

**STATE OF NEW MEXICO
CITY OF ROSWELL**

**Financial Statements
With Independent Auditor's Report Thereon
June 30, 2008**

INTRODUCTORY SECTION

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**STATE OF NEW MEXICO
CITY OF ROSWELL
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June 30, 2008**

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**STATE OF NEW MEXICO
CITY OF ROSWELL
Official Roster
June 30, 2008**

Name

Sam LaGrone
Steve Henderson
Bob Maples
Richard Lovato
Judy Stubbs
Lee Rogers
Art Sandoval
Sonny Espinoza
Duane R. Green
Elena Velasquez
Jeanie Whitwam

Title

Mayor
City Councilor
City Councilor
City Councilor
City Councilor
City Councilor
City Councilor
City Councilor
City Councilor
City Councilor
City Councilor

ADMINISTRATIVE OFFICIALS

John E. Capps
Larry Fry
Siri K. Cooper
Dave Kunko
Debra Morsey
Judy Pittman

City Manager
Assistant City Manager
Assistant City Manager
City Clerk
Finance Director
City Attorney

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
To the Honorable Mayor and City Councilors
City of Roswell
Roswell, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparison statement of the general fund of the City of Roswell (the "City"), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the City's nonmajor governmental funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

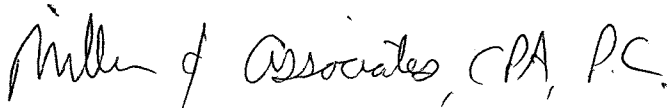
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Roswell as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison statements for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City of Roswell as of June 30, 2008, and the respective changes in financial position, and the respective budgetary comparison statements for

the business-type activities and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The *Management's Discussion and Analysis* on pages 5 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements, the combining and individual fund financial statements, and the budgetary comparison statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic and each of the nonmajor governmental fund financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.



Miller & Associates, CPA, PC
November 26, 2008

**STATE OF NEW MEXICO
CITY OF ROSWELL
Management's Discussion and Analysis
June 30, 2008**

As management of the City of Roswell, we offer readers of the City of Roswell financial statements this narrative overview and analysis of the financial activities of the City of Roswell for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements of the City of Roswell and additional information provided.

Financial Highlights

- The assets of the City of Roswell exceeded its liabilities at the close of the most recent fiscal year by \$108,937,806 (*net assets*).
- The government's total net assets increased by \$4,419,472. The majority of this increase is due to the increase in cash and capital assets, even though there was also an increase in accounts payable and long-term debt.
- As of the close of the current fiscal year, the City of Roswell's governmental funds reported combined ending fund balances of \$21,466,954, an increase of \$1,264,675 in comparison with the prior year.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$17,900,964 or 47 percent of total general fund expenditures.
- The City of Roswell's total debt decreased by \$1,364,994 (6.8 percent), during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Roswell's basic financial statements. The City of Roswell's basic financial statements comprise 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 Roswell's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Roswell's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Roswell is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes are earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Roswell 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 Roswell include general government, public safety, public works, and culture and recreation. The business-type activities of the City of Roswell include an airport, solid waste, and water and sewer utility.

The government-wide financial statements can be found on pages 14 through 17 of this report.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Management's Discussion and Analysis
June 30, 2008**

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 Roswell, 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 Roswell can be divided into two categories: governmental funds and 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 Roswell maintains eighteen individual government funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other seventeen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental fund types include budgetary comparison data.

The basic governmental fund financial statements can be found on pages 18,19 and 22 of this report.

Proprietary funds

The City of Roswell maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Roswell uses enterprise funds to account for its airport, solid waste, and water and sewer utility funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the airport, solid waste, and water and sewer utility, all of which are considered major funds of the City of Roswell.

The basic proprietary fund financial statements can be found on pages 26 through 30 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 31-57 of this report.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Management's Discussion and Analysis
June 30, 2008**

Other information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 64-91 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Roswell, assets exceed liabilities by \$108,937,806 at the close of the most recent fiscal year.

The largest portion of the City of Roswell's net assets (52 percent) reflect its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Roswell uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Roswell's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF ROSWELL'S NET ASSETS
(in thousands)**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Current and other assets	\$30,423	\$24,791	\$20,726	\$ 21,215	\$51,149	\$ 46,006
Capital assets, net of accumulated depreciation	40,127	35,736	52,856	51,519	92,983	87,255
Total assets	70,550	60,527	73,582	72,734	144,132	133,261
Long-term liabilities outstanding	4,768	4,553	14,836	16,129	19,604	20,682
Other liabilities	8,747	5,079	6,843	2,329	15,590	7,408
Total liabilities	13,515	9,632	21,679	18,458	35,194	28,090
Net Assets	\$57,035	\$50,895	\$51,903	\$ 54,276	\$108,938	\$ 105,171

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

There was an increase of approximately \$1,150 (in thousands) in capital assets reported in connection with the City of Roswell's business-type activities. The majority of this increase resulted from building additions.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Management's Discussion and Analysis
June 30, 2008**

Governmental activities

- Governmental activities increased the City of Roswell's net assets by \$6,793 (in thousands).

Business-type activities

- Business-type activities decreased the City of Roswell's net assets by \$2,373 (in thousands).

**Comparison of Key Elements
(in thousands)**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2008
Revenues						
Taxes	\$35,431	\$35,573	\$570	\$ 526	\$36,001	\$ 36,099
Intergovernmental	6,731	3,116	2,395	887	9,126	4,003
Charges for services	1,884	963	14,776	13,477	16,660	14,440
Other	2,936	2,326	(340)	153	2,596	2,479
	<u>\$4,6982</u>	<u>41,978</u>	<u>\$17,401</u>	<u>15,043</u>	<u>\$64,383</u>	<u>57,021</u>
Expenses						
Current:						
General government	6,040	6,604			6,040	6,604
Public safety	16,171	19,026			16,171	19,026
Public works	8,132	3,685			8,132	3,685
Culture and recreation	9,799	8,760			9,799	8,760
Debt Service:						
Interest on long-term debt	47	265			47	265
Airport		-	4,429	3,081	4,429	3,081
Solid waste		-	4,632	4,669	4,632	4,669
Water and sewer		-	10,713	8,322	10,713	8,322
	<u>40,189</u>	<u>38,340</u>	<u>19,774</u>	<u>16,072</u>	<u>59,963</u>	<u>54,412</u>
Excess of revenues over expenses	<u>\$6,793</u>	<u>\$3,638</u>	<u>\$(2,373)</u>	<u>\$ (1,029)</u>	<u>\$4,420</u>	<u>\$ 2,609</u>

Financial Analysis of the Government's Funds

As noted earlier, the City of Roswell uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Management's Discussion and Analysis
June 30, 2008**

Governmental funds

The focus of the City of Roswell'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 Roswell's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year, the City of Roswell's governmental funds reported combined ending fund balances of \$21,466,954, a increase of \$1,264,675 in comparison with the prior year. Approximately 8 percent of this total amount, \$1,808,697, constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. Approximately, 90 percent of the total amount, \$19,313,257 is *unreserved, designated for subsequent years* expenditures that is an internal designation of unreserved fund balance. The remainder, \$345,000 is reserved for perpetual care.

The general fund is the chief operating fund of the City of Roswell. At the end of the current fiscal year, unreserved fund balance of the general fund was \$17,900,964 and represents 47 percent of the total general fund expenditures.

The fund balance of the City of Roswell's general fund increased by \$1,575,974 during the current fiscal year.

Proprietary funds

The City of Roswell's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

There were no major differences between the original budget and the final amended budget.

The following table examines the summary budget performance of the major and combined nonmajor funds for the fiscal year ending June 30, 2008. Detailed budget performance is examined through the Statement of Revenues, Expenditures and Changes in Fund Balance for the general fund found on page 25 and the Statement of Revenues, Expenditures and Changes in Fund Balance for the nonmajor funds found on pages 72 through 88.

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General government	\$7,148,703	\$3,868,923	\$3,279,780
Public safety	20,304,755	16,232,989	4,071,766
Public works	8,985,312	1,859,895	7,125,417
Culture and recreation	6,152,575	5,401,315	751,260
Capital outlay	6,385,966	6,085,010	300,956
Debt service	464,922	463,689	1,233
Combined Nonmajor Funds:			
General government	677,930	488,297	189,633
Public safety	369,486	280,365	89,121
Public works	5,109,738	3,401,706	1,708,032
Culture and recreation	3,111,403	2,092,495	1,018,908
Capital outlay	1,936,672	639,693	1,296,979
Debt service	537,632	537,629	3

**STATE OF NEW MEXICO
CITY OF ROSWELL
Management's Discussion and Analysis
June 30, 2008**

Capital Asset and Debt Administration

Capital assets

The City of Roswell's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounts to \$92,983,123 (net of accumulated depreciation). This investment in capital assets includes land, land-right of ways, land improvements, buildings, computers, equipment, furniture and fixtures, vehicles, infrastructure and zoo.

The significant additions (in thousands) to capital assets during the year were as follows:

- \$6,705 for land and building improvements
- \$4,037 for improvements to infrastructures

City of Roswell's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Land	\$3,163,460	\$3,044,257	\$4,581,474	\$4,581,474	\$7,744,934	\$7,625,731
Land-Right of Way	4,373,659	4,373,659	-	-	4,373,659	4,373,659
Historical Treasures	29,097	5,541	-	-	29,097	5,541
Water Rights	-	-	11,646,982	11,580,950	11,646,982	11,580,950
Library Collection	3,161,566	3,132,065	-	-	3,161,566	3,132,065
Land Improvements	10,383,548	8,408,711	5,519,915	3,684,630	15,903,463	12,093,341
Buildings	23,568,693	23,047,405	69,529,458	67,436,044	93,098,151	90,483,449
Computers	-	-	469,991	483,446	469,991	483,446
Equipment	8,528,983	8,436,841	14,771,209	17,971,747	23,300,192	26,408,588
Furniture and Fixtures	488,680	504,546	103,549	77,354	592,229	581,900
Vehicles	10,500,792	9,993,648	6,315,480	5,893,856	16,816,272	15,887,504
Infrastructure-Roads	129,143,016	126,119,644	-	-	129,143,016	126,119,644
Infrastructure	8,087,114	7,663,049	10,489,008	10,185,426	18,576,122	17,848,475
Infrastructure-Water	-	-	25,733,972	25,453,231	25,733,972	25,453,231
Zoo	35,408	50,030	-	-	35,408	50,030
	<u>201,464,016</u>	<u>194,779,396</u>	<u>149,161,038</u>	<u>147,348,158</u>	<u>350,625,054</u>	<u>342,129,544</u>
Less accumulated depreciation	<u>161,336,545</u>	<u>159,043,060</u>	<u>96,305,386</u>	<u>95,827,055</u>	<u>257,641,931</u>	<u>254,870,115</u>
	<u>\$40,127,471</u>	<u>35,736,336</u>	<u>\$52,855,652</u>	<u>\$51,521,103</u>	<u>\$92,983,123</u>	<u>\$87,257,439</u>

Additional information on the City of Roswell's capital assets can be found in Note VI on pages 44-46 of this report.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Management's Discussion and Analysis
June 30, 2008**

Long-term debt

At the end of the current fiscal year, the City of Roswell had total debt from outstanding bonds of \$15,019,000, loans outstanding of \$844,656, and capital leases outstanding of \$2,854,488, all of which are secured by pledged gross receipts tax or operating revenues.

	Governmental Funds		Business-type Activities		Total	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Refunding Bonds	\$344,000	\$435,000	\$ -	\$ -	\$344,000	\$435,000
GO Bonds	2,500,000	2,800,000	-	-	2,500,000	2,800,000
Revenue Bonds	-	-	12,175,000	12,680,000	12,175,000	12,680,000
Notes payable	560,943	463,751	283,713	359,728	844,656	823,479
Capital Leases	477,652	621,594	2,376,836	2,723,065	2,854,488	3,344,659
	<u>\$3,882,595</u>	<u>\$4,320,345</u>	<u>\$14,835,549</u>	<u>\$15,762,793</u>	<u>\$18,718,144</u>	<u>\$20,083,138</u>

Additional information on the City of Roswell's long-term debt can be found in Note VII on pages 46-51 of this report.

Economic Factors and Next Year's Budget

The City of Roswell is located in Chaves County. Chaves County, like the rest of urban New Mexico, has a strong and balanced economy. Employment in the area has been stable for the past three years.

The City of Roswell receives approximately 42% of its annual operating budget for governmental funds from gross receipts taxes.

Request for Information

This financial report is designed to provide general overview of the City of Roswell's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Roswell, P.O. Box 1838, Roswell, New Mexico 88202-1838.

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF ROSWELL
Statement of Net Assets
Government -Wide
June 30, 2008

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 21,074,195	\$ 13,020,209	\$ 34,094,404
Receivables (net of allowance for uncollectibles)	8,233,871	3,687,641	11,921,512
Inventories	137,161	1,120,474	1,257,635
Restricted cash and temporary investments	345,000	1,245,468	1,590,468
Capital assets (net of accumulated depreciation):			
Land	3,163,460	4,581,474	7,744,934
Land-right of way	4,373,659	-	4,373,659
Historical treasures	29,097	-	29,097
Library collection	446,201	-	446,201
Water rights	-	11,646,982	11,646,982
Land improvements	6,100,026	4,754,662	10,854,688
Buildings	10,431,941	22,468,387	32,900,328
Computers	-	23,627	23,627
Equipment	2,057,247	1,831,637	3,888,884
Furniture & Fixtures	17,254	23,501	40,755
Vehicles	2,283,357	1,953,598	4,236,955
Infrastructure-roads	8,231,805	-	8,231,805
Infrastructure-water	-	4,655,469	4,655,469
Infrastructure	2,993,423	916,315	3,909,738
Zoo	-	-	-
Notes receivable			
Due within one year	118,724	208,722	327,446
Due in more than one year	514,154	1,249,405	1,763,559
Other assets	-	193,974	193,974
 Total assets	 \$ 70,550,575	 \$ 73,581,545	 \$ 144,132,120

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Accounts payable	\$ 5,424,852	\$ 4,477,972	\$ 9,902,824
Accrued expenses	3,227,312	557,904	3,785,216
Accrued interest payable	72,355	45,193	117,548
Deferred revenue - other	-	205,069	205,069
Liabilities payable from restricted assets:			
Deposits held in trust for others	-	281,970	281,970
Noncurrent liabilities:			
Due within one year	868,694	962,366	1,831,060
Due in more than one year	3,899,528	13,873,183	17,772,711
Bond premium	22,767	317,058	339,825
Estimated liability for landfill closure and post closure care	-	958,093	958,093
Total liabilities	13,515,508	21,678,808	35,194,316
Invested in capital assets, net of related debt	35,336,481	38,020,103	73,356,584
Restricted for:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Debt service	-	-	-
Passenger facility charges	-	88,885	88,885
Perpetual care	-	-	-
Unrestricted	21,698,586	13,793,751	35,492,337
Total net assets	57,035,067	51,902,739	108,937,806
Total liabilities and net assets	\$ 70,550,575	\$ 73,581,547	\$ 144,132,122

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Statement of Activities
Government -Wide
For the Year Ended June 30, 2008**

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 6,040,413	\$ 1,380,022	\$ 5,956,986	\$ -
Public safety	16,170,787	-	373,684	-
Public works	8,131,633	316,049	372,313	-
Culture and recreation	9,799,459	187,879	27,794	-
Interest on long-term debt	46,969	-	-	-
Total governmental activities	40,189,261	1,883,950	6,730,777	-
Business-type activities:				
Airport	4,428,814	2,285,603	2,245,528	-
Solid Waste	4,631,584	4,220,333	-	-
Water & sewer	10,713,281	8,269,804	149,378	-
Total business-type activities	19,773,679	14,775,740	2,394,906	-
Total primary government	\$ 59,962,940	\$ 16,659,690	\$ 9,125,683	\$ -

General revenues:

Property taxes
Gross receipts taxes
Franchise taxes
Motor vehicle and fuel taxes
Cigarette taxes
Lodgers taxes
Miscellaneous
Unrestricted investment earnings/(loss)
Gain on sale of fixed assets
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Prior Period Restatement
Net assets - beginning as restated
Net assets - ending

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ 1,296,595	\$ -	\$ 1,296,595
(15,797,103)	-	(15,797,103)
(7,443,271)	-	(7,443,271)
(9,583,786)	-	(9,583,786)
(46,969)	-	(46,969)
<u>(31,574,534)</u>	<u>-</u>	<u>(31,574,534)</u>
-	102,317	102,317
-	(411,251)	(411,251)
-	(2,294,099)	(2,294,099)
-	(2,603,033)	(2,603,033)
<u>(31,574,534)</u>	<u>(2,603,033)</u>	<u>(34,177,567)</u>
3,914,919	569,602	4,484,521
28,293,440	-	28,293,440
2,322,311	-	2,322,311
800,262	-	800,262
100,332	-	100,332
955,442	-	955,442
1,245,321	(683,661)	561,660
850,777	857,565	1,708,342
(571,875)	6,185	(565,690)
456,505	(520,086)	(63,581)
<u>38,367,434</u>	<u>229,605</u>	<u>38,597,039</u>
6,792,900	(2,373,428)	4,419,472
50,894,641	54,276,167	105,170,808
(652,474)	-	(652,474)
<u>50,242,167</u>	<u>54,276,167</u>	<u>104,518,334</u>
<u>\$ 57,035,067</u>	<u>\$ 51,902,739</u>	<u>\$ 108,937,806</u>

**STATE OF NEW MEXICO
CITY OF ROSWELL
Balance Sheet
Governmental Funds
June 30, 2008**

ASSETS	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Current assets:</i>			
Pooled cash in banks	\$ 17,211,425	\$ 3,711,713	\$ 20,923,138
Non-pooled cash on hand and in banks	151,006	50	151,056
Receivables (net of allowance for uncollectible accounts):			
Accounts	1,181,698	265,435	1,447,133
Taxes	5,188,054	30,653	5,218,707
Intergovernmental	1,092,230	398,671	-
Interest	67,195	11,438	78,633
Notes receivable, current portion	-	118,724	118,724
Interfund receivable	669,281	-	669,281
Inventory	137,161	-	137,161
 Total current assets	 <u>25,698,050</u>	 <u>4,536,684</u>	 <u>28,743,833</u>
 Restricted assets:			
Non-pooled investments	-	345,000	345,000
 Total restricted assets	 <u>-</u>	 <u>345,000</u>	 <u>345,000</u>
 <i>Other assets:</i>			
Notes receivable net of current portion	-	514,154	514,154
 Total other assets	 <u>-</u>	 <u>514,154</u>	 <u>514,154</u>
 Total assets	 <u>\$ 25,698,050</u>	 <u>\$ 5,395,838</u>	 <u>\$ 29,602,987</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND FUND BALANCES

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Current Liabilities:			
Accounts payable	\$ 4,302,219	\$ 1,060,579	\$ 5,362,798
Accrued expenses	3,216,584	74,285	3,290,869
Interfund payable	-	669,281	669,281
Deferred revenue - taxes	278,283	25,703	303,986
Deferred revenue - other	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	7,797,086	1,829,848	9,626,934
Fund balances:			
Reserved for Perpetual Care	-	345,000	345,000
Unreserved:			
Designated for subsequent year's expenditures reported in:			
General Fund	17,900,964	-	17,900,964
Special revenue funds	-	1,185,991	1,185,991
Capital projects funds	-	(217,213)	(217,213)
Debt service funds	-	443,515	443,515
Undesignated reported in:			
General Fund	-	-	-
Special revenue funds	-	1,808,697	1,808,697
Capital projects funds	-	-	-
Debt service funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	17,900,964	3,565,990	21,466,954
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 25,698,050	\$ 5,395,838	\$ 31,093,888
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STATE OF NEW MEXICO
CITY OF ROSWELL
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2008

Amounts reported for governmental activities in the Statement of net assets are different because:

Fund balances - total governmental funds	\$ 21,466,954
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	40,127,471
Revenue related to property taxes receivable is not considered to be current financial resources and, therefore, is deferred in the funds.	303,986
Other liabilities are not due and payable in the current period and, therefore, are not reported in the funds	
Accrued interest payable	(72,355)
Bond premium	(22,767)
Long-term liabilities, including bonds payable, capital leases payable, notes payable, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(885,627)
Gross bonds payable	(2,844,000)
Notes payable	(560,943)
Capital leases	<u>(477,652)</u>
Net assets of governmental activities	<u><u>\$ 57,035,067</u></u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008**

	<u>General Fund</u>	<u>Other Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 32,073,849	\$ 1,927,577	\$ 34,001,426
Franchise fees	1,566,214	-	1,566,214
Intergovernmental	6,134,345	817,256	6,951,601
Charges for services	1,347,890	560,666	1,908,556
Licenses and permits	756,096	-	756,096
Fines and forfeits	702,668	-	702,668
Interest	673,347	177,430	850,777
Rental Income	3,900	-	3,900
Miscellaneous	466,563	41,262	507,825
Total revenues	<u>43,724,872</u>	<u>3,524,191</u>	<u>47,249,063</u>
EXPENDITURES			
Current:			
General government	4,786,506	307,954	5,094,460
Public safety	17,100,686	209,425	17,310,111
Public works	1,947,232	3,802,861	5,750,093
Culture and recreation	5,629,502	1,446,305	7,075,807
Capital outlay	8,496,371	1,684,108	10,180,479
Debt Service:			
Principal	285,595	391,000	676,595
Interest	44,899	149,805	194,704
Total expenditures	<u>38,290,791</u>	<u>7,991,458</u>	<u>46,282,249</u>
Excess (deficiency) of revenues over expenditures	<u>5,434,081</u>	<u>(4,467,267)</u>	<u>966,814</u>
Other financing sources (uses):			
Operating transfers in (out)	(3,903,925)	4,060,430	156,505
Bond proceeds	-	82,000	82,000
Sale of fixed assets	45,818	13,538	59,356
Total other financing sources (uses)	<u>(3,858,107)</u>	<u>4,155,968</u>	<u>297,861</u>
Net changes in fund balances	1,575,974	(311,299)	1,264,675
Fund balances - beginning of year	<u>16,324,990</u>	<u>3,877,289</u>	<u>20,202,279</u>
Fund balances - end of the year	<u>\$ 17,900,964</u>	<u>\$ 3,565,990</u>	<u>\$ 21,466,954</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$ 1,264,675
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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:

Capital expenditures	8,912,331
Depreciation expense	(3,620,274)
Loss on disposal	(631,233)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Increase in the compensated absences	(19,912)
Principal payments on bonds	391,000
Principal payments on notes	285,595
Principal payments on capital leases	143,942
Deferred revenue adjustment	62,981
Bond premium amortization	3,795

Change in net assets of governmental activities	\$ <u><u>6,792,900</u></u>
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The accompanying notes are an integral part of these financial statements.

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STATE OF NEW MEXICO

CITY OF ROSWELL

General Fund

**Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 30,364,160	\$ 31,784,977	\$ 31,784,977	\$ -
Franchise fees	1,608,000	1,673,948	1,673,948	-
Intergovernmental	11,194,516	12,198,374	4,394,828	(7,803,546)
Charges for services	782,100	865,224	852,773	(12,451)
Licenses and permits	428,500	754,351	752,170	(2,181)
Fines and forfeits	310,100	263,453	258,982	(4,471)
Interest	672,100	711,372	690,981	(20,391)
Rental income	7,000	7,000	3,900	(3,100)
Miscellaneous	1,608,392	2,669,279	764,041	(1,905,238)
Total revenues	<u>46,974,868</u>	<u>50,927,978</u>	<u>41,176,600</u>	<u>(9,751,378)</u>
EXPENDITURES				
Current				
General Government	6,664,543	7,148,703	3,868,923	3,279,780
Public safety	21,211,734	20,304,755	16,232,989	4,071,766
Public works	8,493,347	8,985,312	1,859,895	7,125,417
Culture and recreation	6,090,549	6,152,575	5,401,315	751,260
Capital outlay	6,168,821	6,385,966	6,085,010	300,956
Debt service				
Principal retirements	367,965	415,744	414,515	1,229
Interest and fiscal charges	46,798	49,178	49,174	4
Total expenditures	<u>49,043,757</u>	<u>49,442,233</u>	<u>33,911,821</u>	<u>15,530,412</u>
Excess (deficiency) of revenues over expenditures	<u>(2,068,889)</u>	<u>1,485,745</u>	<u>7,264,779</u>	<u>5,779,034</u>
Other Financing Sources (uses):				
Designated cash	4,991,330	2,060,579	-	(2,060,579)
Operating transfers in (out)	(2,932,941)	(3,592,644)	(3,613,589)	(20,945)
Sale of fixed assets	10,500	46,320	45,820	(500)
Total other financing sources (uses)	<u>2,068,889</u>	<u>(1,485,745)</u>	<u>(3,567,769)</u>	<u>(2,082,024)</u>
Net change in fund balance	-	-	3,697,010	3,697,010
Fund balance - beginning of year	-	-	16,106,578	16,106,578
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,803,588</u>	<u>\$ 19,803,588</u>

The accompanying notes are an integral part of these financial statements.

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

	<u>Business-type Activities-Enterprise Funds</u>			<u>Totals</u>
	<u>Airport</u>	<u>Solid Waste</u>	<u>Water and Sewer</u>	<u>June 30, 2008</u>
ASSETS				
Current assets:				
Pooled cash in banks	\$ 2,351,454	\$ 2,601,711	\$ 8,030,080	\$ 12,983,245
Non-pooled cash on hand and in banks	-	400	36,564	36,964
Investments	-	-	1,156,583	1,156,583
Receivables (net of allowance for uncollectibles):				
Accounts	214,385	443,220	1,522,561	2,180,166
Intergovernmental	1,457,958	-	-	1,457,958
Interest	8,177	10,067	31,273	49,517
Interfund receivable	-	-	84,000	84,000
Notes receivable, current	208,722	-	-	208,722
Inventory	-	-	1,120,474	1,120,474
Total current assets	<u>4,240,696</u>	<u>3,055,398</u>	<u>11,981,535</u>	<u>19,277,629</u>
Restricted assets:				
Pooled cash in banks	<u>88,885</u>	-	-	<u>88,885</u>
Total restricted assets	<u>88,885</u>	-	-	<u>88,885</u>
Noncurrent assets:				
Capital Assets:				
Land	29,690	194,229	4,357,555	4,581,474
Land improvements	19,232	4,446,271	1,054,412	5,519,915
Buildings and improvements	30,252,299	1,185,984	38,091,175	69,529,458
Equipment	1,280,170	2,667,668	11,293,362	15,241,200
Furniture and fixtures	54,093	3,243	46,213	103,549
Vehicles	1,408,332	3,222,095	1,685,053	6,315,480
Infrastructure	10,489,008	-	25,733,972	36,222,980
Water rights	-	-	11,646,982	11,646,982
Total capital assets	<u>43,532,824</u>	<u>11,719,490</u>	<u>93,908,724</u>	<u>149,161,038</u>
Less: accumulated depreciation	<u>(36,905,004)</u>	<u>(5,171,329)</u>	<u>(54,229,053)</u>	<u>(96,305,386)</u>
Total capital assets (net of accumulated depreciation)	<u>6,627,820</u>	<u>6,548,161</u>	<u>39,679,671</u>	<u>52,855,652</u>
Other assets:				
Notes receivable net of current portion above	1,249,405	-	-	1,249,405
Interfund receivables	-	-	738,193	738,193
Other assets	-	-	193,974	193,974
Total other assets	<u>1,249,405</u>	<u>-</u>	<u>932,167</u>	<u>2,181,572</u>
Total assets	<u>12,206,806</u>	<u>9,603,559</u>	<u>52,593,373</u>	<u>74,403,738</u>

The accompanying notes are an integral part of these financial statements.

	Business-type Activities-Enterprise Funds			Totals
	Airport	Solid Waste	Water and Sewer	June 30, 2008
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,556,012	\$ 347,341	\$ 1,574,619	\$ 4,477,972
Accrued expenses	150,317	98,865	353,915	603,097
Refundable deposits	-	2,000	279,970	281,970
Deferred revenue	205,069	-	-	205,069
Interfund payable - current portion	84,000	-	-	84,000
Capital leases - current portion	186,265	176,354	-	362,619
Note payable - current portion	-	79,747	-	79,747
Bonds payable - current portion	-	-	520,000	520,000
Total current liabilities	<u>3,181,663</u>	<u>704,307</u>	<u>2,728,504</u>	<u>6,614,474</u>
Noncurrent liabilities:				
Bonds payable - net of current portion	-	-	11,655,000	11,655,000
Note payable	-	203,966	-	203,966
Capital leases - net of current portion	1,565,271	448,946	-	2,014,217
Bond premium	-	-	317,058	317,058
Interfund payable	738,193	-	-	738,193
Estimated liability - landfill closure and post closure care	-	958,093	-	958,093
Total noncurrent liabilities	<u>2,303,464</u>	<u>1,611,005</u>	<u>11,972,058</u>	<u>15,886,527</u>
Total liabilities	<u>5,485,127</u>	<u>2,315,312</u>	<u>14,700,562</u>	<u>22,501,001</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,876,284	6,548,161	27,187,613	38,612,058
Restricted for:				
Passenger Facility Charges	88,885	-	-	88,885
Unrestricted	1,756,510	740,086	10,705,200	13,201,796
Total net assets	<u>6,721,679</u>	<u>7,288,247</u>	<u>37,892,813</u>	<u>51,902,739</u>
Total liabilities and net assets	<u>\$ 12,206,806</u>	<u>\$ 9,603,559</u>	<u>\$ 52,593,375</u>	<u>\$ 74,403,740</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2008**

	Business-type Activities-Enterprise Funds			Totals
	Airport	Solid Waste	Water and Sewer	June 30, 2008
OPERATING REVENUE				
Charges for services	\$ 954,627	\$ 4,105,044	\$ 8,007,236	\$ 13,066,907
Rental income	1,206,148	-	170,751	1,376,899
Miscellaneous	124,828	115,289	91,817	331,934
Total operating revenues	<u>2,285,603</u>	<u>4,220,333</u>	<u>8,269,804</u>	<u>14,775,740</u>
OPERATING EXPENSES				
Personnel services	632,986	1,352,580	3,332,352	5,317,918
Operating expenses	825,116	2,127,118	3,762,020	6,714,254
Depreciation	1,743,504	856,132	1,538,173	4,137,809
Capital Outlay	1,227,208	295,754	2,080,736	3,603,698
Total operating expenditures	<u>4,428,814</u>	<u>4,631,584</u>	<u>10,713,281</u>	<u>19,773,679</u>
Operating income (loss)	<u>(2,143,211)</u>	<u>(411,251)</u>	<u>(2,443,477)</u>	<u>(4,997,939)</u>
NON-OPERATING REVENUE (expenses):				
Taxes	15,817	198,962	354,823	569,602
Intergovernmental	2,245,528	-	149,378	2,394,906
Interest income	157,814	139,660	560,091	857,565
Interest on debt	(163,289)	-	(520,372)	(683,661)
Gain (loss) on sale of fixed assets	2,010	3,981	194	6,185
Total nonoperating revenues (expenses)	<u>2,257,880</u>	<u>342,603</u>	<u>544,114</u>	<u>3,144,597</u>
Income (loss) before transfers	114,669	(68,648)	(1,899,363)	(1,853,342)
Transfers in (out)	<u>(372,000)</u>	<u>335,195</u>	<u>(483,281)</u>	<u>(520,086)</u>
Change in net assets	(257,331)	266,547	(2,382,644)	(2,373,428)
Net assets - beginning of the year	<u>6,979,010</u>	<u>7,021,700</u>	<u>40,275,457</u>	<u>54,276,167</u>
Net assets - end of the year	<u>\$ 6,721,679</u>	<u>\$ 7,288,247</u>	<u>\$ 37,892,813</u>	<u>\$ 51,902,739</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2008

	<u>Business-type Activities-Enterprise Funds</u>			<u>Totals</u>
	<u>Airport</u>	<u>Solid Waste</u>	<u>Water and Sewer</u>	<u>June 30, 2008</u>
Cash flows from operating activities				
Receipts from customers and users	\$ 650,702	\$ 4,096,177	\$ 8,215,612	\$ 12,962,491
Payments to suppliers	388,194	(2,172,223)	(3,602,814)	(5,386,843)
Payments to employees	(519,148)	(1,339,888)	(3,332,352)	(5,191,388)
Net cash provided (used) by operating activities	<u>519,748</u>	<u>584,066</u>	<u>1,280,446</u>	<u>2,384,260</u>
Cash flows from noncapital financing activities:				
Operating transfers in (out)	(372,000)	335,195	(462,281)	(499,086)
Tax receipts	15,818	198,962	354,823	569,603
Intergovernmental receipts	2,245,528	-	149,378	2,394,906
Net cash provided (used) by noncapital financing activities	<u>1,889,346</u>	<u>534,157</u>	<u>41,920</u>	<u>2,465,423</u>
Cash flows from capital and related financing activities:				
Acquisitions and construction of capital assets	(1,697,355)	(1,278,291)	(5,921,561)	(8,897,207)
Principal paid on notes payable	(178,124)	(76,015)	-	(254,139)
Interest paid on notes payable	(163,289)	-	(520,372)	(683,661)
Due from other funds	(82,077)	-	-	(82,077)
Bond proceeds	-	-	523,651	523,651
Principal paid on capital leases	-	(168,105)	-	(168,105)
Proceeds from sale of capital assets	2,010	3,980	(193)	5,797
Net cash provided (used) by capital and related financing activities	<u>(2,118,835)</u>	<u>(1,518,431)</u>	<u>(5,918,475)</u>	<u>(9,555,741)</u>
Cash flows from investing activities:				
Interest income	149,637	119,537	560,091	829,265
Payments received on notes receivable	113,702	-	56,142	169,844
Net cash provided by investing activities	<u>263,339</u>	<u>119,537</u>	<u>616,233</u>	<u>999,109</u>
Net increase (decrease) in cash and temporary investments	<u>\$ 553,598</u>	<u>\$ (280,671)</u>	<u>\$ (3,979,876)</u>	<u>\$ (3,706,949)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2008

	<u>Business-type Activities-Enterprise Funds</u>			<u>Totals</u>
	<u>Airport</u>	<u>Solid Waste</u>	<u>Water and Sewer</u>	<u>June 30, 2008</u>
Net increase (decrease) in cash and temporary investments-from previous page	\$ 553,598	\$ (280,671)	\$ (3,979,876)	\$ (3,706,949)
Cash and temporary investments- July 1, 2007	<u>1,886,741</u>	<u>2,882,782</u>	<u>12,046,523</u>	<u>16,816,046</u>
Cash and temporary investments- June 30, 2008	<u>\$ 2,440,339</u>	<u>\$ 2,602,111</u>	<u>\$ 8,066,647</u>	<u>\$ 13,109,097</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (2,143,211)	\$ (411,251)	\$ (2,630,198)	\$ (5,184,660)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	1,743,677	856,132	(2,115,931)	483,878
(Increase) decrease in:				
Accounts receivable	(1,599,683)	(126,157)	(987,225)	(2,713,065)
Inventories	-	-	(37,148)	(37,148)
Other assets	-	-	6,873,244	6,873,244
(Decrease) Increase in:				
Accounts payable	2,440,345	275,351	70,094	2,785,790
Accrued expenses	113,838	(10,009)	126,260	230,089
Deferred revenue	-	-	-	-
Estimated landfill postclosure liabilities	-	-	-	-
Bond premium	-	-	(18,650)	(18,650)
Refundable customer deposits	(35,218)	-	-	(35,218)
Net cash provided (used) by operating activities	<u>\$ 519,748</u>	<u>\$ 584,066</u>	<u>\$ 1,280,446</u>	<u>\$ 2,384,260</u>
Cash and temporary investments:				
Unrestricted pooled cash	\$ 2,351,454	\$ 2,601,711	\$ 8,030,083	\$ 12,983,248
Non-pooled cash	88,885	400	36,564	125,849
Investments	-	-	-	-
Restricted cash	-	-	-	-
Total cash and temporary investments	<u>\$ 2,440,339</u>	<u>\$ 2,602,111</u>	<u>\$ 8,066,647</u>	<u>\$ 13,109,097</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Roswell (the "City"), was incorporated during 1914 under the laws of the State of New Mexico. The City operates under an elected Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, water supply, airport operations, and general administrative services.

This summary of significant accounting policies of the City of Roswell is presented to assist in the understanding of the City's financial statements. The financial statements and notes are the representation the City's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below.

A. Financial Reporting entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB-14 and No. 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the City has no component units, and is not a component unit of another governmental agency.

STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary 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. *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, proprietary funds, and fiduciary funds, if applicable, even though the later are excluded from the government-wide financial statements. 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 and fiduciary fund, if applicable, 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 billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies 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.

STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation

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. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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 government.

The government reports the following major governmental fund:

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 government reports the following major proprietary funds:

The *Airport Fund* accounts for the provision of airport services to the residents of the City of Roswell. Overall administration and construction as well as all other activities necessary to provide such services are accounted for in this fund.

The *Solid Waste Fund* accounts for the provision of garbage and refuse removal services to the residents of the City of Roswell. All activities necessary to provide such services are accounted for in this fund.

The *Water and Sewer Fund* accounts for the provisions of water and sewer services to the residents of the City of Roswell. All activities necessary to provide such services are accounted for in this fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds 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, 2) operating grants and contributions, and 3) capital grants and

STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. **Measurement focus, basis of accounting, and financial statement presentation**

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 airport, solid waste and water and sewer funds are charges to customers for sales and services. Operating expenses for enterprise 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 nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. **Assets, Liabilities and Net Assets or Equity**

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.

State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the City are reported at fair value. The State Treasurer's 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.

Receivables and Payables

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are not recorded as revenue until received.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after May 10th are considered delinquent. The taxes attach as an enforceable lien on property as of January 1st.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption, and are valued at cost using a first-in, first-out (FIFO) method. Expendables supplies are reported at cost, and expenditures are recorded at the time individual inventory items are purchased. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and 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 the government-wide and fund financial statements.

Restricted Assets

Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

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 government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). 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. 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. The total interest expense incurred by the City during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	30-50
Improvements other than buildings	20-30
Public domain infrastructure	40
System infrastructure	25
Machinery and equipment	5-10
Library books	5
Furniture & Fixtures	7
Vehicles	5
Zoo	7

Accrued Expenses

Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2008, along with applicable PERA and Retiree Health Care.

Deferred Revenues

Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are reported as deferred revenue until the earnings process is complete.

Compensated Absences

City employees are entitled to certain compensated absences based on their employment classification and length of employment. With minor exceptions, the City allows 40 hour week employees to accumulate unused sick leave to a maximum of 1040 hours. Fire Department employees may accumulate 1,456 hours of unused sick leave. Hours accumulated above these thresholds are forfeited. Accumulated unused sick leave, however, is not paid upon termination from employment or retirement, but will be paid only upon illness while in the employment of the City. Accordingly, no provision for accumulated unused sick leave has been made in the accompanying financial statements.

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Accumulated unused vacation is payable upon retirement or termination from employment. All vacation pay and applicable accumulated sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

Net assets are classified as net assets in three components:

- a) Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Reclassifications

Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year’s presentation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America required management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The City Charter establishes the City’s fiscal year as the twelve-month period beginning July 1 and ending June 30. Prior to June 1 the Budget Director submits to management a proposed operating budget of estimated revenues, expenditures, and transfers for the ensuing fiscal year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Fund and Enterprise Funds. Management subsequently submits the

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

budget (1) to the New Mexico Department of Finance and Administration for review and approval; and (2) to the City Council for review and enactment of a resolution legally adopting the budget. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Additionally, the New Mexico Department of Finance and Administration must approve any amendments to the budget.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by department and general ledger account. Expenditures are budgeted by department and general ledger account. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review and approval by the City Council. Revisions to the budget were made throughout the year.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds.

The appropriated budget for the year ended June 30, 2008 was properly amended by the City Commission through the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ (2,068,889)	\$ 1,485,745
Nonmajor Funds	\$ (6,032,120)	\$ (7,243,009)
Proprietary Funds	\$ (7,742,772)	\$ (7,401,254)

The following is reconciliation between the Non-GAAP budgetary (cash) basis amounts and the governmental fund financial statements by fund type.

	General Fund	Nonmajor Fund
Net Changes in Fund Balance (GAAP Basis)	\$ 1,575,974	\$ (311,299)
Adjustments:		
Receivables	(2,293,506)	(475,739)
Accrued interest	(67,195)	(5,056)
Note receivable	-	103,196
Inventory	-	-
Accounts payable	3,213,828	951,312
Accrued expenses	485,578	24,358
Deferred revenue	278,283	-
Interfund Payable	-	-
Note payable	-	(72,778)
Other	504,048	-
Net Changes in Fund Balance (Budget Basis)	\$ 3,697,010	\$ 213,994

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

The following is a reconciliation between the Non-GAAP budgetary (cash) basis amounts and the proprietary fund financial statements.

	<u>Airport</u>	<u>Solid Waste</u>	<u>Water and Sewer</u>
Change in Net Assets (GAAP Basis)	\$ (257,331)	\$ 266,558	\$ (2,373,428)
Adjustments:			
Receivables	(93,920)	(81,539)	(77,278)
Accrued interest	(8,177)	(10,067)	(31,273)
Note receivable	113,702	-	-
Capital assets	(1,697,354)	(1,287,435)	1,176,955
Accumulated depreciation	1,743,504	856,132	(2,095,077)
Accounts payable	1,073,122	275,351	1,345,844
Accrued expenses	1,834	(10,009)	6,886
Deferred revenue	-	-	-
Discount on bonds payable	-	-	(224,034)
Bond payable	-	-	(505,000)
Notes payable	(178,124)	(244,151)	210,998
Intefund payable	(82,077)	-	-
Landfill Closure	-	-	-
Other	(20,179)	9,253	-
Change in Net Assets (Budget Basis)	<u>\$ 595,000</u>	<u>\$ (225,907)</u>	<u>\$ (2,565,407)</u>

III. DEPOSITS AND INVESTMENTS

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2008.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

III. DEPOSITS AND INVESTMENTS (Continued)

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing Now accounts of an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the City for at least one half of the amount on deposit with the institution. As of June 30, 2008 \$9,229,099 of the City's bank balances were exposed to custodial credit risk as follows:

	Bank of America	Wells Fargo Bank	First Federal Bank	Pioneer Bank	Bank of the Southwest	Total
Checking	\$ 33,761	\$ -	\$ -	\$ 6,438,297	\$ -	\$ 6,472,058
CD's	-	355,000	2,537,887	10,377,048	2,000,000	15,269,935
Total amount of deposits	33,761	355,000	2,537,887	16,815,345	2,000,000	21,741,993
FDIC Coverage	33,761	100,000	100,000	100,000	100,000	433,761
Total unsecured public funds	-	255,000	2,437,887	16,715,345	1,900,000	21,308,232
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the City's name	-	635,298	1,296,681	9,197,154	950,000	12,079,133
Uninsured and uncollateralized	\$ -	\$ -	\$ 1,141,206	\$ 7,518,191	\$ 950,000	\$ 9,229,099
Collateral requirement (50% of uninsured public funds)	\$ -	\$ 127,500	\$ 1,218,944	\$ 8,357,673	\$ 950,000	\$ 10,654,117
Pledged security	-	635,298	1,296,681	9,197,154	950,000	12,079,133
Over (under) collateralization	\$ -	\$ 507,798	\$ 77,737	\$ 839,481	\$ -	\$ 1,425,017

The collateral pledged is listed on Schedule I of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, City or political subdivision of the State of New Mexico.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk. At June 30, 2008, the City's investment balances were exposed to custodial credit risk as follows:

Investment in the State Treasurer Local Government Investment Pool	\$14,969,380
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**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

III. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. The State Treasurer issues separate financial statements that disclose the collateral pledged to secure these deposits. At June 30, 2008, the New MexiGROW Local Government Investment Pool was rated at AAAM and was considered a 46-day WAM.

Interest Rate Risk

The City's investments at June 30, 2008 include the following:

Investments	Maturities	Fair Value
State Treasurer Local		
New MexiGROW LGIP	<182 days	\$ 14,969,380

III. DEPOSITS AND INVESTMENTS (Continued)

Reconciliation to the Statements of Net Assets

The carrying amounts of deposits and investments shown above are included in the City's statement of net assets as follows:

Carrying amount	
Cash and cash equivalents	\$ 34,183,289
Restricted cash and temporary investments	1,501,583
	\$ 35,684,872
Included in the following balance sheet captions	
Pooled cash in banks	\$ 33,906,384
Non-pooled cash on hand and in banks	276,905
Investments	1,156,583
Restricted non-pooled investments	345,000
	\$ 35,684,872

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

IV. RECEIVABLES

Receivables as of June 30, 2008, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Airport Fund	Solid Waste Fund	Water and Sewer Fund	Nonmajor Funds
Receivables:					
Accounts	\$ 1,456,599	\$ 298,473	\$ 563,716	\$ 2,283,121	\$ 265,435
Taxes:					
Gross Receipts	4,699,644	-	-	-	-
Property	331,427	-	-	-	30,653
Franchise	135,965	-	-	-	-
Lodger's	-	-	-	-	-
Gasoline	21,018	-	-	-	-
Other	-	-	-	-	-
Interest	67,195	8,176	-	-	11,438
Intergovernmental	1,092,230	1,457,958	10,067	31,273	398,671
Gross receivables	7,804,078	1,764,607	573,783	2,314,394	706,197
Less: allowance for uncollectible	(274,901)	(84,087)	(120,496)	(760,560)	-
Net receivables	<u>\$ 7,529,177</u>	<u>\$ 1,680,520</u>	<u>\$ 453,287</u>	<u>\$ 1,553,834</u>	<u>\$ 706,197</u>

As of June 30, 2008, notes receivable were as follows:

	Special Revenue	Enterprise	Totals
The Machine Shop, Inc., dated July 1, 2005 in the original amount of \$250,000 bearing interest at 4.50% per annum commencing on June 30, 2006 payable in annual installments of \$50,000 maturing June 30, 2009.	\$ 100,000	\$ -	\$ 100,000
Dean Baldwin Painting, Inc., dated September 1, 1999 in the original amount of \$525,000 bearing interest at 7.00% per annum commencing on October 1, 1999 payable in monthly installments varying from \$6,000 to \$10,000 maturing August 1, 2006.	-	469,532	469,532
Millennium transit Service, dated December 15, 2004 in the original amount of \$2,070,000 bearing interest at prime plus 2.25% per annum commencing on January 1, 2005 payable in monthly installments of \$23,111 maturing September 2014.	532,878	988,595	1,521,473
Total notes receivable	632,878	1,458,127	2,091,005
Less current portion	118,724	208,722	327,446
Notes receivable, net of current portion	<u>\$ 514,154</u>	<u>\$ 1,249,405</u>	<u>\$ 1,763,559</u>

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

V. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund payable/receivable balances represent a long-term loan from the Water and Sewer Fund to the UDAG Airport Fund for part of the City's portion of the Millennium Transit Service. The amount of the loan was \$1,118,614 with an interest rate of 4.25% payable in monthly installments of \$11,459 with a final maturity date of September 2014. The balance outstanding as of June 30, 2008 was \$822,130.

The City recorded interfund transfers to reflect a temporary transfer of cash due to temporary need within the funds. The composition of interfund transfers during the year ended June 30, 2008 is as follows:

Transfers Out	Transfers In	Amount
General Fund	Capital Improvements	\$ 2,582,010
General Fund	Road Fund	3,294,219
General Fund	South Park Cemetery	212,825
General Fund	Mass Transit	378,988
Road Fund	Mass Transit	240,131
General Fund	Correction Fee Fund	232,707
General Fund	Recreation Fund	1,134,787
Airport Fund	General Fund	300,000
Solid Waste	General Fund	300,000
Water Fund	General Fund	350,000
Lodger's Tax	General Fund	450,000
Water Fund	Road Fund	100,000
General Fund	Unemployment Comp	5,000
Road Fund	Unemployment Comp	5,000
Capital Improvements	Unemployment Comp	5,000
Airport Fund	Unemployment Comp	5,000
Solid Waste Fund	Unemployment Comp	5,000
Water Fund	Unemployment Comp	5,000
General Fund	NMRHCA	16,270
Road Fund	NMRHCA	16,270
Capital Improvements	NMRHCA	16,270
Airport Fund	NMRHCA	16,270
Solid Waste Fund	NMRHCA	16,270
Water Fund	NMRHCA	16,270
General Fund	Airport Fund	840
Water Fund	Airport Fund	12,012
General Fund	Solid Waste	656,464
Lodger's Tax	Sales Tax Revenue	107,449
		\$ 10,480,052
Interfund Receivable	Interfund Payable	Amount
Water and Sewer Fund	Airport Fund	\$ 822,130
General Fund	Police Fund	26,891
General Fund	2008 GO Bond Fund	300,000
General Fund	South Park Cemetery	342,390
		\$ 1,491,411

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

VI. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2008, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land, land-right of way, and water rights not subject to depreciation.

	Balance at July 1, 2007	Additions & Transfers In	Deletions & Transfers Out	Adjustments	Balance at June 30, 2008
Capital Assets used in:					
Governmental activities					
Capital Assets, not being depreciated:					
Land	\$ 3,044,257	\$ 299,203	\$ -	\$ (180,000)	\$ 3,163,460
Land-Right of Way	4,373,659	-	-	-	4,373,659
Historical Treasures	5,541	25,000	-	(1,444)	29,097
Total capital assets not being depreciated	<u>7,423,457</u>	<u>324,203</u>	<u>-</u>	<u>(181,444)</u>	<u>7,566,216</u>
Capital Assets, being depreciated:					
Library Collection	3,132,065	187,828	(158,327)	-	3,161,566
Land improvements	8,408,711	2,084,099	-	(109,262)	10,383,548
Buildings	23,047,405	541,288	(200,000)	180,000	23,568,693
Equipment	8,436,841	910,132	(1,058,638)	240,648	8,528,983
Furniture & Fixtures	504,546	-	(15,866)	-	488,680
Vehicles	9,993,648	1,080,792	(482,309)	(91,339)	10,500,792
Infrastructure-Roads	126,119,644	3,023,372	-	-	129,143,016
Infrastructure	7,663,049	429,204	-	(5,139)	8,087,114
Zoo	50,030	-	(14,622)	-	35,408
Total capital assets being depreciated	<u>187,355,939</u>	<u>8,256,715</u>	<u>(1,929,762)</u>	<u>214,908</u>	<u>193,897,800</u>
Total capital assets	<u>194,779,396</u>	<u>8,580,918</u>	<u>(1,929,762)</u>	<u>33,464</u>	<u>201,464,016</u>
Less accumulated depreciation:					
Library Collection	2,557,038	158,327	-	-	2,715,365
Land Improvements	3,937,670	353,834	(7,982)	-	4,283,522
Buildings	12,234,259	902,493	-	-	13,136,752
Equipment	6,724,307	538,879	(791,450)	-	6,471,736
Furniture & Fixtures	440,036	46,754	(15,365)	-	471,425
Vehicles	7,964,855	723,355	(470,775)	-	8,217,435
Infrastructure-Roads	120,328,227	582,983	-	-	120,911,210
Infrastructure	4,821,927	281,599	(9,834)	-	5,093,692
Zoo	34,741	4,164	-	(3,497)	35,408
Total accumulated depreciation	<u>159,043,060</u>	<u>3,592,388</u>	<u>(1,295,406)</u>	<u>-</u>	<u>161,336,545</u>
Net capital assets	<u>\$ 35,736,336</u>	<u>\$ 4,988,530</u>	<u>\$ (634,356)</u>	<u>\$ 29,967</u>	<u>\$ 40,127,471</u>

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

VI. CAPITAL ASSETS (Continued)

	Balance at July 1, 2007	Additions & Transfers In	Deletions & Transfers Out	Adjustments	Balance at June 30, 2008
Capital Assets used in:					
Business-type Activities:					
Capital Assets, not being depreciated:					
Land	\$ 4,581,474	\$ -	\$ -	\$ -	\$ 4,581,474
Water rights	11,580,950	66,032	-	-	11,646,982
Total capital assets not being depreciated	<u>16,162,424</u>	<u>66,032</u>	<u>-</u>	<u>-</u>	<u>16,228,456</u>
Capital Assets, being depreciated:					
Land improvements	3,684,630	1,705,279	-	130,006	5,519,915
Buildings	67,440,179	2,374,359	(286,000)	920	69,529,458
Computers	483,446	-	(13,445)	(10)	469,991
Equipment	17,971,747	455,653	(3,656,191)	-	14,771,209
Furniture & Fixtures	77,354	26,195	-	-	103,549
Vehicles	5,893,856	634,496	(212,872)	-	6,315,480
Infrastructure	10,185,426	303,582	-	-	10,489,008
Infrastructure-Water	25,453,231	280,741	-	-	25,733,972
Total capital assets being depreciated	<u>131,189,869</u>	<u>5,780,305</u>	<u>(4,168,508)</u>	<u>130,006</u>	<u>132,932,582</u>
Total capital assets	<u>147,352,293</u>	<u>5,846,337</u>	<u>(4,168,508)</u>	<u>130,006</u>	<u>149,161,038</u>
Less accumulated depreciation:					
Land Improvements	499,114	266,139	-	-	765,253
Buildings	44,549,075	2,931,860	-	(419,864)	47,061,071
Computers	413,959	32,397	-	8	446,364
Equipment	16,092,758	418,060	(3,991,358)	420,112	12,939,572
Furniture & Fixtures	75,881	4,167	-	-	80,048
Vehicles	3,883,269	728,587	(262,159)	12,185	4,361,882
Infrastructure	9,525,474	47,219	-	-	9,572,693
Infrastructure-Water	20,781,906	296,597	-	-	21,078,503
Total accumulated depreciation	<u>95,821,436</u>	<u>4,725,026</u>	<u>(4,253,517)</u>	<u>12,269</u>	<u>96,305,386</u>
Net capital assets	<u>\$ 51,530,857</u>	<u>\$ 1,121,311</u>	<u>\$ 85,009</u>	<u>\$ 117,737</u>	<u>\$ 52,855,652</u>

Capital assets, net of accumulated depreciation, at June 30, 2008 appear in the Statement of Net Assets as follows:

Governmental activities	\$ 40,127,471
Business-type activities:	
Airport	\$ 6,623,859
Solid Waste	6,547,250
Water and Sewer	39,679,670

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

VI. CAPITAL ASSETS (Continued)

Depreciation expense for the year ended June 30, 2008 was charged to the following functions and funds:

Governmental activities	
General government	\$ 431,087
Public safety	1,864,449
Public works	596,336
Culture and recreation	700,516
Business-type activities:	
Airport	\$ 1,755,025
Solid Waste	1,010,489
Water and Sewer	1,959,512

VII. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Restatement	Balance June 30, 2007 As restated	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Governmental Activities:							
Refunding Bonds	\$ 435,000	\$ -	\$ 435,000	\$ -	\$ 91,000	\$ 344,000	\$ 94,000
GO Bonds	2,800,000	-	2,800,000	-	300,000	2,500,000	325,000
Notes Payable	463,751	382,787	846,538	-	285,595	560,943	298,370
Capital Leases	621,594	-	621,594	-	143,942	477,652	151,324
Compensated Absences	865,715	-	865,715	842,141	822,229	885,627	822,229
Governmental activities Long-term liabilities	<u>\$ 5,186,060</u>	<u>\$ 382,787</u>	<u>\$ 5,568,847</u>	<u>\$ 842,141</u>	<u>\$ 1,642,766</u>	<u>\$ 4,768,222</u>	<u>\$ 1,690,923</u>
Business-type Activities:							
2005 Revenue Bonds	\$ 12,680,000	\$ -	\$ 12,680,000	\$ -	\$ 505,000	\$ 12,175,000	\$ 520,000
Notes Payable	359,728	-	359,728	-	76,015	283,713	79,747
Capital Leases	2,723,065	-	2,723,065	-	346,229	2,376,836	362,619
Compensated Absences	196,266	-	196,266	201,864	217,748	180,382	180,382
Business-type activities Long-term liabilities	<u>\$ 15,959,059</u>	<u>\$ -</u>	<u>\$ 15,959,059</u>	<u>\$ 201,864</u>	<u>\$ 1,144,992</u>	<u>\$ 15,015,931</u>	<u>\$ 1,142,748</u>

In prior years, the general fund has typically been used to liquidate long-term liabilities other than debt including capital leases and compensated absences.

The capital leases for the governmental activities as of June 30, 2008 are comprised of the following:

5.13% lease payable for purchase of fire equipment, due in annual payments of \$175,820 including interest, through May 2011 payable to Kansas State Bank of Manhattan.	\$ 477,652
Less current portion	(151,324)
	<u>\$ 326,328</u>

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

VII. LONG-TERM DEBT (Continued)

The annual requirements to amortize the capital leases outstanding as of June 30, 2008, including interest payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 151,324	\$ 24,496	\$ 175,820
2010	159,085	16,735	175,820
2011	167,243	8,577	175,820
Total	<u>\$ 477,652</u>	<u>\$ 49,808</u>	<u>\$ 527,460</u>

Bonds payable at June 30, 2008 are comprised of the following:

	<u>General Obligation Series August, 1999</u>	<u>Sales Tax Revenue Refunding Bonds Series 2003</u>
Original issue:	August 1	May 14
Principal:	\$ 6,600,000	\$773,000
Interest:	February 1 & August 1	June 1 & December 1
Rates:	4.25% to 5.25%	3.77%

The August 1, 1999 General Obligation Bonds, Series 1999, were issued to defray, in part (i) the cost of constructing, rehabilitating and remodeling the Roswell Public, including additions and improvements thereto, (ii) the cost of constructing, purchasing, rehabilitating or remodeling, or any combination thereof, municipal fire stations, including additions and improvements thereto, and (iii) all costs incidental to the foregoing and the issuance of the 1999 Bonds. The bonds are being issued pursuant to Sections 3-31-1 through 3-31-12 NMSA 1978, as amended. The 1999 Bonds and all payments of principal, premium, and interest thereon whether at maturity or on a redemption date shall be paid with pledged revenues payable from the revenues distributed to it by the New Mexico Taxation and Revenue Department pursuant to Sections 7-9-4, NMSA 1978, as amended, 7-1-6.1 and 7-1-6.4 NMSA, as amended and 7-1-6.17 NMSA, 1978 as amended.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

VII. LONG-TERM DEBT (Continued)

The annual requirements to amortize the 1999 Bond Issue outstanding as of June 30, 2008, including interest payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 325,000	\$ 113,937	\$ 438,937
2010	325,000	97,931	422,931
2011	350,000	81,806	431,806
2012	350,000	64,787	414,787
2013	375,000	47,115	422,115
2014-2018	775,000	37,362	812,362
Total	<u>\$ 2,500,000</u>	<u>\$ 442,938</u>	<u>\$ 2,942,938</u>

The 2003 Sales Tax Revenue Refunding Bonds were issued for the purpose of defraying the cost of refunding New Mexico Sales Tax Revenue Bonds, Series February 1, 1993. The Bonds were issued pursuant to Sections 3-31-1 through 3-31-12 NMSA 1978, as amended. The 2003 Bonds and all payments of principal, premium, and interest thereon whether at maturity or on a redemption date shall be paid with pledged revenues payable from the revenues distributed to it by the New Mexico Taxation and Revenue Department pursuant to Sections 7-1-6.4 NMSA 1978, as amended and Sections 3-38-13 through 38-34 NMSA 1978, as amended.

The annual requirements to amortize the 2003 Bond Issue outstanding as of June 30, 2008, including interest payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 94,000	\$ 12,968	\$ 106,968
2010	98,000	9,424	107,424
2011	106,000	5,730	111,730
2012	46,000	1,734	47,734
Total	<u>\$ 344,000</u>	<u>\$ 29,856</u>	<u>\$ 373,856</u>

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

VII. LONG-TERM DEBT (Continued)

The notes payable for the governmental activities as of June 30, 2008 are comprised of the following:

7.5% note payable for Employer's Surplus Contribution Amount, due in monthly payments of \$8,168 including interest, through June 2012, payable to NMRHCA.	\$ 337,801
5.0% note payable for Police Vehicles, due in annual payments of \$19,234, including interest, through April 2009, payable to NMFA.	223,142
	560,943
Less current portion	(298,370)
	\$ 262,573

The annual requirements to amortize the loans outstanding as of June 30, 2008, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 298,370	\$ 29,874	\$ 328,244
2010	81,068	16,944	98,012
2011	87,361	10,650	98,011
2012	94,144	3,868	98,012
Total	\$ 560,943	\$ 61,336	\$ 622,279

The capital leases of the proprietary funds of June 30, 2008 are comprised of the following:

4.57% lease payable for Fire Suppression Equipment Lease, due in annual payments of \$266,310 including interest, through June 2016, payable to Kansas State Bank.	\$ 1,751,536
4.607% lease payable for Landfill Compactor Lease, due in annual payments of \$89,010, including interest, through June 2009, payable to Suntrust Leasing Corporation.	85,091
4.982% lease payable for Caterpillar Scaper lease, due in monthly payments of \$9,676, including interest, through May 2012, payable to Wagner Equipment Co.	540,209
	2,376,836
Less current portion	(362,619)
	\$ 2,014,217

The annual requirements to amortize the capital leases outstanding as of June 30, 2008, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 362,619	\$ 108,818	\$ 471,437
2010	290,692	91,734	382,426
2011	304,483	77,943	382,426
2012	465,211	62,865	528,076
2013	222,720	43,590	266,310
2014-2018	731,111	67,819	798,930
Total	\$ 2,376,836	\$ 452,769	\$ 2,829,605

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

VII. LONG-TERM DEBT (Continued)

Proprietary funds bonds payable at June 30, 2008 are comprised of the following:

	Series July, 2005
Original issue:	July 14
Principal:	\$13,710,000
Interest:	June 1 & December 1
Rates:	3.00% to 5.00%

The June 1, 2005 Joint Water and Sewer Improvement Revenue Bonds, Series 2005, were issued to provide funds to extend, enlarge, better, repair and otherwise improve the City's Joint Water and Sewer System, including all costs incidental thereto. The Bonds were issued pursuant to Section 3-31-1 through 3-31-12 NMSA 1978, as amended. The 2005 Bonds and all payments of principal, premium and interest thereon whether at maturity or on a redemption date shall be paid with Net Revenues of the Joint Systems.

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$ 520,000	\$ 512,462	\$ 1,032,462
2010	535,000	496,862	1,031,862
2011	555,000	480,812	1,035,812
2012	570,000	463,468	1,033,468
2013	590,000	443,518	1,033,518
2014-2018	3,320,000	1,805,908	5,125,908
2019-2023	4,140,000	1,034,110	5,174,110
2024-2028	1,945,000	121,070	2,066,070
Total	\$ 12,175,000	\$ 5,358,210	\$ 17,533,210

The notes payable of the proprietary funds as of June 30, 2008 are comprised of the following:

4.75% note payable for Scraper, due in monthly payments of \$7,625 including interest, through February 2010, payable to Wagner Equipment Co.	\$ 283,713
Less current portion	(79,747)
	\$ 203,966

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

VII. LONG-TERM DEBT (Continued)

The annual requirements to amortize the loans outstanding as of June 30, 2008, including interest payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 79,747	\$ 11,759	\$ 91,506
2010	203,966	5,734	209,700
Total	<u>\$ 283,713</u>	<u>\$ 17,493</u>	<u>\$ 301,206</u>

VIII. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of asset; errors and omissions; injuries to employees; and natural disasters. For the past several years the City has obtained coverage from commercial insurance companies for the risks of loss mentioned above, except for injuries to employees. For risks of loss related to injuries to employees the City has not obtained coverage from a commercial insurance company but has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonable estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The City participates in the New Mexico Self-Insurers' Fund (the "Fund"), which services the City's worker's compensation claims. Through this arrangement, the city retains some risk associated with worker's compensation claims up to \$250,000 per accident.

The City currently reports all of its risk management activities in its General Fund. The General Fund pays the worker's compensation claims and premiums, which are then reimbursed by the City's other Funds.

The New Mexico Self-Insurers' Fund charges a "premium" to the City to cover expenses of the Fund (including, but not limited to, reinsurance expenses, claims adjusting, rating, and underwriting, safety and loss control, reporting, and administration). This "premium" is equal to 20% of the earned normal premium, which is based on a percentage of the City's current payroll. Additionally, the "premium" charge includes a factor for recent actual claims experience.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The estimated claims payable \$2,995,519 is recorded in the General Fund as Accrued Expenses. These liabilities are based on actuarial information provided by the Fund.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

VIII. RISK MANAGEMENT (Continued)

Changes in estimated unpaid claims and claims adjustments, including claims incurred but not reported, for the year ended June 30, 2008 are as follows:

Unpaid claims and claims adjustments including claims incurred but not reported, at the beginning of the year	\$ 3,067,510
Current year claims and changes in estimates	<u>(71,991)</u>
Total unpaid claims and claim adjustments, including claims incurred but not reported, at the end of the year	<u>\$ 2,995,519</u>

The City continues to carry commercial insurance for all other risks.

IX. PERA PENSION PLAN

Plan Description

Certain of the City of Roswell employees participate in the public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy

Plan members (other than police and fire) are required to contribute 9.15% of their gross salary. Law enforcement and fire plan members are required to contribute 16.3% and 16.2% of their gross salary, respectively. The City is required to contribute 18.5% for law enforcement, 21.25% for fire, and 9.15% for all other plan members. The contribution requirements of plan members and the City are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by act of the legislature. The City's contributions to PERA for the years ending June 30, 2008, 2007, and 2006 were approximately \$2,419,152, \$2,183,479, and \$2,129,230, respectively, which equal the amount of required contributions for all years. The City's employee contributions to PERA for the years ending June 30, 2008, 2007, and 2006 were approximately \$2,065,724, \$1,918,644, and \$1,892,758, respectively.

X. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Nationwide Retirement Solutions. The assets and liabilities are held in trust by Nationwide Retirement Solutions.

**STATE OF NEW MEXICO
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Notes to the Financial Statements
June 30, 2008**

X. DEFERRED COMPENSATION PLAN (Continued)

The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

As of January 1, 2002, the assets of the plan were placed in a trust to be held for the exclusive benefit of the participants and their beneficiaries. Since the City does not have custody or control of these assets, an Agency Fund is not required to be reported.

XI. RETIREE HEALTH CARE ACT CONTRIBUTION

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

Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Association (PERA), Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

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

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

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

XI. RETIREE HEALTH CARE ACT CONTRIBUTION (Continued)

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis. The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. This report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd., NE, Suite 104, Albuquerque, New Mexico 87107.

For the fiscal years ended June 30, 2008, 2007, and 2006, the City remitted \$235,554, \$210,697, and \$206,988 in employer contributions and \$117,777, \$105,348, and \$103,494 in employee contributions, respectively, to the Retiree Health Care Authority.

XII. CONTINGENCIES

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of June 30, 2008, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or overall financial position of the City.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

XIII. DEFICIT FUND BALANCES AND EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

A.	Deficit fund balance of individual funds	
	Recreation Special Revenue Fund	\$ 20,879
	Police Special Revenue Fund	1,902
	2008 GO Bond	217,213
B.	Excess of expenditures over appropriations	
	None	

Deficits in the Recreation and Police special revenue funds are will be resolved by transfers from the general fund and the deficit in the 2008 GO Bond will be resolved by the bond issuances subsequent to year end.

STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008

XIV. LANDFILL CLOSURE AND POSTCLOSURE

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure of the landfill site. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste.

The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. At June 30, 2008, it is estimated that 11.5% of the capacity of the landfill is used with a remaining life of 100 years. The total estimated liability for landfill closure costs is \$958,093 as of June 30, 2008, which is based on the cumulative capacity to date as a percentage of projected capacity at the time of landfill closure. It is estimated that an additional \$1,591,867 will be recognized as closure and postclosure care costs between the balance sheet date and the date the landfill site is expected to close in accordance with State of New Mexico Environmental Division and Federal EPA regulations. The estimated total current cost of the landfill closure and postclosure care of \$2,549,960 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2008. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in state and federal landfill laws and regulations. The City is required by the State of New Mexico Environmental Regulation Board to demonstrate financial assurance for the closure and postclosure costs. The City obtained permanent financing from the NM Finance Authority for landfill expansion, closure, and postclosure, care. The agreement establishes terms for use of the proceeds, and repayment of amounts loaned that are more fully discussed in Note 7.

XV. LESSOR OPERATING LEASES

Operating leases arise from the leasing of the City's land and buildings to customers in varying industries in Roswell. Initial lease terms generally range from 12 to 120 months. Leases are cancelable by the Lessee with 30-120 days notice as defined by the lease agreement. Depreciation expense for assets subject to operating leases is provided primarily on the straight-line method over the term of the lease in amounts necessary to reduce the carrying amount of the asset to its estimated residual value. Estimated and actual residual values are reviewed on a regular basis to determine that depreciation amounts are appropriate. Depreciation expense for the year ended June 30, 2008 related to land and buildings held as rental property under operating leases is included in depreciation expense of the Airport in the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Assets. Historical cost and accumulated depreciation as of June 30, 2008 related to land and buildings held as rental property under operating leases is included in property, plant and equipment of the Airport in the Proprietary Funds Statement of Net Assets.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008**

XVI. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) today issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The Statement provides needed guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks. The requirements Statement 51 are effective for financial statements for periods beginning after June 15, 2009. The City is analyzing the effect that this standard will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In December 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Pollution Remedial Obligations*. This statement is effective for financial statements for the periods beginning after December 15, 2007. This statement establishes accounting standards for the recognition and reporting of liabilities related to environmental clean-up efforts. The City is analyzing the effect that this standard will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In June 2008, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Statement 53 is intended to improve how state and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged. The City is analyzing the effect that this standard will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In November 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. The statement improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. Reporting those investments at fair value provides more decision-useful information about their composition, current value, and recent changes in value. GASB Statement No. 52 is effective for financial statements for periods beginning after June 15, 2008. The City is analyzing the effect that this standard will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

XVII. JOINT POWERS AGREEMENT

The City has a joint powers agreement with the Public Regulation Commission/State Fire Board, acting on behalf of the State Fire Marshall's Office. This JPA was entered into October 5, 1999 for the purpose of enhancing the City's response capabilities as it pertains to the transportation of hazardous materials, specifically WIPP shipments. The City shall develop, implement, and maintain a hazardous materials response training program. The State Fire Marshall's Office shall advance the City \$7,000 on an annual basis. This agreement shall remain in effect perpetually until termination by either party.

STATE OF NEW MEXICO
CITY OF ROSWELL
Notes to the Financial Statements
June 30, 2008

XVIII. PRIOR PERIOD RESTATEMENT

The governmental activities beginning net assets were restated by \$652,474. This consisted of further clean up of capital assets of \$269,687, the removal of an interfund payable of \$56,142 that was improperly included and a note payable of \$438,929 that was not reported.

XIX. SUBSEQUENT EVENTS

The City of Roswell participated in a loan to Millennium Transit Services (along with Pioneer Bank and the State of New Mexico) for a total amount of \$4,320,000, of which the City's portion was \$2,070,000, or 47.92%. The loan originated on December 15, 2003 and was secured by a large building, equipment and inventory, having an appraised value of approximately \$6,000,000 at the time of the loan. Current estimates on valuation, including inventory, are higher than this amount. The building sits on property owned by the City of Roswell, and is leased on a long-term basis to Millennium.

Over the past five years, Millennium has paid the principal amount of the loan down by a total of \$1,254,313, or 29%. The City's loan balance is currently \$1,468,975. In the early years of the loan, it was delinquent at times. However, all payments were completely caught up and the loan has fully performed up through the most recent year-end of June 30, 2008. The City has never created a reserve for loss on this loan, nor ever believed there was sufficient risk of loss on the loan to do so.

On August 29, 2008, Millennium filed for bankruptcy protection under Chapter 11 of the bankruptcy code. At the time of their filing, Millennium was current under both their lease and loan payments to the City and the other participants in the loan. The City is continuing to protect its interests in this transaction, and remains confident that there will ultimately be no negative economic impact on its financial statements.

On May 8, 2008, the City Council approved the sale of \$4,100,000 General Obligation Bonds Series 2008. The purpose of this revenue will be to secure funds to replace, construct, equip and improve an animal control shelter and fire stations in the City of Roswell. The funds were not received until after the close of the June 30, 2008 fiscal year.

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

**STATE OF NEW MEXICO
CITY OF ROSWELL
Non-Major Funds
June 30, 2008**

Library Grants (City ordinance)

To account for the operations and maintenance of the City library. Financing is provided through fees or services.

South Park Cemetery (City ordinance)

To account for the operations and maintenance of the City cemetery. Financing is provided through lot sales and fees for services.

Recreation Fund (Section 7-12-15, NMSA, 1978 Comp)

To account for the operation and maintenance of all City owned recreation facilities. Financing is provided by a specific annual cigarette tax levy to the extent miscellaneous revenues (primary use fees) are not sufficient to provide such financing.

Lodgers' Tax Fund (Section 3-38-1, NMSA, 1978 Comp)

To account for the operations of promotional activity for the City of Roswell, mostly through payment to the Roswell Chamber of Commerce and other promotion oriented agencies. Financing is provided primarily by a specific tax levy on area motels and hotels.

Road Fund (NMSA, 7-24-1 to 7-24A-21)

To account for motor vehicle tax -10%, which is to be used only for additions and improvements to the City's streets and highways.

Unemployment Compensation Fund (City ordinance)

To account for unemployment claims filed by City employees. Financing is provided through a transfer from the General Fund.

Community Development Revolving Loan Fund (city Ordinance)

To account for grant proceeds received from the State of New Mexico.

Police Fund (City ordinance)

To account for grant proceeds from state and federal agencies.

Emergency Medical Services Fund (Section 24-10A-26, NMSA, 1978 Comp)

To account for emergency medical equipment purchased for the fire department. Financing is provided through a state grant and matching City funds.

Hazardous Materials Emergency Response (HAZMAT) (City ordinance)

To account for grant proceeds received from federal agencies to enlist cooperation among the tribes, the southern, western, and Midwestern States on the Waste Isolation Pilot Plant (WIPP) shipping corridors, and DOE in developing plans and procedures for the safe and uneventful transportation of transuranic waste from current temporary storage facilities to the WIPP.

STATE OF NEW MEXICO
CITY OF ROSWELL
Non-Major Funds
June 30, 2008

Juvenile Accountability Incentive Block Grants (JAIBG) (City ordinance)

To account for grant proceeds received from federal agencies to assist States that have implemented, or are considering implementation of legislation and/or programs promoting greater accountability in the juvenile justice system.

Federal Narcotic Seizure Fund

To account for Federal share of seized monies or monies derived from sale of seized property. Money may be used to supplement project costs or may be refunded to the Federal government.

State Narcotic Seizure Fund

To account for State share of seized monies or monies derived from sale of seized property. Money may be used to supplement project costs.

JAG Grant

To account for the funds from the new JAG grant received for the police department.

GO Bonds

To account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs specifically for the general obligation bonds. The fund's source of revenue is a one eighth of one percent gross receipts tax approved by the citizens of Chaves County for bond repayment.

Sales Tax Revenue Bond

To account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs specifically for the sales tax revenue bonds. The fund's source of revenue is a one eighth of one percent gross receipts tax approved by the citizens of Chaves County for bond repayment.

2008 GO Bonds

To account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs specifically for the general obligation bonds. The fund's source of revenue is a one eighth of one percent gross receipts tax approved by the citizens of Chaves County for bond repayment.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Non-Major Funds
Combining Balance Sheet
June 30, 2008**

	<u>Special Revenue Funds</u>			
	<u>Library Grants</u>	<u>South Park Cemetery</u>	<u>Recreation</u>	<u>Lodgers' Tax</u>
ASSETS				
Pooled cash in banks	\$ 369	\$ 7,987	\$ 97,124	\$ 510,688
Non-pooled cash on hand and in banks	-	-	50	-
Receivables:				
Accounts	-	55,229	29,143	84,508
Taxes	-	-	-	-
Intergovernmental	-	371,780	-	-
Interest	-	1,606	376	1,976
Notes receivable, current portion	-	-	-	-
Total current assets	<u>369</u>	<u>436,602</u>	<u>126,693</u>	<u>597,172</u>
Restricted assets:				
Non-pooled investments	-	345,000	-	-
Total restricted assets	<u>-</u>	<u>345,000</u>	<u>-</u>	<u>-</u>
Other assets				
Note receivable, net of current portion	-	-	-	-
Total assets	<u>\$ 369</u>	<u>\$ 781,602</u>	<u>\$ 126,693</u>	<u>\$ 597,172</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 135	\$ 32,587	\$ 101,664	\$ 110,284
Accrued expenses	-	8,670	42,908	-
Interfund payable	-	342,390	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>135</u>	<u>383,647</u>	<u>144,572</u>	<u>110,284</u>
Fund balance:				
Unreserved:				
Designated for subsequent year's expenditures	-	52,955	-	-
Reserved for Perpetual Care	-	345,000	-	-
Undesignated	234	-	(17,879)	486,888
Total fund balance	<u>234</u>	<u>397,955</u>	<u>(17,879)</u>	<u>486,888</u>
Total liabilities and fund balance	<u>\$ 369</u>	<u>\$ 781,602</u>	<u>\$ 126,693</u>	<u>\$ 597,172</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

Road	Unemployment Compensation	Comm Dev Revolving Loan	Police	Emergency Medical Services	Hazmat Grant
\$ 1,896,873	\$ 36,122	\$ 463,896	\$ -	\$ 50,954	\$ 6,267
-	-	-	-	-	-
96,555	-	-	-	-	-
-	-	-	-	-	-
-	-	-	26,891	-	-
7,340	140	-	-	-	-
-	-	118,724	-	-	-
<u>2,000,768</u>	<u>36,262</u>	<u>582,620</u>	<u>26,891</u>	<u>50,954</u>	<u>6,267</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	514,154	-	-	-
<u>\$ 2,000,768</u>	<u>\$ 36,262</u>	<u>\$ 1,096,774</u>	<u>\$ 26,891</u>	<u>\$ 50,954</u>	<u>\$ 6,267</u>
\$ 808,559	\$ -	\$ -	\$ 1,274	\$ 1,476	\$ -
22,079	-	-	628	-	-
-	-	-	26,891	-	-
-	-	-	-	-	-
<u>830,638</u>	<u>-</u>	<u>-</u>	<u>28,793</u>	<u>1,476</u>	<u>-</u>
-	36,262	1,096,774	-	-	-
-	-	-	-	-	-
1,170,130	-	-	(1,902)	49,478	6,267
<u>1,170,130</u>	<u>36,262</u>	<u>1,096,774</u>	<u>(1,902)</u>	<u>49,478</u>	<u>6,267</u>
<u>\$ 2,000,768</u>	<u>\$ 36,262</u>	<u>\$ 1,096,774</u>	<u>\$ 26,891</u>	<u>\$ 50,954</u>	<u>\$ 6,267</u>

STATE OF NEW MEXICO
CITY OF ROSWELL
Non-Major Funds
Combining Balance Sheet
June 30, 2008

	Special Revenue Funds		
	JAIBG	Federal Narcotic Seizure Fund	State Narcotic Seizure Fund
ASSETS			
Pooled cash in banks	\$ -	\$ 14,141	\$ 27,444
Non-pooled cash on hand and in banks	-	-	-
Receivables:			
Accounts	-	-	-
Taxes	-	-	-
Intergovernmental	-	-	-
Interest	-	-	-
Notes receivable, current portion	-	-	-
Total current assets	<u>-</u>	<u>14,141</u>	<u>27,444</u>
Restricted assets:			
Non-pooled investments	-	-	-
Total restricted assets	<u>-</u>	<u>-</u>	<u>-</u>
Other assets			
Note receivable, net of current portion	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 14,141</u>	<u>\$ 27,444</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 4,360	\$ 240
Accrued expenses	-	-	-
Interfund payable	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>-</u>	<u>4,360</u>	<u>240</u>
Fund balance:			
Unreserved:			
Designated for subsequent year's expenditures	-	-	-
Reserved for Perpetual Care	-	-	-
Undesignated	-	9,781	27,204
Total fund balance	<u>-</u>	<u>9,781</u>	<u>27,204</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 14,141</u>	<u>\$ 27,444</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds		Debt Service Funds			Totals
JAG Grant	2008 GO Bond	GO Bond	Sales Tax Revenue Bond	June 30, 2008	
\$ 78,496	\$ 82,787	\$ 408,515	\$ 30,050	\$ 3,711,713	50
-	-	-	-	-	265,435
-	-	30,653	-	-	30,653
-	-	-	-	-	398,671
-	-	-	-	-	11,438
-	-	-	-	-	118,724
<u>78,496</u>	<u>82,787</u>	<u>439,168</u>	<u>30,050</u>	<u>4,536,684</u>	
-	-	-	-	-	345,000
-	-	-	-	-	345,000
-	-	-	-	-	514,154
<u>\$ 78,496</u>	<u>\$ 82,787</u>	<u>\$ 439,168</u>	<u>\$ 30,050</u>	<u>\$ 5,395,838</u>	
\$ -	\$ -	\$ -	\$ -	\$ 1,060,579	
-	-	-	-	-	74,285
-	300,000	-	-	-	669,281
-	-	25,703	-	-	25,703
-	<u>300,000</u>	<u>25,703</u>	-	-	<u>1,829,848</u>
-	(217,213)	413,465	30,050	-	1,412,293
-	-	-	-	-	345,000
<u>78,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,808,697</u>
<u>78,496</u>	<u>(217,213)</u>	<u>413,465</u>	<u>30,050</u>	<u>3,565,990</u>	
<u>\$ 78,496</u>	<u>\$ 82,787</u>	<u>\$ 439,168</u>	<u>\$ 30,050</u>	<u>\$ 5,395,838</u>	

STATE OF NEW MEXICO
CITY OF ROSWELL
Non-Major Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended June 30, 2008

	Special Revenue Funds			
	Library Grants	South Park Cemetery	Recreation	Lodgers' Tax
REVENUES				
Taxes	\$ -	\$ 107	\$ 41,289	\$ 956,284
Intergovernmental	3,186	371,780	-	-
Charges for sales and services	-	316,048	212,486	32,132
Interest	-	19,232	10,676	24,452
Miscellaneous	-	780	35,079	-
Total revenues	<u>3,186</u>	<u>707,947</u>	<u>299,530</u>	<u>1,012,868</u>
EXPENDITURES				
Current:				
General government	-	-	-	224,445
Public safety	-	-	-	-
Public works	-	440,564	-	-
Culture and recreation	3,407	-	1,442,898	-
Capital outlay	-	429,931	283,456	196,739
Debt service-principal	-	-	-	-
Debt service-interest	-	-	-	-
Total expenditures	<u>3,407</u>	<u>870,495</u>	<u>1,726,354</u>	<u>421,184</u>
Excess (deficiency) of revenues over expenditures	<u>(221)</u>	<u>(162,548)</u>	<u>(1,426,824)</u>	<u>591,684</u>
Other financing sources (uses):				
Sale of fixed assets	-	2,133	265	-
Note receivable payment	-	-	-	-
Bond proceeds	-	-	-	-
Operating transfers in (out)	-	212,825	1,134,787	(557,449)
Total other financing sources (uses)	<u>-</u>	<u>214,958</u>	<u>1,135,052</u>	<u>(557,449)</u>
Net changes in fund balances	(221)	52,410	(291,772)	34,235
Fund balances - beginning of the year	<u>455</u>	<u>345,545</u>	<u>273,893</u>	<u>452,653</u>
Fund balances - end of the year	<u>\$ 234</u>	<u>\$ 397,955</u>	<u>\$ (17,879)</u>	<u>\$ 486,888</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

Road	Unemployment Compensation	Comm Dev Revolving Loan	Police	Emergency Medical Services	Hazmat Grant
\$ 602,347	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	256,337	40,000	7,000
-	-	-	-	-	-
59,129	1,950	55,426	-	-	-
5,403	-	-	-	-	-
<u>666,879</u>	<u>1,950</u>	<u>55,426</u>	<u>256,337</u>	<u>40,000</u>	<u>7,000</u>
-	27,845	-	-	-	-
-	-	-	165,522	33,548	3,572
3,362,297	-	-	-	-	-
-	-	-	-	-	-
354,174	-	-	7,485	-	12,575
-	-	-	-	-	-
-	-	3,178	-	-	-
<u>3,716,471</u>	<u>27,845</u>	<u>3,178</u>	<u>173,007</u>	<u>33,548</u>	<u>16,147</u>
<u>(3,049,592)</u>	<u>(25,895)</u>	<u>52,248</u>	<u>83,330</u>	<u>6,452</u>	<u>(9,147)</u>
11,140	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,132,818	30,000	-	-	-	-
<u>3,143,958</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
94,366	4,105	52,248	83,330	6,452	(9,147)
<u>1,075,764</u>	<u>32,157</u>	<u>1,044,526</u>	<u>(85,232)</u>	<u>43,026</u>	<u>15,414</u>
<u>\$ 1,170,130</u>	<u>\$ 36,262</u>	<u>\$ 1,096,774</u>	<u>\$ (1,902)</u>	<u>\$ 49,478</u>	<u>\$ 6,267</u>

**STATE OF NEW MEXICO
CITY OF ROSWELL
Non-Major Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2008**

	Special Revenue Funds		
	JAIBG	Federal Narcotic Seizure Fund	State Narcotic Seizure Fund
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	70,347	8,837
Charges for sales and services	-	-	-
Interest	-	32	58
Miscellaneous	-	-	-
Total revenues	<u>-</u>	<u>70,379</u>	<u>8,895</u>
EXPENDITURES			
Current:			
General government	-	-	3,029
Public safety	1,974	4,809	-
Public works	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	56,075	16,194
Debt service-principal	-	-	-
Debt service-interest	-	-	-
Total expenditures	<u>1,974</u>	<u>60,884</u>	<u>19,223</u>
Excess (deficiency) of revenues over expenditures	<u>(1,974)</u>	<u>9,495</u>	<u>(10,328)</u>
Other financing sources (uses):			
Sale of fixed assets	-	-	-
Note receivable payment	-	-	-
Bond proceeds	-	-	-
Operating transfers in (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(1,974)	9,495	(10,328)
Fund balances - beginning of the year	<u>1,974</u>	<u>286</u>	<u>37,532</u>
Fund balances - end of the year	<u>\$ -</u>	<u>\$ 9,781</u>	<u>\$ 27,204</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds		Debt Service Funds			Totals
JAG Grant	2008 GO Bond	GO Bonds	Sales Tax Revenue Bond	June 30, 2008	
\$ -	\$ -	\$ 327,550	\$ -	\$ 1,927,577	
59,769	-	-	-	817,256	
-	-	-	-	560,666	
163	-	4,904	1,408	177,430	
-	-	-	-	41,262	
59,932	-	332,454	1,408	3,524,191	
49,279	10	3,346	-	307,954	
-	-	-	-	209,425	
-	-	-	-	3,802,861	
-	-	-	-	1,446,305	
28,276	299,203	-	-	1,684,108	
-	-	300,000	91,000	391,000	
-	-	130,181	16,446	149,805	
77,555	299,213	433,527	107,446	7,991,458	
(17,623)	(299,213)	(101,073)	(106,038)	(4,467,267)	
-	-	-	-	13,538	
-	-	-	-	-	
-	82,000	-	-	82,000	
-	-	-	107,449	4,060,430	
-	82,000	-	107,449	4,155,968	
(17,623)	(217,213)	(101,073)	1,411	(311,299)	
96,119	-	514,538	28,639	3,877,289	
\$ 78,496	\$ (217,213)	\$ 413,465	\$ 30,050	\$ 3,565,990	

STATE OF NEW MEXICO
CITY OF ROSWELL
Library Grants Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,187	\$ 3,186	\$ 3,186	\$ -
Total revenues	<u>3,187</u>	<u>3,186</u>	<u>3,186</u>	<u>-</u>
EXPENDITURES				
Current:				
Culture and recreation	3,691	3,690	3,321	369
Capital outlay	-	-	-	-
Total expenditures	<u>3,691</u>	<u>3,690</u>	<u>3,321</u>	<u>369</u>
Excess (deficiency) of revenues over expenditures	<u>(504)</u>	<u>(504)</u>	<u>(135)</u>	<u>369</u>
Other financing sources (uses):				
Designated cash	504	504	-	(504)
Total other financing sources (uses)	<u>504</u>	<u>504</u>	<u>-</u>	<u>(504)</u>
Net change in fund balance	-	-	(135)	(135)
Fund balance - beginning of year	-	-	504	504
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 369</u>	<u>\$ 369</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
South Park Cemetery Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 50	\$ 107	\$ 107	\$ -
Intergovernmental	400,000	400,000	-	(400,000)
Charges for services	281,000	262,700	261,067	(1,633)
Interest	20,000	17,625	17,625	-
Miscellaneous	-	533	533	-
Total revenues	<u>701,050</u>	<u>680,965</u>	<u>279,332</u>	<u>(401,633)</u>
EXPENDITURES				
Current:				
Public works	476,761	460,625	434,186	26,439
Capital outlay	425,147	435,604	403,401	32,203
Total expenditures	<u>901,908</u>	<u>896,229</u>	<u>837,587</u>	<u>58,642</u>
Excess (deficiency) of revenues over expenditures	<u>(200,858)</u>	<u>(215,264)</u>	<u>(558,255)</u>	<u>(342,991)</u>
Other financing sources (uses):				
Designated cash	418	305	-	(305)
Operating transfers in (out)	199,440	212,825	212,825	-
Sale of assets	1,000	2,134	2,134	-
Total other financing sources (uses)	<u>200,858</u>	<u>215,264</u>	<u>214,959</u>	<u>(305)</u>
Net change in fund balance	-	-	(343,296)	(343,296)
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>353,895</u>	<u>353,895</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,599</u>	<u>\$ 10,599</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
Recreation Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 38,000	\$ 41,980	\$ 41,980	\$ -
Intergovernmental	327,000	327,000	19,615	(307,385)
Charges for services	202,600	206,226	169,925	(36,301)
Interest	10,000	10,301	10,301	-
Miscellaneous	50	535,079	35,079	(500,000)
Total revenues	<u>577,650</u>	<u>1,120,586</u>	<u>276,900</u>	<u>(843,686)</u>
EXPENDITURES				
Current:				
Culture and recreation	2,650,428	3,107,713	1,371,644	1,736,069
Capital outlay	445,609	1,001,068	227,389	773,679
Total expenditures	<u>3,096,037</u>	<u>4,108,781</u>	<u>1,599,033</u>	<u>2,509,748</u>
Excess (deficiency) of revenues over expenditures	<u>(2,518,387)</u>	<u>(2,988,195)</u>	<u>(1,322,133)</u>	<u>1,666,062</u>
Other financing sources (uses):				
Designated cash	1,315,280	1,852,908	-	(1,852,908)
Operating transfers in (out)	1,202,607	1,134,787	1,134,787	-
Sale of fixed assets	500	500	265	(235)
Total other financing sources (uses)	<u>2,518,387</u>	<u>2,988,195</u>	<u>1,135,052</u>	<u>(1,853,143)</u>
Net change in fund balance	-	-	(187,081)	(187,081)
Fund balance - beginning of year	-	-	132,397	132,397
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (54,684)</u>	<u>\$ (54,684)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
Lodgers' Tax Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 781,670	\$ 958,236	\$ 958,078	\$ (158)
Charges for Services	13,400	16,841	16,841	-
Interest	20,000	22,476	22,476	-
Miscellaneous	300	15,291	15,291	-
Total revenues	<u>815,370</u>	<u>1,012,844</u>	<u>1,012,686</u>	<u>(158)</u>
EXPENDITURES				
Current:				
General government	158,799	488,680	360,566	128,114
Capital outlay	-	-	-	-
Total expenditures	<u>158,799</u>	<u>488,680</u>	<u>360,566</u>	<u>128,114</u>
Excess (deficiency) of revenues over expenditures	<u>656,571</u>	<u>524,164</u>	<u>652,120</u>	<u>127,956</u>
Other financing sources (uses):				
Designated cash	(99,122)	33,285	-	(33,285)
Operating transfers in (out)	(557,449)	(557,449)	(557,449)	-
Total other financing sources (uses)	<u>(656,571)</u>	<u>(524,164)</u>	<u>(557,449)</u>	<u>(33,285)</u>
Net change in fund balance	-	-	94,671	94,671
Fund balance - beginning of year	-	-	409,486	409,486
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 504,157</u>	<u>\$ 504,157</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Road Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 588,200	\$ 601,889	\$ 599,246	\$ (2,643)
Interest	40,000	57,995	57,995	-
Miscellaneous	3,000	7,203	5,403	(1,800)
Total revenues	631,200	667,087	662,644	(4,443)
EXPENDITURES				
Current:				
Public works	4,285,184	4,649,113	2,967,520	1,681,593
Capital outlay	-	-	-	-
Total expenditures	4,285,184	4,649,113	2,967,520	1,681,593
Excess (deficiency) of revenues over expenditures	(3,653,984)	(3,982,026)	(2,304,876)	1,677,150
Other financing sources (uses):				
Designated cash	1,054,351	838,068	-	(838,068)
Operating transfers in (out)	2,589,633	3,132,818	3,132,818	-
Sale of fixed assets	10,000	11,140	11,140	-
Total other financing sources (uses)	3,653,984	3,982,026	3,143,958	(838,068)
Net change in fund balance	-	-	839,082	839,082
Fund balance - beginning of year	-	-	1,054,351	1,054,351
Fund balance - end of year	\$ -	\$ -	\$ 1,893,433	\$ 1,893,433

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Unemployment Compensation Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 1,000	\$ 1,986	\$ 1,986	\$ -
Miscellaneous	-	-	-	-
Total revenues	1,000	1,986	1,986	-
EXPENDITURES				
Current:				
General government	35,500	35,500	27,845	7,655
Total expenditures	35,500	35,500	27,845	7,655
Excess (deficiency) of revenues over expenditures	(34,500)	(33,514)	(25,859)	7,655
Other financing sources (uses):				
Designated cash	4,500	1,443	-	(1,443)
Operating transfers in (out)	30,000	32,071	32,070	(1)
Total other financing sources (uses)	34,500	33,514	32,070	(1,444)
Net change in fund balance	-	-	6,211	6,211
Fund balance - beginning of year	-	-	29,910	29,910
Fund balance - end of year	\$ -	\$ -	\$ 36,121	\$ 36,121

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
Community Development Revolving Loan Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 56,750	\$ 56,750	\$ 55,426	\$ (1,324)
Total revenues	<u>56,750</u>	<u>56,750</u>	<u>55,426</u>	<u>(1,324)</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Debt Service	27,000	75,958	75,956	2
Capital outlay	-	-	-	-
Total expenditures	<u>27,000</u>	<u>75,958</u>	<u>75,956</u>	<u>2</u>
Excess (deficiency) of revenues over expenditures	<u>29,750</u>	<u>(19,208)</u>	<u>(20,530)</u>	<u>(1,322)</u>
Other financing sources (uses):				
Designated cash	(129,750)	(83,988)	-	83,988
Loan repayments	100,000	103,196	103,196	-
Total other financing sources (uses)	<u>(29,750)</u>	<u>19,208</u>	<u>103,196</u>	<u>83,988</u>
Net change in fund balance	-	-	82,666	82,666
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>381,230</u>	<u>381,230</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 463,896</u>	<u>\$ 463,896</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Police Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 43,013	\$ 189,309	\$ 135,606	\$ (53,703)
Miscellaneous	75,813	109,084	93,841	(15,243)
Total revenues	118,826	298,393	229,447	(68,946)
EXPENDITURES				
Current:				
Public safety	35,511	215,078	173,024	42,054
Capital outlay	-	-	-	-
Total expenditures	35,511	215,078	173,024	42,054
Excess (deficiency) of revenues over expenditures	83,315	83,315	56,423	(26,892)
Other financing sources (uses):				
Designated cash	(83,315)	(83,315)	-	83,315
Total other financing sources (uses)	(83,315)	(83,315)	-	83,315
Net change in fund balance	-	-	56,423	56,423
Fund balance - beginning of year	-	-	(83,316)	(83,316)
Fund balance - end of year	\$ -	\$ -	\$ (26,893)	\$ (26,893)

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
Emergency Medical Service Grants Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety	83,025	54,110	32,071	22,039
Capital outlay	-	-	-	-
Total expenditures	<u>83,025</u>	<u>54,110</u>	<u>32,071</u>	<u>22,039</u>
Excess (deficiency) of revenues over expenditures	<u>(43,025)</u>	<u>(14,110)</u>	<u>7,929</u>	<u>22,039</u>
Other financing sources (uses):				
Designated cash	43,025	14,110	-	(14,110)
Total other financing sources (uses)	<u>43,025</u>	<u>14,110</u>	<u>-</u>	<u>(14,110)</u>
Net change in fund balance	-	-	7,929	7,929
Fund balance - beginning of year	-	-	43,026	43,026
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,955</u>	<u>\$ 50,955</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
Hazmat Grant Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 7,000	\$ 7,000	\$ 7,000	\$ -
Total revenues	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety	23,038	23,038	16,772	6,266
Capital outlay	-	-	-	-
Total expenditures	<u>23,038</u>	<u>23,038</u>	<u>16,772</u>	<u>6,266</u>
Excess (deficiency) of revenues over expenditures	<u>(16,038)</u>	<u>(16,038)</u>	<u>(9,772)</u>	<u>6,266</u>
Other financing sources (uses):				
Designated cash	16,038	16,038	-	(16,038)
Total other financing sources (uses)	<u>16,038</u>	<u>16,038</u>	<u>-</u>	<u>(16,038)</u>
Net change in fund balance	-	-	(9,772)	(9,772)
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>16,038</u>	<u>16,038</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,266</u>	<u>\$ 6,266</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
JAIBG Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Current:				
Public safety	1,974	1,974	1,974	-
Total expenditures	1,974	1,974	1,974	-
Excess (deficiency) of revenues over expenditures	(1,974)	(1,974)	(1,974)	-
Other financing sources (uses):				
Designated cash	1,974	1,974	-	(1,974)
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	1,974	1,974	-	(1,974)
Net change in fund balance	-	-	(1,974)	(1,974)
Fund balance - beginning of year	-	-	1,974	1,974
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Federal Narcotic Seizure Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 75,000	\$ 70,346	\$ (4,654)
Interest	-	32	32	-
Total revenues	-	75,032	70,378	(4,654)
EXPENDITURES				
Current:				
Public safety	286	75,286	56,524	18,762
Capital outlay	-	-	-	-
Total expenditures	286	75,286	56,524	18,762
Excess (deficiency) of revenues over expenditures	(286)	(254)	13,854	14,108
Other financing sources (uses):				
Designated cash	286	254	-	(254)
Total other financing sources (uses)	286	254	-	(254)
Net change in fund balance	-	-	13,854	13,854
Fund balance - beginning of year	-	-	286	286
Fund balance - end of year	\$ -	\$ -	\$ 14,140	\$ 14,140

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
State Narcotic Seizure Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 8,837	\$ (6,163)
Interest	1,000	1,000	58	(942)
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>8,895</u>	<u>(7,105)</u>
EXPENDITURES				
Current:				
General Government	53,532	53,532	18,984	34,548
Capital outlay	-	-	-	-
Total expenditures	<u>53,532</u>	<u>53,532</u>	<u>18,984</u>	<u>34,548</u>
Excess (deficiency) of revenues over expenditures	<u>(37,532)</u>	<u>(37,532)</u>	<u>(10,089)</u>	<u>27,443</u>
Other financing sources (uses):				
Designated cash	37,532	37,532	-	(37,532)
Sale of assets	-	-	-	-
Total other financing sources (uses)	<u>37,532</u>	<u>37,532</u>	<u>-</u>	<u>(37,532)</u>
Net change in fund balance	-	-	(10,089)	(10,089)
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>37,533</u>	<u>37,533</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,444</u>	<u>\$ 27,444</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
JAG Federal Grant Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 59,769	\$ 59,933	\$ 164
Interest	-	164	-	(164)
Total revenues	<u>-</u>	<u>59,933</u>	<u>59,933</u>	<u>-</u>
EXPENDITURES				
Current:				
General Government	96,119	96,118	77,555	18,563
Total expenditures	<u>96,119</u>	<u>96,118</u>	<u>77,555</u>	<u>18,563</u>
Excess (deficiency) of revenues over expenditures	<u>(96,119)</u>	<u>(36,185)</u>	<u>(17,622)</u>	<u>18,563</u>
Other financing sources (uses):				
Designated cash	96,119	36,185	-	(36,185)
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>96,119</u>	<u>36,185</u>	<u>-</u>	<u>(36,185)</u>
Net change in fund balance	-	-	(17,622)	(17,622)
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>96,119</u>	<u>96,119</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,497</u>	<u>\$ 78,497</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Community Development Block Grant Capital Project Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 300,000	\$ 500,000	\$ -	\$ (500,000)
Total revenues	300,000	500,000	-	(500,000)
EXPENDITURES				
Capital outlay	300,000	500,000	-	500,000
Total expenditures	300,000	500,000	-	500,000
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses):				
Designated cash	-	-	-	-
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
GO Bond Debt Service Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 304,581	\$ 333,682	\$ 327,555	\$ (6,127)
Interest	7,000	7,000	4,904	(2,096)
Total revenues	<u>311,581</u>	<u>340,682</u>	<u>332,459</u>	<u>(8,223)</u>
EXPENDITURES				
General Government	500	4,100	3,347	753
Debt service	430,181	430,182	430,182	-
Total expenditures	<u>430,681</u>	<u>434,282</u>	<u>433,529</u>	<u>753</u>
Excess (deficiency) of revenues over expenditures	<u>(119,100)</u>	<u>(93,600)</u>	<u>(101,070)</u>	<u>(7,470)</u>
Other financing sources (uses):				
Designated cash	119,100	93,600	-	(93,600)
Total other financing sources (uses)	<u>119,100</u>	<u>93,600</u>	<u>-</u>	<u>(93,600)</u>
Net change in fund balance	-	-	(101,070)	(101,070)
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>509,583</u>	<u>509,583</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408,513</u>	<u>\$ 408,513</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Sales Tax Revenue Bond Debt Service Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 1,000	\$ 1,408	\$ 1,408	\$ -
Total revenues	<u>1,000</u>	<u>1,408</u>	<u>1,408</u>	<u>-</u>
EXPENDITURES				
Debt service	107,449	107,450	107,447	3
Total expenditures	<u>107,449</u>	<u>107,450</u>	<u>107,447</u>	<u>3</u>
Excess (deficiency) of revenues over expenditures	<u>(106,449)</u>	<u>(106,042)</u>	<u>(106,039)</u>	<u>3</u>
Other financing sources (uses):				
Designated cash	(1,000)	(1,407)	-	1,407
Operating transfers in (out)	107,449	107,449	107,449	-
Total other financing sources (uses)	<u>106,449</u>	<u>106,042</u>	<u>107,449</u>	<u>1,407</u>
Net change in fund balance	-	-	1,410	1,410
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>28,639</u>	<u>28,639</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,049</u>	<u>\$ 30,049</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
Airport Enterprise Fund
Statement of Revenues, Expenditures and Changes in
Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Taxes	\$ 16,000	\$ 16,000	\$ 15,817	\$ (183)
Intergovernmental	3,184,814	4,352,177	2,223,660	(2,128,517)
Charges for services	884,800	965,525	954,627	(10,898)
Rental income	1,100,000	1,216,877	1,206,148	(10,729)
Miscellaneous	21,200	60,801	57,798	(3,003)
Total operating revenues	5,206,814	6,611,380	4,458,050	(2,153,330)
OPERATING EXPENDITURES				
Personnel services	832,821	710,856	631,156	79,700
Operating expenses	780,057	1,000,306	680,718	319,588
Depreciation	-	-	-	-
Capital outlay	3,706,613	4,260,015	2,084,617	2,175,398
Total operating expenditures	5,319,491	5,971,177	3,396,491	2,574,686
Operating income (loss)	(112,677)	640,203	1,061,559	421,356
Nonoperating revenues (expenses):				
Debt Service	(446,309)	(448,389)	(423,490)	24,899
Interest income	213,000	193,000	149,636	(43,364)
Loan repayments	125,000	125,000	113,703	(11,297)
Gain (loss) on sale of fixed assets	10,000	10,000	2,010	(7,990)
Total nonoperating revenues (expenses)	(98,309)	(120,389)	(158,141)	(37,752)
Income before transfers	(210,986)	519,814	903,418	383,604
Designated cash	520,256	(211,396)	-	211,396
Transfer in (out)	(309,270)	(308,418)	(308,418)	-
Change in net assets	-	-	595,000	595,000
Total net assets - beginning of year	-	-	2,980,966	2,980,966
Total net assets - end of year	\$ -	\$ -	\$ 3,575,966	\$ 3,575,966

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Solid Waste Enterprise Fund
Statement of Revenues, Expenditures and Changes in
Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Taxes	\$ 180,000	\$ 198,962	\$ 198,962	\$ -
Charges for services	3,670,000	4,014,520	4,014,520	-
Miscellaneous	35,000	120,289	115,289	(5,000)
Total operating revenues	<u>3,885,000</u>	<u>4,333,771</u>	<u>4,328,771</u>	<u>(5,000)</u>
OPERATING EXPENDITURES				
Personnel services	1,453,065	1,416,684	1,362,589	54,095
Operating expenses	2,255,279	2,409,840	2,023,490	386,350
Depreciation	-	-	-	-
Capital outlay	968,681	1,869,299	1,637,378	231,921
Total operating expenditures	<u>4,677,025</u>	<u>5,695,823</u>	<u>5,023,457</u>	<u>672,366</u>
Operating income (loss)	<u>(792,025)</u>	<u>(1,362,052)</u>	<u>(694,686)</u>	<u>667,366</u>
Nonoperating revenues (expenses):				
Interest income	150,000	150,000	129,604	(20,396)
Debt service	-	-	-	-
Gain (loss) on sale of fixed assets	25,000	25,000	3,980	(21,020)
Total nonoperating revenues (expenses)	<u>175,000</u>	<u>175,000</u>	<u>133,584</u>	<u>(41,416)</u>
Income before transfers	(617,025)	(1,187,052)	(561,102)	625,950
Designated cash	321,532	851,857	-	(851,857)
Transfer in (out)	295,493	335,195	335,195	-
Change in net assets	-	-	(225,907)	(225,907)
Total net assets - beginning of year	<u>-</u>	<u>-</u>	<u>2,933,162</u>	<u>2,933,162</u>
Total net assets - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,707,255</u>	<u>\$ 2,707,255</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF ROSWELL
Water and Sewer Enterprise Fund
Statement of Revenues, Expenditures and Changes in
Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
OPERATING REVENUES				
Taxes	\$ 320,000	\$ 354,823	\$ 354,823	\$ -
Charges for services	7,376,010	8,153,612	8,109,338	(44,274)
Rental income	130,000	170,751	170,751	-
Miscellaneous	84,451	119,255	117,957	(1,298)
Total operating revenues	<u>7,910,461</u>	<u>8,798,441</u>	<u>8,752,869</u>	<u>(45,572)</u>
OPERATING EXPENDITURES				
Personnel services	4,057,526	3,717,149	3,325,469	391,680
Operating expenses	3,938,689	4,638,306	3,650,781	987,525
Capital outlay	6,678,554	6,995,089	3,509,996	3,485,093
Total operating expenditures	<u>14,674,769</u>	<u>15,350,544</u>	<u>10,486,246</u>	<u>4,864,298</u>
Operating income (loss)	<u>(6,764,308)</u>	<u>(6,552,103)</u>	<u>(1,733,377)</u>	<u>4,818,726</u>
Nonoperating revenues (expenses):				
Interest income	776,900	694,844	528,817	(166,027)
Loan repayments	104,260	154,856	154,855	(1)
Interest on debt	(527,613)	(527,613)	(527,613)	-
Principal payment on debt	(505,000)	(505,000)	(505,000)	-
Gain (loss) on sale of fixed assets	1,000	1,000	193	(807)
Total nonoperating revenues (expenses)	<u>(150,453)</u>	<u>(181,913)</u>	<u>(348,748)</u>	<u>(166,835)</u>
Income before transfers	(6,914,761)	(6,734,016)	(2,082,125)	4,651,891
Designated cash	7,397,191	7,217,298	-	(7,217,298)
Transfer in (out)	<u>(482,430)</u>	<u>(483,282)</u>	<u>(483,282)</u>	<u>-</u>
Change in net assets	-	-	(2,565,407)	(2,565,407)
Total net assets - beginning of year	<u>-</u>	<u>-</u>	<u>32,308,018</u>	<u>32,308,018</u>
Total net assets - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,742,611</u>	<u>\$ 29,742,611</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
2008 GO Bond Fund**

**Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES				
General Government	-	382,000	299,213	82,787
Debt service	-	-	-	-
Total expenditures	-	382,000	299,213	82,787
Excess (deficiency) of revenues over expenditures	-	(382,000)	(299,213)	82,787
Other financing sources (uses):				
Designated cash	-	300,000	-	(300,000)
Bond proceeds	-	82,000	82,000	-
Total other financing sources (uses)	-	382,000	82,000	(300,000)
Net change in fund balance	-	-	(217,213)	(217,213)
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ (217,213)	\$ (217,213)

The accompanying notes are an integral part of these financial statements.

SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
CITY OF ROSWELL
Schedule of Collateral Pledged by Depository
For Public Funds
June 30, 2008

<u>Depository</u>	<u>Cusip #</u>	<u>Description of Pledged Collateral</u>	<u>Fair Market Value June 30, 2008</u>	<u>Name and Location of Safekeeper</u>
Bank of the Southwest	7432001027	FHLB Letter of CR Due 7/9/2007	\$ 450,000	FHLB Dallas, TX
	8339000419	FHLB Letter of CR Due 8/25/2008	500,000	FHLB Dallas, TX
			<u>950,000</u>	
First Federal Savings	31410AAD8	FNMA Due 7/1/2036	674,274	FHLB Dallas, TX
	31410AAD8	FNMA Due 7/1/2036	363,071	FHLB Dallas, TX
	31410AAD8	FNMA Due 7/1/2036	259,336	FHLB Dallas, TX
			<u>1,296,681</u>	
Pioneer Savings Bank	36225CN36	GNMA II Due 5/20/2030	219,703	FHLB Dallas, TX
	O80477	GNMA Due 12/20/2030	169,916	FHLB Dallas, TX
	30336STG3	FHLMC 3-7 1 YR LIBOR Due 7/1/2033	214,437	FHLB Dallas, TX
	648558	FNMA 1 YR TR Due 6/1/2032	148,703	FHLB Dallas, TX
	661745	FNMA ARM Due 9/1/2032	211,859	FHLB Dallas, TX
	31403VWN5	FNMA 1 YR CMT Due 1/1/2034	1,810,989	FHLB Dallas, TX
	780217	FHLMC Due 1/1/2033	100,053	FHLB Dallas, TX
	31404V6W3	FNMA 1 YR CMT Due 6/1/2034	935,215	FHLB Dallas, TX
	31349SF32	FHLMC 1 YR TR Due 12/1/2033	1,488,146	FHLB Dallas, TX
	31349UDH8	FHLMC 1 YR CMT Due 11/1/2034	480,285	FHLB Dallas, TX
	31349UEU8	FHLMC 1 YR CMT Due 11/1/2034	1,764,712	FHLB Dallas, TX
	31295N6D5	FHLMC 1 YR CMT Due 9/1/2032	46,605	FHLB Dallas, TX
	31406BQD5	FNMA 1 YR LBR	566,958	FHLB Dallas, TX
	31408ALJ7	FNMA 1 YR LBR	1,039,573	
			<u>9,197,154</u>	
Wells Fargo	31368HVGS	FNCL #190615 Due 1/1/2009	657	Wells Fargo San Francisco, CA
	3128MTA73	FGIOH0H00930	634,641	Wells Fargo San Francisco, CA
			<u>635,298</u>	
			<u>\$ 12,079,133</u>	

The accompanying notes are an integral part of these financial statements.

Pioneer Bank	Wells Fargo Bank	Bank of the Southwest	New Mexico State Treasurer	NM Finance Authority	Bank of Albuquerque
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
408,515	-	-	-	-	-
82,787	-	-	-	-	-
38,682	-	-	-	-	-
30,050	-	-	-	-	-
3,957	-	-	-	-	-
43,440	-	-	-	-	-
5,620,487	-	-	-	-	-
88,885	-	-	-	-	-
78,496	-	-	-	-	-
15,314	-	-	-	-	-
27,684	-	-	-	-	-
500,000	30,000	1,000,000	-	-	-
405,111	75,000	1,000,000	-	-	-
300,082	250,000	-	-	-	-
500,136	-	-	-	-	-
1,156,583	-	-	-	-	-
600,000	-	-	-	-	-
500,000	-	-	-	-	-
600,000	-	-	-	-	-
500,000	-	-	-	-	-
500,000	-	-	-	-	-
30,000	-	-	-	-	-
500,000	-	-	-	-	-
135,000	-	-	-	-	-
50,000	-	-	-	-	-
250,000	-	-	-	-	-
600,000	-	-	-	-	-
500,000	-	-	-	-	-
500,000	-	-	-	-	-
400,000	-	-	-	-	-
250,000	-	-	-	-	-
1,600,000	-	-	-	-	-
-	-	-	-	50,222	-
-	-	-	-	-	7,548
-	-	-	-	-	58,459
-	-	-	14,969,380	-	-
16,815,209	355,000	2,000,000	14,969,380	50,222	66,007
(1,145,959)	-	-	-	-	-
<u>\$ 15,669,249</u>	<u>\$ 355,000</u>	<u>\$ 2,000,000</u>	<u>\$ 14,969,380</u>	<u>\$ 50,222</u>	<u>\$ 66,007</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Schedule of Cash and Temporary Investments by Depository
For Public Funds
June 30, 2008**

Total Reconciled balance - June 30, 2008	\$ 35,680,862
Petty Cash	<u>4,010</u>
Primary Government Combined Balance Sheet Total June 30, 2008	<u><u>\$ 35,684,872</u></u>
Cash and cash equivalents	\$ 34,183,289
Restricted cash and temporary investments	<u>1,501,583</u>
	<u><u>\$ 35,684,872</u></u>

The accompanying notes are an integral part of these financial statements.

COMPLIANCE SECTION

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

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Honorable Mayor and City Councilors
City of Roswell
Roswell, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison of the general fund of the City of Roswell (the "City") as of and for the year ended June 30, 2008, and have issued our report thereon dated November 26, 2008. We have also audited the financial statements of each of the City's nonmajor governmental funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008 as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2008-1 and 2006-2 to be significant deficiencies in internal control over financial reporting.

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

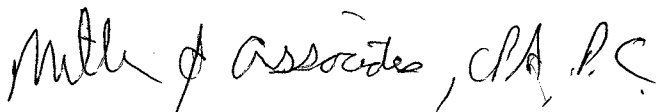
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that any of the control deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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



Miller & Associates, C.P.A., P.C.
November 26, 2008

FEDERAL FINANCIAL ASSISTANCE

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Honorable Mayor and City Councilors
City of Roswell
Roswell, New Mexico

Compliance

We have audited the compliance of the City of Roswell (the "City"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Institute's management. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Roswell complied, in all material respects, with the requirements referred to above that are applicable in each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Roswell is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements

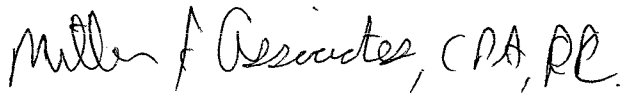
that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

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



Miller & Associates, CPA, PC
November 26, 2008

STATE OF NEW MEXICO
CITY OF ROSWELL
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass - Through Grantor/Program Title	Pass Through Entity #	Federal CFDA Number	Program or Award Amount	Federal Expenditures
U.S. Department of Transportation				
Passed through NM Highway and Transportation:				
Formula Grants for Other than Urbanized Areas (1)	M00693	20.509	\$ 655,800	\$ 577,511
Job Access-Reverse Commute	M00692	20.516	24,400	24,400
			<u>680,200</u>	<u>601,911</u>
Direct Programs:				
Airport Improvement Program	N/A	20.106	901,927	639,708
Total U.S. Department of Transportation			<u>\$ 1,582,127</u>	<u>\$ 1,241,619</u>
U.S. Department of Justice				
Passed through OJP:				
Edward Bryne Memorial Justice Assistance Grant	2007-DJ-BX0780	16.738	59,769	77,555
Passed through DFA:				
Law Enforcement Assistance-Narcotics & Dangerous Drugs Training	07-JAG-PPA-02 REG-VI	16.004	40,000	41,800
Law Enforcement Assistance-Narcotics & Dangerous Drugs Laboratory Analysis	17PSNP564Z	16.001	125,088	131,224
Total U.S. Department of Justice			<u>224,857</u>	<u>250,579</u>
U.S. Department of Homeland Security				
Homeland Security Grant Program (A)	2005-GE-T5- 00012-Chaves	97.067	376,304	222,133
Emergency Management Performance Grant	2007-EM-E7-0035-	97.042	30,722	91,376
Total U.S. Department of Homeland Security			<u>407,026</u>	<u>313,509</u>
Total Federal Financial Assistance			<u>\$ 2,214,010</u>	<u>\$ 1,805,707</u>

(1) Major Program

Note: The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Roswell and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in, or used in the preparation of the governmental fund financial statements may not be consistent with amounts used in the Schedule of Expenditures of Federal Awards.

governmental fund financial statements may not be consistent with amounts used in the Schedule of Expenditures of Federal Awards.

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**STATE OF NEW MEXICO
CITY OF ROSWELL
Schedule of Findings and Questioned Costs
June 30, 2008**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Roswell, New Mexico.
2. There were 2 significant deficiencies disclosed during the audit of the financial statements in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of non-compliance material to the financial statements of the City of Roswell were disclosed during the audit.
4. No significant deficiencies were identified during the audit of internal control over major federal award programs.
5. The auditor's report on compliance for major federal award programs for the City of Roswell expresses an unqualified opinion on all federal programs.
6. The program tested as major was Mass Transit Program, CFDA 20.507.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. City of Roswell was determined to be a low-risk auditee.
9. There were no audit findings that were required to be reported in accordance with OMB Circular A-133, Section 510(a).

**STATE OF NEW MEXICO
CITY OF ROSWELL
Schedule of Findings and Questioned Costs
June 30, 2008**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2008-1: INADEQUATE BID FILE MAINTENANCE

Condition:

For two of twenty-three bids tested, the City's bid files did not contain the advertisements to bid or invitations to bid and, in one instance, the purchase order was dated after the requisition and the purchase order was dated the same day as the samples were presented.

Criteria

13-1-1 to 13-1-199 NMSA 1978 specifies the process for obtaining bids and awarding contracts for purchases of property in excess of \$10,000 and services in excess of \$20,000. Bid files should contain documentation that is sufficient to support the bid process and outcome and should be readily available for inspection.

Cause

The cause of this problem is not having the proper controls in place over bid file maintenance.

Effect

The City may not always be able to demonstrate compliance with governing regulations and is not able to demonstrate compliance at this time without gathering additional documentation and making supplemental inquiries of other departments to determine the outcome. In this case, additional information could be obtained from other sources to substantiate the bid awards.

Recommendation

We recommend the City include in its bid files all documentation that would support the process and the outcome of the bid activity and ensure the files are reviewed for completeness once a contract is awarded.

Response

The City of Roswell does have procedures in place for bid files and what records constitute a complete file. In order to ensure these procedures are followed, the City will begin the following procedures/enhancements:

1. On the first day of each month a review of bid files for the previous month will take place performed by the Purchasing Director to be sure that the City of Roswell is in compliance with 13-1-1 to 13-1-199 NMSA 1978.
2. Disciplinary action will be taken due to the fact that findings of this nature (in relation to improper bid file maintenance) has occurred in a previous audit.

**STATE OF NEW MEXICO
CITY OF ROSWELL
Schedule of Findings and Questioned Costs
June 30, 2008**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2006-2: LATE BUDGET REPORTS

Condition:

The City of Roswell did not timely submit its proposed budget for the fiscal year.

Criteria:

Section 6-6-2A NMSA 1978 requires the City to file its proposed budget on or before June 1st of each year.

Cause:

The City is not preparing its budget in time to have it ready for submission prior to the statutory deadline.

Effect:

The City is not complying with legal requirements for reporting, which could result in decreased funding.

Recommendation:

The City of Roswell should devote the resources necessary to prepare the budgets and have them approved in time for submission to the State in a timely manner.

Response:

The City of Roswell concurs with the need for and acknowledges the requirement for the timely submission of all its required reports and information to all appropriate agencies. However, in some cases, due to the timing of the preparation of the budget and the closing for the previous fiscal year, as well as the desire to hold public workshops and meetings as regularly scheduled, the City has made the decision to submit some budget reports after consideration and action at its scheduled City Council meetings (which has resulted in in short delay in the submission of some reports). This, the City believes, has resulted in more accurate and better budget submissions, and the City has informed the affected agency of its planned submission date. While the schedule for budget submission is very aggressive, the City will continue to submit its budget(s) and report(s) as timely as possible. The City has attempted to meet all mandated deadlines, but continues to submit the reports as soon as possible around its own schedules of meetings, hearings, etc. as outlined above.

C. FINDINGS – FEDERAL PROGRAMS

None

D. FINDINGS – PRIOR YEAR AUDIT

- 2006-2: Late Budget Reports – Revised and repeated
- 2006-3: Unrecorded Bank Account of the Municipal Court – Resolved and not repeated
- 2007-1: Pledged Collateral – Resolved and not repeated
- 2007-2: Disposition of Property – Resolved and not repeated

**STATE OF NEW MEXICO
CITY OF ROSWELL
Exit Conference
June 30, 2007**

E. AUDITOR PREPARED FINANCIAL STATEMENTS

Although it would be preferred and desirable for the City to prepare its own GAAP-basis financial statements, it is felt that the City's personnel do not have the time to prepare them. Therefore, the financial statements of the City of Roswell were prepared by Miller & Associates, CPA, PC from the original books and records provided by management.

F. EXIT CONFERENCE

The contents of this report were discussed at an exit conference held on November 26, 2008. The following individuals were in attendance:

City of Roswell Officials

Sam Lagrone, City Mayor
John Capps, City Manager
Larry G. Fry, Assistant City Manager
Debra Morsey, Finance Officer
Toni Reeves, Budget Supervisor
Lee Rogers, City Councilor

Auditors

Ron Miller, Shareholder
Ryan Miller, Shareholder