346	649,388	614,627	2,325,998	2,340,395	2,422,641	2,308,529	2,488,029
Other taxes	1,944,810	2,124,381	1,992,189	2,048,944	1,828,644	1,982,191	1,790,196	1,774,724	2,195,553	2,747,300
Other revenue	1,199,675	1,386,242	1,789,230	1,782,477	1,541,494	1,601,517	1,277,670	964,113	1,093,197	1,004,418
Unrestricted investment earnings	1,064,838	962,448	701,039	405,946	364,522	257,782	76,860	357,959	317,162	263,798
Loss on disposition	-	-	(1,381,262)	-	-	-	-	-	-	-
Reassignment of capital assets	-	-	-	-	-	-	-	1,870,844	-	-
Transfers	1,346,115	1,420,720	1,923,630	14,406,807	10,017,180	9,721,597	8,454,241	7,170,449	7,900,683	6,869,616
Total general revenues, transfers and special items	59,655,182	62,617,856	59,847,446	65,610,842	63,777,760	68,009,691	63,603,012	65,532,650	68,176,051	64,600,816
Business-type activities:										
Environmental taxes	-	-	-	-	1,258,718	1,333,554	1,268,748	1,298,901	1,384,982	1,251,293
Unrestricted investment earnings	2,357,973	2,800,336	2,128,575	1,324,627	1,071,740	633,005	186,344	824,967	742,813	776,699
Loss on disposition	-	-	(1,013,059)	-	-	-	-	-	-	-
Reassignment of capital assets	-	-	-	-	-	-	-	(1,870,844)	-	-
Transfers	(1,346,115)	(1,420,720)	(1,923,630)	(14,406,807)	(10,017,180)	(9,721,597)	(8,454,241)	(7,170,449)	(7,900,683)	(6,869,616)
Total business-type activities	1,011,858	1,379,616	(808,114)	(13,082,180)	(7,686,722)	(7,755,038)	(6,999,149)	(6,917,425)	(5,772,888)	(4,841,624)
Total primary government	\$ 60,667,040	\$ 63,997,472	\$ 59,039,332	\$ 52,528,662	\$ 56,091,038	\$ 60,254,653	\$ 56,603,863	\$ 58,615,225	\$ 62,403,163	\$ 59,759,192
<b>Change in Net Position</b>										
Governmental activities	\$ (751,720)	\$ (2,151,116)	\$ 6,666,939	\$ 12,742,008	\$ 6,762,539	\$ 3,298,350	\$ 2,409,754	\$ 5,656,816	\$ 2,129,077	\$ (7,861,660)
Business-type activities	28,513,983	32,158,232	31,778,516	25,349,030	16,163,327	19,740,500	19,344,618	12,878,670	13,200,710	14,403,379
Total change in net position	\$ 27,762,263	\$ 30,007,116	\$ 38,445,455	\$ 38,091,038	\$ 22,925,866	\$ 23,038,850	\$ 21,754,372	\$ 18,535,486	\$ 15,329,787	\$ 6,541,719

Source: City of Farmington CAFRS

Note: In 2009, Community Development was separated from Public Works. For reporting purposes, Community Development expenses and revenues are reported together in 2009 and prior. Beginning in 2010, only Public Works expenses and revenues are reported and Community Development data is combined with General government. In 2010, the city added airport services to governmental activities which had previously been accounted for as a business-type activity. In 2011, the city has moved Environmental taxes from program revenues to business-type activities. In 2012, a change in accounting principle adjustment was made to correct costs associated with regulatory costs for business-type activity. In 2014, the city added Pinon Hills Golf Course to governmental activities which had previously been accounted for as a business-type activity.

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

<u>Fiscal Year</u>	<u>Reserved</u>	<u>Unreserved</u>	<u>Nonspendable</u>	<u>Unassigned</u>	<u>Total</u>
2007	\$ 4,386,101	\$ 12,808,778	\$ -	\$ -	\$ 17,194,879
2008	4,439,851	8,187,413	-	-	12,627,264
2009	4,160,353	7,311,344	-	-	11,471,697
2010	4,307,676	8,623,808	-	-	12,931,484
2011	-	-	600,102	18,449,727	19,049,829
2012	-	-	504,602	18,216,147	18,720,749
2013	-	-	553,745	16,790,815	17,344,560
2014	-	-	586,236	18,360,780	18,947,016
2015	-	-	498,907	17,777,859	18,276,766
2016	-	-	542,959	11,842,124	12,385,083

All Other Governmental Funds

<u>Fiscal Year</u>	<u>Reserved</u>	<u>Unreserved</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>
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	-	-	-	504,602	18,216,147	1,733,634	-	20,454,383
2012	-	-	-	10,998,211	12,815,182	5,099,223	-	28,912,616
2013	-	-	-	8,253,150	11,022,449	7,052,366	-	26,327,965
2014	-	-	-	5,936,973	10,243,313	4,630,223	-	20,810,509
2015	-	-	-	3,161,762	9,477,535	2,989,483	(865,230)	14,763,550
2016	-	-	8,434	4,724,748	7,157,528	2,566,917	(937,055)	13,520,572

**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 classifications of fund balances in the governmental funds. Prior year amounts have not been restated for the implementation of Statement 54.  
 In 2012, the city added Civitan Golf Course operations to governmental activities which had previously been accounted for as a business-type activity.  
 In 2014, the city added Pinon Hills Golf Course operations to governmental activities which had previously been accounted for as a business-type activity.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 56,044,554	\$ 58,848,446	\$ 56,705,030	\$ 48,954,845	\$ 51,685,802	\$ 56,484,330	\$ 53,853,728	\$ 55,151,896	\$ 58,820,037	\$ 56,422,321
Licenses and permits	765,694	794,169	618,877	693,743	606,378	671,676	651,586	642,505	614,845	613,553
Intergovernmental	2,600,396	3,623,207	4,242,763	8,318,076	9,686,922	5,320,909	8,672,465	8,950,282	8,128,451	7,151,321
Charges for services	1,637,437	1,769,334	1,749,034	2,557,192	2,506,687	2,849,685	2,998,608	3,787,921	3,730,888	3,356,055
Fines	1,222,171	1,341,297	1,431,718	1,491,288	1,171,028	1,183,536	1,153,942	1,031,722	1,114,213	1,052,001
Special assessments	39,943	18,591	6,667	600	1,970	22	-	-	-	-
Investment earnings	1,064,838	962,448	701,039	402,421	364,660	257,782	76,579	350,469	303,777	243,539
Miscellaneous	1,199,675	1,386,242	1,789,230	1,782,477	1,541,494	1,601,517	1,277,670	964,113	1,093,197	1,004,412
<b>Total revenues</b>	<b>64,574,708</b>	<b>68,743,734</b>	<b>67,244,358</b>	<b>64,200,642</b>	<b>67,564,941</b>	<b>68,369,457</b>	<b>68,684,578</b>	<b>70,878,908</b>	<b>73,805,408</b>	<b>69,843,202</b>
<b>Expenditures</b>										
<b>Current</b>										
General government	18,715,493	18,153,620	18,766,806	16,970,629	17,895,393	20,407,349	19,080,247	20,813,820	22,435,414	21,244,574
Police	14,678,179	15,536,666	14,636,567	14,588,008	14,892,808	15,709,376	15,337,268	16,703,106	17,189,754	18,558,468
Fire	7,265,724	8,298,829	8,654,998	8,281,693	8,279,658	10,068,829	9,154,839	9,238,467	9,538,833	9,846,379
Parks, recreation and cultural affairs	12,765,857	14,551,969	13,828,963	11,795,902	12,200,221	12,863,218	12,581,191	14,488,935	14,876,178	14,998,411
Community development	7,262,150	7,147,609	1,336,120	1,100,251	1,218,263	1,296,445	1,199,310	969,916	1,219,028	971,191
Public works	-	-	1,049,097	5,510,298	6,276,055	6,572,566	8,347,154	7,039,486	6,626,188	6,170,887
Debt service	1,130,000	1,180,000	1,225,000	1,270,000	1,315,000	3,440,000	1,098,878	1,189,238	1,224,760	1,280,467
Principal	512,905	470,217	425,643	379,342	330,393	258,145	547,717	443,054	411,133	352,200
Interest	4,924,265	4,787,620	10,807,397	9,425,646	4,580,112	6,927,790	13,753,055	12,107,601	14,902,012	10,424,902
Capital outlay	67,254,573	70,126,530	70,730,591	69,321,769	66,987,903	77,543,718	81,099,659	81,964,357	88,423,300	83,847,479
<b>Total expenditures</b>	<b>(2,679,865)</b>	<b>(1,382,796)</b>	<b>(3,486,233)</b>	<b>(5,121,127)</b>	<b>577,038</b>	<b>(9,174,261)</b>	<b>(12,415,081)</b>	<b>(11,085,449)</b>	<b>(14,617,892)</b>	<b>(14,004,277)</b>
<b>Excess of revenues over (under) expenditures</b>	<b>67,254,573</b>	<b>70,126,530</b>	<b>70,730,591</b>	<b>69,321,769</b>	<b>66,987,903</b>	<b>77,543,718</b>	<b>81,099,659</b>	<b>81,964,357</b>	<b>88,423,300</b>	<b>83,847,479</b>
<b>Other Financing Sources (Uses)</b>										
Transfers in	3,288,811	7,168,448	7,935,092	7,798,162	12,142,893	16,753,124	14,551,873	16,719,859	16,523,465	19,297,453
Transfers out	(1,942,696)	(5,747,728)	(6,011,462)	(2,686,511)	(2,125,713)	(8,002,626)	(6,097,632)	(9,549,410)	(8,622,782)	(12,427,837)
Sale tax debt issuance	-	-	-	-	-	11,197,390	-	-	-	-
<b>Total other financing sources and uses</b>	<b>1,346,115</b>	<b>1,420,720</b>	<b>1,923,630</b>	<b>5,111,651</b>	<b>10,017,180</b>	<b>19,947,888</b>	<b>8,454,241</b>	<b>7,170,449</b>	<b>7,900,683</b>	<b>6,869,616</b>
<b>Net change in fund balances</b>	<b>\$ (1,333,750)</b>	<b>\$ 37,924</b>	<b>\$ (1,562,603)</b>	<b>\$ (9,476)</b>	<b>\$ 10,594,218</b>	<b>\$ 10,773,627</b>	<b>\$ (3,960,840)</b>	<b>\$ (3,915,000)</b>	<b>\$ (6,717,209)</b>	<b>\$ (7,134,661)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>2.7%</b>	<b>2.6%</b>	<b>3.0%</b>	<b>2.8%</b>	<b>2.6%</b>	<b>5.4%</b>	<b>2.5%</b>	<b>2.4%</b>	<b>2.2%</b>	<b>2.1%</b>

Source: City of Farmington CAFRS

Note: In 2009, the City separated Public Works from Community Development.  
 In 2010, the City added airport services to governmental activities which had previously been accounted for as a business-type activity.  
 In 2012, the City added Civitan Golf Course operations to governmental activities which had previously been accounted for as a business-type activity.  
 In 2014, the city added Pinon Hills Golf Course 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

Fiscal Year	* Industrial		* Commercial		* Residential		Total	
	kWh	Revenue	kWh	Revenue	kWh	Revenue		
2007	551,421,402	\$ 27,422,114	429,127,945	\$ 36,550,017	248,119,606	\$ 21,419,197	1,228,668,953	\$ 85,391,328
2008	512,182,632	28,575,487	439,341,791	39,610,098	262,763,630	23,886,685	1,214,288,053	92,072,270
2009	490,347,580	30,035,752	441,145,350	42,395,101	264,384,359	25,663,036	1,195,877,289	98,093,889
2010	417,626,366	25,322,092	433,338,579	40,087,647	272,352,709	25,726,777	1,123,317,654	91,136,516
2011	431,217,761	26,310,371	428,923,446	39,524,535	271,478,836	25,481,033	1,131,620,043	91,315,939
2012	449,719,960	27,120,532	435,918,516	40,833,661	274,403,890	25,778,554	1,160,042,366	93,732,747
2013	413,774,318	23,518,114	428,149,644	38,831,201	279,360,211	25,109,554	1,121,284,173	87,458,869
2014	396,091,791	27,450,569	423,014,832	43,664,041	274,308,792	28,630,163	1,093,415,415	99,744,773
2015	429,200,554	29,743,138	421,102,778	43,953,556	262,207,686	28,391,172	1,112,511,018	102,087,866
2016	374,762,380	28,215,055	416,383,208	45,201,681	266,476,087	30,650,732	1,057,621,675	104,067,468

Change								
2007-2016	-32.0%	2.9%	-3.0%	23.7%	7.4%	43.1%	-13.9%	21.9%

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. Wholesale is not included in any of the totals.

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**Type of Customer**

**Industrial (Bulk Power)**

\$55.00 Customer charge  
\$8.25/kW of billing demand  
\$0.043/kWh energy charge

**Commercial**

General Service

\$6.00 Customer charge  
\$0.09309/kWh energy charge

Large General Service

\$9.00 Customer charge  
\$8.84/kW of billing demand  
\$0.05642/kWh energy charge

**Residential**

\$3.75 Customer charge  
\$0.09132/kWh energy charge

Street Lighting

\$8.30 100 W sodium 7/94  
\$12.58 100 W sodium 8/94  
\$14.99 250 W sodium 7/94  
\$15.79 250 W sodium 8/94  
\$8.30 175 W mercury  
\$14.99 400 W mercury  
\$12.58 LED

**Source:** Farmington Electric Utility System

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

Schedule 7

<u>Customer</u>	<u>2016</u>			<u>2007</u>		
	<u>Revenue</u>	<u>Rank</u>	<u>Percentage of Revenue</u>	<u>Revenue</u>	<u>Rank</u>	<u>Percentage of Revenue</u>
Enterprise Field Services LLC	\$24,871,917	1	23.90%	\$21,597,935	1	25.29%
Praxair, Inc.	4,111,820	2	3.95%	1,595,497	4	1.87%
San Juan Regional Medical Center	1,827,488	3	1.76%	1,266,202	6	1.48%
Transwestern Pipeline Co.	1,665,372	4	1.60%	5,878,321	2	6.88%
Western Refining Southwest, Inc.	1,457,803	5	1.40%	2,029,264	3	2.38%
ConocoPhillips / Burlington Resources Oil & Gas	1,205,125	6	1.16%	1,216,347	7	1.42%
Wal-Mart Inc. / Sam's Club	1,094,861	7	1.05%	960,566	8	1.12%
Animas Valley Mall	543,539	8	0.52%	478,261	10	0.56%
San Juan County	525,500	9	0.50%	-	-	-
Safeway Inc.	405,153	10	0.39%	-	-	-
Duke Energy Field Services	-	-	-	1,321,946	5	1.55%
San Juan College	-	-	-	920,959	9	1.08%
<b>Total</b>	<b>\$37,708,578</b>		<b>36.23%</b>	<b>\$37,265,298</b>		<b>43.64%</b>

Source: Farmington Electric Utility System

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

**Schedule 8**

<b>Fiscal Year</b>	<b>Gross Receipts Tax</b>	<b>Property Tax</b>	<b>Franchise Tax</b>	<b>Other Taxes</b>	<b>Total Taxes</b>
2007	\$ 51,818,982	\$ 1,235,064	\$ 1,045,698	\$ 1,944,810	\$ 56,044,554
2008	54,401,730	1,330,285	992,050	2,124,381	58,848,446
2009	52,406,771	1,440,724	865,346	1,992,189	56,705,030
2010	44,760,879	1,495,634	649,388	2,048,944	48,954,845
2011	47,605,170	1,637,361	614,627	1,828,644	51,685,802
2012	50,432,706	1,743,435	2,325,998	1,982,191	56,484,330
2013	47,951,282	1,771,855	2,340,395	1,790,196	53,853,728
2014	49,107,699	1,846,832	2,422,641	1,774,724	55,151,896
2015	52,453,868	1,862,087	2,308,529	2,810,398	59,434,882
2016	49,290,956	1,896,036	2,488,029	2,747,300	56,422,321

Change  
2007-2016                      -4.9%                      53.5%                      137.9%                      41.3%                      0.7%

**Source:** City of Farmington CAFRs

**Note:** From 2006 to 2011, PILT was reported as an interfund transfer. Beginning in 2012, Electric PILT is included in Franchise Tax, while Water and Wastewater PILT are still reported as an interfund transfer.

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

Ending June 30	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Agriculture	\$ 3,325	\$ 3,284	\$ (2,519)	\$ 609	\$ 612	\$ 566	\$ 1,718	\$ 2,006	\$ 1,487	\$ 355
Mining	222,893	185,838	163,216	113,859	121,889	118,975	80,493	83,254	93,211	88,282
Construction	124,428	121,996	157,749	117,169	109,321	102,464	115,958	77,959	96,966	127,401
Manufacturing	69,509	86,755	79,094	57,270	73,713	119,218	86,003	78,803	70,489	89,896
Trans/Comm/Utility	26,547	32,545	30,259	24,207	22,033	18,627	21,451	21,402	19,454	33,092
Wholesale Trade	197,225	164,098	163,014	99,166	97,962	104,251	94,400	80,010	87,412	82,776
Retail Trade	717,121	753,122	772,111	675,796	676,094	683,041	636,026	558,638	522,079	825,009
Information and Cultural	51,774	51,018	53,838	55,436	57,180	65,236	67,570	59,466	55,095	72,288
Finance/Ins/Real Estate	30,878	34,686	33,594	39,232	46,227	32,194	36,326	25,947	24,337	33,221
Services	537,818	580,933	601,162	502,840	579,917	597,330	602,024	515,494	498,116	689,509
Unclassified	1,486	14,923	8,359	8,883	6,880	14,612	11,640	17,501	114,164	12,818
Undisclosed (a)	26,258	28,647	31,054	28,235	29,402	28,629	26,402	27,799	21,040	31,659
<b>Total (b)</b>	<b>\$ 2,009,262</b>	<b>\$ 2,057,845</b>	<b>\$ 2,090,931</b>	<b>\$ 1,722,702</b>	<b>\$ 1,821,230</b>	<b>\$ 1,885,143</b>	<b>\$ 1,780,011</b>	<b>\$ 1,548,279</b>	<b>\$ 1,603,850</b>	<b>\$ 2,086,306</b>
City Direct Sales Tax Rate	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.1875%	1.4375%

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

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

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

**City of Farmington  
Direct and Overlapping Gross Receipts Tax Rates  
Last Ten Fiscal Years**

**Schedule 10**

<b>Fiscal Year</b>	<b>State GRT</b>	<b>City Share of State GRT</b>	<b>City Direct Rate</b>	<b>San Juan County</b>	<b>Total City GRT</b>
2007	3.7750%	1.2250%	1.1875%	0.8125%	7.0000%
2008	3.7750%	1.2250%	1.1875%	0.8125%	7.0000%
2009	3.7750%	1.2250%	1.1875%	0.8125%	7.0000%
2010	3.7750%	1.2250%	1.1875%	0.8125%	7.0000%
2011	3.9000%	1.2250%	1.1875%	0.8125%	7.1250%
2012	3.9000%	1.2250%	1.1875%	0.8125%	7.1250%
2013	3.9000%	1.2250%	1.1875%	0.8125%	7.1250%
2014	3.9000%	1.2250%	1.1875%	0.8750%	7.1875%
2015	3.9000%	1.2250%	1.1875%	1.0625%	7.3750%
2016	3.9000%	1.2250%	1.4375%	1.0625%	7.6250%

**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

	Ending June 30				Fiscal Year 2016				Fiscal Year 2007			
	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (thousands)	Percentage of Total	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (thousands)	Percentage of Total	Number of Filers (12 Mth. Avg.)	Percentage of Total	Taxable Gross Receipts (thousands)	Percentage of Total
Agriculture	6	0.20%	\$ 355	0.02%	6	0.22%	\$ 3,325	0.17%	6	0.22%	\$ 3,325	0.17%
Mining	60	1.96%	88,282	4.23%	68	2.46%	222,893	11.09%	68	2.46%	222,893	11.09%
Construction	235	7.67%	127,401	6.11%	256	9.28%	124,428	6.19%	256	9.28%	124,428	6.19%
Manufacturing	145	4.73%	89,896	4.31%	94	3.41%	69,509	3.46%	94	3.41%	69,509	3.46%
Trans/Comm/Utility	47	1.53%	33,092	1.59%	45	1.63%	26,547	1.32%	45	1.63%	26,547	1.32%
Wholesale Trade	203	6.63%	82,776	3.97%	184	6.67%	197,225	9.82%	184	6.67%	197,225	9.82%
Retail Trade	642	20.96%	825,009	39.54%	629	22.80%	717,121	35.69%	629	22.80%	717,121	35.69%
Information and Cultural	102	3.33%	72,288	3.46%	94	3.41%	51,774	2.58%	94	3.41%	51,774	2.58%
Finance/Ins/Real Estate	148	4.83%	33,221	1.59%	103	3.73%	30,878	1.54%	103	3.73%	30,878	1.54%
Services	1,353	44.17%	689,509	33.05%	1,257	45.56%	537,818	26.77%	1,257	45.56%	537,818	26.77%
Unclassified	119	3.89%	12,818	0.61%	18	0.65%	1,486	0.07%	18	0.65%	1,486	0.07%
Undisclosed (a)	3	0.10%	31,659	1.52%	5	0.18%	26,258	1.31%	5	0.18%	26,258	1.31%
<b>Total (b)</b>	<b>3,063</b>	<b>100.00%</b>	<b>\$ 2,086,306</b>	<b>100.00%</b>	<b>2,759</b>	<b>100.00%</b>	<b>\$ 2,009,262</b>	<b>100.00%</b>	<b>2,759</b>	<b>100.00%</b>	<b>\$ 2,009,262</b>	<b>100.00%</b>

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

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

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

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

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

Fiscal Year Ended June 30	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	
2007	\$ 518,861,269	\$ 343,707,380	\$ 80,889,474	\$ 67,559,512	\$ 875,898,611	1.434	1.824			\$ 875,898,611	1.434	1.824			\$ 2,630,326,159	33.3%	33.3%	
2008	556,752,058	354,591,302	88,159,370	68,326,659	931,176,071	1.457	1.879			931,176,071	1.457	1.879			2,796,324,538	33.3%	33.3%	
2009	593,088,155	431,154,946	86,031,112	88,515,732	1,021,758,481	1.438	1.908			1,021,758,481	1.438	1.908			3,068,343,787	33.3%	33.3%	
2010	597,619,324	368,371,078	82,532,302	92,000,870	956,521,834	1.457	1.950			956,521,834	1.457	1.950			2,872,437,940	33.3%	33.3%	
2011	638,666,041	483,155,959	75,061,549	213,971,715	982,911,834	1.419	2.128			982,911,834	1.419	2.128			2,951,687,189	33.3%	33.3%	
2012	662,894,115	503,391,149	66,717,175	224,872,472	1,008,129,967	1.431	2.225			1,008,129,967	1.431	2.225			3,027,417,318	33.3%	33.3%	
2013	689,845,796	513,872,317	70,666,059	237,362,094	1,037,022,078	1.426	2.225			1,037,022,078	1.426	2.225			3,114,180,414	33.3%	33.3%	
2014	712,107,050	538,519,188	68,492,130	254,161,110	1,064,957,258	1.407	2.225			1,064,957,258	1.407	2.225			3,198,069,844	33.3%	33.3%	
2015	731,502,146	554,682,386	66,037,125	257,150,613	1,095,071,044	1.410	2.225			1,095,071,044	1.410	2.225			3,288,501,634	33.3%	33.3%	
2016	749,006,669	561,254,523	67,060,107	256,373,378	1,120,947,921	1.392	2.209			1,120,947,921	1.392	2.209			3,366,209,973	33.3%	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)

Fiscal Year	City of Farmington Residential Direct Rates			Overlapping Rates					Total Direct and Overlapping Rates
	General Fund	Service Fund	Total Direct Rate	State	County	School District #5	San Juan College	Secondary Vocational	
2007	1.434	-	1.434	1.221	6.451	9.690	3.228	0.600	22.624
2008	1.457	-	1.457	1.250	6.567	9.725	3.283	0.600	22.882
2009	1.438	-	1.438	1.150	6.312	9.644	3.156	0.600	22.300
2010	1.457	-	1.457	1.530	6.425	9.673	3.212	0.600	22.897
2011	1.419	-	1.419	1.362	6.267	9.620	3.133	0.600	22.401
2012	1.431	-	1.431	1.360	6.326	9.751	3.162	0.420	22.450
2013	1.426	-	1.426	1.360	6.310	9.746	3.154	0.600	22.596
2014	1.407	-	1.407	1.360	6.231	9.721	3.114	0.600	22.433
2015	1.410	-	1.410	1.360	6.231	9.736	3.114	0.600	22.451
2016	1.392	-	1.392	1.360	6.529	9.691	3.263	0.600	22.835

Fiscal Year	City of Farmington Nonresidential Direct Rates			Overlapping Rates					Total Direct and Overlapping Rates
	General Fund	Service Fund	Total Direct Rate	State	County	School District #5	San Juan College	Secondary Vocational	
2007	1.824	-	1.824	1.221	8.500	9.853	4.500	0.600	26.498
2008	1.879	-	1.879	1.250	8.500	9.902	4.500	0.600	26.631
2009	1.908	-	1.908	1.150	8.500	9.915	4.500	0.600	26.573
2010	1.950	-	1.950	1.530	8.500	9.921	4.500	0.600	27.001
2011	2.128	-	2.128	1.362	8.500	9.923	4.500	0.600	27.013
2012	2.225	-	2.225	1.360	8.500	9.924	4.500	0.420	26.929
2013	2.225	-	2.225	1.360	8.500	9.926	4.500	0.600	27.111
2014	2.225	-	2.225	1.360	8.500	9.931	4.500	0.600	27.116
2015	2.225	-	2.225	1.360	8.500	9.939	4.500	0.600	27.124
2016	2.209	-	2.209	1.360	8.500	9.921	4.500	0.600	27.090

Source: San Juan County Assessor's Office

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

**Schedule 14**

<u>Taxpayer</u>	<u>2016</u>			<u>2007</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Animas Valley Mall, LLC	\$ 9,660,204	1	0.9%	\$ 10,300,704	1	1.2%
New Mexico Gas Company	6,985,751	2	0.6%	-	-	-
San Juan Regional Medical Center	6,690,026	3	0.6%	-	-	-
Farmington Station, LLC	4,588,363	4	0.4%	-	-	-
Qwest Corporation	3,991,434	5	0.4%	7,321,679	2	0.8%
Burlington Resources Oil and Gas LP	3,949,301	6	0.4%	6,444,929	3	0.7%
Dugan Production Corp	3,890,520	7	0.3%	3,519,139	7	0.4%
Wal Mart Stores East LTD	3,568,902	8	0.3%	4,004,278	5	0.5%
Animas Valley Leasing, LLC	2,874,005	9	0.3%	-	-	-
Sierra Vista Hotels, LLC	2,873,563	10	0.3%	-	-	-
Alltel Communications	-	-	-	5,884,594	4	0.7%
PNM Gas Services	-	-	-	3,868,992	6	0.4%
Plaza Farmington II, LLC	-	-	-	3,071,418	8	0.4%
PI Farmington Inc.	-	-	-	2,886,786	9	0.3%
Target Corporation	-	-	-	2,713,937	10	0.3%
<b>Total</b>	<b>\$ 49,072,069</b>		<b>4.4%</b>	<b>\$ 50,016,456</b>		<b>5.7%</b>

**Source:** San Juan County Assessor

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

Schedule 15

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy
2007	\$ 1,196,838	\$ 1,158,836	97%	\$ 37,983	\$ 1,196,819	100%
2008	1,307,386	1,257,590	96%	49,760	1,307,350	100%
2009	1,411,416	1,363,140	97%	48,071	1,411,211	100%
2010	1,482,605	1,415,035	95%	67,350	1,482,385	100%
2011	1,624,803	1,568,062	97%	56,078	1,624,140	100%
2012	1,700,061	1,641,482	97%	57,981	1,699,463	100%
2013	1,793,765	1,725,822	96%	65,746	1,791,568	100%
2014	1,817,130	1,757,847	97%	52,547	1,810,394	100%
2015	1,848,590	1,786,657	97%	37,216	1,823,873	99%
2016	1,898,969	1,831,776	96%	-	1,831,776	96%

**Source:** San Juan County Treasurer

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

In 2012, this schedule was updated to show information for each "period for which levied" as defined in Statement 33.

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

Fiscal Year	General Bonded Debt		Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Sales Tax Revenue Bonds	NMFA Fire Pumper Loan	Utility Revenue Bonds	NMED Loan	NMFA Loan	Capital Leases	NMFA Loan	NMED Loan	Capital Leases				
												Per Capita			
2007	\$ -	N/A	\$ 11,823,254	\$ -	\$ 33,304,989	\$ 13,650,539	\$ -	\$ 356,707	\$ -	\$ 13,650,539	\$ -	\$ 356,707	\$ 59,135,489	4.5%	\$ 1,322
2008	-	N/A	10,621,361	-	27,940,131	13,107,058	-	250,269	-	13,107,058	-	250,269	51,918,819	3.9%	1,194
2009	-	N/A	9,374,468	-	22,370,275	12,547,273	-	136,302	-	12,547,273	-	136,302	44,428,318	3.0%	1,018
2010	-	N/A	8,082,574	-	16,615,417	11,970,694	-	86,845	-	11,970,694	-	86,845	36,755,530	2.5%	829
2011	-	N/A	6,745,681	-	10,580,560	11,376,818	-	34,400	-	11,376,818	1,054,844	34,400	29,792,303	1.9%	649
2012	-	N/A	14,628,748	475,426	4,255,702	10,765,125	1,054,844	-	-	10,765,125	1,054,844	-	31,179,845	2.0%	689
2013	-	N/A	13,542,853	431,548	-	10,135,082	1,006,938	-	-	10,135,082	1,006,938	-	25,116,421	1.7%	548
2014	-	N/A	12,333,378	387,310	-	9,486,137	2,056,450	-	-	9,486,137	2,056,450	-	24,263,275	2.1%	534
2015	-	N/A	11,088,902	342,550	-	8,817,724	4,968,995	-	-	8,817,724	4,968,995	-	25,218,171	2.3%	567
2016	-	N/A	9,789,426	297,083	-	8,129,259	4,757,192	-	-	8,129,259	4,757,192	-	22,972,960	2.1%	536

**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  
 Direct and Overlapping Governmental Activities Debt  
 As of June 30, 2016**

**Schedule 17**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Amount Applicable to City of Farmington</b>
<b>Debt repaid with property taxes (a)</b>			
Farmington Municipal Schools	\$ 90,900,000	100.000%	\$ 90,900,000
San Juan College	15,841,250	97.927%	15,512,924
Subtotal Overlapping Debt			106,412,924
<b>City direct debt</b>			<b>10,086,509</b>
<b>Total direct and overlapping debt</b>			<b>\$ 116,499,433</b>

**Sources:** Outstanding debt provided by each governmental unit. San Juan College actual assessed values provided by San Juan County Assessor's Office.

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

(a) For debt repaid with property taxes, the percentage of overlapping debt applicable is calculated using actual assessed property values. Applicable percentages were estimated by determining the portion of each governmental unit's actual assessed value that is within the city's boundaries and dividing it by that governmental unit's total assessed value.

City of Farmington  
 Legal Debt Margin Information  
 Last Ten Fiscal Years

Schedule 18

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed Value (a)	\$ 808,339,099	\$ 862,849,412	\$ 933,242,749	\$ 864,520,964	\$ 768,940,119	\$ 783,257,495	\$ 799,659,984	\$ 1,319,118,368	\$ 1,352,221,657	\$ 1,377,321,299
Exempt property	67,559,512	68,326,659	88,515,732	92,000,870	213,971,715	224,872,472	237,362,094	254,161,110	257,150,613	256,373,378
Total Taxable Assessed Value	875,898,611	931,176,071	1,021,758,481	956,521,834	982,911,834	1,008,129,967	1,037,022,078	1,573,279,478	1,609,372,270	1,120,947,921
<b>Legal Debt Margin</b>										
Debt limitation - 4 % of total assessed value	35,035,944	37,247,043	40,870,339	38,260,873	39,316,473	40,325,199	41,480,883	42,598,290	43,802,842	44,837,917
Debt applicable to limitation:										
Total bonded debt	43,615,000	37,300,000	30,735,000	23,940,000	16,820,000	17,940,000	12,840,000	11,695,000	10,515,000	9,280,000
Less: Revenue bonds	(43,615,000)	(37,300,000)	(30,735,000)	(23,940,000)	(16,820,000)	(17,940,000)	(12,840,000)	(11,695,000)	(10,515,000)	(9,280,000)
Total net debt applicable to limitation	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 35,035,944	\$ 37,247,043	\$ 40,870,339	\$ 38,260,873	\$ 39,316,473	\$ 40,325,199	\$ 41,480,883	\$ 42,598,290	\$ 43,802,842	\$ 44,837,917

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

**Note:** (a) Excludes centrally assessed property.

City of Farmington  
 Pledged-Revenue Coverage  
 Last Ten Fiscal Years

Fiscal Year	Utility Revenue Bonds (a)					Sales Tax Revenue bonds				
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage	Sales Tax Revenue	Principal	Interest	Coverage
2007	\$ 107,924,587	\$ 65,220,228	\$ 42,704,359	\$ 4,905,000	\$ 1,647,505	6.52	\$ 26,313,679	\$ 1,130,000	\$ 512,904	16.02
2008	121,977,607	77,084,567	44,893,040	5,135,000	1,421,305	6.85	27,625,198	1,180,000	470,217	16.74
2009	117,183,511	73,688,514	43,494,997	5,340,000	1,215,905	6.63	26,612,158	1,225,000	425,643	16.12
2010	115,238,191	73,490,029	41,748,162	5,525,000	1,029,005	6.37	22,729,574	1,270,000	379,342	13.78
2011	111,560,052	75,470,531	36,089,521	5,805,000	752,755	5.50	24,173,905	1,315,000	330,393	14.69
2012	116,864,599	82,266,307	34,598,292	6,095,000	462,504	5.28	25,609,728	400,000	258,145	38.91
2013	122,482,385	82,015,303	40,467,082	4,045,000	157,755	9.63	24,348,319	1,055,000	526,289	15.40
2014	-	-	-	-	-	-	24,935,516	1,145,000	432,088	15.81
2015	-	-	-	-	-	-	26,634,607	1,180,000	400,688	16.85
2016	-	-	-	-	-	-	22,678,468	1,235,000	342,463	14.38

Source: City of Farmington CAFRs and budgets

Note: (a) City of Farmington no longer has any outstanding utility revenue bonds. The bonds were paid off in May 2013.

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		Unemployment Rate
						High School Graduate	Bachelor's Degree	
2006	43,600	\$ 1,276,390,000	\$ 29,275	33.6	10,257	83.6%	19.7%	4.3%
2007	42,425	1,300,368,675	30,651	33.6	10,253	83.6%	19.7%	3.4%
2008	42,637	1,425,354,910	33,430	33.6	10,467	83.6%	19.7%	4.0%
2009	43,412	1,441,799,344	33,212	33.6	10,517	85.4%	20.3%	7.6%
2010	45,877	1,552,340,049	33,837	33.6	10,646	84.5%	19.7%	9.6%
2011	45,250	1,544,518,250	34,133	32.7	10,727	85.5%	19.9%	7.8%
2012	45,854	1,438,577,542	31,373	32.7	10,728	80.9%	16.4%	6.8%
2013	45,426	1,181,484,834	26,009	33.1	10,976	86.6%	19.9%	6.7%
2014	44,445	1,104,413,805	24,849	33.1	11,062	86.0%	20.3%	6.3%
2015	42,871	1,114,774,613	26,003	33.0	11,701	86.5%	19.9%	7.0%

**Sources:** 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  
Principal Employers  
Current Year and Nine Years Ago**

**Schedule 21**

<u>Employer</u>	2016			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Farmington Municipal Schools	1,931	1	3.5%	1,475	1	2.6%
San Juan Regional Medical Center	1,726	2	3.1%	1,465	2	2.6%
Central Consolidated Schools (a)	918	3	1.7%	1,092	3	2.0%
City of Farmington	789	4	1.4%	794	5	1.4%
San Juan County	652	5	1.2%	645	6	1.2%
Conoco Phillips (a)	646	6	1.2%	520	9	0.9%
Bloomfield Municipal Schools	549	7	1.0%	486	10	0.9%
San Juan College	494	8	0.9%	540	8	1.0%
Aztec Municipal Schools	455	9	0.8%	-	-	-
BHP Billiton/New Mexico Coal	374	10	0.7%	1,000	4	1.8%
Arizona Public Service	-	-	-	593	7	1.1%
<b>Total</b>	<b>8,534</b>		<b>15.4%</b>	<b>8,610</b>		<b>15.4%</b>

**Source:** Four Corners Economic Development 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.

(a) In 2016, these employers opted to not disclose their current number of employees. Because of this, 2015 data was used.

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

Budgeted Full-time Equivalent Employees as of June 30

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>General Government</b>										
Administration	40.5	72.5	79.5	77.5	70.5	71.5	66.5	67.5	67.5	65.5
Administrative Services	32.0	31.0	29.0	29.0	29.0	29.0	28.0	29.0	29.0	29.0
General Services (b)	52.5	52.5	58.0	58.0	53.0	51.0	46.0	47.0	50.0	51.0
<b>Police</b>	172.5	174.5	165.5	165.0	165.0	163.0	164.5	164.0	173.0	182.0
<b>Fire</b>	96.0	96.0	95.0	95.0	91.0	92.0	92.0	92.0	92.0	92.0
<b>Parks, Recreation &amp; Cultural Affairs</b>	124.0	104.0	106.0	106.0	96.0	97.0	101.0	107.0	106.0	106.0
<b>Community Development</b>	26.0	26.0	22.0	20.0	19.0	19.0	19.0	19.0	20.0	19.0
<b>Public Works (a)</b>	48.0	49.0	50.0	50.0	46.0	46.0	46.0	46.0	46.0	48.0
<b>Electric</b>	166.0	177.0	178.0	172.0	175.0	178.0	178.0	181.0	180.0	180.0
<b>Human Resources</b>	11.0	12.0	12.0	12.0	11.0	11.0	11.0	9.0	9.0	9.0
<b>Water/Wastewater</b>	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
<b>Golf (c)</b>	7.0	7.0	7.0	7.0	7.0	7.0	6.0	6.0	-	-
<b>Total Employees</b>	<b>783.5</b>	<b>809.5</b>	<b>810.0</b>	<b>799.5</b>	<b>770.5</b>	<b>772.5</b>	<b>766.0</b>	<b>775.5</b>	<b>780.5</b>	<b>789.5</b>

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 is 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.

(c) In 2014, Golf was moved to General Fund. As of FY2015, Golf full-time equivalents are now reflected in Parks, Recreation & Cultural Affairs.

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General Government</b>										
Total number of business registration/licenses	2,839	3,926	4,212	3,848	3,660	3,659	3,634	3,547	3,620	3,840
<b>Police</b>										
Police reports	6,500	6,770	7,723	7,894	6,731	8,218	8,036	8,094	9,105	9,083
Arrests	3,787	4,113	6,882	6,274	5,418	6,328	6,132	6,186	6,199	5,479
Traffic citations	18,982	24,449	24,586	27,372	13,058	21,638	19,455	20,937	23,203	12,319
<b>Fire (f)</b>										
Structure fires	47	53	40	65	65	50	50	58	44	45
Vehicle fires	34	25	36	31	29	26	19	25	28	16
Brush/grass fires	48	58	45	48	47	72	43	38	29	61
Rubbish/dumpster fires	27	27	36	46	38	46	31	32	26	32
Other fires	43	53	46	34	32	33	26	28	19	14
Rescue/emergency medical calls	3,724	3,946	3,935	4,419	5,466	5,058	4,848	5,349	5,554	5,705
False alarms	230	318	310	307	379	349	362	344	440	337
Mutual aid given	100	90	45	12	20	16	34	35	30	29
Hazardous materials response	120	129	103	114	92	115	95	119	109	113
General hazard response	91	84	81	84	89	101	121	108	123	117
Other responses	1,358	1,603	1,666	925	729	1,785	1,949	2,322	2,668	2,555
<b>Parks, Recreation &amp; Cultural Affairs</b>										
Parks and recreation participants (d)	305,279	349,042	438,179	494,845	606,384	592,154	524,276	532,898	638,189	625,569
Golf course participants (c)	60,455	65,791	53,612	49,009	50,687	55,931	47,772	45,826	53,305	44,553
Museum patrons (a)	71,332	65,784	97,003	81,366	108,156	106,506	137,481	119,446	125,928	130,864
<b>Library</b>										
Library visits	503,584	503,148	517,452	530,119	468,455	455,516	427,659	404,997	374,192	358,417
Circulation	491,621	489,126	513,588	530,918	506,247	482,886	460,235	457,171	435,581	426,610
Number of computer users (e)	120,483	125,210	131,295	126,215	102,443	94,424	90,218	84,060	70,373	65,651
Number of public WiFi logins (g)	-	-	-	-	-	-	-	30,131	28,669	26,517
<b>Community Development</b>										
Summary plats	71	66	63	54	54	61	46	54	62	69
Building permits issued	1,539	1,334	1,225	1,194	1,310	1,302	1,163	1,200	1,152	1,170
Permit valuation (in \$)	68,119,054	82,560,865	66,119,298	49,316,168	44,138,834	47,275,559	50,385,326	55,399,382	38,388,520	42,753,874
<b>Public Works</b>										
Asphalt placed (sq.ft.) (i)	88,582	103,006	129,349	139,464	119,745	96,370	127,539	134,942	266,811	147,842
Concrete placed (cu.yd.) (b)	727	574	174	438	338	439	615	588	577	769
<b>Electric</b>										
Meter connections	8,769	8,484	7,956	8,329	7,650	8,413	8,367	8,386	8,255	8,012
Meter reads	559,121	510,751	505,471	512,488	517,339	518,238	525,035	526,086	531,175	533,386
<b>Water/Wastewater</b>										
Water treated (millions of gallons)	4,029	4,346	4,512	4,630	4,409	4,627	4,452	4,075	4,115	3,922
Effluent treated (millions of gallons)	2,057	1,906	1,894	1,845	1,864	1,856	1,815	1,640	1,760	1,751
New water meter installations	342	262	158	156	116	131	141	123	101	99
<b>Airport</b>										
Total enplanements (h)	30,177	26,472	13,617	14,628	16,655	19,335	17,401	11,248	3,658	1,983
<b>Transit</b>										
Total Ridership	87,298	109,992	120,298	138,246	143,073	146,140	133,580	135,179	135,918	143,569

Source: Provided by various City departments

Note: (a) Fluctuation in museum patronage is due to special exhibits.  
 (b) The 2008 concrete placed (cu. yd.) reported has been restated in 2009 to the correct figure.  
 (c) In 2009, Civitan Golf Course was closed for remodel improvements which resulted in fewer golf course participants when compared to previous years.  
 (d) In 2009, a full 12 months of participants in the newly opened Sycamore Park Community Center were included which resulted in the increase in participants when compared to previous years.  
 (e) In 2011, number of computer users was added. This item replaced number of items in collection, which was not considered to be as meaningful of a measure.  
 (f) In 2012, 2006-2011 Fire Department statistics have been restated to show more accurate and detailed Fire Department responses.  
 (g) In 2014, the library began tracking public WiFi logins.  
 (h) In 2013, a change in federal regulations significantly increased hours of experience for pilots. As a result, there are fewer pilots which results in fewer flights available.  
 (i) In 2015, there was an increase in asphalt placed due to additional cold mill patching of streets.

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

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	186	196	206	125	125	123	83	84	91	102
Fire stations	6	6	6	6	6	6	6	6	6	6
Parks, Recreation & Cultural Affairs										
Developed acres (a)	592	594	1,364	1,364	1,364	1,364	1,364	1,364	1,364	1,364
Undeveloped acres (b)	1,285	1,283	309	309	309	270	283	283	283	300
Number of parks/facilities (c)	80	80	87	88	88	88	88	88	88	88
Baseball/softball diamonds	24	24	23	23	23	23	23	23	23	23
Soccer/football fields	14	14	11	11	11	11	11	11	11	11
Number of golf courses	2	2	2	2	2	2	2	2	2	2
Public Works										
Streets (miles)	253	N/A	268	270	274	274	276	280	281	281
Highway (miles)	17	17	17	17	17	17	17	19	19	19
Traffic Signals	78	79	80	80	81	83	83	85	85	86
Electric										
Streetlights (d)	4,124	4,135	4,238	4,226	4,251	4,298	4,298	4,342	4,343	4,344
Water										
Water mains (miles)	336	340	340	340	340	340	340	341	341	341
Fire hydrants	2,400	2,470	2,500	2,511	2,556	2,560	2,576	2,613	2,627	2,641
Storage capacity (thousands of gallons)	24,300	24,300	24,860	24,860	26,860	26,860	26,860	26,860	26,860	26,860
Wastewater										
Sanitary sewers (miles) (e)	233	233	233	233	233	233	233	235	235	235
Treatment capacity (thousands of gallons)	6,670	6,670	6,670	6,670	6,670	6,670	6,670	6,670	6,670	6,670
Transit - minibuses/vans	11	11	11	16	12	12	15	15	15	17

Source: Provided by various City departments

Note: (a-b) In FY2009, developed acres was redefined from previous years to include parks that are partially developed but still maintained by Parks, Recreation & Cultural Affairs. Conversely, this adjustment reduced the amount of undeveloped acres.  
 In FY2012, undeveloped acres decreased by 39.1 acres due to a land trade with the Farmington School District and the BLM.  
 (c) In FY2009, the number of parks/facilities was redefined to include all facilities maintained by Parks, Recreation & Cultural Affairs city-wide rather than just Parks, Recreation & Cultural Affairs facilities.  
 (d) In FY2009, an audit of the number of streetlights was conducted and the figure was adjusted to actual.  
 (e) FY2007-2011 have been restated due to a correction of an error in the miles of existing sanitary sewer.

# **SINGLE AUDIT SECTION**



**CITY OF FARMINGTON, NEW MEXICO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2016**

Grantor / Pass-through ID Number	CFDA Number	PROGRAM NAME	Expenditures
<b>DIRECT PROGRAMS</b>			
U.S. Department of Housing and Urban	<b>14.218-Community Development Block Grants/Entitlement Grants</b>		
		CDBG B-13-MC-35-0005	\$ 90,604
		CDBG B-14-MC-35-0005	251,870
		CDBG B-15-MC-35-0005	94,963
U.S. Department of Justice	<b>16.710-Public Safety Partnership and Community Policing Grants</b>	COPS Grant - 2014UMWX0132	145,650
	<b>16.738-Edward Byrne Memorial Justice Assistance Grant Program</b>	2015-DJ-BX-0904	36,953
U.S. Department of Transportation	<b>20.106-Airport Improvement Program</b>	AIP Project No. 3-35-0016-038-2015	170,149
		AIP Project No. 3-35-0016-039-2015	99,760
	<b>20.505-Metropolitan Transportation Planning</b>	Federal Transit - Metropolitan Transit Operations and Capital - Red Apple Transit	
		NM-90-X127-00	180,890
		NM-90-X121-00	401,698
		NM-90-X136-00	240,215
Executive Office of the President	<b>95.001-High Intensity Drug Trafficking Area Grant</b>	G14SN0010A	3,334
		G15SN0010A	227,873
<b>PASS THROUGH PROGRAMS</b>			
<b><u>From the State of New Mexico Crime Victims Reparation Commission</u></b>			
U.S. Department of Justice	<b>16.021-Justice Systems Response to Families</b>	2014-WF-AX-0033	43,391
<b><u>From the State of New Mexico Department of Public Safety</u></b>			
U.S. Department of Justice	<b>16.738-Edward Byrne Memorial Justice Assistance Grant Program</b>	Region II Narcotics Task Force	
		14-JAG-REG2-SFY15	34,137
		15-JAG-REG2-SFY16	82,291
<b><u>From the US Marshal Service</u></b>			
U.S. Department of Justice	<b>16.111-Joint Law Enforcement Operations (JLEO)</b>	U.S. Marshal Service	11,136
	<b>16.738-Edward Byrne Memorial Justice Assistance Grant Program</b>	U.S. Marshal Service	17,981
<b><u>From the New Mexico Department of Transportation</u></b>			
Federal Transit Authority	<b>20.505-Metropolitan Transportation Planning</b>	Federal Transit - Metropolitan Transit Operations and Capital - Red Apple Transit	
		Contract #M01314	66,411
		Federal Transit - Metropolitan Transit Operations	
		Control P515110 MPO	66,698
		Control P515110 MPO	160,148
Department of Transportation National Highway Traffic Safety (NHTSA)	<b>20.608-Minimum Penalties for Repeat Offenders for Driving While Intoxicated</b>	Operation DWI-15-AL-64-035	20,263
		Operation DWI-16-AL-64-035	40,194
Department of Transportation Federal Highway Administration (FHWA)	<b>20.205-Highway Planning and Construction</b>	Control# F100100-East Pinon Hills Blvd Extension over Animas River (bridge)	89,327
		Control#F100070-Pinon Hills Blvd. Pedestrian & Bicycle Facilities	26,380
		Control#F100200-SJ Blvd/Scott Ave. Traffic Signal	161,412
		Control#F100130-20th Street Sidewalks Phase 1	3,375
		Control#F100131-20th Street Sidewalks Phase 2	9,719
<b><u>From the New Mexico Environmental Department</u></b>			
Environmental Protection Agency	<b>66.802-Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements</b>	MOA #16 667 2000 0015 Gold King Mine	366,461
<b>Total Federal Assistance</b>			<b>\$ 3,143,283</b>

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

**CITY OF FARMINGTON**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2016**

**NOTE 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the City of Farmington under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principle contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Farmington has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

**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. Timothy Keller, New Mexico State Auditor

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue fund of the City of Farmington, New Mexico (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and the related budgetary comparisons of the City, presented as supplementary information, and have issued our report thereon dated November 29, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

City of Farmington, New Mexico  
Honorable Mayor and City Council and  
Mr. Timothy Keller, New Mexico State Auditor

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City's financial statements are free from 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 as instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

### **City's Response to Findings**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mess Adams LLP". The signature is written in a cursive, flowing style.

Albuquerque, New Mexico  
November 29, 2016

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

City of Farmington, New Mexico  
Honorable Mayor and City Council and  
Mr. Timothy Keller, New Mexico State Auditor

**Report on Compliance for Each Major Federal Program**

We have audited City of Farmington's (the "City") compliance with the types of compliance requirements described in the *OMB 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, 2016. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of 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, 2016.

**Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and

City of Farmington, New Mexico  
Honorable Mayor and City Council and  
Mr. Timothy Keller, New Mexico State Auditor

material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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. 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-002 that we consider to be significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 29, 2016

**CITY OF FARMINGTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
20.106	Airport Improvement Program	<i>Unmodified</i>
20.505	Metropolitan Transportation Planning	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**CITY OF FARMINGTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Section II - Financial Statement Finding**

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**2016-001 Procurement Violation  
(Noncompliance with the State Audit Rule)**

**Condition/Context:** During our inquiries with management, we were informed about a procurement violation involving software that was acquired by the Legal Department in the amount of \$29,775 that did not go through the procurement process.

**Criteria:** In accordance with NMSA 13-1-125 (Small Purchases), A central purchasing office shall procure services, construction or items of tangible personal property having a value not exceeding sixty thousand dollars (\$60,000), excluding applicable state and local gross receipts taxes, in accordance with the applicable small purchase rules adopted by the secretary, a local public body or a central purchasing office that has the authority to issue rules.

Under the City's Purchasing Manual, informal procedure is followed such as obtaining of quotes and solicitation of pricing for purchases exceeding \$20,000. All documentation, contact information, and quotes must be forwarded to Purchasing Department, who reserves the right to verify all quotes.

**Effect:** The City is not in compliance with the State of New Mexico's procurement requirements and City's Purchasing Manual.

**Cause:** The IT Department and Legal Department were in the process of adding an additional module to an existing software. The terms and conditions were reviewed and approved by both departments and returned to the vendor. The vendor accepted receipt of terms and conditions as intent to move forward with the module purchase. The vendor then sent an invoice to the City, without a purchase order in place. Upon receipt of the invoice, the Purchasing Department notified the Legal Department that a field purchase order (FPO) would need to be entered in the system to complete payment. Purchasing was under the impression that the software had been installed and therefore the purchase was in violation of the procurement process. At the point in time when the invoice was received by the City, the software had not been installed. There was miscommunication between all departments involved. This transaction would have qualified as a sole source purchase and violation of procurement processes could have been avoided with the necessary 30 day posting on the City website, and if payment to vendor had been deferred beyond the posting period for sole source requirements.

**Recommendation:** We recommend that the City perform a more frequent training for personnel and all departments for the requirements under NM Procurement Code and with the City's Purchasing Manual.

**CITY OF FARMINGTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Section II - Financial Statement Finding**

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**2016-001 Procurement Violation  
(Noncompliance with the State Audit Rule) (continued)**

**Management Response:** In the future, the IT Director and City Attorney will communicate intent to purchase future software modules with the Chief Procurement Officer. In this instance, the purchase qualified as a sole source. The City is currently utilizing software provided by the vendor and an additional module was purchased for added functionality. In the future, the IT Director, City Attorney, and their respective employees will follow the State of New Mexico procurement process for bids involving purchases over \$20,000, along with the requirements of sole source postings in the instance where sole source may apply. If vendors submit invoices without purchase orders in subsequent transactions, the Chief Procurement Officer and/or Purchasing staff will notify the using department and vendor that purchase orders are required, and Purchasing will determine the necessary course of action to complete the purchase in accordance with the State of New Mexico procurement requirements.

The Chief Procurement Officer provides annual training to City personnel covering the New Mexico Procurement Code and the City of Farmington’s Purchasing Manual. Trainings are also offered to departments upon request throughout the year. The parties involved in finding 2016-001 have been informed of the proper processes and as of November 2016 the issue has been resolved.

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**Section III - Federal Award Findings and Questioned Costs**

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**2016-002 – Special Tests, Significant Deficiency in Internal Control Over Compliance**

<i>CFDA Number</i>	<i>Program Name/Title</i>	<i>Federal Agency/Pass-through Entity</i>	<i>Award Year</i>
20.505	Metropolitan Transportation Planning – Federal Transit	Department of Transportation	July 1, 2015 – June 30, 2016

**Condition/Context:** While testing special tests provisions under the program, we noted based on our physical inspection that City operated buses did not have reflective vests, flashlights and blood borne kits. In addition, no evidence existed that driver training courses had been completed.

**Criteria:** Pursuant to section 67-3-28 NMSA 1978 and Section 15(B) of the grant agreement, each vehicle must contain blood borne kit, flashlights and reflective vests for drivers. In addition, all drivers must be trained under Section 28 of the grant agreement in the following programs: First aid, cardiopulmonary resuscitation, blood borne pathogens, defensive driving, use of wheelchairs, passenger safety, sensitivity and crisis management. All new drivers must be trained and certified within six months of their date of hire.

**CITY OF FARMINGTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Section III - Federal Award Findings and Questioned Costs**

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**2016-002 – Special Tests, Significant Deficiency in Internal Control Over Compliance (continued)**

**Effect:** The City is not in compliance with special tests requirements set forth in the grant agreement and the failure to implement these tests could result in the loss of additional funding for the City.

**Cause:** Lack of monitoring controls in place to ensure special test requirements are implemented.

**Recommendation:** We recommend all special tests requirements under the agreement are reviewed and implemented to ensure compliance with grant requirements. Identification of the compliance requirements should include reading of the grant agreements and compliance supplement.

**Management Response:** The City of Farmington Transit Manager has purchased and replaced blood borne kits in all Red Apple transportation vehicles. Safety vests and flashlights were purchased through the City warehouse. They will be placed in each Red Apple vehicle. Drivers have been informed to request replacement items as needed to ensure the vehicle maintains the necessary equipment required by the grant agreement at all times. The City warehouse and fleet department will maintain a small inventory of items related to the Red Apple grant for necessary replenishment.

Training practices have been modified by the Transit Manager to ensure proper clarification between courses offered and participants in attendance. Training agendas will include specific course titles matching those listed on the grant agreement. The attendance sheet will list the specific title of instruction, date offered, and sign-in listing of attendees.

The Transit Manager will review the grant agreement and compliance supplement annually to identify requirements and ensure compliance with the grant. As of November 2016, all issues related to finding 2016-002 were resolved.

**CITY OF FARMINGTON  
STATUS OF PRIOR AUDIT FINDING  
FOR THE YEAR ENDED JUNE 30, 2016**

2015-001      Policies and Procedures in accordance with Uniform Grant Guidance      Resolved

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

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## REPORT OF INDEPENDENT AUDITORS

City of Farmington, New Mexico  
Honorable Mayor and City Council

### **Report on Schedule of Passenger Facility Charge Revenues and Expenditures**

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, 2016 and each quarter during the period from July 1, 2015 through June 30, 2016.

#### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this 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 the audit evidence we have obtained is sufficient and appropriate and to provide a basis for our audit opinion.

#### ***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, 2016, and each quarter during the period from July 1, 2015 through June 30, 2016, as defined in regulations issued by the U.S. Department of Transportation.

City of Farmington, New Mexico  
Honorable Mayor and City Council

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report November 29, 2016, 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 performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Purpose of this Report**

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.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 29, 2016

## Schedule of PFC Revenues and Expenditures

### Four Corners Regional Airport

**FY2016**

7/1/15 - 6/30/16

Revenue	FY2015 Program Total	Quarter 1 Jul. - Sept.	Quarter 2 Oct. - Dec.	Quarter 3 Jan. - Mar.	Quarter 4 Apr. - Jun.	FY2016 Total	FY2016 Program Total
Collections	\$ 626,997	-	-	-	-	-	\$ 626,997
<b>Disbursements</b>							
<b>Application 01</b>							
Proj. 1-A Runway Improvements	148,596	-	-	-	-	-	148,596
Proj. 1-B Taxiway Improvements	142,672	-	-	-	-	-	142,672
Proj. 1-C Apron Improvements	103,596	-	-	-	-	-	103,596
Proj. 1-D Drainage Improvements	64,073	-	-	-	-	-	64,073
Proj. 1-E Signage Improvements	12,078	-	-	-	-	-	12,078
Proj. 1-F Airfield Electrical Improvements	7,025	-	-	-	-	-	7,025
Proj. 1-G Security Improvements	33,286	-	-	-	-	-	33,286
Proj. 1-H Terminal Improvements	32,264	-	-	-	-	-	32,264
Proj. 1-I Non-revenue Parking Improvement	4,982	-	-	-	-	-	4,982
Proj. 1-J Acquire Safety Equipment	12,473	-	-	-	-	-	12,473
Proj. 1-K Conduct Planning	30,157	-	-	-	-	-	30,157
Proj. 1-L Improve Service Roads	13,900	-	-	-	-	-	13,900
Proj. 1-M PFC Administrative Costs	21,895	1,764	2,308	677	808	5,557	27,452
<b>Total App -01</b>	<b>626,997</b>	<b>1,764</b>	<b>2,308</b>	<b>677</b>	<b>808</b>	<b>5,557</b>	<b>632,554</b>
<b>Total Disbursements</b>	<b>626,997</b>	<b>1,764</b>	<b>2,308</b>	<b>677</b>	<b>808</b>	<b>5,557</b>	<b>632,554</b>
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, 2016**

**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.

## 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, 2016. 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, 2016.

### 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.

City of Farmington, New Mexico  
Honorable Mayor and City Council

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.

**Purpose of this Report**

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.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 29, 2016

**CITY OF FARMINGTON  
 FOUR CORNERS REGIONAL AIRPORT  
 PFC PROGRAM AUDIT SUMMARY  
 YEAR ENDED JUNE 30, 2016**

- |                                                                                                                                                      |                                                 |                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|------------------------------------|
| 1. Type of report issued on PFC financial statements.                                                                                                | <input checked="" type="checkbox"/> Unqualified | <input type="checkbox"/> Qualified |
| 2. Type of report on PFC compliance.                                                                                                                 | <input checked="" type="checkbox"/> Unqualified | <input type="checkbox"/> Qualified |
| 3. Quarterly Revenue and Disbursements reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts.         | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 4. PFC Revenue and Interest is accurately reported on FAA Form 5100-127.                                                                             | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 5. The Public Agency maintains a separate financial accounting record for each application.                                                          | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> 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.                | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 7. Monthly carrier receipts were reconciled with quarterly carrier reports.                                                                          | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 9. Serving carriers were notified of PFC program actions/changes approved by the FAA.                                                                | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 10. Quarterly Reports were transmitted (or available via website) to remitting carriers.                                                             | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 11. The Public Agency is in compliance with Assurances 5, 6, 7 and 8.                                                                                | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 12. Project design and implementation is carried out in accordance with Assurance 9.                                                                 | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| 13. Program administration is carried out in accordance with Assurance 10.                                                                           | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> 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.      | <input checked="" type="checkbox"/> Yes         | <input type="checkbox"/> No        |
| Qualified and No responses must have additional clarification within the audit report.                                                               | <input checked="" type="checkbox"/> N/A         |                                    |

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CITY OF FARMINGTON  
EXIT CONFERENCE  
Year Ended June 30, 2016

An exit conference was held on November 9, 2016. In attendance were:

For the City of Farmington:

Tommy Roberts	Mayor
Rob Mayes	City Manager
Andy Mason	Administrative Services Director
Brooke Quintana	Controller
Sheree Wilson	Enterprise Accountant
Sarah Talley	Staff Accountant II
Michelle Bedonie	Staff Accountant II
Ross DeVargas	Staff Accountant I

For Moss Adams, LLP (auditors):

Jaime Rumbaoa	Senior Manager
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Bridge at Berg Park

# **OTHER INFORMATION**



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

**For the Year Ended June 30, 2016**

	<b>Citizens Bank of Farmington</b>	<b>Wells Fargo</b>	<b>Vectra Bank</b>	<b>Washington Federal Bank</b>	<b>Total</b>
<b><u>City of Farmington Deposits</u></b>					
Demand Deposit Accounts	\$ 563,923	\$ 4,690,002	\$ -	\$ 100	\$ 5,254,025
Non-Interest Bearing Accounts	-	5,727,235	3,000	-	5,730,235
Certificates of Deposit	63,000,000	-	5,000,000	1,000,000	69,000,000
Sub-Total	<u>63,563,923</u>	<u>10,417,237</u>	<u>5,003,000</u>	<u>1,000,100</u>	<u>79,984,260</u>
Less FDIC insurance	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>1,000,000</u>
Uninsured amount	63,313,923	10,167,237	4,753,000	750,100	78,984,260
<b><u>Pledge Collateral Required</u></b>					
50 percent - deposits	<u>31,656,962</u>	<u>5,083,619</u>	<u>2,376,500</u>	<u>375,050</u>	<u>39,492,130</u>
Pledged collateral	<u>35,893,013</u>	<u>13,824,182</u>	<u>3,931,703</u>	<u>956,449</u>	<u>54,605,347</u>
Excess of pledged collateral	<u>\$ 4,236,051</u>	<u>\$ 8,740,563</u>	<u>\$ 1,555,203</u>	<u>\$ 581,399</u>	<u>\$ 9,268,377</u>

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

Location of collateral		<u>Dallas</u>	<u>New York</u>	<u>San Francisco</u>	<u>Seattle</u>	
Federal Home Loan Bank						
cusip # 3137AWKX2	4/15/2032	\$ 5,461,000	\$	\$	\$	\$ 5,461,000
cusip # 3137ACNK1	6/15/2041	5,443,500				5,443,500
cusip # 313381DM4	12/6/2032	4,000,000				4,000,000
cusip # 38379WXJ6	12/20/2039	4,950,513				4,950,513
cusip # 3137AL3A5	1/15/2032	7,538,300				7,538,300
cusip # 38377U2A5	3/20/2041	5,453,500				5,453,500
cusip # 3130A7KM6	3/23/2026	3,046,200				3,046,200
FHLMC						
cusip # 3128JL4T3	4/1/2034			795,166		795,166
cusip # 3128JMX28	8/1/2034			304,228		304,228
cusip # 3128JNVM4	1/1/2037			204,733		204,733
cusip # 3128JPXA3	2/1/2039			316,613		316,613
cusip # 3128QPGW6	2/1/2036			368,899		368,899
cusip # 31336CL43	2/1/2034			91,525		91,525
cusip # 31336R2W9	3/1/2032			525,592		525,592
cusip # 312945N87	2/1/2041		7,189,267			7,189,267
FAMC						
cusip # 31317GAZ0	4/25/2017			179,279		179,279
cusip # 31317HAZ8	7/25/2017			567,665		567,665
cusip # 31317JAF8	7/25/2018			89,587		89,587
cusip # 31317JAK7	1/25/2020			488,416		488,416
FNMA						
cusip # 3138WA5Z6	2/1/2034		1,057,462			1,057,462
cusip # 3138WFLX2	9/1/2035		4,528,181			4,528,181
cusip # 3138X0LU0	7/1/2043		1,049,272			1,049,272
GNMA						
cusip # 3620E0NW2	8/20/2061				956,449	956,449
		<u>\$ 35,893,013</u>	<u>\$ 13,824,182</u>	<u>\$ 3,931,703</u>	<u>\$ 956,449</u>	<u>\$ 54,605,347</u>

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

**June 30, 2016**

Participants (including City of Farmington)	Responsible Party	Description	Dates of Agreement	Total Amount/ City Share	FY16 Amount	Audit Responsibility
Aztec, Bloomfield & San Juan County	San Juan County Communications Authority	Communications	09/02/08 until terminated	\$125,000/ up to \$55,000/yr	\$ -	San Juan County Communications Authority
Aztec, Bloomfield, San Juan County & San Juan Water Users Assoc.	Water Commission	Water Issues	3/5/86 until terminated	\$18.2m/32.46%	\$ -	Water Commission
Aztec, Bloomfield, San Juan County & NM Dept. of Public Safety	San Juan County Criminal Justice Training Authority	Police Training	10/19/10 until terminated	As needed	\$ 1,500	San Juan County
Aztec, Bloomfield, B.L.M. San Juan County & N.M.Environment Dept.	Trash Force	Illegal Dumping	9/26/91 until terminated	As needed	in-kind only	City
San Juan County	City of Farmington	Impact Fees	2/15/96 perpetual	Fee for service	\$ -	City
Aztec, Bloomfield, San Juan County	All Participants	Solid Waste	03/25/92 until terminated	As required	\$ -	City
NM Taxation & Revenue	NM Taxation & Revenue	Taxpayer ID	05/17/89 perpetual	Not applicable	\$ -	City
NM Community Development Council & NM Dept of Finance & Admin.	Dept. of Finance	Title 1 Housing	04/12/00 perpetual	Not applicable	\$ -	City
Aztec, Bloomfield & San Juan County	City of Farmington	MPO	7/28/15 until terminated	\$39,784 / \$23,871	\$ 23,871	City
San Juan County	San Juan County	Detention Center	06/26/07 until terminated	\$14,214,928 / \$1,564,768	\$ 1,564,768	San Juan County
San Juan County	San Juan County	DWI Treatment Ctr	11/17/07 until terminated	\$3,152,980 / \$440,000	\$ 440,000	San Juan County
NM Energy, Minerals and Natural Resources Department (NMEMNRD)	NMEMNRD	Wildfire Firefighting	04/06/09 until terminated	\$187,773 / \$ -	\$ -	NMEMNRD

**Schedule of Vendors**

Bid or RFP Title	Bid or RFP Number	Bidder Names	Vendor State	Chose Veteran's Preference	Scope of Work	Awarded Bidder	Contract Amount
Property and liability insurance	15-109361	AON Risk Insurance Services West Wells Fargo Insurance Poms & Associates, LLC Daniels Insurance, Inc.	NM TX NM NM	Yes No Yes Yes	Agent of Record Services for property and liability insurance.	Aon Risk Insurance Services West	\$ 75,000.00
Professional Services for water and wastewater systems owned by the City	15-108263	Operations Management International, Inc. dba CH2M	CO	No	Professional Operation, Maintenance and Management Services for water and wastewater systems owned by the City.	Operations Management International, Inc. dba CH2M	\$ 7,428,806.00
Replacement of Security Information System	15-109309	Virtual Armor Accuvant, Inc. DLT Solutions, LLC Integrated Business Solutions LogRhythm, Inc.	CO CO VA UT CO	No No No No No	Replacement of Security Information and Event Management System (SIEM) solution.	Virtual Armor, LLC	\$ 87,787.01
Build and construct transitional housing and shelter	15-110586	B&M Cillessen Construction Company, Inc.	NM	N/A	Develop, install, construct and complete a transitional housing and shelter for participants in a substance abuse counseling program.	B&M Cillessen Construction Company, Inc.	\$ 680,520.00
Electric utility supplies for the electric warehouse inventory	16-110810	Winters Construction Sustainable Modular Management Wesco Distribution, Inc. Western United Electric HD Supply	NM TX NM NM NM	N/A N/A Yes Yes No	Provide electric utility connectors, elbows, splices, and terminators as need for the electric warehouse inventory.	Western United Electric (category 1) Wesco Distribution, Inc. (category 2) Wesco Distribution, Inc. (category 3)	\$ 29,019.95 \$ 42,427.86 \$ 13,023.45
Pole mounted transformers for the Electric Utility	16-107224	Iby Utility Border States Electric McKinley Sales Co.	NM NM NM	Yes Yes Yes	Provide pole mounted transformers for the Electric Utility on an as needed basis.	McKinley Sales Co., Inc.	\$ 339,882.00
Circuit Breaker for Aztec Substation	16-110917	Iby Utility Border States Electric Western United Electric Alstom GRID, Inc. HD Supply McKinley Sales Co., Inc. HBI Energy Associates Switchgear Solutions, Inc.	NM NM NM PA NM NM NM AZ	Yes Yes Yes No Yes Yes Yes No	Provide a 69kV Circuit Breaker for Aztec Substation.	Iby Utilities	\$ 119,800.00

**Schedule of Vendors**

Bid or RFP Title	Bid or RFP Number	Chose		Vendor State	Bidder Names	Scope of Work	Awarded Bidder	Contract Amount
		Veteran's Preference	Yes/No					
Portable Box Screen	16-112732		No	NM	Golden Equipment Company	"Direct Feed Screener" Portable Box Screen	Golden Equipment, Co.	\$ 99,706.00
2015 Annual Municipal Utilities Improvements			Yes	NM	TRC Construction, Inc.	Various construction, alterations, repairs and replacement of potable water lines and sewer lines as well as construction of storm sewer lines.	TRC Construction, Inc.	\$ 2,777,290.00
2015 Annual Street Maintenance	16-111404		Yes	NM	Consolidated Constructors, Inc.	Street work including patching, asphaltic overlay, paving, seal coating, concrete curb & gutter, sidewalks, storm drain lines, drop inlets and cleaning of drainage infrastructure.	Consolidated Constructors, Inc.	\$ 1,582,821.00
20th Street Sidewalks Phase I	16-104985		Yes	NM	Oldcastle SW Group, Inc. H.O. Construction, Inc.	Installation of 5' wide sidewalk meeting PROWAG-ADA requirements.	H.O. Construction, Inc.	\$ 262,609.00
20th Street Sidewalks Phase II	16-104985		Yes	NM	Century Club Construction TRC Construction, Inc. Consolidated Constructors, Inc. H.O. Construction, Inc.	Installation of 5' wide sidewalk meeting PROWAG-ADA requirements.	H.O. Construction, Inc.	\$ 214,000.00
Arrester, Switch and Voltage Transformer for Aztec Substation	15-110584		Yes	TX	Stuart C. Irby	69kV Arrester, Switch and Voltage Transformer	Border States Electric (category 1) Wesco Distribution, Inc. (category 2) Wesco Distribution, Inc. (category 3)	\$ 5,033.52 \$ 75,439.00 \$ 45,675.00
Circuit Breaker for Aztec Substation	16-110917		Yes	NM	Irby Utilities	69kV Circuit Breaker	Irby Utilities	\$ 119,800.00

**Schedule of Vendors**

Bid or RFP Title	Bid or RFP Number	Bidder Names	Vendor State	Chose		Scope of Work	Awarded Bidder	Contract Amount
				Veteran's Preference	Yes/No			
Voltage Transformer, Current Transformer and Steel Structure	16-112215	McKinley Sales Co.	NM	Yes		69KV Voltage Transformer, Current Transformer and Steel Structure.	McKinley Sales Company, Inc.	\$ 46,149.00
		Border States Electric	NM	Yes				
		Stuart C. Irby	NM	Yes				
		Bridgwell Resources	OR	No				
		Distrañ, LLC	LA	No				
		Spray Systems Environmental	AZ	No				
Abatement and Demolition of Buildings	16-115356	Keers Remediation, Inc.	NM	No		Abatement and Demolition of Buildings.	Young Environmental Services, Inc. dba Envirotech, Inc.	\$ 199,995.00
		Young Environmental Services, Inc. dba Envirotech, Inc.	NM	Yes				
Construction materials for Aztec Substation	16-113219	Western United Electric Supply Co	NM	No		Construction materials	Stuart C. Irby Co.	\$ 38,476.59
		Western United Electric Supply Co	NM	No				
		Summit Electric Supply	NM	No				
		Wesco Distribution, Inc.	NM	Yes				
		Wesco Distribution, Inc.	NM	Yes				
		Wesco Distribution, Inc.	NM	Yes				
		Stuart C. Irby	NM	Yes				
		Graybar Electric	NM	Yes				
		Border States Electric	NM	Yes				
		Integrated Power Co	NE	No				
Aztec Substation	16-112763	Integrated Power Co	NM	Yes		Construction services	Integrated Power Company	\$ 1,520,362.00
		McKinley Sales Co.	NM	Yes				
		Energy Erectors	NV	No				
		Elite Power & Recovery	NM	Yes				
		Integrated Power Co	NE	No				
Old Aztec Substation	16-115514	Integrated Power Co	NE	No		Demolish and dispose of Equipment and Materials.	Uselman Construction Company	\$ 78,933.60
		Crossfire LLC	CO	No				
		Industrial Mechanical, Inc.	NM	No				
		Uselman Construction Company	NM	Yes				
		Integrated Power Co	NE	No				
City of Aztec Station Revenue Metering Point	16-114298	Integrated Power Co	NE	No		Construction of the City of Aztec Station Revenue Metering Point.	Integrated Power Company	\$ 75,446.50
		Wilson Construction Company	OR	No				
		Industrial Mechanical, Inc.	NM	No				
Cottonwood Substation	16-115505	Western United	NM	Yes		Construction materials	Stuart C. Irby	\$ 226,290.00
		Western United	NM	Yes				
		Graybar Electric	NM	No				
		McKinley Sales Co.	NM	Yes				
		Stuart C. Irby	NM	Yes				
		Wesco Distribution, Inc.	NM	Yes				
		Wesco Distribution, Inc.	NM	Yes				

**Schedule of Vendors**

Bid or RFP Title	Bid or RFP Number	Bidder Names	Vendor State	Chose		Scope of Work	Awarded Bidder	Contract Amount
				State	Veteran's Preference			
Municipal Operations Center Expansion	16-114679	B&M Cillessen Construction Company, Inc. FCI Constructors Of New Mexico, LLC Jaynes Corporation	NM NM NM	Yes Yes Yes		Construction Services for MOC Expansion.	B&M Cillessen Construction Company, Inc.	\$ 1,853,000.00
Line Recloser	16-115126	Cooper Power Systems, LLC Graybar Electric Company	WI CO	No No		Electronically controlled line recloser.	Cooper Power Systems, LLC	\$ 81,558.00
Pole Mounted Transformers	16-110724	McKinley Sales Co., Inc. Irby Utilities Western United Electric Western United Electric Texas Electric Cooperative Wesco Distribution, Inc. HD Supply Border States Electric	NM NM NM NM TX NM NM NM	Yes Yes Yes Yes No Yes No Yes		Pole-Mounted Transformers	McKinley Sales Company, Inc.	\$ 339,882.00
Switches and Disconnects	16-112006	Western United Electric Supply Co Wesco Distribution, Inc. Stuart C. Irby	NM NM NM	Yes Yes Yes		Switches and Disconnects	Western United Electric Supply	\$ 145,925.86
Portable Battery Trailer	16-113413	Border States Electric Mesa Technical Associates, Western United Electric Border States Electric Western United Electric Wesco Distribution, Inc. Black Start Mobile DC, LLC, Western United Electric Border States Electric Western United Electric Western United Electric Hindle Power, Inc.	NM NY NM NM NM NM OR NM NM NM NM NM PA	Yes No Yes Yes Yes Yes No Yes Yes Yes Yes No		Portable Battery Trailer	Mesa Technical Associates	\$ 86,489.92
Cottonwood Substation	16-114012	Western United Electric Stuart C. Irby McKinley Sales Co., Inc. Delta Star Wesco Distribution, Inc. Virginia Transformers Western United Electric MVA Power Inc.	NM NM NM CA NM VA NM QC Canada	Yes Yes Yes No Yes No No No		Power Transformer for Cottonwood Substation	Stuart C. Irby	\$ 1,139,098.00

**Schedule of Vendors**

Bid or RFP Title	Bid or RFP Number	Bidder Names	Vendor State	Chose		Scope of Work	Awarded Bidder	Contract Amount
				State	Veteran's Preference			
Transformers	15-107724R	Western United Electrical Supply	NM	Yes	Transformers	Western United Electrical Supply	\$ 97,477.00	
		Wesco Distribution, Inc.	NM	Yes		Wesco Distribution, Inc.	\$ 203,786.00	
		Western United Electrical Supply	NM	No				
		HD Supply Power Solutions	TX	No				
		Stuart C. Irby	NM	Yes				
		Western United Electric Supply Co	NM	Yes				
		Border States Electric	NM	Yes				
Wastewater Treatment Plant	16-112167R	RMCi, Inc.	NM	N/A	Wastewater Treatment Plant Expansion	RMCi, Inc.	\$ 20,303,500	
		Archer Western Construction	AZ	N/A				
		Bradbury Stamm Construction	NM	N/A				
		AUI, Inc.	NM	N/A				
		Garney New Mexico, Inc.	NM	N/A				
			NM	Yes				
San Juan Substation	16-114305	McKinley Sales Co., Inc.	NM	Yes	Relay Panel for San Juan Substation	McKinley Sales Company, Inc.	\$ 86,686.00	
		Schweitzer Engineering	CA	No				
		Keystone Electrical	IA	No				
		Stuart C. Irby	NM	Yes				
San Juan Blvd/Scott Ave Intersection	16-110543	MWI, Inc.	NM	N/A	San Juan Blvd/Scott Ave Intersection Safety Improvements	MWI, Inc.	\$ 503,054.40	
		Bixby Electric, Inc.	NM	N/A				
Annual repaving and other various projects	16-115104	Envirotech, Inc.	NM	Yes	Trucking Services - For annual repaving and other various projects.	Envirotech, Inc. (category 1)	\$ 64,950.00	
		Herrera Trucking LLC	NM	Yes		Herrera Trucking LLC (category 1)	\$ 70,000.00	
		GBL Trucking LLC	NM	Yes		GBL Trucking LLC (category 1)	\$ 70,000.00	
		Edco Construction	NM	No		Envirotech, Inc. (category 2)	\$ 18,737.50	
		Rockspring Transport	NM	No		Herrera Trucking LLC (category 2)	\$ 20,000.00	
		Lobato Trucking	NM	No		GBL Trucking LLC (category 2)	\$ 20,000.00	
		Sierra Oilfield Services	NM	No				
		Rosie Atencio Trucking	NM	No				
			NM	Yes				
			NM	Yes				
Wire and Cable	16-115237	Western United Electrical Supply	NM	Yes	Wire and Cable	Border States Electric (category 1)	\$ 278,113.99	
		Graybar	FL	No		Border States Electric (category 2)	\$ 8,192.05	
		American Wire Group	NM	No		Wesco Distribution, Inc. (category 3)	\$ 124,080.00	
		Wesco Distribution	NM	No				
		Stuart C. Irby	NM	Yes				
Border States Electric	NM	Yes						

**Schedule of Vendors**

Bid or RFP Title	Bid or RFP Number	Bidder Names	Vendor State	Chose		Scope of Work	Awarded Bidder	Contract Amount
				Vendor's Preference	Yes			
30" concrete sewer-main line along S. Allen Ave.	16-112476	AUI, Inc.	NM	Yes	No	Replacement of collapsed 30" concrete sewer-main line along S. Allen Ave.	AUI, Inc.	\$ 206,787.00
Convention and visitor services	16-115575	Farmington Convention and Visitors Bureau	NM	Yes	No	Convention and visitor services.	Farmington Convention and Visitors Bureau	% of Lodger's Tax
Service and Rate Study	16-113272R	Burns & McDonnell GDS Associates, Inc. Guernsey & Company Leidos Engineering, LLC Moss Adams LLP NewGen Strategies & Solutions, LLC Northpoint Consulting Group Schneider Electric Services The Prime Group, LLC Utility Financial Solutions, Willdan Financial Services	MO GA OK CO NM CO NH MA KY MI TX	No	No	Cost of Service and Rate Study	NewGen Strategies and Solutions, LLC	\$ 179,415.00
Employee Wellness Program	16-111828	Catapult Health eHealthScreen Elevation Corporation Health San Juan Wellness Services Viverae, Inc.	TX FL MD NM TX	No	No	Employee Wellness Program	Viverae, Inc.	\$ 70,000.00
Villa View Detention Ponds	16-113540	Bohannan Huston, Inc. Souder, Miller & Associates Smith Engineering Company ina'ba	NM NM NM NM	Yes	Yes	Engineering Services for Villa View Detention Ponds	Bohannan Huston, Inc.	\$ 335,004.26
Police Unit	16-112711	MHQ-NM New Mexico Emergency Products	NM	Yes	No	Police Unit Equipment Installation and Upfit Products	New Mexico Emergency Products	\$ 215,688.58
Professional Engineering Services for Arc Flash Analysis	16-113528	Electrical Consultants Inc. Electrical Reliability Services Electric Power Systems Ellett & Gaynor, LLC ESC Engineering, Inc. GDS Associates, Inc. Kinectrics North America Inc. Leidos Engineering, LLC Lopez Engineering, Inc. Pipeline Controls & Services Schneider Engineering, LTD Schweitzer Engineering Laboratories, Inc. Transmission & Distribution Services, LLC TRC Engineers, Inc.	MT NM NM TX CO GA OH TN NM CO TX WA NM NM	No	No	Engineering Services for Arc Flash Analysis	ESC Engineering, Inc.	\$ 979,280.00

### Schedule of Vendors

Bid or RFP Title	Bid or RFP Number	Bidder Names	Vendor State	Chose Veteran's Preference	Scope of Work	Awarded Bidder	Contract Amount
Communications equipment and services	16-114286	GE Multilin	BC Canada	No	JungleMux (JMUX) communications equipment and services	GE Multilin	\$ 200,000.00
Mobile Fire Pump testing & training	16-114321	Weis Fire & Safety Equipment Co.	KS	No	Mobile fire pump testing & training unit for annual pump testing on all frontline and reserve Class A fire apparatus to meet both NFPA Standard 1911 and ISO requirements.	Weis Fire & Safety Equipment Co., Inc.	\$ 88,880.50
Four Drum Pulper, Uniline and Sariex Pulling Rope	16-113704	Sherman + Reilly, Inc.	TN	No	Four Drum Pulper, Uniline and Sariex Pulling Rope with one year of service.	Sherman + Reilly, Inc.	\$ 208,490.00
Building Permits and Planning & Engineering software modules	16-111014	Sungard Public Sector, Inc.	FL	No	Building Permits and Planning & Engineering software modules - Software modules interface with other SunGard Public Sector Products.	Sungard Public Sector, Inc.	\$ 67,702.00
Joint Intervention Program Provider	16-112973	Presbyterian Medical Services (PMS) Total Behavioral Health	NM	Yes	Joint Intervention Program Provider	Presbyterian Medical Services	\$ 300,000.00
Supervisory Control and Data Acquisition (SCADA) hardware equipment and software	16-112690	Open Systems International, Inc.	MN	No	Maintenance and support for Supervisory Control and Data Acquisition (SCADA) hardware equipment and software.	Open Systems International, Inc.	\$ 115,931.00

